

Acc.002/2018

February 21, 2018

To: The President  
The Stock Exchange of Thailand

Subject: Management discussion and analysis (MD&A) for Year 2017

Dear Sir,

S. Khonkaen Foods Public Company Limited or "SORKON" and its subsidiaries ("the company") would like to clarify the operating results for Year 2017 as following:

#### **Revenue and Net Sales**

The company recorded its total revenue of Baht 2,776.7 million, or 2.8 % increased from year 2016 in Baht 76.5 million of which Baht 2,707.5 million were revenue from sales. The company had successfully recorded a sales growth of Baht 67.9 million, or 2.6 %. Please find the details of sales growth by business units as following:

- Processing food business recorded its revenue of Baht 2,354.0 million that 3.0 % increased from year 2016 or in Baht 68.5 million.
- QSR business recorded its revenue of Baht 158.6 million that was the highest sales growth rate and value increased 22.3 % or Baht 28.9 million growth compared with last year by franchises and delivery services expanding and co-promotion with banks and mobile service providers.
- Swine farm business recorded its revenue of Baht 194.9 million that decreased of Baht 29.5 million from year 2016 due to decreasing of pig finisher price about 15%.

#### **Gross Profit Margin**

Gross Profit Margin (GPM) in year 2017 were Baht 828.6 million that improved from year 2016 in Baht 55.3 million or 7.1%. Moreover, GPM rate increased to 30.6% from 29.3% last year. Details of GPM by business units are as following:

- Processing food recorded its GPM of Baht 746.4 million that 11.9% increased from year 2016 or in Baht 79.2 million mainly due to decreasing of pock price and effective production management.
- QSR business recorded its GPM of Baht 86.8 million that 14.3% increased from year 2016 or in Baht 10.9 million.
- Swine farm business recorded its GPM (loss) of Baht (4.6) million that decreased of Baht 34.8 million from year 2016 due to decreasing of pig finisher price.

#### **Selling and Administration Expenses**

Selling and administration expenses in year 2017 increased of Baht 14.1 million form year 2016, or 2.2% mainly due to co-promotion with customers to reduce price for ending consumers as pock price decreased and effective expenses control.

#### **Other Transaction**

In year 2017 there were Baht 6.2 million from loss on change in fair value less costs to sell of biological assets, Baht 26.3 million and Baht 16.2 million from new office building rental and expenses, and reversal of loss on impairment of investment properties in Baht 25.6 million and reversal of loss on impairment of assets in Baht 7.0 million.

#### **Financial Cost**

Financial cost increased from year 2016 by Baht 4.9 million which came from investment in expansion of seafood factories in 2015 and new office building in 2016.

#### **Net Profit**

For the year 2017, the company recorded net profit attributed to equity holders of the company of Baht 136.4 million compared with Baht 109.2 million in year 2016, increased by Baht 27.2 million or 24.9%.

**Financial Position**

**Asset**

As of 31 December 2017, the company reported total Asset of Baht 2,475.8 million, increased from Baht 2,291.4 million by the year-end 2016, or increased by Baht 184.4 million or 8.0%.

**Liabilities**

As of 31 December 2017, the company reported total Liabilities of Baht 1,538.1 million, increased from Baht 1,468.6 million by the year-end 2016, or increased by Baht 69.4 million or 4.7% due to the increase short-term loans from financial institutions.

**Equities**

As of 31 December 2017, the company reported total Equities of Baht 937.7 million, increased from Baht 822.7 million by the year-end 2016, or increased by Baht 115.0 million or 14%

Respectfully Yours,

(Mr. Charoen Rujirasopon, Mrs. Niramon Rujirasopon)

Authorized Directors