

Acc. 006/2018

August 9, 2018

To: The President
The Stock Exchange of Thailand

Subject: Management discussion and analysis (MD&A) for Quarter 2/2018

Dear Sir,

S. Khonkaen Foods Public Company Limited or "SORKON" and its subsidiaries ("the company") would like to clarify the operating results for Quarter 2/2018 as follows:

Revenue and Net Sales

The Company recorded its total revenue of Baht 765.8 million, or 8.5 % increased from Q2/2017 in Baht 60.1 million of which Baht 731.2 million was revenue from sales. The Company had successfully recorded a sales growth of Baht 41.0 million, or 5.9 % year-over-year. Please find the details of sales growth by business units as follows:

- Processed meat business (Traditional Thai Food, Snack and Frozen) recorded its revenue of Baht 391.0 million which 8.8 % increased from Q2/2017 or in Baht 31.6 million.
- Seafood business recorded its revenue of Baht 253.2 million of which 7.3% increased from Q2/2017 or in Baht 17.3 million.
- QSR business recorded its revenue of Baht 36.1 million of which 14.1% decreased from Q2/2017 or in Baht 5.9 million, as a result of closing some branches which have performance less than target.
- Swine farm business recorded its revenue of Baht 50.9 million of which 3.8% decreased from Q2/2017 or in Baht 2.0 million due to decreasing of price of fattening pig.

Gross Profit Margin

Gross Profit Margin (GPM) in Quarter 2/2018 was Baht 240.0 million, improved from Q2/2017 by Baht 31.7 million or 15.2% YoY. Moreover, GPM rate increased to 32.8% from 30.2% recorded last year. Details of GPM by business units are as follows:

- Processed meat business (Traditional Thai Food, Snack and Frozen) recorded its GPM of Baht 153.5 million of which 30.9% increased from Q2/2017 or in Baht 36.3 million mainly due to decreasing of pork price and effectiveness in production management.
- Seafood business recorded its GPM of Baht 71.2 million of which 15.1% increased from Q2/2017 or in Baht 9.4 million mainly due to effectiveness in raw material and production cost management.
- QSR business recorded its GPM of Baht 20.2 million of which 15.0% decreased from Q2/2017 or in Baht 3.6 million due to closing unperformed branches.
- Swine farm business recorded its loss of Baht 4.8 million, increased of Baht 10.3 million from Q2/2017 due to decreasing of fattening pig price and increasing of feed cost.

Selling and Administration Expenses

Selling and administration expenses in Quarter 2/2018 increased of Baht 11.8 million or 7.2%, as result of selling deposits for land expenses, training and system development expenses.

Other Transaction

In Quarter 2/2018, the company recorded Baht 22.2 million from gain on sales of deposits for land, Baht 3.9 million from gain on changes in fair value less costs to sell biological asset and Baht 2.9 million, Baht 3.7 million from new office building revenue and expenses.

Financial Cost

Financial cost in Quarter 2/2018 was Baht 9.8 million of which 7.8% decreased from Q2/2017 or in Baht 0.8 million, as result of repayment of loans from financial institutions in June 2018.

Net Profit

In the Quarter 2/2018, the company recorded net profit attributable to equity holders of the company of Baht 66.7 million compared with Baht 36.3 million in Q2/2017, increased in Baht 30.5 million or 84.0% YoY.

Financial Position

Asset

As of 30 June 2018, the company reported total Asset of Baht 2,390.8 million, decreased from Baht 2,475.8 million by the year-end 2017, or decreased by Baht 84.9 million or 3.4% as there were reserved cash for promissory note due and selling of deposits for land.

Liabilities

As of 30 June 2018, the company reported total Liabilities of Baht 1,406.5 million, decreased from Baht 1,538.1 million by the year-end 2017, or decreased by Baht 131.6 million or 8.6% due to decreasing in loans from financial institutions.

Equities

As of 30 June 2018, the company reported total Equities of Baht 984.3 million, increased from Baht 937.7 million by the year-end 2017, or increased by Baht 46.6 million or 4.9%

Respectfully Yours,

(Mr. Charoen Rujirasopon, Mrs. Niramon Rujirasopon)

Authorized Directors