

Acc. 004/2019

August 8, 2019

To: The President  
The Stock Exchange of Thailand

Subject: Management discussion and analysis (MD&A) for Quarter 2/2019

Dear Sir,

S. Khonkaen Foods Public Company Limited or "SORKON" and its subsidiaries ("the company") would like to clarify the operating results for Quarter 2/2019 as follows:

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

The Company recorded its total revenue of Baht 728.8 Million, increased by Baht 3.2 Million or 0.4% from the same period of the previous year of which Baht 719.6 Million was revenue from sales. The Company had successfully recorded a sales growth of Baht 28.6 Million, or 4.1%. 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 387.3 Million that 7.7 % increased from Q2/2018 or by Baht 27.8 Million.
- Seafood business recorded its revenue of Baht 233.2 Million that 4.7% decreased from Q2/2018 or by Baht 11.4 Million.
- QSR business recorded its revenue of Baht 38.3 Million that 6.1% increased from Q2/2018 or by Baht 2.2 Million, mainly resulted from more business partners in delivery service channel.
- Swine farm business recorded its revenue of Baht 60.8 Million that 19.6% increased from Q2/2018 or by Baht 10.0 Million due to price raising of fattening pig.

### Gross Profit Margin

Gross Profit Margin (GPM) in Quarter 2/2019 was Baht 185.8 Million, decreased from Q2/2018 by Baht 14.0 Million, or 7.0%, GPM rate decreased from 28.9% to 25.8%. Details of GPM by business units are as follows:

- Processed meat business (Traditional Thai Food, Snack and Frozen) recorded its GPM of Baht 98.7 Million that 19.1% decreased from Q2/2018 or by Baht 23.2 Million mainly due to raising of pork price in Q2/2018 around 30%.
- Seafood business recorded its GPM of Baht 61.3 Million that 2.1% decreased from Q2/2018 or by Baht 1.3 Million.
- QSR business recorded its GPM of Baht 21.0 Million that 4.2% increased from Q2/2018 or by Baht 0.8 Million.
- Swine farm business recorded its GPM of Baht 4.9 Million increased of Baht 9.7 Million from Q2/2018 mainly resulted from increasing of fattening pig price.

### Selling and Administrative Expenses

Selling and administrative expenses in Quarter 2/2019 increased by Baht 22.3 Million or 16.4% from Q2/2018 due to past services cost for long-term employee benefit (Labor Protection No. 7, B.E.2019) and IT system improvement expenses.

### Other Transaction

In Quarter 2/2019, there were Baht 2.1 Million and Baht 3.5 Million from revenues and expenses from new office building and Baht 1.2 Million from loss on change in fair value less cost to sale of biological assets.

### Financial Cost

Financial cost in Quarter 2/2019 was Baht 8.5 Million decreased by Baht 1.3 Million or 13.1% from Q2/2018 mainly from bank loan repayment in 2018.

### Net Profit

- For the Quarter 2/2019, the company recorded net profit attributed to equity holders of the company of Baht 19.6 Million compared with Baht 66.8 Million in Q2/2018, decreased by Baht 47.2 Million or 70.6%, resulted from increasing of pork price from Q2/2018 and past services cost for long-term employee benefit expenses.

**Financial Position**

**Assets**

As of June 30, 2019 the company, reported total Asset of Baht 2,391.8 Million, decreased from Baht 2,405.7 Million at the year-end of 2018 or decreased by Baht 13.9 Million or 0.6%, mainly resulted from decrease in trade and other receivables.

**Liabilities**

As of June 30, 2019 the company, reported total Liabilities of Baht 1,359.7 Million, increased from Baht 1,347.5 Million at the year-end of 2018 or increased by Baht 12.2 Million or 0.9%.

**Equities**

As of June 30, 2019 the company, reported total Equities of Baht 1,032.0 Million, decreased from Baht 1,058.2 Million at the year-end of 2018, or decreased by Baht 26.1 Million or 2.5%.

Respectfully Yours,

(Mr. Charoen Rujirasopon, Mr. Niramom Rujirasopon)

Authorized Directors