

Acc. 006/2019

November 11, 2019

To: The President  
The Stock Exchange of Thailand

Subject: Management discussion and analysis (MD&A) for Quarter 3/2019

Dear Sir,

S. Khonkaen Foods Public Company Limited or "SORKON" and its subsidiaries ("the company") would like to clarify the operating results for Quarter 3/2019 as follows:

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

The Company recorded its total revenue of Baht 696.9 Million, increased by Baht 14.8 Million or 2.2% from the same period of the previous year of which Baht 690.4 Million was revenue from sales. The Company had successfully recorded a sales growth of Baht 20.5 Million, or 3.1%. 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 366.7 Million that 7.8 % increased from Q3/2018 or by Baht 26.5 Million. Most of the increased revenue resulted from Traditional Thai Food that has modernized both packaging and taste to meet consumer needs.
- Seafood business recorded its revenue of Baht 223.4 Million that 5.1% decreased from Q3/2018 or by Baht 12.1 Million which was driven mainly by Thai Baht appreciation as well as decreased in consumer purchasing power in European countries.
- QSR business recorded its revenue of Baht 35.1 Million that 3.0% decreased from Q3/2018 or by Baht 1.1 Million.
- Swine farm business recorded its revenue of Baht 65.2 Million that 12.4% increased from Q3/2018 or by Baht 7.2 Million due to average price raising of fattening pig.

### Gross Profit Margin

Gross Profit Margin (GPM) in Quarter 3/2019 was Baht 173.6 Million, decreased from Q3/2018 by Baht 14.1 Million, or 7.5%, GPM rate decreased from 28.0% to 25.1%. Details of GPM by business units are as follows:

- Processed meat business (Traditional Thai Food, Snack and Frozen) recorded its GPM of Baht 94.7 Million that 10.8% decreased from Q3/2018 or by Baht 11.5 Million mainly due to raising of average pork price in Q3/2018.
- Seafood business recorded its GPM of Baht 58.2 Million that 1.4% decreased from Q3/2018 or by Baht 0.8 Million due to export sales decreased.
- QSR business recorded its GPM of Baht 19.2 Million that 6.3% decreased from Q3/2018 or by Baht 1.3 Million.
- Swine farm business recorded its GPM of Baht 1.5 Million that 25% decreased from Q3/2018 or by Baht 0.5 Million due to increased expense for ASF prevention in swine farm.

### Selling and Administrative Expenses

Selling and administrative expenses in Quarter 3/2019 increased by Baht 8.6 Million or 6.5% from Q3/2018 due to increase more distribution channels and sales promotions to maintain customer base and increase domestic sales.

### Other Transaction

In Quarter 3/2019, there were Baht 2.1 Million and Baht 3.7 Million from revenues and expenses from new office building and Baht 21.4 Million from loss on change in fair value less cost to sale of biological assets, resulted from decreased fair price of fattening pigs from the end of Q2/2019 to Q3/2019.

### Financial Cost

Financial cost in Quarter 3/2019 was Baht 8.7 Million increased by Baht 0.1 Million or 1.2% from Q3/2018.

### Net Profit

For the Quarter 3/2019, the company recorded net profit attributed to equity holders of the company of Baht 4.2 Million compared with Baht 45.5 Million in Q3/2018, decreased by Baht 41.3 Million or 90.8%, resulted from increasing cost & expenses from Q3/2018 as following:

- Increased average pork price

- More preventive expenses for ASF
- Increase more distribution channels and sales promotions
- Loss on change in fair value less cost to sale of biological assets

### Financial Position

#### Assets

As of September 30, 2019, the company, reported total Asset of Baht 2,433.2 Million, increased from Baht 2,405.7 Million at the year-end of 2018 or decreased by Baht 27.5 Million or 1.1%, mainly resulted from increase in raw material inventories.

#### Liabilities

As of September 30, 2019, the company, reported total Liabilities of Baht 1,398.8 Million, increased from Baht 1,347.5 Million at the year-end of 2018 or increased by Baht 51.3 Million or 3.8% mainly resulted from increase in bank overdrafts and short-term loans from financial institutions.

#### Equities

As of September 30, 2019, the company, reported total Equities of Baht 1,034.5 Million, decreased from Baht 1,058.2 Million at the year-end of 2018, or decreased by Baht 23.7 Million or 2.2%.

Respectfully Yours,

(Mr. Charoen Rujirasopon, Mrs. Niramon Rujirasopon)

Authorized Directors