

Acc.001/2563

February 24, 2020

To: The President
The Stock Exchange of Thailand

Subject: Management discussion and analysis (MD&A) for the Year 2019

Dear Sir,

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

Revenue and Net Sales

The Company recorded its total revenue of Baht 2,865.0 Million, increased by Baht 73.7 Million or 2.6% from the previous year of which Baht 2,837.0 Million was revenue from sales. The Company had successfully recorded a sales growth of Baht 128.2 Million, or 4.7%. 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 1,512.7 Million that 6.6% increased from 2018 or by Baht 94.1 Million. Most of the increased revenue resulted from package modernization in Traditional Thai products and new taste development to meet consumer preference.
- Seafood business recorded its revenue of Baht 932.6 Million that 1.4% decreased from 2018 or by Baht 12.8 Million. The revenue from export decreased due to disadvantage in price competition from Thai baht appreciation to competitors, especially from Vietnam.
- QSR business recorded its revenue of Baht 143.0 Million that 3.1% increased from 2018 or by Baht 4.2 Million, resulted from distribution channel development with more partners such as GrabFood, LINE MAN, and Foodpanda.
- Swine farm business recorded its revenue of Baht 248.7 Million that 20.7% increased from 2018 or by Baht 42.7 Million due to average price raising of fattening pig from the previous year.

Gross Profit Margin

Gross Profit Margin (GPM) in 2019 was Baht 752.2 Million, decreased from 2018 by Baht 13.2 Million, or 1.7%, GPM rate decreased from 28.3% to 26.5%. Details of GPM by business units are as follows:

- Processed meat business (Traditional Thai Food, Snack and Frozen) recorded its GPM of Baht 409.1 Million that 11.7% decreased from Year 2018 or by Baht 54.0 Million mainly due to raising of average pork price in 2019.
- Seafood business recorded its GPM of Baht 251.9 Million that 2.7% increased from 2018 or by Baht 6.7 Million due to efficiency improvement in raw material and production cost management.
- QSR business recorded its GPM of Baht 79.0 Million that 2.6% increased from 2018 or by Baht 2.0 Million.
- Swine farm business recorded its GPM of Baht 12.1 Million that 160.8% increased from 2018 or by Baht 32.1 Million due to price raising of fattening pig from the previous year.

Selling and Administrative Expenses

Selling and administrative expenses in 2019 increased by Baht 31.2 Million or 5.6% from 2018 due to increase more distribution channels and sales promotions to maintain customer base and increase domestic sales, IT system development and internal control improvement of subsidiaries.

Other Transaction

In 2019, there were Baht 8.6 Million and Baht 14.9 Million from revenues and expenses from new office building and Baht 10.0 Million from loss on change in fair value less cost to sale of biological assets, resulted from changing of fair price of fattening pigs in 2019 less than 2018.

Financial Cost

Financial cost in 2019 was Baht 33.7 Million increased by Baht 3.1 Million or 8.3% from 2018, as a result of loan repayment to financial institutions in 2018 and the decreased interest rate in 2019.

Net Profit

For the Year 2019, the company recorded net profit attributed to equity holders of the company of Baht 112.1 Million compared with Baht 191.3 Million in 2018, decreased by Baht 79.2 Million or 41.4%, resulted from increasing cost & expenses from 2018 as following:

- Increased average pork price
- More preventive expenses for ASF
- Increase more distribution channels and sales promotions
- IT system development and internal control improvement of subsidiaries
- Loss on change in fair value less cost to sale of biological assets
- No gain on sales of deposit for land

Financial Position

Assets

As of December 31, 2019, the company, reported total Asset of Baht 2,566.1 Million, increased from Baht 2,405.7 Million at the year-end of 2018 or increased by Baht 160.4 Million or 6.7% mainly resulted from increase in raw material inventories and deferred short term liabilities payment at the beginning of 2020.

Liabilities

As of December 31, 2019, the company, reported total Liabilities of Baht 1,480.6 Million, increased from Baht 1,347.5 Million at the year-end of 2018 or increased by Baht 133.1 Million or 9.9% due to deferred short term loan payment and increased subsidiaries long term loan from a financial institution for repayment loan to parent company.

Equities

As of December 31, 2019, the company, reported total Equities of Baht 1,085.6 Million, increased from Baht 1,058.2 Million at the year-end of 2018, or decreased by Baht 27.4 Million or 2.6%.

Respectfully Yours,

(Mr. Charoen Rujirasopon, Mrs. Niramom Rujirasopon)

Authorized Directors