

Acc. 005/2020

August 10, 2020

To: The President
The Stock Exchange of Thailand

Subject: Management discussion and analysis (MD&A) for Quarter 2/2020

Dear Sir,

S. Khonkaen Foods Public Company Limited or "SORKON" and its subsidiaries ("the company") would like to clarify the operating results for Quarter 2/2020 as follows:

Revenue and Net Sales

The Company recorded its total revenue of Baht 699.9 Million, or 4.0% decreased from Q2/2019 by Baht 28.9 Million of which Baht 690.4 Million was revenue from sales. The company has recorded a sales decline of Baht 29.2 Million, or 4.1%. Please find the details of sales by business units as follows:

- Processed meat business (Traditional Thai Food, Snack and Frozen) recorded its revenue of Baht 369.8 Million that 4.5% decreased from Q2/2019 or by Baht 17.5 Million, according to consumer hoarding in Quarter 1/2020 as well as decline of purchasing power.
- Seafood business recorded its revenue of Baht 235.7 Million that 1.1% increased from Q2/2019 or by Baht 2.5 Million.
- QSR business recorded its revenue of Baht 20.4 Million that 46.7% decreased from Q2/2019 or by Baht 17.9 Million due to closing unperformed branches which have been affected by the situation of the COVID-19 pandemic.
- Swine farm business recorded its revenue of Baht 64.5 Million or an increase of Baht 3.7 Million from Q2/2019.

Gross Profit Margin

Gross Profit Margin (GPM) in Quarter 2/2020 was Baht 182.3 Million, which decreased from Q2/2019 by Baht 3.5 Million, or 1.9%. However, GPM rate increased from 25.8% to 26.4%. Details of GPM by business units are as follows:

- Processed food business (Traditional Thai Food, Snack and Frozen) recorded its GPM of Baht 106.6 Million that 8.0% increased from Q2/2019 or by Baht 7.9 Million.
- Seafood business recorded its GPM of Baht 59.9 Million that 2.3% decreased from Q2/2019 or by Baht 1.4 Million.
- QSR business recorded its GPM of Baht 10.7 Million that 49.0% decreased from Q2/2019 or by Baht 10.3 Million due to decreased revenue which was impacted by COVID-19 pandemic.
- Swine farm business recorded its GPM of Baht 5.1 Million that 4.1% increased from Q2/2019 or by Baht 0.2 Million.

Selling and Administration Expenses

In Q2/2020, the Company recorded selling and administration expenses of Baht 142.6 Million, which had decreased from Q2/2019 by Baht 16.0 Million, or 10.1% because there was record of past services cost for long-term employee benefit (Labor Protection No. 7, B.E.2019) in Q2/2019.

Other Transaction

In Q2/2020, there were Baht 2.1 Million and Baht 4.0 Million from revenue and expenses from the office building for rent and Baht 5.4 Million from gain on change in fair value less cost of sale of biological assets.

Financial Cost

Financial cost in Q2/2020 was Baht 8.1 Million had decreased by Baht 0.4 Million or 4.7% from Q2/2019.

Net Profit

In Q2/2020, the company recorded a net profit attributed to equity holders of the company of Baht 31.1 Million that 58.7% increased from Q2/2019 or by Baht 11.5 Million due to decreasing in selling and administration expenses and gain on change in fair value less cost of sale of biological assets.

Financial Position

Asset

As of 30 June 2020, the company reported total Asset of Baht 2,598.7 Million, increased from Baht 2,566.1 Million by the year-end 2019 or increased by Baht 32.6 Million, or 1.3% resulted from recording right of use assets from the adoption of TFRS 16 Lease.

Liabilities

As of 30 June 2020, the company reported total Liabilities of Baht 1,513.0 Million, increased from Baht 1,480.6 Million by the year-end 2019 or increased by Baht 32.4 Million, or 2.2% due to recording lease liabilities from the adoption of TFRS 16 Lease.

Equities

As of 30 June 2020, the company reported total Equities of Baht 1,085.7 Million, increased from Baht 1,085.6 Million by the year-end 2019 or increased by Baht 0.1 Million, or 0.01%.

Respectfully Yours,

(Mr. Charoen Rujirasopon, Mr. Jarunpoj Rujirasopon)

Authorized Directors