

Acc. 005/2018

May 10, 2018

To: The President
The Stock Exchange of Thailand

Subject: Management discussion and analysis (MD&A) for Quarter 1/2018

Dear Sir,

S. Khonkaen Foods Public Company Limited or "SORKON" and its subsidiaries ("the company") would like to clarify the operating results for Quarter 1/2018 as follows:

Revenue and Net Sales

The Company recorded its total revenue of Baht 696.5 million, or 5.2 % increased from Q1/2017 in Baht 34.5 million of which Baht 672.2 million was revenue from sales. The Company had successfully recorded a sales growth of Baht 30.3 million, or 4.7 % year-over-year (YoY). 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 368.0 million which 11.9 % increased from Q1/2017 or in Baht 39.2 million.
- Seafood business recorded its revenue of Baht 232.7 million which 1.8% increased from Q1/2017 or in Baht 4.2 million.
- QSR business recorded its revenue of Baht 31.2 million, 16% decreased from Q1/2017 or in Baht 6.0 million, as a result of closing some branches which have performance less than target.
- Swine farm business recorded its revenue of Baht 40.3 million which decreased of Baht 7.2 million from Q1/2017 due to decreasing of price of fattening pig about 14%

Gross Profit Margin

Gross Profit Margin (GPM) in Quarter 1/2018 was Baht 220.9 million, improved from Q1/2017 by Baht 30.7 million or 16.1% YoY. Moreover, GPM rate increased to 32.9% from 29.6% 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 148.8 million that 27.5% increased from Q1/2017 or by Baht 32.1 million mainly due to decreasing of pork price and effectiveness in production management.
- Seafood business recorded its GPM of Baht 67.5 million, 22.3% increased from Q1/2017 or by Baht 12.3 million mainly due to effectiveness in raw material and production cost management.
- QSR business recorded its GPM of Baht 17.1 million, 17.2% decreased from Q1/2017 or by Baht 3.5 million due to closing unperformed branches.
- Swine farm business recorded its loss of Baht 12.5 million, increased of Baht 10.2 million from Q1/2017 due to decreasing of fattening pig price and increasing of feed cost.

Selling and Administration Expenses

Selling and administration expenses in Quarter 1/2018 increased by Baht 5.9 million or 3.7% due to annual merit increase and training expenses.

Other Transaction

There was Baht 18.4 million gain from fair value of swine farm in Quarter 1/2018, and Baht 2.8 million and Baht 4.2 million from new office building revenue and expenses.

Financial Cost

Financial cost in Quarter 1/2018 in Baht 10.1 million is equal in Q1/2017 as the company used operating cash flow for investment instead of loans.

Net Profit

For the Quarter 1/2018, the company recorded net profit attributed to equity holders of the company of Baht 50.8 million compared with Baht 29.4 million in Q1/2017, increased by Baht 21.4 million or 73.0% YoY.

Financial Position

Asset

As of 31 March 2018, the company reported total Asset of Baht 2,558.7 million, increased from Baht 2,475.7 million by the year-end 2017, or increased by Baht 83 million or 3.4% as there was reserved cash for promissory note due.

Liabilities

As of 31 March 2018, the company reported total Liabilities of Baht 1,570.1 million, increased from Baht 1,538.1 million by the year-end 2017 or increased by Baht 32 million or 2.1% due to increase in short-term loans for working capital at the end of the period and accrued income tax.

Equities

As of 31 March 2018, the company reported total Equities of Baht 988.6 million, increased from Baht 937.7 million by the year-end 2017, or increased by Baht 50.9 million or 5.4%

Respectfully Yours,

(Mr. Charoen Rujirasopon, Mr. Jarunpoj Rujirasopon)

Authorized Directors