

Acc. 002/2021

February 25, 2021

To: The President
The Stock Exchange of Thailand

Subject: Management discussion and analysis (MD&A) for the Year 2021

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 2021 as follows:

Revenue and Net Sales

The Company recorded its total revenue of Baht 2,793.9 Million which 2.5% decreased from the previous year by Baht 71.1 Million of which Baht 2,763.3 Million was revenue from sales. The Company has recorded a sales decline of Baht 73.7 Million, or 2.6%. 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 1,441.4 Million that 4.7% decreased from 2019 or by Baht 71.3 Million, according to decreased purchasing power affected by the COVID-19 pandemic.
- Seafood business recorded its revenue of Baht 963.5 Million that 3.3% increased from 2019 or by Baht 30.9 Million due to increased sales from export.
- QSR business recorded its revenue of Baht 96.7 Million that 32.4% decreased from 2019 or by Baht 46.3 Million due to affected by the COVID-19 pandemic and closing unperformed branches.
- Swine farm business recorded its revenue of Baht 261.8 Million that 5.3% increased from 2019 or by Baht 13.1 Million resulted from increasing in fattening pig price.

Gross Profit Margin

Gross Profit Margin (GPM) in 2020 was Baht 735.9 Million, which decreased from 2019 by Baht 16.3 Million, or 2.2%. However, the GPM rate in 2020 was 26.6% close to 2019 at 26.5%. Details of GPM by business units are as follows:

- Processed food business (Traditional Thai Food, Snack, and Frozen) recorded its GPM of Baht 399.7 Million that 2.3% decreased from 2019 or by Baht 9.4 Million due to decreased in sales.
- Seafood business recorded its GPM of Baht 247.0 Million that 1.9% decreased from 2019 or by Baht 4.9 Million resulted from decreased in traditional trade sales which has high margin.
- QSR business recorded its GPM of Baht 52.1 Million that 34.1% decreased from 2019 or by Baht 26.9 Million due to decreased in revenue and closing unperformed branches.
- Swine farm business recorded its GPM of Baht 37.0 Million that 205.8% increased from 2019 or by Baht 24.9 Million due to increasing in fattening pig price.

Selling and Administration Expenses

In 2020, the Company recorded selling and administration expenses of Baht 572.1 Million, which decreased from 2019 by Baht 12.9 Million, or 2.2% due to efficiency expenses management.

Other Transaction

In 2020, there were Baht 11.2 Million and Baht 17.7 Million from revenue and expenses from the office building for rent and Baht 7.4 Million from the loss on change in fair value less cost of sale of biological assets resulted from number of fattening pigs in stock less than in 2019, the Company recorded loss on impairment of investment properties of Baht 1.6 Million due to land revaluation in this year.

Financial Cost

Financial cost in 2020 was Baht 32.5 Million decreased by Baht 1.2 Million or 3.6% from 2019 resulted from a decrease in loans and interest rate from financial institutions.

Net Profit

In 2020, the Company recorded net profit attributed to equity holders of the Company of Baht 109.9 Million compared with Baht 112.1 million in 2019, decreased by Baht 2.2 Million or 2.0%, resulted from sales and expenses as following:

- Decreasing in sales was affected by the COVID-19 pandemic
- Loss on change in fair value less cost of sale of biological assets
- Loss on impairment of investment properties from land revaluation

Financial Position

Asset

As of 31 December 2020, the Company reported a total Asset of Baht 2,654.5 Million, increased from Baht 2,566.1 Million by the year-end 2019 or increased by Baht 88.4 Million or 3.4% resulted from recording right of use assets from the adoption of TFRS 16 Lease.

Liabilities

As of 31 December 2020, the Company reported total Liabilities of Baht 1,508.9 Million, increased from Baht 1,480.6 Million by the year-end 2019 or increased by Baht 28.3 Million, or 1.9% mainly resulted from recording lease liabilities from the adoption of TFRS 16 Lease. However, loans from financial institutions were decreased.

Equities

As of 31 December 2020, the Company reported total Equities of Baht 1,145.7 Million, increased from Baht 1,085.6 Million by the year-end 2019 or increased by Baht 60.1 Million or 5.5% resulted from profit for the year and surplus on revaluation of assets.

Respectfully Yours,

(Mr. Charoen Rujirasopon, Mrs. Niramon Rujirasopon)

Authorized Directors