

- Translation -

11 August 2017

Subject: Management's Discussion and Analysis for the Operating Results of the Second Quarter of 2017

Attention: The President of the Stock Exchange of Thailand

Exotic Food Public Company Limited (the "Company") would like to send the financial statements for the second quarter ended June 30<sup>th</sup>, 2017, which have been reviewed by the independent auditor. The Company's net profit decreased by 47.88% or equal to Baht 15.60 million as compared to Baht 29.93 million which was recorded in the same quarter of 2016. For 1H17, the Company recorded the net profit of Baht 30.04 million which decreased by 53.58 % comparing to the net profit of Baht 64.71 million in 1H16. The clarification of the Company operating results is as follows:

<b>Income Statement ( million Baht)</b>	<b>2Q16</b>	<b>1Q17</b>	<b>2Q17</b>	<b>%YoY</b>	<b>%QoQ</b>	<b>1H16</b>	<b>1H17</b>	<b>%YoY</b>
Revenue from sale of goods	234.39	254.87	227.23	-3.05%	-10.84%	455.51	482.10	5.84%
Cost of sale of goods	(155.09)	(185.43)	(153.83)	-0.81%	-17.04%	(299.39)	(339.26)	13.32%
Gross profit	79.30	69.44	73.40	-7.44%	5.70%	156.12	142.84	-8.51%
Selling expenses	(20.87)	(19.40)	(16.81)	-19.45%	-13.35%	(37.22)	(36.21)	-2.71%
Administrative expenses	(29.27)	(34.27)	(37.87)	29.38%	10.50%	(54.93)	(72.14)	31.33%
Operating profit	29.16	15.77	18.72	-35.80%	18.71%	63.97	34.49	-46.08%
Investment income	3.12	-	0.11	-96.47%		3.43	0.11	-96.79%
Net foreign exchange gain/(loss)	1.79	0.45	(0.31)	-117.32%	-168.89%	1.23	0.14	-88.62%
Other income	0.40	0.68	0.57	42.50%	-16.18%	0.77	1.25	62.34%
Earnings before Interest and taxes	34.47	16.90	19.09	-44.62%	12.96%	69.40	35.99	-48.14%
Financial expense	(0.15)	(0.26)	(0.73)	386.67%	180.77%	(0.30)	(0.99)	230.00%
Profit before income tax expense	34.32	16.64	18.36	-46.50%	10.34%	69.10	35.00	-49.35%
Income tax expense	(4.39)	(2.20)	(2.76)	-37.13%	25.45%	(4.39)	(4.96)	12.98%
<b>Profit for the period</b>	<b>29.93</b>	<b>14.44</b>	<b>15.60</b>	<b>-47.88%</b>	<b>8.03%</b>	<b>64.71</b>	<b>30.04</b>	<b>-53.58%</b>

### Revenues from Sales

In the 2Q17, the Company had total revenues from sales in the amount of Baht 227.23 million, which decreased by Baht 7.16 million or 3.05% when compared with the same period in 2016. The decrease in the revenue from sales was mainly due to the decrease in sales volume of Fruit and Vegetable Beverage product.

Total revenue from sales in 1H17 was recorded at Baht 482.10 million which resulted in an increase of Baht 26.59 million or 5.84%. The increase in the revenue from sales was due to an increase in sales volume of Seasoning and Dipping Sauce group.

	2Q16	1Q17	2Q17	% YoY	% QoQ	1H16	1H17	% YoY
<b>Sales volume (Ton)</b>								
- Euro	441	356	387	-12.24%	8.71%	638	743	16.46%
- United States dollar	1,096	875	938	-14.42%	7.20%	2,283	1,813	-20.59%
- Thailand baht	1,872	2,345	2,037	8.81%	-13.13%	3,804	4,382	15.19%
<b>Total sales volume (Ton)</b>	<b>3,409</b>	<b>3,576</b>	<b>3,362</b>	<b>-1.38%</b>	<b>-5.98%</b>	<b>6,725</b>	<b>6,938</b>	<b>3.17%</b>
<b>Average FX</b>								
- THB/EUR	39.40	36.99	37.36	-5.18%	1.00%	39.14	37.96	-3.01%
- THB/USD	35.07	34.89	34.08	-2.82%	-2.32%	35.26	34.49	-2.18%

### Cost of Sales

Cost of sales in 2Q17 was in the amount of Baht 153.83 million which decreased by Baht 1.26 million or 0.81% as compared to the same period in 2016 and decreased by Baht 31.60 million or 17.04% when compared with that in 1Q17. Such decrease was in line with a decrease in sales volume.

In 1H17, the Company recorded the cost of sales in the amount of Baht 339.26 million which increased in the amount of Baht 39.87 million or 13.32% from the same period of the previous year. This increase was in line with an increase in sales volume.

### Gross Profit Margin

Gross profit margin is equal to 32.30% in 2Q17, which slightly declined from the same period of last year which was 33.83%. The main cause stemmed from the duplicated costs of labor between the two (2) factories which are located at Laem Chabang and the new factory at Amata City. Such costs incurred during relocation of the production lines of sauces and condiments to the new factory at Amata City. However, the gross profit margin in 2Q17 increased comparing to gross profit margin of 27.25% in 1Q17. The increase in gross profit margin was mainly attributed to a reduction of production employees of the factory at Laem Chabang.

In 1H17, the Company had gross profit margin of 29.63% which decreased from 34.27% in 1H16. The main cause stemmed from the duplicated cost of labor between the factory at Laem Chabang and the new factory at Amata City incurred during relocation of the production lines of sauces and condiments to the new factory. In addition, the new factory is in the early stage of production; therefore, the production is unable to operate at its full capacity. Moreover, an increase in prices of sugar and garlies, which are the main raw materials used in the production, has contributed to an increase in the overall costs of production per unit.

### **Selling Expenses**

Selling expenses in 2Q17 were in the amount of Baht 16.81 million which decreased by Baht 4.06 million or 19.45% as compared to the same period in 2016 and declined by Baht 2.59 million or 13.35% when compared with that in 1Q17. This decrease was in line with a decrease in sales volume.

In 1H17, the Company had selling expenses in the amount of Baht 36.21 million which decreased by Baht 1.01 million or 2.71% when compared with 1H16. This decrease was due to a decrease in travel expenses.

### **Administrative Expenses**

Administrative expenses in 2Q17 were in the amount of Baht 37.87 million - an increase by Baht 8.60 million or 29.38% as compared to 2Q16. The main reasons stemmed from reclassification of fixed costs at the new factory which incurred as a result of lower-than-normal production capacity in the amount of Baht 5.13 million as well as an increase in the related staff costs to support business expansion. Compared with administrative expenses in 1Q17, an increase of Baht 3.60 million or 10.50% is observed, and this is mainly due to an increase in travel expenses, stock destruction fee, and share-based payment transaction.

In 1H17, administrative expenses were in the amount of Baht 72.14 million, an increase by Baht 17.21 million or 31.33% as compared to 1H16. Such increase was due to reclassification of fixed costs at the new factory which incurred as a result of lower-than-normal production capacity in the amount of Baht 10.17 million, an increase in the related staff costs to support business expansion, and stock destruction fee.

### **Net Profit**

The Company's net profit in 2Q17 was in the amount of Baht 15.60 million – a decrease by 47.88% when compared with that in 2Q16. This increase was mainly due to a decrease in revenue from sales and gross profit margin and an increase in administrative expenses. Comparing with the net profit in 1Q17, the net profit increased by Baht 1.16 million or 8.03%, this was mainly due to an increase in gross profit margin.

In 1H17, the Company's net profit was in the amount of Baht 30.04 million, a decrease by Baht 53.58% when compared with that of 1H16. This decrease was mainly due to a decrease in gross profit margin and an increase in administrative expenses.

Please be informed accordingly.

Sincerely yours,

*-Signed-*

(Ms. Vasana Jantarach)  
Deputy Managing Director