



August 15, 2017

To President,
The Stock Exchange of Thailand

Subject Notification on the difference of revenue from sales and net profit YOY by more than 20 percent

Taokaenoi Food & Marketing Public Company Limited (“Company”) would like to clarify the sales revenue and net profit in the consolidated financial statements for the six-month period ended June 30, 2017 as follow;

Consolidated Financial Statements	2nd Quarter (April – June)				
	2Q/2017		2Q/2016		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,211.6	100.0 %	1,119.8	100.0 %	8.2 %
Cost of Sales	(827.0)	(68.3 %)	(725.6)	(64.8 %)	14.0 %
Gross Margin	384.5	31.7 %	394.2	35.2 %	(2.4 %)
Selling Expenses	(146.4)	(12.1 %)	(118.0)	(10.5 %)	24.1 %
Administrative Expenses	(60.5)	(5.0 %)	(56.3)	(5.0 %)	7.4 %
Net Profit	135.3	11.2 %	184.7	16.5 %	(26.7 %)

Consolidated Financial Statements	Year-to-Date (January – June)				
	YTD Jun 2017		YTD Jun 2016		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	2,332.6	100.0 %	2,137.6	100.0 %	9.1 %
Cost of Sales	(1,561.9)	(67.0 %)	(1,369.8)	(64.1 %)	14.0 %
Gross Margin	770.7	33.0 %	767.8	35.9 %	0.4 %
Selling Expenses	(271.8)	(11.7 %)	(229.9)	(10.8 %)	18.2 %
Administrative Expenses	(108.1)	(4.6 %)	(119.2)	(5.6 %)	(9.2 %)
Net Profit	306.3	13.1 %	345.3	16.2 %	(11.3 %)

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Revenue from Sales

In the 2nd quarter of 2017, the company has earned 1,211.6 million baht or **8.2 percent increase compared to the same period of 2016**. The increase of sales from international market grew steadily by 14.5 percent and 0.2 percent increase in the domestic market. When compared to 1st and 2nd quarter of 2017, Total sales increase by 8.1 percent in the 2nd quarter. This is the result of the seasonal sales.

Domestic market: the sales revenue of 2nd quarter of 2017 was 495.7 million baht or **0.2 percent increase from the same quarter of the previous year** and 8.7 percent increase from the 1st quarter of 2017. This growth is due to the release of new products, for example, the “Family Pack” size packaging (grilled and crispy seaweed), the “Big Sheet” (roasted seaweed) and “Whey Protein” products for health conscious consumers. In June, our seaweed products own 66 percent of all domestic seaweed snack market due to our consistent marketing strategies. However, sales for tourists especially the Chinese tourist consumers decreased when compared to the same period of the previous year but should increase in the foreseeable future.

International sales: the sales revenue in the 2nd quarter of 2017 was 715.8 million baht or **14.5 percent increase from the same quarter of the previous year** and 7.6 percent increase from the 1st quarter of 2017. China, the United States and Vietnam are continuing to grow from the previous year. While the sales in the Indonesian market plummeted during the 1st quarter of 2017 but recovered back to normal in the 2nd quarter of 2017. However, the sales in the Chinese market were lower than the predicted target due to moving production lines to the Rojana plant that was at full capacity which cannot fully support orders from China.

As a result, the first 6 months the company generated 2,332.6 million baht or **9.1 percent increase** from the first 6 months of the previous year.

Gross Margin

The company has a gross profit of 384.5 million baht in the 2nd Quarter of 2017, 31.7% from the sales revenue. However, the gross profit has **decrease 3.5 percent comparing to the same period in the previous year**. This is due to the price of the seaweed (raw materials) used increasing in 2017 (production of seaweed in China has decreased by 35 percent, making the price of seaweed from Korea much higher but it is predicted that the price will be restored to normal in 2018). Compared with the same period of last year, seaweed is still at the old price before the price increase in 2016, resulting in a difference of more than 20 percent of the price of seaweed.

Furthermore, in the previous quarter, labor costs and production costs per unit are still high because the company has started the production line of crispy and grilled seaweed at the Rojana factory in order to support the sales in the export market and combined with the issues of changes of the Myanmar workers during the 2nd quarter (the situation unravels in June) led to the decrease in production of the Nopawong factory.

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Once the company enter the appropriate production level (Optimum level) with the installation of the proper production machinery, production will increase at a faster rate while the cost of production will decrease in the long run. The company now has entered the 2nd phase of production (grilled seaweed) in the 3rd quarter of the year.

During the first 6 months, the company's gross profit is 770.7 million baht, 33.0 percent coming from sales or **2.9 percent decrease in gross profit from the same period last year.**

Selling Expenses

The company cost of sales is 146.4 million baht in the 2nd quarter of 2017 or 12.1 percent of the sales revenue and an increased in the cost of sales by 1.6 percent from the 2nd quarter of the previous year. The increase in the cost of sales is due to the new product launch campaigns, hiring presenters to promote the product and television and online advertising. In addition, the cost of new marketing strategies implemented for the fast growing Chinese market. The company has maintained the cost of sales and marketing costs at the set budget.

In the first 6 months, the cost of sales is at 271.8 million baht, 11.7 percent of the sales revenue and an increase in the cost of sales by 0.9 percent during the first 6 months of the previous year.

Administrative Expenses

The company's management cost in the 2nd quarter of 2017 is at 60.5 million baht, 5 percent of the sales revenue, the management cost remains the same as the 2nd quarter of the previous year. Furthermore, the management cost is at the set budget.

The company's management cost in the first 6 months is at 108.1 million baht, 4.6 percent of the sales revenue and a decrease of 1 percent from the first 6 months of the previous year.

Net Profit

The company has net profit of 2Q/2017 is 135.3 million baht or 11.2 percent of sales revenue, which decrease 3.1 percent compare to 2Q/2016 due to increasing of cost of goods sold and selling expense. The company also got affect by stronger baht because the company already made currency forward contract for purchased seaweed which made the company lost from exchange rate 11.2 million baht.

The company has net profit for 6 month of 2017 is 306.3 million baht or 13.1 percent of sales revenue, **decrease 3.1 percent from the same period of 2016.**

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Please be informed accordingly.

Yours Sincerely,

(Mr.Jirapong Suntipiromkul)

Chief Financial Officer

Authorized to sign on behalf of the company

Taokaenoi Food & Marketing PLC.

บริษัท เ้าแก่น้อย ฟู้ดแอนด์มาร์เก็ตติ้ง จำกัด (มหาชน)

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