



November 14, 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 revenue from sales and net profit in the consolidated financial statements for the nine-month period ended September 30, 2017 as follow;

Consolidated Financial Statements	3rd Quarter (July – September)				
	3Q/2017		3Q/2016		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
<b>Revenue from Sales</b>	<b>1,405.2</b>	<b>100.0 %</b>	<b>1,261.0</b>	<b>100.0 %</b>	<b>11.4 %</b>
Cost of Sales	(965.8)	(68.7 %)	(813.4)	(64.5 %)	18.7 %
Gross Margin	439.4	31.3 %	447.6	35.5 %	(1.8 %)
Selling Expenses	(170.2)	(12.1 %)	(122.6)	(9.7 %)	38.8 %
Administrative Expenses	(45.5)	(3.2 %)	(68.8)	(5.5 %)	(33.9 %)
Losses on exchange rate	(22.3)	(1.6 %)	-	-	-
Net Profit before Tax	200.1	14.2 %	257.5	20.4 %	(22.3 %)
Corporate Income Tax	(40.1)	(2.9 %)	(55.4)	(4.4 %)	(27.7 %)
<b>Net Profit</b>	<b>160.0</b>	<b>11.4 %</b>	<b>202.1</b>	<b>16.0 %</b>	<b>(20.8 %)</b>

  

Consolidated Financial Statements	Year-to-Date (January – September)				
	YTD Sep 2017		YTD Sep 2016		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
<b>Revenue from Sales</b>	<b>3,737.8</b>	<b>100.0 %</b>	<b>3,398.6</b>	<b>100.0 %</b>	<b>10.0 %</b>
Cost of Sales	(2,527.7)	(67.6 %)	(2,183.2)	(64.2 %)	15.8 %
Gross Margin	1,210.1	32.4 %	1,215.4	35.8 %	(0.4 %)
Selling Expenses	(442.0)	(11.8 %)	(352.6)	(10.4 %)	25.4 %
Administrative Expenses	(153.6)	(4.1 %)	(188.0)	(5.5 %)	(18.3 %)
Losses on exchange rate	(38.6)	(1.0 %)	-	-	-
Net Profit before Tax	583.0	15.6 %	687.2	20.2 %	(15.2 %)
Corporate Income Tax	(116.7)	(3.1 %)	(139.8)	(4.1 %)	(16.5 %)
<b>Net Profit</b>	<b>466.3</b>	<b>12.5 %</b>	<b>547.4</b>	<b>16.1 %</b>	<b>(14.8 %)</b>

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### Revenue from Sales (+11.4% YOY, +16.0% QOQ)

The third-quarter revenue from sales of the Company was 1,405.2 million Baht **increased by 11.4 percent** compared to the same quarter of the previous year because of the new product has been launched for both seaweed snack product and other category including the recovery of domestic market and tourist customer and increased by 16.0 percent from the latest quarter (Q2/2017) because of the revenue from sales of the second half of the year 2017 tend to be increased especially the international market. The total revenue from sales of the first ninth month in the amount of 3,737.8 million Baht **increased by 10.0 percent** from the last year.

#### Domestic Sales (+7.8% YOY, +10.1% QOQ):

The third-quarter revenue from sales of the Company was 545.8 million Baht **increased by 7.8 percent** compared to the same quarter of the previous year and increase by 10.1 percent from the quarter 2/2017 because of the Company's has launched the roasted seaweed categories and conducted a marketing activity. As a result, the Company gain a market share by 69 percent of seaweed snack in this latest September including the revenue from sales of 'My Whey' brand which continuously increase the revenue after promoting via online channel since May 2017. The Company receives the total revenue from domestic sales of the first ninth month in the amount of 1,497.4 million Baht **increased by 2.4 percent** from the last year.

#### International Sales (+13.9% YOY, +20.1% QOQ):

The third-quarter revenue from sales of the Company was 859.4 million Baht **increased by 13.9 percent** compared to the same quarter of the previous year and increase by 20.1 percent from the quarter 2/2017 in which the Chinese market is still the major market and continuously growth including other market. For instance, the Hong Kong market has expand the sales distribution, the Indonesia market has placed their product through the modern trade channel including the CLMV countries (Cambodia/Laos/ Myanmar/ Vietnam). The Company receives the total revenue from international sales of the first ninth month in the amount of 2,240.4 million Baht **increased by 15.7 percent** from the last year.

### Gross Margin : Lower margin mainly from seaweed price and utilization rate

The company's third-quarter gross margin was 439.4 million Baht or 31.3 percent of revenue from sales, **Decreased by 4.2 percent** on the same quarter of the previous year. The major caused is the increasing of the seaweed cost compare to the same quarter of the previous year of more than 20 percent due to the reduction of more than 35 percent of the seaweed production in China for the year 2017 which impact to all seaweed business around the world.

In addition, the first two phase of production line at Rojana factory has been started resulting the Company has to realize the cost including the depreciation of factory, machinery and other system; however, the manufacturing capacity has not utilize in its full capacity and the labor's cost at the initial stage for training and development of the employee's skill resulting the high manufacturing cost at the initial stage. If the Company reach the Optimum Level and the installation of machine for some manufacturing process has been completed, it will increase the

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manufacturing efficiency and decrease the long term cost. The Company expect that the cost will be reach the suitable level from early of 2018 onwards.

The Company has the total gross profit of the first ninth month in the amount of 1,210.1 million Baht or 32.4 percent of the revenue from sales in which the portion of the gross profit per sales revenue was **reduced by 3.4 percent** from the last year.

#### **Selling Expenses: Start Investment in China Market**

The selling expenses of the company in the third-quarter was 1 70.2 million Baht or 12.1 percent of revenue from sales which was **increased by 2.4 percent** on the same quarter of the previous year because of the new product has been launched for roasted seaweed category and Whey Protein product including the increasing of marketing expenses in China for the Taokaenoi's brand awareness in the potential growth market including marketing via online and offline target customer and the new customer's expansion. The Company will control the sales and marketing budget to maintain the suitable level.

The Company has the total selling expenses of the first ninth month in the amount of 442.0 million Baht or equal to 11.8 of the revenue from sales **increased by 1.4 percent** from the last year.

#### **Administrative Expenses: Control the Stable Cost**

The administrative expenses of the company in the third quarter was 45.5 million Baht or 3.2 percent of the revenue from sales which **reduced by 2.3 percent** on the same quarter of the previous year and the total administrative expenses of the first ninth month was 153.6 million Baht or 4.1 percent of revenue from sales which **reduced by 1.4 percent** from the last year. The expenses were reduced approximately 30 million Baht (0.8 percent of the revenue from sales) due to the management of the administrative expenses including the restructuring costs for preparation of the starting factory operation at Rojana.

#### **Net Profit**

The Company's third quarter net profit was 160.0 million Baht or 11.4 percent of the revenue from sales which **reduced by 4.6 percent** compared to the same quarter of the previous year and total net profit of the first ninth month was 466.3 million Baht or 12.5 percent of the revenue from sales which **reduced by 3.6 percent** from the last year mainly come from the increasing of the seaweed cost including the effect from the currency on the importation of seaweed approximately of 38.6 million.

However, Net Profit margin for the year 2018 could be improved from

- 1) New cost structure including seaweed price and utilization rate
- 2) New product launch which incremental margin versus average actual (more than 35%)
- 3) New machine installation in both factories to improve production efficiency
- 4) New market expansion including USA market

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### Statement of financial position

From the Notes to interim consolidated financial statements, On October 6, 2017, the Customs Department assessed a penalty of approximately Baht 120 million against the Company, as a result of the Company's inability to submit seaweed import licenses together with import declaration forms in 14 cases in 2012, because the relevant documents were prepared a long time ago. The imports are therefore considered to be unlicensed.

These imports occurred before the Company was registered as a public limited company. Therefore, Peeradechapan Holding Company Limited, a major shareholder of Taokaenoi Food & Marketing Company Limited, declared its intention to pay the penalty so that the Company's current shareholders would not be affected.

On October 17, 2017 the Company paid the penalty of approximately Baht 120 million to the Customs Department. Subsequently, on November 10, 2017, Peeradechapan Holding Company Limited made partial payment of Baht 50 million to the Company, and the remaining amount of Baht 70 million will be paid within December 30, 2017.

As at September 30, 2017, the Company recorded Baht 120 million outstanding from Peeradechapan Holding Company Limited as other receivable.

Please be informed accordingly.

Yours Sincerely,

(Mr.Jirapong Suntipiromkul)

Chief Financial Officer

Authorized to sign on behalf of the company

Taokaenoi Food & Marketing PLC.

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