



February 26, 2018

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 year ended December 31, 2017 as follow;

Consolidated Financial Statements	4th Quarter (October – December)				
	Q4/2017		Q4/2016		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,525.8	100.0 %	1,306.8	100.0 %	16.8 %
Cost of Sales	(1,043.1)	(68.4 %)	(835.6)	(63.9 %)	24.8 %
Gross Margin	482.6	31.6 %	471.2	36.1 %	2.4 %
Selling Expenses	(204.5)	(13.4 %)	(117.4)	(9.0 %)	74.2 %
Administrative Expenses	(61.3)	(4.0 %)	(60.2)	(4.6 %)	1.9 %
Losses on exchange rate	(4.3)	(0.3 %)	(6.8)	(0.5 %)	(36.5 %)
Net Profit before Tax	208.9	13.7 %	291.9	22.3 %	(28.5 %)
Corporate Income Tax	(66.7)	(4.4 %)	(57.5)	(4.4 %)	16.0 %
Net Profit	142.2	9.3 %	234.4	17.9 %	(39.4 %)

Consolidated Financial Statements	January – December				
	Yr 2017		Yr 2016		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	5,263.6	100.0 %	4,705.3	100.0 %	11.9 %
Cost of Sales	(3,570.9)	(67.8 %)	(3,018.8)	(64.2 %)	18.3 %
Gross Margin	1,692.7	32.2 %	1,686.6	35.8 %	0.4 %
Selling Expenses	(646.6)	(12.3 %)	(469.9)	(10.0 %)	37.6 %
Administrative Expenses	(214.9)	(4.1 %)	(248.2)	(5.3 %)	(13.4 %)
Losses on exchange rate	(43.0)	(0.8 %)	(6.8)	(0.1 %)	528.1 %
Net Profit before Tax	791.9	15.0 %	979.1	20.8 %	(19.1 %)
Corporate Income Tax	(183.4)	(3.5 %)	(197.3)	(4.2 %)	(7.0 %)
Net Profit	608.4	11.6 %	781.8	16.6 %	(22.2 %)

บริษัท เถาแก่น้อย ฟู้ดแอนด์มาร์เก็ตติ้ง จำกัด (มหาชน)

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Revenue from Sales (+11.9% YOY)

The fourth-quarter revenue from sales of the Company was 1,525.8 million Baht, **increased by 16.8 percent** compared to the same quarter of the previous year and increased by 8.6 percent from the quarter 3/2017.

The total revenue from sales of the year 2017 was 5,263.6 million Baht, **increased by 11.9 percent** because of the new product launched for example, roasted seaweed, Family Pack, and Whey Protein and expansion of the sale channel via online and Tao Kae Noi Land shop including marketing in various country which has a high growth potential.

Domestic Sales: The fourth-quarter revenue from sales of the Company was 566.0 million Baht, **increased by 23.0 percent** compared to the same quarter of the previous year and increase by 3.7 percent from the quarter 3/2017.

The total revenue from domestic sales of the year 2017 was 2,063.4 million Baht, **increased by 7.3 percent** due to consistent marketing strategies including new product development in order to focus on the health conscious consumers for example, roasted seaweed and whey protein 'My Whey'. The Tao Kae Noi Land shop expansion in order to focus on tourist channel. As a result, the Company gain a market share in the seaweed snack industry about 72 percent in this last December and the growth rate is higher than overall of the snack market.

International sales: The fourth-quarter revenue from sales of the Company was 959.8million Baht, **increased by 13.4 percent** compared to the same quarter of the previous year and increase by 11.7 percent from the quarter 3/2017.

The total revenue from international sales of the year 2017 was 3,200.2 million Baht, **increased by 15.0 percent** in which the China, CLMV countries (Cambodia/ Laos/ Myanmar/ Vietnam), Hong Kong and United States of America are still the major market and consistent growth including marketing activities for the purpose of "Taokaenoi" brand recognition and consistency increase the new market.

Gross Margin: the profit rate reduced from the seaweed costs and productivity

The fourth-quarter gross margin was 482.6 million baht or calculated as 31.6% of revenue from sales. The gross profit margin **increased by 0.3%** from the quarter 3/2017 but still decrease by 4.5 percent from the same period of last year.

*The gross margin of the year 2017 was 1,692.7 million baht calculated as 32.2% of revenue from sales. The gross margin to sales **decreased by 3.6 percent** mainly from the seaweed cost increase by more than 20% as the quantity of seaweed production in China in the production cycle of the year 2017 decreased by more than 35%. Such event also affected the seaweed industry worldwide as well.*

Moreover, the start of production at the new plant at Rojana Industrial Park since the second-quarter to support the expansion of the overseas market required the Company to used not full capacity but had to recognize the plant depreciation costs in terms of number and the employees in the production line which were needed to be continuously

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trained and developed their skills. This resulted in the production cost in the first period remained high. When reaching the optimum level and the installation of some machines is completed, the efficiency will be increased and the production costs can be reduced in the long run.

The Company expects that in 2018, the cost will start to reach the appropriate level including the seaweed price in the new production cycle to decrease by 10% compared to last year resulting in the Company's gross profit to be likely to improve gradually.

Selling expenses: Introducing new products and expanding market.

The fourth-quarter selling expenses was 204.5 million baht, calculated as 13.4% of the revenue from sales. The proportion of selling expenses to the total sales **increased by 1.3%** from the quarter 3/2017 and increased by 4.4% from the same period of last year.

The selling expenses of the year 2016 was 646.6 million baht, calculated as 12.3% of the revenue from sales. The proportion of sales expenses to the total sales **increased by 2.3%** as the new products launched in the domestic market both roasted seaweed and whey protein 'My Whey' to help the health care customers know the benefits of the products. The sales promotion activities were also arranged for the consumers to try new products. The local sales team in China was also increased to expand the distribution channels of products both online and offline as well as being responsible for marketing in order to create the brand awareness in the long run.

Administrative Expenses: Fixed Cost Control

The fourth-quarter administrative expenses was 61.3 million baht calculated as 4.0% of the revenue from sales. The proportion of administrative expenses to sales **increased by 0.8 percent** from the quarter 3/2017 but it was still decreased by 0.6 percent from the same period of last year.

The administrative expenses for the year 2017 was 214.9 million baht calculated as 4.1% of the revenue from sales. The proportion of administrative expenses to sales **decreased by 2.3%**. The decrease in expenses which was approximately 30 million baht (0.6% of sales revenue) was resulted from the control on administrative expenses including the restructuring of the organization to serve the operation at Rojana plant.

Net profits

The fourth-quarter net profits was 142.2 million baht calculated as 9.3% of the revenue from sales **decreased by 20.8%** from the same quarter of last year. The net profit before tax **increased by 4.4 percent** from the quarter 3/2017. However, there is a tax effected from other income recognition in the case of a penalty to the Customs department of 24.0 million baht, net profits decreased by 11.1 percent from the quarter 3/2017.

The net profit of the year 2017 was 608.4 million baht calculated as 11.6% of the revenue from sales which **decreased by 22.2%**. It was mainly caused by the rising seaweed cost including the effect of the exchange rate from importing the seaweed for approximately 43.0 million baht.

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However, the Company is in the process of calculating BOI privileges for the exemption from corporate income tax from the production line at Rojana plant. The privileges will begin to apply in early 2018 gradually.

The Company is confident that the net profit in 2018 will improve accordingly because of;

- 1) The new cost structure both in the seaweed price and capacity utilization.
- 2) The new product launch with the gross margin over the original product (35%).
- 3) The installation of machines additionally in both plants in order to increase the productivity
- 4) The new market expansion such as in the United States of America

Yours Sincerely,

(Mr.Jirapong Suntipiromkul)

Chief Financial Officer

Authorized to sign on behalf of the company

Taokaenoi Food & Marketing PLC.

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