

- Translation -

9 August 2018

Subject: Management's Discussion and Analysis for the Operating Results of the Second Quarter of 2018

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 30th, 2018, which have been reviewed by the independent auditor. The Company's net profit increased by 176.54% or equal to Baht 43.14 million as compared to Baht 15.60 million which was recorded in the same quarter of 2017. For 1H18, the Company recorded the net profit of Baht 89.17 million which increased by 196.84% comparing to the net profit of Baht 30.04 million recorded in 1H17. The clarification of the Company operating results is as follows:

Income Statement (million Baht)	2Q17	1Q18	2Q18	% YoY	% QoQ	1H17	1H18	% YoY
Revenue from sale of goods	227.23	268.16	263.47	15.95%	-1.75%	482.10	531.63	10.27%
Cost of sale of goods	(153.83)	(172.39)	(164.79)	7.12%	-4.41%	(339.26)	(337.18)	-0.61%
Gross profit	73.40	95.77	98.68	34.44%	3.04%	142.84	194.45	36.13%
Selling expenses	(16.80)	(16.52)	(21.34)	27.02%	29.18%	(36.21)	(37.86)	4.56%
Administrative expenses	(37.88)	(29.39)	(32.08)	-15.31%	9.15%	(72.14)	(61.47)	-14.79%
Operating profit	18.72	49.86	45.26	141.77%	-9.23%	34.49	95.12	175.79%
Investment income	0.10	-	0.18	80.00%	0.00%	0.11	0.18	63.64%
Net foreign exchange gain/(loss)	(0.30)	(0.80)	1.30	-533.33%	-262.50%	0.14	0.50	257.14%
Other income	0.58	0.81	0.46	-20.69%	-43.21%	1.25	1.27	1.60%
Earnings before Interest and taxes	19.10	49.87	47.20	147.12%	-5.35%	35.99	97.07	169.71%
Financial expense	(0.73)	(0.60)	(0.62)	-15.07%	3.33%	(0.99)	(1.22)	23.23%
Profit before income tax expense	18.37	49.27	46.58	153.57%	-5.46%	35.00	95.85	173.86%
Income tax expense	(2.77)	(3.24)	(3.44)	24.19%	6.17%	(4.96)	(6.68)	34.68%
Profit for the period	15.60	46.03	43.14	176.54%	-6.28%	30.04	89.17	196.84%

Revenues from Sales

In the 2Q18, the Company had total revenues from sales in the amount of Baht 263.47 million, which increased by Baht 36.24 million or 15.95% when compared with the same period in 2017. The increase in the revenue from sales was mainly due to an increase in sales volume of Seasoning and Dipping Sauce.

Total revenue from sales in 1H18 was recorded at Baht 531.63 million which resulted in an increase of Baht 49.53 million or 10.27%. The increase in the revenue from sales was due to an increase in sales volume of Seasoning and Dipping Sauce.

	2Q17	1Q18	2Q18	% YoY	% QoQ	1H17	1H18	% YoY
Sales volume (Ton)								
- Euro	387	623	396	2.33%	-36.44%	743	1,019	37.15%
- United States dollar	938	927	1,033	10.13%	11.43%	1,813	1,960	8.11%
- Thailand baht	2,037	2,216	1,996	-2.01%	-9.93%	4,382	4,212	-3.88%
Total sales volume (Ton)	3,362	3,766	3,425	1.87%	-9.05%	6,938	7,191	3.65%
Average FX								
- THB/EUR	37.36	38.36	37.61	0.67%	-1.96%	37.96	37.99	0.08%
- THB/USD	34.08	31.33	31.73	-6.90%	1.28%	34.49	31.53	-8.58%

Cost of Sales

Cost of sales in 2Q18 was in the amount of Baht 164.79 million which increased by Baht 10.96 million or 7.12% as compared to the same period in 2017. Such increase was in line with an increase in sales volume. Cost of sales in 2Q18 decreased by Baht 7.6 million or 4.41% when compared with that in 1Q18. Such decrease was in line with a decrease in sales volume.

In 1H18, the Company recorded the cost of sales in the amount of Baht 337.18 million which decreased in the amount of Baht 2.08 million or 0.61% from the same period of the previous year. This decrease stemmed from a decrease in raw material prices and reversal of losses on inventories devaluation.

Gross Profit Margin

Gross profit margin is equal to 37.45% in 2Q18, which rose from the same period of last year which was 32.30%. The main cause stemmed from a decrease in sugar and garlic prices. Moreover, during the first half of 2017, the Company had been relocating its production lines of sauces and condiments to its new factory, so during such period, the new factory was in the early stage of production; therefore, the production was unable to run efficiently. The gross profit margin in 2Q18 also increased as compared to gross profit margin of 35.71% recorded in 1Q18. Such increase in gross profit margin was mainly attributed to a decrease in sugar and garlic prices.

In 1H18, the Company had gross profit margin of 36.58% which increased from 29.63% in 1H17. Since in 1H17, there was the duplicated cost of labor between two factories at Laem Chabang and the new factory at Amata City. The duplicated cost of labor incurred during relocation of the production lines of sauces and condiments to the new factory. In addition, the new factory was in the early stage of production; therefore, the production was unable to operate at its full capacity. Moreover, the higher prices of sugar and garlicks, which are the main raw materials used in the production, had contributed to an increase in the overall costs of production per unit in 1H17.

Selling Expenses

Selling expenses in 2Q18 were in the amount of Baht 21.34 million which increased by Baht 4.54 million or 27.02% as compared to the same period in 2017. Such increase was in line with an increase in sales

volume and promotional activities. Selling expenses in 2Q18 also increased by Baht 4.82 million or 29.18% when compared with that in 1Q18. This increase was due to an increase in promotional activities.

In 1H18, the Company had selling expenses in the amount of Baht 37.86 million which increased by Baht 1.65 million or 4.56% when compared with 1H17. This increase was due to an increase in sales volume and promotional activities.

Administrative Expenses

Administrative expenses in 2Q18 were in the amount of Baht 32.08 million – a decrease by Baht 5.80 million or 15.31% as compared to 2Q17. The main reasons stemmed from a decrease in travel expenses and stock destruction fee. Compared with administrative expenses in 1Q18, an increase of Baht 2.69 million or 9.15% is observed, and this is mainly due to an increase in share-based payment transaction and a reclassification of fixed costs at the new factory which incurred as a result of lower-than-normal production capacity.

In 1H18, administrative expenses were in the amount of Bath 61.47 million, a decrease by Baht 10.67 million or 14.79% as compared to 1H17. Such decrease was due to a decrease in staff costs, a reclassification of fixed costs at the new factory which incurred as a result of lower-than-normal production capacity and travel expenses.

Net Profit

The Company's net profit in 2Q18 was in the amount of Baht 43.14 million – an increase by 176.54% when compared with that in 2Q17. This increase was mainly due to an increase in revenue from sales and gross profit margin and a decrease in administrative expenses. Comparing with the net profit in 1Q18, the net profit decreased by Baht 2.89 million or 6.28%, this was mainly due to a decrease in revenue from sales and an increase in selling and administrative expenses.

In 1H18, the Company's net profit was in the amount of Baht 89.17 million, an increase by 196.84% when compared with that of 1H17. Such increase was mainly due to an increase in revenue from sales and gross profit margin and a decrease in administrative expenses.

Please be informed accordingly.

Sincerely yours,

-Signed-

(Mr. Jittiporn Jantarach)

Managing Director