



February 20, 2019

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 clarify the revenue from sales and net profit in the consolidated financial statements for the year ended December 31, 2018 as follow:

Consolidated Financial Statements	4th Quarter (October – December)				
	Q4/ 2018		Q4/ 2017		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,462.7	100.0 %	1,525.8	100.0 %	(4.1 %)
Cost of Sales	(1,031.2)	(70.5 %)	(1,044.8)	(68.5 %)	(1.3 %)
Gross Margin	431.5	29.5 %	481.0	31.5 %	(10.3 %)
Selling Expenses	(297.0)	(20.3 %)	(204.5)	(13.4 %)	45.2 %
Administrative Expenses	(101.9)	(7.0 %)	(61.5)	(4.0 %)	65.8 %
Net Profit before Tax	35.4	2.4 %	208.8	13.7 %	(83.0 %)
Corporate Income Tax	(12.3)	(0.8 %)	(66.7)	(4.4 %)	(81.6 %)
Net Profit	24.7	1.7 %	142.2	9.3 %	(82.6 %)

Consolidated Financial Statements	January – December				
	YTD Dec 2018		YTD Dec 2017		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	5,662.7	100.0 %	5,263.6	100.0 %	7.6 %
Cost of Sales	(3,932.9)	(69.5 %)	(3,595.2)	(68.3 %)	9.4 %
Gross Margin	1,729.9	30.5 %	1,668.4	31.7 %	3.7 %
Selling Expenses	(907.3)	(16.0 %)	(646.6)	(12.3 %)	40.3 %
Administrative Expenses	(311.4)	(5.5 %)	(215.1)	(4.1 %)	44.8 %
Net Profit before Tax	523.2	9.2 %	791.8	15.0 %	(33.9 %)
Corporate Income Tax	(66.8)	(1.2 %)	(183.4)	(3.5 %)	(63.6 %)
Net Profit	459.2	8.1 %	608.4	11.6 %	(24.5 %)

บริษัท เถาแก่น้อย ฟู้ดแมร์เก็ตติ้ง จำกัด (มหาชน)

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Revenue from Sales

The company has revenue from sales in the fourth quarter in the amount of 1,462.7 million Baht, **decreased by 4.1 percent** compared to the same quarter of the previous year (decreased by 3.7 percent from Q3/2018) and has revenue for the year 2018 in total of 5,662.7 million Baht, **increased by 7.6 percent** compared to the previous year.

Domestic Sales: Revenue from sales of the fourth quarter is 526.5 million Baht, **decreased by 6.4 percent** compared to the same quarter of the previous year (decreased by 10.2 percent from Q3/2018) and has revenue for the year 2018 in total of 2,220.8 million Baht, **increased by 7.8 percent** compared to the previous year. The Company focused on marketing activities and new product launch, such as, Tempura Seaweed Salted Egg and Tinten Seasoned Squid Salted Egg, thereby causing the Company's market share to reach more than 70 percent in the seaweed snack market. However, in the second half of the year, the Company was partially affected by the decreasing number of Chinese tourists since August – November, with a positive sign from December onwards.

International sales: Revenue from sales of the fourth quarter is 936.2 million Baht, **decreased by 2.8 percent** compared to the same quarter of the previous year (increased by 0.5 percent from Q3/2018) and has revenue for the year 2018 in total of 3,441.9 million Baht, **increased by 7.4 percent** compared to the previous year. Sales in China, which remains the major export market, accounted for 39 percent of the Company's total sales, representing an increase by 4.6 percent as compared to that of the previous year, but lower than forecast. This was due to the fact that the Company was in the course of replacing one of its distributors, which affected sales in the second half of the year, which normally is the high season period, although there remained such markets with continued growth rates as Indonesia, Malaysia and CLMV (Cambodia, Laos, Myanmar, and Vietnam) etc.

Gross Margin

In the fourth quarter, the Company has gross profit of 431.5 million Baht or equal to 29.5 percent of revenue from sales. The ratio between gross profits per the sales revenue is **decreased by 2.0 percent** compared to the same quarter of the previous year (decreased by 2.6 percent from Q3/2018) and The Company has a gross margin for the year 2018 in total of 1,729.9 million Baht or equal to 30.5 percent of the sales revenue. This was due to the fact that the Company recognized costs of production, such as, labor costs per unit, loss and depreciation in early stage, which remained high, in the production lines of both Rojana factory and in America, despite the decreasing costs of seaweed in the second half of the year.

However, the gross margin in the middle of 2019 will receive a positive effect from seaweed price and exchange rate; thereby the costs of main raw materials will be reducing by more than 10 percent from the previous year.

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Selling Expenses

The company has the selling expenses in the fourth quarter in the amount of 297.0 million Baht or equal to 20.3 percent of revenue from sales. The ratio between selling expenses per the sales revenue is **increased by 6.9 percent** compared to the same quarter of the previous year (increased by 4.1 percent from Q3/2018) and The company has the selling expenses for the year 2018 in total of 907.3 million Baht or equal to 16.0 percent of sales revenue **increased by 3.7 percent** from the previous year. This was due to the Company's launch of new products, thereby incurring costs of introducing new products to the market, and the start of marketing activities to several potential countries, e.g., China and ASEAN countries, through online channels and events, as well as the opening of the representative office in Shanghai in last September, to provide more online sales channels. In addition, the Company also recognized the costs of new packages for use with new counterparts in China.

Administrative Expenses

The company has the administrative expenses in the forth quarter in the amount of 101.9 million Baht or equal to 7.0 percent of the revenue from sales. The ratio between administrative expenses per the sales revenue is **increased by 2.9 percent** compared to the same quarter of the previous year (increased by 0.9 percent from Q3/2018) and The company has the administrative expenses for the year 2018 in total of 311.4 million Baht or equal to 5.5 percent of sales revenue **increased by 1.4 percent** from the previous year. This was due to the recognition of penalty from the Company's engagement of contractor for factory waste disposal in the third quarter, and set provision for doubtful debts and other expenses from replacing the distributor in the fourth quarter. However, the Company is in the course of legal proceedings to claim damages and opportunity costs from breach of contract.

Net Profit attributable to Equity holders of the Company

The Company has the net profit in the forth quarter in the amount of 24.7 million Baht or equal to 1.7 percent of the revenue from sales which **decreased by 82.6 percent** compared to the same quarter of the previous year, mainly due to such increased costs as described above.

The ratio between net profit per the sales revenue is **decreased by 7.6 percent** compared to the same quarter of the previous year (decreased by 6.8 percent from Q3/2018). The Company recorded extraordinary items which affected the financial statements in the second half of the year, e.g., recognition of the costs of improvement of production efficiency and increase in production capacity, new packages and impact from replacement of the distributor, and penalty imposed by the Ministry of Industry, etc., thereby causing its overall profit to decrease.

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The Company has the net profit for the year 2018 in total of 459.2 million Baht or equal to 8.1 percent of sales revenue **decreased by 24.5 percent** from the previous year.

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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