



May 8, 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 three-month period ended March 31, 2019 as follow:

Consolidated Financial Statements	1st Quarter (January – March)				
	Q1/ 2019		Q1/ 2018		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,321.9	100.0 %	1,322.2	100.0 %	(0.0 %)
Cost of Sales	(938.8)	(71.0 %)	(958.7)	(72.5 %)	(2.1 %)
Gross Margin	383.1	29.0 %	363.6	27.5 %	5.4 %
Distribution Costs	(204.0)	(15.4 %)	(142.7)	(10.8 %)	42.9 %
Administrative Expenses	(87.5)	(6.6 %)	(60.1)	(4.5 %)	45.6 %
Profit before Income Tax Expenses	88.9	6.7 %	157.0	11.9 %	(43.4 %)
Income Tax Expenses	(8.4)	(0.6 %)	(5.3)	(0.4 %)	58.3 %
Net Profit : Owners of the Parent	81.3	6.2 %	151.7	11.5 %	(46.4 %)

Note: The Company has adjusted the sales’ expenses to deduct and show the net amount in sales revenue resulting in a decrease in sales revenue and gross profit. As the for distribution cost, the value is reduced in the same value making the net profit unchanged. Therefore, in order to comply with the Financial Reporting Standard No. 15 (TFRS 15), subject: The revenue from contracts made with customers, which shall be applied to the financial statements for accounting periods beginning on or after 1st January 2019 onwards

Revenue from Sales

The company has revenue from sales in the first quarter in the amount of 1,321.9 million Baht, the amount **close to** the same quarter last year.

Domestic Sales: Revenue from sales in the first quarter was 569.3 million Baht, **an increase of 12.0 percent** compared from the same quarter last year with an average market share of over 69 percent in the seaweed snack market. Nevertheless, the company continues to advance marketing activities through offline and online

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media, the release of new products such as crispy seaweed Kimchi flavor, the expansion of Tao Kae Noi Land Shop for further distribution and Tao Kae Noi Land Plus stores as an alternative for tourists to buy souvenirs, even though the overall number of Chinese tourists continued to decline by 2 percent compared to the same period last year.

International sales: Revenue from sales in the first quarter was 752.6 million Baht, a **decreased of 7.5 percent** from the same quarter last year. China's market is still the main export market, which accounted for 35 percent of total revenue from sales but the sales decreased by 18.1 percent compared to the same period last year. This is because the new distributor is in the process of increasing the order rate to replace an existing dealer who has terminated their contract in the past year. Nevertheless, the company has grown in several countries such as The United States of American, Indonesia and Malaysia for instances.

Gross Margin

The company's gross profit in the first quarter was 383.1 million baht, accounted for 29.0 percent of sales revenue, while gross profit **increased by 1.5 percent** from the same quarter last year (1.3 percent increase from the 4th quarter of 2018). The proportion of gross profit per sales increased due to control of loss from production, the development of the employee's skills in the production line and the decrease cost of seaweed compared to the previous year. Therefore, the gross profit for the 2nd half of the year is likely to continue to improve from the decrease seaweed cost in 2019 that has been reduced by more than 10 percent from the previous year.

Distribution Costs

The company's has sales expenses in the first quarter of 204.0 million baht or 15.4 percent of sales revenue, while the sales expenses **increased by 4.6 percent** from the same quarter last year (2.8 decrease from the 4th quarter of 2018). This is because there is the entering of the new product, the expansion of Tao Kae Noi Land branches and the opening of Hinoya Curry restaurant. Moreover, there are expenses for marketing activities both domestically and internationally, including the opening of a new office branch in Shanghai. The company controls the budget for the whole year expenses and adjusts / decreases to suit the revenue from sales.

Administrative Expenses

The company has administrative expenses in the first quarter of 87.5 million baht or 6.6 percent of sales revenue. The administrative expenses **increased by 2.1 percent** from the same quarter last year (0.5 percent decrease from the 4th quarter of 2018). This is because in the company, there is an allowance for doubtful accounts of approximately 13 million baht in accordance with the policy. This is set up according to the overdue period with the main program occurring during the change of dealers in China and therefore, including annual salary adjustments and recruiting new staff members.

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Net Profit : Owners of the Parent

The company has a net profit for the first quarter of 81.3 million baht, equivalent to 6.2 percent of sales revenue, **decrease by 46.4 percent** from the same quarter last year. However, when comparing the net profit to sales ratio, it decreased by 5.3 percent from the same quarter last year (increased by 4.4% from 4th quarter of 2018), mainly due to higher expenses as detailed above.

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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