

Date November 4, 2019

Subject Explanation and analysis of Management for second quarter 2019

Attention Directors and manager

The Stock Exchange of Thailand

Interpharma Public Company Limited ("the Company") would like to submit our management's discussion and analysis for the second quarter in 2019, ended on June 30, 2019 as follows:

(Unit : Million Baht)	Jan - Jun 2019	Jan - Jun 2018	Increased/ (Decreased)	% Change
Sales revenue	182.58	137.93	44.65	32.37%
Other incomes	3.14	0.52	2.62	503.85%
Total revenues	185.72	138.45	47.27	34.14%
Cost of sales	79.72	51.72	28	54.14%
Selling expenses	58.78	36.79	21.99	59.77%
Administrative expenses	23.88	21.81	2.07	9.49%
Financial costs	0.22	0.02	0.20	1,000.00%
Share of profit (loss) of associates	(0.12)	(0.11)	(0.01)	9.09%
Profit before income tax expenses	23.00	28.00	(5.00)	-17.86%
Income tax expenses	4.97	7.57	(2.60)	-34.35%
Net profit for the period	18.03	20.43	(2.40)	-11.75%
Gross profit margin	56.34%	62.50%		
Net profit margin	9.71%	14.76%		

1. Sales revenue

Sales Revenue in 1H19 amounted at 182.58 million baht, an increased compared to 1H18 which amounted at 137.93 million baht a total increase of 44.65 million indicating a 32.37% increase in revenue. The main reason for the increased in revenues from sales of medicated pet shampoo, pet foods products, livestock animal products, and revenues from sales of wellness & anti-aging products and aesthetic innovations products.

2. Cost of sales and Gross profit

Cost of sales in 1H19 amounted at 79.72 million baht, an increased compared to 1H18 which amounted at 51.72 million baht a total increase of 28.00 million baht indicating a 54.14% increase in cost of sales. Gross profit margin of 1H19 decreased by 56.34% compared to 1H18 that has a gross profit margin of

62.50%. These are caused by an increased in sales of good to customers in modern trade group, in addition to the economic condition and customer's purchasing power that are declining, in turns the company had to launched many promotions to drive sales resulting in the decrease of average selling price.

3. Selling expenses

Selling expenses in 1H19 amounted at 58.78 million baht, an increased compared to 1H18 which amounted at 36.79 million baht a total increase of 21.99 million baht indicating a 59.77% increase. Main reasons for the increase comes from distribution fee from outsourced service provider of warehouse management and goods distribution that the company started using since September 2018 which is a total cost of 10.84 million baht, resulting in the increase of selling expenses comparing to 1H18 in which we did not have these expenditure. In addition, there are also expenses of sales promotion, booth exhibition, cost of samples, and advertising expenses such as television media, and online medias etc. Altogether is an increase of approximately 8.02 million baht and also an increase in salary increment and incentive which is approximately 2.38 million baht.

4. Administrative expenses

Administrative expenses in 1H19 amounted at 23.88 million baht increased compared to 1H18 which amounted at 21.81 million baht a total increase of 2.07 million baht indicating a 9.49% increase. Main reasons for the increase comes from annual salary adjustment, according to the accordance of annual salary adjustment and the increase in the numbers of employee corresponding to the expansion of the company, expense on hiring of independent specialists such as external auditor, internal auditor, and legal and accounting advisors, remuneration for directors and meeting allowance for non-executive directors, etc.

5. Net profit and net profit margin

Net profit in 1H19 amounted at 18.03 million baht which is a decrease compared to 1H18 which amounted at 20.43 million baht a total decreased of 2.40 million baht or decreased by 11.75% due to decrease in gross profit margin and increase in selling expenses. In addition, the Company's subsidiary (Interpetrina Co., Ltd.), which has just been established on March 19, 2018, recorded a higher net loss because it has still been in the initial period of business operation and new product launch on the market.

Yours sincerely,

Mr. Songwut Sakchalathorn
Chief Executive Officer