



November 11, 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 nine-month period ended September 30, 2019 as follow:

| Consolidated Financial Statements | 3rd Quarter (July – September) | | | | |
|--|--------------------------------|----------------|----------------|----------------|-----------------|
| | Q3/ 2019 | | Q3/ 2018 | | Change |
| | (Million Baht) | (%) | (Million Baht) | (%) | (%) |
| Revenue from Sales | 1,267.6 | 100.0 % | 1,454.5 | 100.0 % | (12.8 %) |
| Cost of Sales | (926.0) | (73.0 %) | (1,030.4) | (70.8 %) | (10.1 %) |
| Gross Margin | 341.7 | 27.0 % | 424.0 | 29.2 % | (19.4 %) |
| Distribution Costs | (196.1) | (15.5 %) | (182.5) | (12.5 %) | 7.4 % |
| Administrative Expenses | (72.5) | (5.7 %) | (91.6) | (6.3 %) | (20.9 %) |
| Profit before Income Tax Expenses | 72.6 | 5.7 % | 150.4 | 10.3 % | (51.7 %) |
| Income Tax Expenses | (5.1) | (0.4 %) | (22.5) | (1.5 %) | (77.5 %) |
| Net Profit : Owners of the Parent | 68.7 | 5.4 % | 128.8 | 8.9 % | (46.7 %) |

| Consolidated Financial Statements | January – September | | | | |
|--|---------------------|----------------|----------------|----------------|-----------------|
| | YTD Sep 2019 | | YTD Sep 2018 | | Change |
| | (Million Baht) | (%) | (Million Baht) | (%) | (%) |
| Revenue from Sales | 3,850.0 | 100.0 % | 4,024.6 | 100.0 % | (4.3 %) |
| Cost of Sales | (2,802.3) | (72.8 %) | (2,901.7) | (72.1 %) | (3.4 %) |
| Gross Margin | 1,047.7 | 27.2 % | 1,122.9 | 27.9 % | (6.7 %) |
| Distribution Costs | (555.6) | (14.4 %) | (434.9) | (10.8 %) | 27.7 % |
| Administrative Expenses | (223.1) | (5.8 %) | (209.6) | (5.2 %) | 6.5 % |
| Net Profit before Tax | 266.0 | 6.9 % | 487.7 | 12.1 % | (45.5 %) |
| Corporate Income Tax | (19.8) | (0.5 %) | (54.5) | (1.4 %) | (63.8 %) |
| Net Profit : Owners of the Parent | 248.4 | 6.5 % | 434.5 | 10.8 % | (42.8 %) |

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Note: The Company has adjusted the selling expenses in the financial statements for the three-month and nine-month periods in compliance with Thai Financial Reporting Standard No. 15 Re: Revenue from Contracts with Customers (TFRS 15) to reflect deduction and show the net in revenue from sales, thereby causing the revenue from sales and gross margin, including the distribution costs, to reduce in value, although the net profits remain unchanged.

Revenue from Sales

The company has revenue from sales in the third quarter in the amount of 1,267.6 million Baht **decreased by 12.8 percent** compared to the same quarter of the previous year (decreased by 2.6 percent from Q2/2019) and has revenue for the first nine month in total of 3,850.0 million Baht **decreased by 4.3 percent** compared to the same period of the previous year.

Domestic Sales: Revenue from sales of the third quarter is 548.7 million Baht **increased by 0.5 percent** compared to the same quarter of the previous year (increased by 5.1 percent from Q2/2019) and has revenue for the first nine month in total of 1,603.0 million Baht **increased by 2.5 percent** compared to the same period of the previous year. Such increased revenue was primarily due to the expansion of the Hinoya Curry restaurant and the opening of Taokaenoi Land shop in tourist attractions. Despite the growth of Chinese tourists at 1.7 percent from the same period of the previous year, the growth in this market did not meet the forecast, however, the Company was able to maintain its average market share at 69 percent of seaweed snack thanks to the market activities, both online and offline, such as, introduction of new presenters, launch of new flavors and co-branding with Pringles potato chips, etc.

International sales: Revenue from sales of the third quarter is 719.0 million Baht **decreased by 20.9 percent** compared to the same quarter of the previous year (decreased by 7.8 percent from Q2/2019) and has revenue for the first nine month in total of 2,247.0 million Baht **decreased by 8.7 percent** compared to the same period of the previous year. In the past quarter, the Company was in transition of its distributor in China with the new strategic partner whose distribution network would cover the Company's target customer groups and with long-standing experience in such market, whereby sales will start through the new distributor since Q4/2019. The market in China accounted for 35 percent of total revenue from sales, and represented a decrease by 16.2 percent from that of the same period of the previous year. However, the Company's sales continued to increase in several countries, e.g., USA, Indonesia, and CLMV (Cambodia/Laos/Myanmar/Vietnam), etc.

Gross Margin

In the third quarter, the Company has gross profit of 341.7 million Baht or equal to 27.0 percent of revenue from sales. The ratio between gross profits per the sales revenue is **decreased by 2.2 percent** compared to the same quarter of the previous year (decreased by 1.0 percent from Q2/2019), due to the transition of its distributor in China as mentioned above, and as a result, the available resources for production, namely machinery, labor and

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fixed costs, did not match with actual production volumes, not to mention that the utilization rate of the production capacity in USA has not yet broken even.

The Company has a gross margin for the first nine month in total of 1,047.7 million Baht or equal to 27.2 percent of the sales revenue. The ratio of gross margin per sales revenue is **decreased by 0.7 percent** from that of the same period of the previous year. Should the utilization of the production capacity in the last quarter be restored and the seaweed of 2019 season be utilized, the cost of which was 10 percent lower than that of the previous year, the gross profit margin would improve accordingly.

Distribution Costs

The company has the distribution costs in the third quarter in the amount of 196.1 million Baht or equal to 15.5 percent of revenue from sales. The ratio between distribution costs per the sales revenue is **increased by 2.9 percent** compared to the same quarter of the previous year (increased by 0.3 percent from Q2/2019) due to the Company's investments in new product development and launch, such as, the curry restaurant, market expansion to new countries, e.g., USA, and selling expenses during the transition of its distributor in China.

The company has the distribution costs for the first nine month in total of 555.6 million Baht or equal to 14.4 percent of sales revenue **increased by 3.6 percent** from the same period in the last year. The Company arranged for marketing budgets to promote its brand recognition in various countries with potential growth, e.g., China and USA, etc.

Administrative Expenses

The company has the administrative expenses in the third quarter in the amount of 72.5 million Baht or equal to 5.7 percent of the revenue from sales. The ratio between administrative expenses per the sales revenue is **decreased by 0.3 percent** compared to the same quarter of the previous year (increased by 0.9 percent from Q2/2019) due to certain extraordinary expenses incurred during the same period of the previous year.

The company has the administrative expenses for the first nine month in total of 223.1 million Baht or equal to 5.8 percent of sales revenue **increased by 0.6 percent** from the same period in the last year.

Net Profit : Owners of the Parent

The Company has the net profit in the third quarter in the amount of 68.7 million Baht or equal to 5.4 percent of the revenue from sales which **decreased by 46.7 percent** compared to the same quarter of the previous year. The ratio between net profit per the sales revenue is **decreased by 3.4 percent** compared to the same quarter of the previous year (decreased by 2.1 percent from Q2/2019), mainly due to decreased revenue from sales in China and such increased costs as described above. The Company has the net profit for the first nine month in total of 248.4 million Baht or equal to 6.5 percent of sales revenue **decreased by 4.3 percent** from the same period in the last year

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Please be informed accordingly.

Yours Sincerely,

(Mr.Jirapong Suntipiromkul)
Deputy Managing Director
Authorized to sign on behalf of the company
Taokaenoi Food & Marketing PLC.

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