



August 14, 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 six-month period ended June 30, 2019 as follow:

Consolidated Financial Statements	2nd Quarter (April – June)				
	Q2/ 2019		Q2/ 2018		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,302.1	100.0 %	1,286.9	100.0 %	1.2 %
Cost of Sales	(937.5)	(72.0 %)	(912.6)	(70.9 %)	2.7 %
Gross Margin	364.5	28.0 %	374.4	29.1 %	(2.6 %)
Distribution Costs	(197.2)	(15.1 %)	(148.8)	(11.6 %)	32.5 %
Administrative Expenses	(63.2)	(4.9 %)	(57.9)	(4.5 %)	9.0 %
Profit before Income Tax Expenses	104.5	8.0 %	180.3	14.0 %	(42.0 %)
Income Tax Expenses	(6.3)	(0.5 %)	(26.7)	(2.1 %)	(76.4 %)
Net Profit : Owners of the Parent	98.4	7.6 %	154.0	12.0 %	(36.1 %)

Consolidated Financial Statements	January – June				
	YTD Jun 2019		YTD Jun 2018		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	2,582.4	100.0 %	2,570.2	100.0 %	0.5 %
Cost of Sales	(1,876.4)	(72.7 %)	(1,871.2)	(72.8 %)	0.3 %
Gross Margin	706.0	27.3 %	698.9	27.2 %	1.0 %
Distribution Costs	(359.5)	(13.9 %)	(252.5)	(9.8 %)	42.4 %
Administrative Expenses	(150.6)	(5.8 %)	(118.0)	(4.6 %)	27.7 %
Net Profit before Tax	193.4	7.5 %	337.3	13.1 %	(42.7 %)
Corporate Income Tax	(14.7)	(0.6 %)	(32.0)	(1.2 %)	(54.1 %)
Net Profit : Owners of the Parent	179.7	7.0 %	305.7	11.9 %	(41.2 %)

Note: The Company has adjusted the selling expenses in the financial statements for the three-month and six-month periods in compliance with Thai Financial Reporting Standard No. 15 Re: Revenue from

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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 second quarter in the amount of 1,302.1 million Baht **increased by 1.2 percent** compared to the same quarter of the previous year (increased by 1.7 percent from Q1/2019) and has revenue for the first six month in total of 2,582.4 million Baht **increased by 0.5 percent** compared to the same period of the previous year.

Domestic Sales: Revenue from sales of the second quarter is 536.0 million Baht **decreased by 1.8 percent** compared to the same quarter of the previous year (decreased by 2.0 percent from Q1/2019) and has revenue for the first six month in total of 1,061.4 million Baht **increased by 4.6 percent** compared to the same period of the previous year. This was due to the number of Chinese tourists which was reduced by 5 percent from that of the same period of the previous year, and reduced by 8 percent from that of Q2/2019. The Company was able to maintain its average market share at 69 percent of seaweed snack thanks to the marketing activities by way of the launch of new products (crispy seaweed and grilled seaweed, Kimchi Flavor), the expansion of Taokaenoi Land Shop, The Market Branch, and the utilization of both online and offline media.

International sales: Revenue from sales of the second quarter is 776.6 million Baht **increased by 3.3 percent** compared to the same quarter of the previous year (increased by 4.3 percent from Q1/2019) and has revenue for the first six month in total of 1,521.0 million Baht **decreased by 2.2 percent** compared to the same period of the previous year. Sales in China, which remains the major export market, accounted for 36 percent of the total sales, but sales decreased by 8.8 percent relative to that of the same period of the previous year as the new distributor was in the course of increasing the distribution of products to cover the relevant areas in place of sales from one of the previous distributors whose distribution agreement had been terminated last year, and started to improve as compared to the first quarter. In addition, the Company's sales continued to increase in several countries, e.g., the United States of America, Indonesia and CLMV (Cambodia/ Laos / Myanmar/ Vietnam), etc.

Gross Margin

In the second quarter, the Company has gross profit of 364.5 million Baht or equal to 28.0 percent of revenue from sales. The ratio between gross profits per the sales revenue is **decreased by 1.1 percent** compared to the same quarter of the previous year (increased by 1.3 percent from Q1/2019), thanks to the resources for production to accommodate sales in China, despite the decrease in production capacity and the production loss in the United States of America.

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The Company has a gross margin for the first six month in total of 706.0 million Baht or equal to 27.3 percent of the sales revenue. The ratio of gross margin per sales revenue is **increased by 0.1 percent** from that of the same period of the previous year. The gross margin in the second half of the year was likely to improve from the utilization of seaweed of 2019 season, the cost of which were 10 percent lower than that of the previous year after the seaweed stock of the previous year was used up, and also from the fixed cost control at the factory.

Distribution Costs

The company has the distribution costs in the second quarter in the amount of 197.2 million Baht or equal to 15.1 percent of revenue from sales. The ratio between distribution costs per the sales revenue is **increased by 3.6 percent** compared to the same quarter of the previous year (increased by 2.5 percent from Q1/2019) due to the Company's investments in new product launch, e.g., "Tin Ten" seasoned squid with salted egg and "Hinoya" Curry Shop, and as such, the expenses relative to sales during the product launch would be higher than usual.

The company has the distribution costs for the first six month in total of 359.5 million Baht or equal to 13.9 percent of sales revenue **increased by 4.1 percent** from the same period in the last year. This was due to the Company's increased branding budgets in several countries, e.g., China and the United States of America, etc.

Administrative Expenses

The company has the administrative expenses in the second quarter in the amount of 63.2 million Baht or equal to 4.9 percent of the revenue from sales. The ratio between administrative expenses per the sales revenue is **increased by 0.3 percent** compared to the same quarter of the previous year (decreased by 2.0 percent from Q1/2019) due to annual staff salary increase.

The company has the administrative expenses for the first six month in total of 150.6 million Baht or equal to 5.8 percent of sales revenue **increased by 1.2 percent** from the same period in the last year.

Net Profit : Owners of the Parent

The Company has the net profit in the second quarter in the amount of 98.4 million Baht or equal to 7.6 percent of the revenue from sales which **decreased by 36.1 percent** compared to the same quarter of the previous year. The ratio between net profit per the sales revenue is **decreased by 4.4 percent** compared to the same quarter of the previous year (increased by 1.2 percent from Q1/2019), 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 six month in total of 179.7 million Baht or equal to 7.0 percent of sales revenue **decreased by 4.9 percent** from the same period in the last year

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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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