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November 10, 2019

Subject Management's discussion and analysis for the third quarter of 2019

To President

The Stock Exchange of Thailand

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

(Unit : Million Baht)	Jan – Sep 2019	Jan – Sep 2018	Increased/ (Decreased)	% Change
Sales revenue	274.53	224.09	50.44	22.51%
Other incomes	3.77	0.74	3.03	409.46%
Total revenues	278.30	224.83	53.47	23.78%
Cost of sales	117.60	85.18	32.42	38.06%
Selling expenses	82.72	61.72	21.00	34.02%
Administrative expenses	35.21	32.44	2.77	8.54%
Financial costs	0.45	0.02	0.43	2,150.00%
Share of profit (loss) of associates	(0.17)	(0.17)	0	0.00%
Profit before income tax expenses	42.15	45.30	-3.15	-6.95%
Income tax expenses	9.17	11.69	-2.52	-21.56%
Net profit for the period	30.77	32.37	-1.60	-4.94%
Gross profit margin	57.16%	61.99%		
Net profit margin	11.06%	14.40%		

## 1. Sales revenue

Sales revenues amounted to Baht 274.53 million in the first nine months of 2019, growing by Baht 50.44 million or 22.51% from Baht 224.09 million recorded in the same period of the prior year. Such revenue growth was driven primarily by an increase in revenues from sales of pet skincare shampoo products, pet food products and livestock animal products, and revenues from sales of wellness & anti-ageing products such as multivitamin, holistic nutrients for bone, toothpaste, etc.

## 2. Costs of sales and gross profit

Costs of sales were Baht 117.60 million in the first nine months of 2019, a surge of Baht 32.42 million or 38.06% from Baht 85.18 million in the corresponding period of the previous year, leading gross profit margin to edge down from 61.99% to 57.16% over the said period. This stemmed from a boost in sales proportion to modern trade stores and a slowdown in the economy and consumers' purchasing power, thereby prompting the Company to launch more sales promotion to stimulate sales and, thus, causing a drop in the average selling price.

## 3. Selling expenses

Selling expenses accounted for Baht 82.72 million in the first nine months of 2019, mounting by Baht 21.00 million or 34.02% from Baht 61.72 million in the same period of the previous year. This was mainly due to an increase of approximately Baht 12.26 million in fee for product distribution, for which the Company has since September 2018 engaged an external provider of warehouse and logistics management services, whereas the Company did not incur such expense in the corresponding period of 2018. It was also ascribed to a total increase of around Baht 6.99 million in sales promotion expense, expense on hiring of OTC team, cost of exhibition booth display and sample products, etc. and an increase of about Baht 3.15 million in salary and car allowance for sales staff, offset however by a decrease of Baht 6.40 million in advertisement media and advertisement materials.

## 4. Administrative expenses

Administrative expenses amounted to Baht 35.21 million in the first nine months of 2019, rising by Baht 2.77 million or 8.54% from Baht 32.44 million in the same period of 2018. Such increase was caused by a higher annual salary increase for employees, which was in line with the yearly salary base adjustment and the rising number of employees in tandem with business expansion, and also by employee benefits expense, cost of training and seminar, IT expense, 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. Moreover, the Company recorded expense on customs duty assessment by the Customs Department of Baht 4.20 million and money donation of Baht 0.9 million in the same period of 2018, while no such expenses were incurred in this period.

## 5. Net profit and net profit margin

The Company posted a net profit of Baht 30.77 million in the first nine months of 2019, falling by Baht 1.6 million or 4.94% from Baht 32.37 million recorded in the same period of 2018. Such profit drop resulted from a decline in gross profit margin and a rise in selling expenses. In addition, the Company's subsidiary (Inter Petrina 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