

No. FI201705-02

May 11st, 2017

Subject: Report on operating results for the quarter ended March 31st, 2017
and changes in the operating result of more than 20% from the same period of the previous year

To: President of the Stock Exchange of Thailand

In reference to the regulation of the Stock Exchange of Thailand which requires listed companies to submit a report with clarifications on the company's operating results that are different from the same period of the previous year by more than 20% along with its financial statements, Sappe Public Company Limited (the "Company") would like to provide the Stock Exchange of Thailand the Company's operating results with 20% change from the previous year together with reasons according to the above regulation as follows;

(Unit: Thousand Baht)

Profit & Loss statement	Q1/2017	%	Q1/2016	%	Q4/2016	%	YoY%	QoQ%
Total Revenue	509,421	100.0%	604,744	100.0%	686,132	100.0%	-15.8%	-25.8%
Revenue from selling goods	496,541	97.5%	592,346	97.9%	643,155	93.7%	-16.2%	-22.8%
Net gain(loss) from foreign exchange	5,857	1.1%	3,305	0.5%	(602)	-0.1%	77.2%	-1072.6%
Gain on disposal of investment	-	0.0%	-	0.0%	32,915	4.8%	0.0%	-100.0%
Others income	7,023	1.4%	9,093	1.5%	10,664	1.6%	-22.8%	-34.1%
Cost of goods sold	316,307	62.1%	341,138	56.4%	364,921	53.2%	-7.3%	-13.3%
Gross profit	193,114	37.9%	263,606	43.6%	321,211	46.8%	-26.7%	-39.9%
SG&A	128,959	25.3%	186,823	30.9%	203,024	29.6%	-31.0%	-36.5%
Selling expenses	69,445	13.6%	117,578	19.4%	129,637	18.9%	-40.9%	-46.4%
Administrative expenses	59,514	11.7%	69,245	11.5%	73,387	10.7%	-14.1%	-18.9%
EBIT	64,155	12.6%	76,783	12.7%	118,187	17.2%	-16.4%	-45.7%
Share of profit(loss) from investment in associa	(1,922)	-0.4%	-	0.0%	(3,058)	-0.4%	0.0%	-37.1%
Finance costs	34	0.0%	34	0.0%	37	0.0%	0.0%	-5.5%
EBT	62,199	12.2%	76,749	12.7%	115,092	16.8%	-19.0%	-46.0%
Income tax expense	13,392	2.6%	14,937	2.5%	18,687	2.7%	-10.3%	-28.3%
Net profit(loss)	48,807	9.6%	61,812	10.2%	96,405	14.1%	-21.0%	-49.4%
Net profit(loss) of Parent Company	48,777	9.6%	67,918	11.2%	96,950	14.1%	-28.2%	-49.7%

Overall

The overall performance of Sappe Public Company Limited and its subsidiaries according to the consolidated financial statements for Q1/2017 recorded a net profit at Baht 48.8 million, representing 21.0% down compared to the same quarter of the previous year which was mainly attributable to a slowdown in international sales due to international clients' lower levels of inventories. However, the Company expects that its full-year growth target is still achievable based on international consumer off-take information. In addition, the lower-than-expected utilization rate generated by the factory and the appreciation of THB exchange rate against USD were also part of the key factors in the decrease of net profit.

Revenue

The Company generated revenues from selling goods of THB 496.5 million, a decline from the same quarter of the previous year at THB 592.3 million, dropping by 16.2%.

Domestic sales growth was still aligned with the Company's target, mainly because the Company launched 7 new products to the markets and received positive feedbacks from end consumers, particularly from new formulas of Beauti Drink series that successfully created a wider brand awareness to our target groups. Moreover, the new lemonade products with 200% of vitamin C under the brand Lemo Play were also well received among target consumers. Together with sales & marketing campaigns to activate consumer demand, the Company was able to maintain domestic sales growth, whereas overall beverage industry slightly shrank.

On the contrary, international sales decreased compared with the same quarter of the previous year which was resulted from;

- 1) Indonesia : after selling the investment in subsidiaries, the Company has changed its revenue recognition method to Sappe Public Company Limited's sell-out prices in Thailand (instead of the subsidiary's higher sell-out prices per unit in Indonesia before selling the investment). In addition, widespread flood that hit Jakarta in February caused a negative impact on Indonesia economy in the short run.
- 2) Others countries : Due to less inventory level held by our international customers, the Company's export sales partially slowed down in Q1/2017. Nonetheless, according to our consumer off-take data (sell-out from retailers to the end consumers), the growth rates were still at satisfactory levels in majority of countries. Therefore, the Company expects to be on track for the sales targets of the remaining 3 quarters of this year.

Cost of goods sold

Cost of goods sold in Q1/2017 was at 62.1% of the total revenue, an increase from 56.4% in the same period of the previous year with following reasons. Firstly, after selling the investment in subsidiary at the end of last year, the Company recorded less revenue from selling goods from lower unit prices, leading to higher portion of costs of goods sold to total revenue. Secondly, a domestic sales portion that contributed less gross margin than export sales was more than international sales portion this quarter. Thirdly, the utilization rate of the factory was lower compared with the same quarter of the previous year, as a result of the weakening market of international sales as mentioned above.

Selling expenses

The Company reported the portion of selling expenses to total revenue at 13.6% this quarter, significantly lower than the same period of the previous year at 19.4%, because the Company spent less on sales and marketing expenses in Q1/2017 than in Q1/2016. Also, the Company deconsolidated the selling expenses of Indonesian markets after selling the investment in subsidiary.

Administrative expenses

The Company reported administrative expenses at Baht 59.5 million, significantly lower than Q1/2016 at Baht 69.2 million, due to deconsolidating the administrative expenses of the subsidiary.

Share of profit (loss) from investment in association

The Company reported loss at Baht 1.9 million from investment in the association of All Coco Group, accounting for lower loss than the previous quarter of Baht 3.1 million, thanks to its sales growth and higher production efficiency.

Net Profit (Loss)

Net profit of the Company in Q1/2017 equaled to Baht 48.8 million or 9.6% of total revenue, compared with the same period of the previous year at Baht 61.8 million or 10.2% of total revenue.

Please be informed accordingly.

Best Regards,



(Ms.Piyajit Ruckariyapong)

Director and Chief Executive Officer