



No. FI201808-01

August 14th, 2018

Subject: Report on operating results for the quarter ended June 30th, 2018
and changes in the operating results of more than 20% from the same period of the previous year

To: President of the Stock Exchange of Thailand

In reference to the aforementioned regulation of the Stock Exchange of Thailand which states that in case of the listed company's operating results are different from the same period of the previous year by more than 20%, the listed company shall prepare a report to notify the reasons for such changes and submit it along with the financial statements.

(Unit: Thousand Baht)

Table 1 : P&L statement as at Q2/2018

Profit & Loss statement	Q2/2018	%	Q2/2017	%	Q1/2018	%	YoY%	QoQ%
Total Revenue	858,715	100.0%	859,259	100.0%	729,229	100.0%	-0.1%	17.8%
Revenue from selling goods	846,935	98.6%	844,659	98.3%	702,351	96.3%	0.3%	20.6%
Net gain from foreign exchange	-	0.0%	2,679	0.3%	13,257	1.8%	-100.0%	-100.0%
Others income	11,780	1.4%	11,921	1.4%	13,621	1.9%	-1.2%	-13.5%
Cost of goods sold	540,013	62.9%	484,574	56.4%	425,657	58.4%	11.4%	26.9%
Gross profit	318,702	37.1%	374,685	43.6%	303,572	41.6%	-14.9%	5.0%
SG&A	170,845	19.9%	167,950	19.5%	152,385	20.9%	1.7%	12.1%
Selling expenses	92,895	10.8%	111,210	12.9%	80,069	11.0%	-16.5%	16.0%
Net loss from foreign exchange	10,362	1.2%	-	0.0%	-	0.0%		
Administrative expenses	67,588	7.9%	56,740	6.6%	72,316	9.9%	19.1%	-6.5%
EBIT	147,857	17.2%	206,735	24.1%	151,187	20.7%	-28.5%	-2.2%
Share of profit(loss) from investment in association	(436)	-0.1%	(306)	0.0%	(2,568)	-0.4%		-83.0%
Finance costs	57	0.0%	61	0.0%	36	0.0%	-7.9%	55.1%
EBT	147,364	17.2%	206,368	24.0%	148,583	20.4%	-28.6%	-0.8%
Income tax expense	29,724	3.5%	43,066	5.0%	31,394	4.3%	-31.0%	-5.3%
Net profit(loss)	117,640	13.7%	163,302	19.0%	117,189	16.1%	-28.0%	0.4%
Net profit(loss) of Parent Company	117,700	13.7%	163,350	19.0%	117,289	16.1%	-27.9%	0.4%



Overall

For overall performance of Sappe Public Company Limited's consolidated net profit for Q2/2018 was Baht 117.6 million, which was 0.4% growth compared to the previous quarter and -28.0% change compared to the same quarter of the previous year. Although the company was able to maintain the fundamental growth of 4.1% (Table 2), the percentage between COGS to revenue was inevitably higher than the same period last year due to the appreciation of THB against USD and higher packaging costs. The percentage of COGS to total revenue rose from 56.4% in Q2/2017 to 62.9% in Q2/2018, leading to the net profit decreased from 19.0% in Q2/2017 to 13.7% in Q2/2018.

Indeed, if we analyze the performance of the company by using the same exchange rate as Q2/2017, the impact will reflect the drop of 33.1 million for the revenue from selling goods. If we add back this figure into our top-line performance, the total revenue will become 891.8 million on Q2/2018, which is 4.1% growth comparing to the same period last year. The ratio between COGS to total revenue would be at 60.6%, higher than Q2/2017 at 56.6%. Also, high COGS in Q2/2018 resulted partly from the increasing price of PET resin. Thus, according to this scenario net profit would be at 17.1% in this quarter compared to 18.8% the same period last year.

(Unit: Thousand Baht)

Table 2 : Performance comparison given that USD/THB was unchanged from Q2/2017, and without an effect of FX Gain/loss.

	Q2/2018	FX Adjusted	Q2/2018 After Adjusted	%	Q2/2017	%	YoY%	% change
Total Revenue	858,715	33,102	891,817	100.0%	856,579	100.0%	4.1%	0.0%
Cost of goods sold	540,013		540,013	60.6%	484,574	56.6%	11.4%	4.0%
Net profit(loss) (Not include gain/ loss from foreign exchange)	117,640		152,568	17.1%	161,394	18.8%	-5.5%	-1.7%



(Unit: Thousand Baht)

Table 3 : P&L statement as at H1/2018

Profit & Loss statement	H1/2018	%	H1/2017	%	YoY%
Total Revenue	1,577,582	100.0%	1,368,680	100.0%	15.3%
Revenue from selling goods	1,549,286	98.2%	1,341,200	98.0%	15.5%
Net gain from foreign exchange	2,895	0.2%	8,536	0.6%	-66.1%
Others income	25,402	1.6%	18,944	1.4%	34.1%
Cost of goods sold	965,670	61.2%	800,881	58.5%	20.6%
Gross profit	611,912	38.8%	567,799	41.5%	7.8%
SG&A	312,868	19.8%	296,909	21.7%	5.4%
Selling expenses	172,964	11.0%	180,655	13.2%	-4.3%
Net loss from foreign exchange		0.0%		0.0%	
Administrative expenses	139,904	8.9%	116,254	8.5%	20.3%
EBIT	299,044	19.0%	270,890	19.8%	10.4%
Share of profit(loss) from investment in association	(3,004)	-0.2%	(2,228)	-0.2%	34.8%
Finance costs	93	0.0%	95	0.0%	-2.5%
EBT	295,947	18.8%	268,567	19.6%	10.2%
Income tax expense	61,118	3.9%	56,458	4.1%	8.3%
Net profit(loss)	234,829	14.9%	212,109	15.5%	10.7%
Net profit(loss) of Parent Company	234,989	14.9%	212,127	15.5%	10.8%

For the overview of the first half in 2018, the company recorded total revenue at 1,577.6 million accounted for 15.3% growth comparing to the same period previous year. The net profit was 234.8 million, which reflected 10.7% growth year on year. Even though, the exchange rate had the significantly negative impact to the company, the growth was still aligned with the plan.



Revenue from selling goods

The company reported its revenue from selling goods of Baht 846.9 million, increased from the same quarter of the previous year at Baht 844.7 million, or growth YoY by 0.3%.

Domestic core brands' sales growth was still aligned with our target. In this quarter, we focused on marketing toward healthier snack category which consisted of 2 SKUs, Sappe Beauti Jelly Fiber and Sappe Beauti Jelly Collagen. Their positive feedback from customers helped us remain our position among the shrinking in domestic market. Aligned with Sappe's strategies and direction toward developing the innovative products to our consumers.

In addition, international sales significantly grew compared with the same quarter of the previous year due to;

- 1) Penetrating to main distribution channels in potential countries (included Indonesia) and continuously focusing on marketing for top-tier countries.
- 2) Well organized on stock management, as a result, no shortage demand in the peak season of Q1-Q2/2018

Cost of goods sold

Cost of goods sold in Q2/2018 was at 62.9% of the total revenue, an increase from 56.4% in the same period of the previous year. The increasing of COGS was mainly from the appreciation of THB against USD. Although the sales volume was grown compared to Q2/2017, the sales values from international business dropped because of foreign exchange. Moreover, the packaging cost had been continuously increased since the beginning of Q2/2018 lead to increasing of COGS by 1.5% compared to previous quarter. With all mentioned reasons, the ratio of COGS to total revenue was unavoidably higher than the same period last year. However, there was no significant change in fundamental of performance.

Selling expenses

The company reported the portion of selling expenses to total revenue at 10.8% this quarter, significantly lower than the same period of the previous year at 12.9%, because the company had an efficient budget management in Q2/2018.

Administrative expenses

The company reported administrative expenses at Baht 67.6 million, higher than Q2/2017 at Baht 56.7 million due to expansion of business.

Share of profit (loss) from investment in association

The company reported loss at Baht 0.4 million from investment in the association All Coco Group. In this quarter, the price of coconut was relatively high compared to Q3 and Q4, as a result, the drop in its the net profit.



Net Profit (Loss)

Net profit of the company in Q2/2018 equaled to Baht 117.6 million or 13.7% of total revenue, compared with the same period of the previous year at Baht 163.3 million or 19.0% of total revenue.

Please be informed accordingly.

Best Regards,

(Ms.Piyajit Ruckariyapong)

Director and Chief Executive Officer