



No. FI201811-01

November 12<sup>th</sup>, 2018

Subject: Report on operating results for the quarter ended September 30<sup>th</sup>, 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

Regarding a regulation of the Stock Exchange of Thailand stating 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 submit a report, along with financial statements, to notify the reasons for such changes.

(Unit: Thousand Baht)

Table 1 : P&L statement as at Q3/2018

Profit & Loss statement	Q3/2018	%	Q3/2017	%	Q2/2018	%	YoY%	QoQ%
<b>Total Revenue</b>	<b>648,187</b>	<b>100.0%</b>	<b>738,394</b>	<b>100.0%</b>	<b>858,715</b>	<b>100.0%</b>	<b>-12.2%</b>	<b>-24.5%</b>
Revenue from selling goods	633,391	97.7%	724,057	98.1%	846,935	98.6%	-12.5%	-25.2%
Net gain from foreign exchange	1,976	0.3%	3,829	0.5%	-	0.0%	-48.4%	
Others income	12,820	2.0%	10,508	1.4%	11,780	1.4%	22.0%	8.8%
<b>Cost of goods sold</b>	<b>421,213</b>	<b>65.0%</b>	<b>448,114</b>	<b>60.7%</b>	<b>540,013</b>	<b>62.9%</b>	<b>-6.0%</b>	<b>-22.0%</b>
<b>Gross profit</b>	<b>226,974</b>	<b>35.0%</b>	<b>290,280</b>	<b>39.3%</b>	<b>318,702</b>	<b>37.1%</b>	<b>-21.8%</b>	<b>-28.8%</b>
<b>SG&amp;A</b>	<b>138,785</b>	<b>21.4%</b>	<b>154,520</b>	<b>20.9%</b>	<b>170,845</b>	<b>19.9%</b>	<b>-10.2%</b>	<b>-18.8%</b>
Selling expenses	78,299	12.1%	91,053	12.3%	92,895	10.8%	-14.0%	-15.7%
Net loss from foreign exchange	-	0.0%	-	0.0%	10,362	1.2%		
Administrative expenses	60,486	9.3%	63,467	8.6%	67,588	7.9%	-4.7%	-10.5%
<b>EBIT</b>	<b>88,189</b>	<b>13.6%</b>	<b>135,760</b>	<b>18.4%</b>	<b>147,857</b>	<b>17.2%</b>	<b>-35.0%</b>	<b>-40.4%</b>
Share of profit(loss) from investment in association	(2,696)	-0.4%	3,103	0.4%	(436)	-0.1%	-186.9%	518.3%
Finance costs	(44)	0.0%	(48)	0.0%	(57)	0.0%	-8.3%	-22.8%
<b>EBT</b>	<b>85,449</b>	<b>13.2%</b>	<b>138,815</b>	<b>18.8%</b>	<b>147,364</b>	<b>17.2%</b>	<b>-38.4%</b>	<b>-42.0%</b>
Income tax expense	18,279	2.8%	27,240	3.7%	29,724	3.5%	-32.9%	-38.5%
<b>Net profit(loss)</b>	<b>67,170</b>	<b>10.4%</b>	<b>111,575</b>	<b>15.1%</b>	<b>117,640</b>	<b>13.7%</b>	<b>-39.8%</b>	<b>-42.9%</b>
Net profit(loss) of Parent Company	66,853	10.3%	111,712	15.1%	117,700	13.7%	-40.2%	-43.2%



## Overall

For overall performance of Sappe Public Company Limited, consolidated net profit for Q3/2018 was Baht 67.2 million, 39.8% decreasing from the same quarter of the previous year. The major reason of this decrease was due to a decrease in sales, affected by seasonal effect and foreign exchange fluctuation. The decrease in sales also had an impact on both lower utilization rate and higher COGS to sales ratio, resulting to lower net profit margin in this quarter to 10.4%, comparing to 15.1% in the same quarter of the previous year.

Table 2 : Performance comparison given that USD/THB was unchanged from YTD-9m/2017, and without an effect of FX Gain/loss.

	YTD-9m2018	%	YTD-9m2017	%	YoY%	FX Adjusted	YTD-9m2018 After-adjusted	%	YTD-9m2017 After-adjusted	%	YoY%
Total Revenue	2,225,769	100.0%	2,107,074	100.0%	5.6%	66,695	2,292,464	100.0%	2,094,710	100.0%	9.4%
Cost of goods sold	1,386,883	62.3%	1,248,995	59.3%	11.0%		1,386,883	60.5%	1,248,995	59.6%	11.0%
Net profit (Not include gain/loss from foreign exchange)	301,999	13.6%	323,684	15.4%	-6.7%		357,332	15.6%	316,189	15.1%	13.0%

However, to eliminate foreign exchange effect by using the same exchange rate as average rate for the first 9 months of year 2017, YTD-9m/2018 revenue from selling goods will increase by Baht 66.7 million or to Baht 2,292.5 million in total, 9.4% increasing from the same period of the previous year. The COGS to sales ratio would improve to 60.5%, slightly higher than YTD-9m/2017 at 59.6%. This higher COGS partially resulted from an increase in PET resin's price. With this scenario, net profit margin would be at 15.6%, higher than the same period of the previous year at 15.1%.

## Revenue

The company reported its revenue from selling goods at Baht 633.4 million, 12.5% declining from the same quarter of the previous year at Baht 724.1 million, mainly from the international business. Decrease in international sales were due to;

- 1) Seasonal Effect: Normally, the company's high season would be in Q2 and Q3, but this year the orders flew in since the beginning of the year and reached their peak in Q2, resulting in a sales slowdown in Q3.
- 2) Fluctuation of Foreign Exchange: This quarter, some countries' local currencies were depreciated against USD, leading to higher import costs and orders postpone accordingly.

Domestic sales were slightly lower than expected due to shrinkage of overall beverage market. However, the successful launch of new category in Q2 and Q3 could compensate the decrease in revenue. The new category, Healthier Snack, under Beauti Jelly brand has received significantly positive feedbacks from customers, enabling the company to maintain top-line position amidst the shrinking beverage market. This new category also aligned with company's strategic direction toward innovation & new products development to deliver added value to consumers as always.

**Cost of goods sold**

Cost of goods sold in Q3/2018 was at 65.0% of the total revenue, 60.7% increasing from the same period of the previous year. This was mainly from the decrease in revenues as aforementioned. In addition, costs of raw materials & packaging materials such as PET resin rose significantly as well. Given these uncontrollable factors, the cost reduction schemes to focus on higher efficiency and lower expenses have been implemented across the facilities since the beginning of Q4/2018.

**Selling expenses**

The company reported proportion of selling expenses to total revenue at 12.1% this quarter, significantly lower than the same period of the previous year at 12.3% due to an efficient budget management in Q3/2018.

**Administrative expenses**

The company reported administrative expenses at Baht 60.5 million, lower than Q3/2017 at Baht 63.5 million.

**Share of profit (loss) from investment in association**

The company reported loss at Baht 2.7 million from investment in an association, All Coco Group. In this quarter, the price of coconut was relatively high comparing to Q3/2017, resulting to lower net profit. However, coconut price is expected to decline in Q4/2018.

**Net Profit (Loss)**

The company reported net profit at Baht 67.2 million or 10.4% of total revenue, lower than the same period of the previous year at Baht 111.6 million or 15.1% of total revenue.

Please be informed accordingly.

Best Regards,

(Ms.Piyajit Ruckariyapong)

Director and Chief Executive Officer