

TACC-012/2018

August 9, 2018

Subject: Management Discussion and Analysis for the Second Quarter ended June 30, 2018

To: Managing Director

The Stock Exchange of Thailand

T.A.C. Consumer Public Company Limited ("the company") would like to clarify the operating results for the second quarter ended June 30, 2018 as follows:

Revenues

Sales

In the 2nd quarter of 2018, the company achieved a revenue of 324.55 million Baht. This had a decrease of 5.24 million Baht (1.59%) from the 2nd quarter of 2017 (329.79 million Baht).

For sales in the six-month period ended June 2018, the company achieved a revenue of 606.58 million Baht. This had a decrease of 6.51 million Baht (1.06%) from the same period of previous year (613.09 million Baht), the growth and decrease of sale were the following reasons:

Sales growth from :

(A) non-coffee products in All Café (a fresh coffee corner within the 7-Eleven store) and launched a new seasonal flavor Menu and, (B) Cold Beverage in Dispenser (C) the launch of "Snowy Twist Donut" branded "A Smile". In addition, (E) Merchandise Licenses of the Characters.

Sales decrease from :

(F) in last year, the Company launched New product Mocktails since March 2017 and (G) the company launched energy drinks in Cambodia under brand "Jump Start" since January 2017 onwards.

Other income

In the 2nd quarter of 2018, the company had other income of 4.04 million Baht. This was increased by 134.14% from the 2nd quarter of 2017 (1.73 million Baht).

For sales in the six-month period ended June 2018, the company achieved other income of 5.30 million Baht. This had a decrease of 0.20 million Baht (3.67%) from the same period of previous year (5.50 million Baht), the

other income came from the unrealized gain on short term of investment, interest income and unrealized gain on exchange rate.

Cost of Sales

In the 2nd quarter of 2018, the company incurred expense of 229.14 million Baht in cost of goods sold (70.60% of sales) deriving 29.40% gross margin. For the 2nd quarter of last year, the company incurred expense of 224.83 million Baht in cost of sales (68.17% of sales) or 31.83% gross margin.

The cost of sales for the six-month period ended June 2018 were 438.98 million Baht (72.37% of sale) or 27.63% gross margin. While the same period of previous year were 417.61 million Baht (68.12 % of sale) or 31.88 % gross margin. This increase was due to 1) cost of sugar tax for non alcoholic drinks since November 2017. However, the company had developed new formulas with sweeteners, which were already developed for sold. In addition, 2) the effect from Price War in the Green Tea overseas market, so the company had to discount the selling price to compete with competitors. In sum, these mentioned reasons affected the lose of gross margin.

Selling Expenses

In the 2nd quarter of 2018, the company incurred an increase in selling expense by 10.20%, from 50.17 million baht for the 2nd quarter of 2017 to 55.28 million baht for the 2nd quarter of 2018. However, if it was compared with total revenues, the company incurred an increase the proportion by 1.69%, from 15.13% of total revenues in 2nd quarter of 2017 to 16.82% of total revenues in the same period this year.

For the six-month period ended June 2018, the company incurred a decrease in selling expense by 5.08%, from 98.81 million Baht for the six-month period of 2017 to 93.78 million Baht for the six-month period of 2018. However, if it was compared with total revenues, the company incurred a decrease the proportion by 0.64%, from 15.97% of total revenues in 2nd quarter of 2017 to 15.33% of total revenues in the same period this year. The majority of selling expenses came from sale promotion and advertising.

Administrative Expenses

In the 2nd quarter of 2018, the company incurred a decrease in administrative expense by 1.20%, from 17.60 million Baht for the 2nd quarter of 2017 to 17.39 million Baht for the 2nd quarter of 2018.

For the six-month period ended June 2018, the company incurred an increase in administrative expense by 6.99%, from 30.75 million Baht for the six-month period of 2017 to 32.89 million Baht for the six-month period of 2018. This Administrative Expenses have been controlled by budget.

Finance Costs

In the 2nd quarter of 2018, the company derived an increase in finance cost of 69.86%, from 0.07 million Baht in the 2nd quarter of 2017 to 0.12 million Baht this year.

For the six-month period ended June 2018, the company derived an increase in finance cost of 81.38%, from 0.15 million Baht in the six-month of 2017 to 0.26 million Baht this year, as a result of a deferred interest for a financial lease.

Net Profit

In the 2nd quarter of 2018 and 2017, the company achieved 21.43 million Baht (6.52 % of sale) and 31.15 million Baht (9.39 % of sale) respectively.

For the six-month period ended June 2018 and 2017, the company achieved 36.95 million Baht (6.04% of sale) and 56.97 million Baht (9.21 % of sale) respectively. The decrease in net profit was driven by the decline of gross margin from the cost of sugar tax and by the discounted selling prices in Green Tea for export sales.

Business Plan 2018

The company had developed cost saving programs, which have positive impacts directed to the gross margin since May 2018. This would result in the second half of 2018 fully. For the oversea business, the Company has developed a plan to regain the volume.

Sincerely yours,



Mr. Chanit Suwanparin

Managing Director

T.A.C. Consumer Public Company Limited

