

TACC-0010/2018

May 10, 2018

To: Managing Director

The Stock Exchange of Thailand

Subject: Management Discussion and Analysis for the First Quarter ended March 31, 2018

T.A.C. Consumer Public Company Limited ("the company") would like to clarify the operating results for the first quarter ended March 31, 2018 as follows:

#### Revenues

##### Sales

In the 1st quarter of 2018, the company achieved a revenue of 282.02 million baht. This had an decrease of 1.28 million baht (0.45%) from the 1st quarter of 2017 (283.30 million baht), due to the following reasons:

- 1) The company achieved 13.42 million Baht (5.22%) increase from domestic sales, from 256.85 million Baht for the three-month of 2017 to 270.27 million Baht for the three-month of 2018. This growth was due to (A) non-coffee products in All Café (a fresh coffee corner within the 7-Eleven store) and, (B) the launch of "Snowy Twist Donut" branded "A Smile", etc.
- 2) The company got the decrease of 14.70 million baht (55.58%) from international sales, from 26.45 million baht for the 1st quarter of 2017 to 11.75 million baht for the 1st quarter of 2018. The reason came from an aggressive promotion of key competitors leading to Price War in the Green Tea market. Moreover, in the 1st quarter of 2017, the company launched energy drinks in Cambodia under brand "Jump Start" in January 2017.

##### Other income

In the 1st quarter of 2018, the company had other income of 1.26 million baht. This was decreased by 66.60% from the 1st quarter of 2017 (3.77 million baht), due to compensation from the 1st quarter of 2017. While other income came from unrealized gain on short term of investment, interest income.

### Cost of Sales

In the 1st quarter of 2018, the company incurred 209.85 million baht in cost of goods sold (74.41% of sales) or 25.59% gross margin. Comparing to the last year's 1st quarter, the company incurred 192.79 million baht in cost of sales (68.05% of sales) or 31.95% 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 is in a market testing at the moment. 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 1st quarter of 2018, the company incurred a decrease in selling expenses by 20.85%, from 48.64 million baht (1st quarter of 2017) to 38.50 million baht (1st quarter of 2018). This decrease came from sales promotions, and advertising for the new product "Jump Start" energy drink in the 1st quarter of 2017, but there were no these expenses in the 1st quarter of 2018.

### Finance Costs

In the 1st quarter of 2018, the company derived an increase in the finance cost of 92.54%, from 0.07 million baht in the 1st quarter of 2017 to 0.14 million baht this year, as a result of a deferred interest for a financial lease. Therefore, the liabilities under the financial lease in the statement of financial position had increased in accordance.

### Net Profit

In the 1st quarter of 2018, the company's net profit was 15.52 million baht (5.48% of sales), which decreased by 10.31 million baht (39.91%) from the previous year (25.83 million baht or 9.000% of sales). 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 sets the 2018 target to grow at least 10 % and more .The growth would be from two business groups, Business-to-Business and Business-to-Consumers.

Sincerely yours,



Mr. Chanit Suwanparin

Managing Director

T.A.C. Consumer Public Company Limited

