

TACC-013/2019

August 13, 2019

Subject: Management Discussion and Analysis for the Second Quarter ended June 30, 2019

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, 2019 as follows:

#### Revenues

#### Sales

In the 2nd quarter of 2019, the company achieved a revenue of 402.35 million Baht. This had an increase of 77.80 million Baht (23.97%) from the 2nd quarter of 2018 (324.55 million Baht).

For sales in the six-month period ended June 2019, the company achieved a revenue of 755.35 million Baht. This had an increase of 148.77 million Baht (24.53%) from the same period of previous year (606.58 million Baht), the growth and decrease of sale were the following reasons:

#### Sales growth from :

(A) Cold Beverage in Dispenser, increases with new outlets and new flavor launches (B) increase in number of outlets of all Café (a fresh coffee corner within the 7-Eleven store) where the non – coffee products and series of new seasonal flavors were sold and, (C) Revenue from Licenses fee of the Characters Business.

#### Sales decrease from :

(D) The de-list of bakery business under brand "a smile" since June 2019. And currently we are sourcing new manufacturer (E) Decreasing of Green tea ready to drink, for export sale resulted from an aggressive pricing promotion of key competitors.

#### Other income

In the 2nd quarter of 2019, the company had other income of 1.83 million Baht. This was decreased by 54.68% from the 2nd quarter of 2018 (4.04 million Baht).

For sales in the six-month period ended June 2019, the company achieved other income of 3.54 million Baht. This had a decrease of 1.76 million Baht (33.20%) from the same period of previous year (5.30 million Baht). (Other income came from unrealized gain on short term of investment, interest income).

#### Cost of Sales

In the 2nd quarter of 2019, the company incurred expense of 277.14 million Baht in cost of goods sold (68.88% of sales) deriving 31.12% gross margin. For the 2nd quarter of last year, the company incurred expense of 229.14 million Baht in cost of sales (70.60% of sales) or 29.40% gross margin.

The cost of sales for the six-month period ended June 2019 were 525.70 million Baht (69.60% of sale) or 30.40% gross margin. While the same period of previous year were 438.98 million Baht (72.37 % of sale) or 27.63 % gross margin. The gross margin increase was due to (a) the company had developed new formulas with sweeteners and sold since in 2nd Quarter 2018, therefore resulting in gross profit in 2nd Quarter 2019 and gross profit for the six-month period ended June 2019, with a higher gross profit compared to the 2nd Quarter 2018 and for six-month period ended June 2018. In addition, (b) increase in portion sale of products mix

#### Selling Expenses

In the 2nd quarter of 2019, the company incurred an increase in selling expense by 2.85%, from 55.28 million baht for the 2nd quarter of 2018 to 56.85 million baht for the 2nd quarter of 2019. However, if it was compared with total revenues, the company would incur a decrease the proportion by 2.7 5 %, from 1 6.82% of total revenues in 2nd quarter of 2018 to 14.07% of total revenues in the same period this year.

For the six-month period ended June 2019, the company incurred an increase in selling expense by 6.26%, from 93.78 million Baht for the six-month period of 2018 to 99.65 million Baht for the six-month period of 2019. However, if it was compared with total revenues, the company would incur a decrease the proportion by 2.20%, from 15.33% of total revenues in 2nd quarter of 2018 to 13.13% 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 2019, the company incurred an increase in administrative expense by 37.36%, from 17.17 million Baht for the 2nd quarter of 2018 to 23.58 million Baht for the 2nd quarter of 2019.

For the six-month period ended June 2019, the company incurred an increase in administrative expense by 29.49%, from 32.68 million Baht for the six-month period of 2018 to 42.31 million Baht for the six-month period

of 2019. This increase came from impairment of investment in Joint venture and unrealized loss from exchange rate.

#### Finance Costs

In the 2nd quarter of 2019, the company derived a decrease in finance cost of 27.29%, from 0.12 million Baht in the 2nd quarter of 2018 to 0.09 million Baht this year.

For the six-month period ended June 2019, the company derived a decrease in finance cost of 29.22%, from 0.26 million Baht in the six-month of 2018 to 0.19 million Baht this year, as a result of a deferred interest for a financial lease.

#### Net Profit

For Separate financial statements, in the 2nd quarter of 2019 and 2018, the company achieved 37.30 million Baht (9.23 % of sale) and 21.65 million Baht (6.59 % of sale) respectively.

For the six-month period ended June 2019 and 2018, the company achieved 73.14 million Baht (9.64% of sale) and 37.17 million Baht (6.08 % of sale) respectively. The increase in net profit was driven by the increase of (a) gross margin from decline of the cost of sugar tax (b) increase in portion sale of high margin products mix and (c) control selling and admin expense.

#### Business Plan 2019

The company sets the 2019 target to grow around 15% VS previous year, which would be derived mainly from value creation to the existing portfolio and launches of new products in the high growth and potential markets.

Sincerely yours,



Mr. Chatchawe Vatanasuk

Chairman of the Executive Committee

T.A.C. Consumer Public Company Limited

