

TACC-012/2016

August 11, 2016

Subject: Management Discussion and Analysis for the Second Quarter ended June 30, 2016

To: President

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, 2016 as follows:

Sales

In the 2nd quarter of 2016, the company achieved a revenue of 296.52 million Baht. This had an increase of 22.45 million Baht (8.19%) from 2nd quarter of 2015 (274.07 million Baht).

For sales in the six-month period ended June 2016, the company achieved a revenue of 579.74 million Baht. This had an increase of 83.65 million Baht (16.86%) from the same period of previous year (496.09 million Baht), due to the following reasons:

- 1) The company achieved 54.25 million Baht (11.80%) increase from domestic sales, from 465.94 million Baht for the six-month of 2015 to 520.92 million Baht for the six-month of 2016. This growth was due to the market coverage expansion of cold dispenser, non-coffee products in All Café (a fresh coffee corner within the 7-Eleven store) and a new product launched which suitably welcomed the summer season.
- 2) The company achieved 28.67 million Baht (95.09%) increase from international sales, from 30.15 million Baht for the six-month of 2015 to 58.82 million Baht for the six-month of 2016. This growth has been derived by dissolving a distribution problem since August 2015.

Cost of Sales

In the 2nd quarter of 2016, the company incurred cost of 205.18 million Baht in cost of goods sold (69.20% of sales) deriving 30.80% gross margin. For the 2nd quarter last year, the company incurred cost of 189.24 million Baht in cost of sales (69.05% of sales) or 30.95% gross margin.

The cost of sales for the six-month period ended June 2016 were 401.37 million Baht (69.23 % of sale) or 30.77 % gross margin. While the same period of previous year were 347.05 million Baht (69.96 % of sale) or 30.04 % gross margin. The company was able to achieve an improved percentage of the gross margin due to focus on those products which deliver the higher gross margin.

Selling Expenses

In the 2nd quarter of 2016, the company incurred an increase in selling expense by 3.74%, from 41.32 million Baht for the 2nd quarter of 2015 to 42.86 million Baht for the 2nd quarter of 2016. This increase was due to an increase in spending on advertisement and promotion. However, if it was compared with sales, the company was able to reduce the spending proportion by 0.61%. From 14.37% in 2nd quarter of 2015 to 14.98% in the same period this year.

For the six-month period ended June 2016, the company incurred an increase in selling expense by 12.21%, from 73.94 million Baht for the 2nd quarter of 2015 to 82.97 million Baht for the 2nd quarter of 2016 This increase was due to an increase in spending on advertisement for a new hot drink in a dispensing machine as well as the existing products. However, if we compare selling expenses to sales, the company was able to reduce the spending proportion by 0.58% from 14.82% in the six-month of 2015 to 14.24% in the same period this year.

Administrative Expenses

In the 2nd quarter of 2016, the administrative expenses were decreased by 0.76%, from 16.26 million Baht for the 2nd quarter of 2015 to 16.14 million Baht for the 2nd quarter of 2016. This decrease derived from the control of advertising and promotion expenditure to be aligned with the budget.

For the six-month period ended June 2016, the company incurred an increase in administrative expense by 21.05%, from 27.98 million Baht for the 2nd quarter of 2015 to 33.87 million Baht for the 2nd quarter of 2016. This increase derived from the additional head counts of employees and investment in an online corporate system to improve and support the future business expansion. .

Finance Costs

In the 2nd quarter of 2016, the company derived a decrease in finance cost of 61.29%, from 0.37 million Baht in the 2nd quarter of 2015 to 0.15 million Baht this year.

For the six-month period ended June 2016, the company derived a decrease in finance cost of 63.21%, from 0.79 million Baht in the six-month of 2015 to 0.29 million Baht this year. This was due to the company received a higher cash flow-in from its operating activities. Consequently, nowadays the company does not have any bank overdrafts and repaid all long term loans to financial institutes.

Net Profit

In the 2nd quarter of 2016 and 2015, the company achieved 27.08 million Baht (9.08 % of sale) and 22.60 million Baht (8.20 % of sale) respectively. For the six-month period ended June 2016 and 2015, the company achieved 51.00 million Baht (8.75 % of sale) and 38.95 million Baht (7.81 % of sale) respectively. The increase of the net profit was achieved mainly due to the focus on sales of the high margin products.

Sincerely yours,



Mr. Chanit Suwanparin

Managing Director

T.A.C. Consumer Public Company Limited