

TACC-018/2017

November 9, 2017

Subject: Management Discussion and Analysis for the Third Quarter ended September 30, 2017

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 third quarter ended September 30, 2017 as follows:

Revenues

Sales

In the 3rd quarter of 2017, the company achieved a revenue of 308.28 million Baht. This had an increase of 17.21 million Baht (5.91%) from the 3rd quarter of 2016 (291.07 million Baht).

For sales in the nine-month period ended September 2017, the company achieved a revenue of 921.37 million Baht. This had an increase of 50.56 million Baht (5.81%) from the same period of previous year (870.81 million Baht), due to the following reasons:

- 1) The company achieved 41.03 million Baht (5.18%) increase from domestic sales, from 792.72 million Baht for the nine-month of 2016 to 833.75 million Baht for the nine-month of 2017. This growth was due to (A) Cold Beverage in Dispenser, that launched the seasonal flavors: Green tea - Honey lemon flavor, Green tea - orange Yusu and Olieng and, (B) non-coffee products in All Café (a fresh coffee corner within the 7-Eleven store) and launched a new seasonal flavor Menu (C) "Japanese Style Donut Original Flavor" under "A Smile" brand being launched in September 2016, other, even though we launched new style in "Snowy Twist Donut" in August 2017. In addition, (D) Hot Beverage Dispenser have been installed increase in this period (E) New product Mocktails "Magarita Mocktail" and "Mai Tai Mocktail" being launched in March 2017.
- 2) The company got the increase of 9.53 million Baht (12.20%) from international sales, from 78.09 million Baht for the nine-month of 2016 to 87.62 million Baht for the nine-month of 2017. The reason came from an intensified aggressive promotion of a competitor in Green tea market. Meanwhile, the company has launched energy drinks in Cambodia under brand "Jump Start" in two flavors, mixed fruits and

pomegranate since January 2017 onwards. However, the company have marketing activities in green tea market to achieve sale budget.

Other income

In the 3rd quarter of 2017, the company had other income of 1.18 million Baht. This was decreased by 37.34% from the 3rd quarter of 2016 (1.88 million Baht).

For sales in the nine-month period ended September 2017, the company achieved other income of 6.68 million Baht. This had an increase of 1.70 million Baht (34.20%) from the same period of previous year (4.98 million Baht), due to unrealized gain on short term of investment, interest income and other income from compensation.

Cost of Sales

In the 3rd quarter of 2017, the company incurred expense of 216.31 million Baht in cost of goods sold (70.17% of sales) deriving 29.83% gross margin. For the 3rd quarter of last year, the company incurred expense of 201.77 million Baht in cost of sales (69.32% of sales) or 30.68% gross margin.

The cost of sales for the nine-month period ended September 2017 were 633.92 million Baht (68.80% of sale) or 31.20% gross margin. While the same period of previous year were 603.14 million Baht (69.26 % of sale) or 30.74 % 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 3rd quarter of 2017, the company incurred an increase in selling expense by 4.04%, from 45.16 million baht for the 3rd quarter of 2016 to 46.98 million baht for the 3rd quarter of 2017. However, if it was compared with total revenues, the company incurred an increase the proportion by 0.23%, from 15.41% of total revenues in 3rd quarter of 2016 to 15.18% of total revenues in the same period this year.

For the nine-month period ended September 2017, the company incurred an increase in selling expense by 13.79%, from 128.13 million Baht for the nine-month period of 2016 to 145.79 million Baht for the nine-month period of 2017. However, if it was compared with total revenues, the company incurred an increase the proportion by 1.08%, from 14.63% of total revenues in 3rd quarter of 2016 to 15.71% of total revenues in the same period this year. This increase due to sale promotion, advertising for the new product "Jump Start" energy drink and Green tea market, that spend the promotion to maintain sale achieved our budget. Moreover, the increasing of depreciation of The Hot dispensers that be installed completed increasing.

Finance Costs

In the 3rd quarter of 2017, the company derived a decrease in finance cost of 74.95%, from 0.32 million Baht in the 3rd quarter of 2016 to 0.08 million Baht this year.

For the nine-month period ended September 2016, the company derived a decrease in finance cost of 63.02%, from 0.61 million Baht in the nine-month of 2016 to 0.22 million Baht this year. This was due to deferred interest that the company paid some of financial lease in 2016.

Net Profit

In the 3rd quarter of 2017 and 2016, the company achieved 22.11 million Baht (7.14 % of sale) and 22.19 million Baht (7.58 % of sale) respectively.

For the nine-month period ended September 2017 and 2016, the company achieved 79.08 million Baht (8.52% of sale) and 73.19 million Baht (8.36 % of sale) respectively. The increase in net profit was driven by the increasing of gross margin from higher sale.

Business Plan 2017

The company expects the target of sales in 2017 grow between 5-8 % from the previous year. Both revenue growth are product group which the company jointly developed with its business partner (Business to Business : B2B) and product group distribute under the company brand (Business to Customer : B2C). Furthermore, the revenue growth from existing products and the new products of the company.

Sincerely yours,



Mr. Chanit Suwanparin

Managing Director

T.A.C. Consumer Public Company Limited

