

TACC-003/2020

February 20, 2020

Subject: Management Discussion and Analysis for the year ended December 31, 2018

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 year ended December 31, 2019 as follows:

Sales

In 2019, the sales revenue of the company was 1,520.28 million baht, increased by 17.89 % from 2018 when the sales was 1,289.59 million baht. Resulted from

Sales growth factors:

(A) Cold Beverage in Dispenser, increase from gaining new outlets and launching new flavors (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) Licenses fee of the Characters Business.

Sales decrease factors:

(D) The delisted of bakery business under brand "a smile" since June 2019 (E) Decreasing of ready to drink Green tea for export sale from an aggressive promotion from key competitors, and the company apply cash sale to reduce risk from account receivables

Other income

In 2019, the other income were 9.61 million baht, increased by 60.38 % from the previous year (being reported at 5.99 million baht). This was due to unrealized gain on short term of investment and interest income.



Cost of Sales

In 2019, the company had the cost of sales valued 1,053.37 million baht or 69.29% of sale deriving 30.71% gross margin (increased by 14.65%), while in 2018, the company had the cost of sales valued 918.77 million baht or 71.24% of sale or 28.76% gross margin. The cost of sales increased in the same way of sales, but increase in less portion of sale increase. So it seem that this decreasing of cost of sales or increasing of gross margin 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 2019, with a higher gross profit than 2018. In addition, (b) increase in portion sale of high margin products mix

Selling Expenses

In 2019, the selling expenses were 193.21 million baht, decreased by 10.39 % from the previous year being reported at 215.61 million baht. This decrease derived from write off in bad debt of oversea account receivables in amount of 23.8 Mb. However, in 2019 the company have appointed a new distributor in Cambodia using cash basic Payment to avoid long overdue outstanding receivable or allowance of bad debt.

Administrative Expenses

In 2019 , the company had administrative expenses of 72.62 million baht increased by 11.57% from the previous year when there were 65.09 million baht. However, if it was compared with total revenues, the company incurred a decrease the proportion 4.75% and 5.02% of total revenues in 2019 and 2018, in respectively, that occurred as the operation business plan.

However, the expenses increase from 1) Loss on exchange rate 4.18 million baht due to investment in foreign fund, that unrealized loss from exchange rate and 2) loss on disposal of investment in joint venture 5.22 million baht due to the company has disposal own share due to JV underperformed of operation plan.

Finance Costs

In 2019, the company had finance cost valued 0.35 million baht compared to 0.48 million baht of the last year (decrease by 27.15%). This finance costs were from the deferred interest of a financial lease.



Net Profit

In 2019, the company's net profit was 159.18 million baht (10.41 % of sale) increased by 87.88 million baht (123.26%) from the previous year (71.29 million baht or 5.50 % of sale). The increase in net profit was driven by (a) higher gross margin from decline of the cost of sugar tax (b) increase in portion sale of high margin products mix and (c) In 2018, had write off in bad debt of oversea account receivables

Business Plan 2020

In 2020, TACC aims to continue to grow by creating value of existing portfolio and continue creating new product in high growth & potential markets

Sincerely yours,

Mr. Chatchawe Vatanasuk

Chairman of the Executive Committee

T.A.C. Consumer Public Company Limited

