

TACC-003/2019

February 22, 2019

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, 2018 as follows:

Sales

In 2018, the sales revenue of the company was 1,289.59 million baht, increased by 0.62 % from 2017 when the sales was 1,281.69 million baht. This is because

Sales growth factors :

(A) 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, (B) Cold Beverage in Dispenser (C) the launch of "Snowy Twist Donut" branded "A Smile". and (E) Licenses of the Cartoon Characters.

Sales decrease factor :

(F) Sales of Zenya R-T-D Green tea has been halted due to an aggressive promotion of key competitors leading to Price War in the market, so the Company has been studying to regain the volume.

Other income

In 2018, the other income were 5.99 million baht, decreased by 23.10 % from the previous year (being reported at 7.79 million baht). This was due to the impact of exchange rate. However, other income was normally gained from the short term investment and interest.

Cost of Sales

In 2018, the company had the cost of sales valued 918.77 million baht or 71.24% of sale (increased by 2.73%), while in 2017, the company had the cost of sales valued 894.33 million baht or 69.78 % of sale. This increasing in the cost of sales was due to 1) cost of sugar tax for non alcoholic drinks starting in November 2017. However, the company had developed new formulas mixing with sweeteners, which have already been commercialized in 2nd Quarter 2018. This eventually elevated the gross margin in 3rd quarter 2018. It is expected that the gross margin will be better in 2019 when compared with 2018. In addition, 2) the impact from Price War in the Green Tea market in Cambodia forced the company to run the price discount and eventually held back the business in 2018.

Selling Expenses

In 2018, the selling expenses were 215.61 million baht, increased by 13.45 % from the previous year being reported at 190.05 million baht. This increase derived from (A) Write off in bad debt of oversea account receivables, and (B) Maintenance expense of Vending machines. However, the company have appointed a new distributor in Cambodia using Payment before Shipment to avoid long overdue outstanding receivable or allowance of bad debt.

Administrative Expenses

In 2018 , the company had administrative expenses of 65.68 million baht increased by 1.39 % from the previous year when there were 64.78 million baht. This Administrative Expenses were aligned with the budget.

Finance Costs

In 2018, the company had finance cost valued 0.48 million baht compared to 0.30 million baht of the last year (62.10% increase). This finance costs were from the deferred interest of a financial lease.

Net Profit

In 2018, the company's net profit was 71.29 million baht (5.50 % of sale) decreased by 41.17 million baht (36.61%) from the previous year (112.47 million baht or 8.72 % of sale). The decrease in net profit was driven by 1) the decline of gross margin from the cost of sugar tax and by the discounted selling prices in Green Tea for export sales, and 2) the increase of selling expenses from write off bad debt in oversea account receivables.

Business Plan 2019

The company sets the 2019 target to grow between 15-20 % 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. Chanit Suwanparin

Managing Director

T.A.C. Consumer Public Company Limited