

CBG 034/2018

10 August 2018

Subject Payment of interim dividend and management discussions and analysis for the 3-month and 6-month periods ending 30 June 2018

To President
The Stock Exchange of Thailand

Reference is made to the resolutions of the Board of Director Meeting No. 3/2018 of Carabao Group Public Company Limited (the "Company") held on 10 August 2018 as follows:

1. To approve payment of interim dividend for the operating results of January to June 2017 from net profit and retained earnings under the Company's financial statement, to the shareholders, at an amount totaling THB 200,000,000 at the rate of THB 0.20 per share and set the book closing on 27 August 2018; and to pay dividend on 7 September 2018.
2. We, Carabao Group Public Company Limited (the "Company" or "CBG"), are pleased to submit management discussion and analysis regarding consolidated financial performance and position of the Company and subsidiaries (the "Group") for the 3-month and 6-month periods ending 30 June 2018 as follows:

Consolidated financial performance of the Group for the 3-month and 6-month period ending 30 June 2018 in comparison with the corresponding period last year ending 30 June 2017

1 Revenue from sales

Total revenue from sales amounted to THB 3,628 million, up by THB 127 million or 3.6%, divided into the proportion of domestic and overseas sales at the ratio of 55:45, respectively. Sales of energy drink product alone were THB 3,145 million, up by THB 111 million or 3.6%. The amount of which contributed from both domestic and export markets at the ratio of 48:52, respectively, supported by growth from overseas demand especially from CLMV and the recovery of domestic energy drink market. Based on Nielsen as of 30 June 2018, market growth was -1.6% YoY during the first half versus -3.6% during the first quarter of the year.

Revenue from sales by business Unit: THB million	For the 3-month period ending		Change		For the 6-month period ending		Change	
	30 Jun 17	30 Jun 18	Amount	Percent	30 Jun 17	30 Jun 18	Amount	Percent
Branded products by our own manufacture 1/	1,475	1,512	37	2.5	2,906	2,802	(105)	(3.6)
Branded products by 3 rd party's manufacture 2/	230	230	0	0.1	431	467	35	8.1
3 rd party's products for distribution	194	246	52	27.0	339	515	176	51.8
Domestic sales	1,899	1,988	89	4.7	3,677	3,783	106	2.9
Overseas sales	1,575	1,638	63	4.0	2,455	3,179	724	29.5
Others	28	2	(26)	(92.8)	52	15	(37)	(71.0)
Total sales	3,501	3,628	127	3.6	6,184	6,977	793	12.8

Note: 1/ Energy Drinks and Sport Drinks
2/ Drinking Water, 3-in-1 Coffee and RTD Coffee

Domestic sales were THB 1,988 million, up by THB 89 million or 4.7% supported by growth in sales of branded product by our own manufacture due to the recovery of the domestic energy drink market and increasing variety of 3rd party product for distribution while branded product by 3rd party manufacture remains stable as last year. For sales by channel, traditional trade reduced by THB 73 million or 7% while modern trade and cash van increased by THB 63 million or 17% and THB 99 million or 19% respectively. Sales per van per day of cash van increased to THB 26,719 or 22% which reflex higher efficiency management.

Overseas sales amounted to THB 1,638 million increased by THB 63 Million or 4.0 % driven by existing market especially CLMV.

Sales to CLMV amount to THB 1,313 million, rose by THB 493 million, or 60.1% : (i) as the local trade partners expanded their distribution coverage as well as adopted effective promotion campaigns in relation to the Group's official football sponsorship status in their own responsible areas and some country with small base of sale which has high potential for growth such as Vietnam and Myanmar while sales export to new market such as China amount to THB 195 million or equivalent to 24 million units, combining both bottle and can formats. The company believed that China is a strategic country which will drive export sales in the future. Sales from Afghanistan and Yemen amounted to THB 68 million and sales from other countries amounted to THB 41 million, rose by THB 22 million or 115% support by repeat orders from Australia and new markets such as Djibouti and Pakistan. The aggressive marketing strategy caused more geographic diversification in revenue and increase Carabao's brand awareness worldwide under the vision of "World Class Product, World Class Brand".

Apart from overseas sales under the operation of (Carabao Tawandang or "CBD"), the Group's overseas sales under the Intercarabao Limited ("ICUK")'s operation amounted to THB 23 million, decreased by THB 20 million or 45.8%. ICUK is facing a challenge from sugar tax imposed in April 2018, energy drink manufactures and sellers released new flavors with low sugar and promoted sales by offering discount to distributors and retailers and implementing aggressive marketing campaign for those new products. Although the company have successfully listed the energy drink products under Carabao trademark in new modern trades such as Sainsbury's in April 2018 together with new flavors under Carabao Energy Drink Mandarin Orange.

For the first half in 2018, revenue from sales amounted to THB 6,977 million increased by THB 793 million or 12.8% driven by overseas sales amounted to THB 3,179 million increased by THB 724 million or 29.5%. The main contributor was sales from CLMV amounted to THB 1,064 million or 69.8% of which can offset the impact of reduction in export sales to some countries which are affected by the unfavorable industry environment and in early stage of brand awareness building. Domestic sales amounted to THB 3,783 million increased by THB 106 million or 2.9% supported by revenue from 3rd party products for distribution which increased by THB 176 million due to more product variety especially with higher average selling price per unit and revenue from coffee product which increased by THB 7 million which could compensate the reduction in domestic energy drink sales of THB 78 million or 2.7%. However, the future of domestic energy drink is getting brighter due to the recovery of energy drink market and change in the Group sales strategy.

2 Gross profits and gross profits margin

Gross profits amounted to THB 1,156 million, rose by THB 31 million or 2.8%, representing gross profit margin of 31.9%, down from 32.1%. The increase in gross profit was mainly due to the increase in revenue and improvement in gross profit margin of branded products by our own manufacture as a result of reduction in cost of production especially cost of sugar and packaging.

Gross profits by business Unit: THB million	For the 3-month period ending		Change		For the 6-month period ending		Change	
	30 Jun 17	30 Jun 18	Amount	Percent	30 Jun 17	30 Jun 18	Amount	Percent
Branded products by our own manufacture 1/	538	552	14	2.6	1,086	1,005	(80)	(7)
Branded products by 3 rd party's manufacture 2/	30	22	(8)	(27.3)	56	44	(12)	(21)
3 rd party's products for distribution	23	26	3	13.7	44	56	11	26
Gross profits from Domestic sales	591	600	9	1.5	1,186	1,105	(81)	(7)
Gross profits from Overseas sales	531	556	24	4.6	814	1,050	237	29
Others	3	0	(2)	(87.2)	4	3	(0)	(6)
Total gross profits	1,125	1,156	31	2.8	2,003	2,159	156	8

Note: 1/ Energy Drinks and Sport Drinks
2/ Drinking Water, 3-in-1 Coffee and RTD Coffee

Gross profit from domestic business amounted to THB 600 million, increased by THB 9 million or 1.5% representing 30.2% gross profit margin, down from 31.1% gross profit margin in the corresponding

period last year. The decrease in gross profit margin was due to decrease in gross profit margin of branded products by 3rd party's manufacture especially RTD coffee which its cost per unit rose due to the rise in excise tax while the selling price in major channels remains the same. However, the company has increased the selling price of RTD coffee in traditional trade and cash van since July 2018 which contribute to 80% of RTD coffee sales.

The capacity expansion projects to support the growth in accordance with business plan for over the next 2-3 years, yet not being fully utilized nor gaining benefit from the economies of scale particularly in the glass-bottle manufacture and bottling plants had caused the rising in cost per unit of branded products by our own manufacture. Part of which was compensated by the reduction in cullet price (cullet represents 30% of production cost of the glass bottle used as a packaging). In June 2018, cullet price dropped by 10% from late 2017 in corresponding with its demand and supply. Moreover, the Group benefit from reduction in sugar price and excise tax and the company no longer hire 3rd party to fill the non-carbonated energy drink products in can format since August 2017.

From the reason mentioned above, combined gross profit margin of energy drink in bottle format and sport drink was at 36.5% slightly increased from 36.4% of last year due to higher average selling price which can compensate the effect of higher cost per unit in Q1 2018. Combined gross profit margin of bottle energy drink, non-carbonated can and carbonated can energy drink.

As mentioned above, gross profit margin of domestic energy drink and sport drink products was at 36.5% slightly increase from the ratio of 36.4% in the corresponding period last year due to higher average selling price which can compensate the effect of higher cost per unit and the increase in gross profit margin from 35.2% in Q1 2018 whereas the gross profit margin of overseas sales of energy drinks in formats of bottles, non-carbonated and carbonated under the CBD's operation was at 34.5%, increased from the 33.6% gross profit margin in the corresponding period last year and from the 33.6% gross profit margin of Q1 2017 thanks to the economies of scale and efficiency in cost management which reduce production cost per unit of energy drink in both bottle and can format as compared to the previous quarter.

Gross profit margin(GPM) by business Unit: Percentage	For the 3-month period ending		For the 6-month period ending	
	30 Jun 17	30 Jun 18	30 Jun 17	30 Jun 18
Branded products by our own manufacture 1/	36.4	36.5	37.4	35.9
Branded products by 3 rd party's manufacture 2/	13.1	9.5	12.9	9.4
3 rd party's products for distribution	12.0	10.8	13.1	10.8
GPM of Domestic sales	31.1	30.2	32.3	29.2
GPM of Overseas sales	33.7	33.9	33.1	33.0
Others	9.5	16.8	7.1	23.0
GPM of Total sales	32.1	31.9	32.4	30.9

Cost of goods sold of the Group for the 3-month period ending 30 June 2018 could be divided in to two key components as follows:

1. Variable cost component which shall be varied in accordance with the volume sold consist of (1) raw materials and packaging for productions, and (2) purchase costs of 3rd party products for distribution. The variable cost components accounted for 85% of the total cost of goods sold:
 - 1.1 Raw materials and packaging used in production of energy drink and sport drink include (1) concentrate, sugar, caffeine, taurine, vitamin, and others, and (2) glass bottles, bottle caps, aluminum cans, can lids, other packaging and product-related taxes. Whereas, key raw materials for production of amber glass bottle include cullet, soda ash, sand, and other raw materials. The two components combined make up to 67% of total cost of goods sold; and

- 1.2 Purchasing cost of 3rd party products for distribution accounted for 18% of the total cost of goods sold.
2. Conversion cost component comprising of staff costs, energy costs, electricity costs, tap-water bills, depreciation and amortization, maintenance, and other costs constitute to 15% of cost of goods sold. This includes depreciation and amortization which is a part of production cost of the branded products by our own manufacture amounted to THB 100 million, up by THB 56 million or 130.3% from the corresponding period last year and increased THB 9 million or 10.2% from Q1/2018 due to the incremental depreciation costs arising from investments in capacity expansion of canning and amber glass bottle facilities which started to commercialize in July 2017 and December 2017, respectively, as well as capacity expansion of bottling capacities which started the commercial run in March 2018, resulting in realization of most of depreciation related to major factory building, plants and equipment for canning capacity expansion project in Q2 2018.

3 Selling, general and administrative (SG&A) expenses

SG&A expenses amounted to THB 919 million, up by THB 182 million or 24.7%, and represented 25.3% of total revenue from sales, increasing from the proportion of 21.0% in the corresponding period last year mainly due to the realization of the English Football League (EFL) sponsorship fee since June 2017, 2018 World Cup broadcasting sponsorship and marketing campaign to promote carabao brand awareness in UK.

Selling expenses were THB 715 million up by THB 147 million or 25.8%, representing 19.7% of total revenue from sales, up from 16.2% in the corresponding period last year. These expenses comprised (1) sponsorship fee for international football club (2) marketing and promotional expenses operated by CBD for domestic business and by ICUK for the UK operations, and (3) selling expenses of which include both fixed and variable expenses related to sales in according to business plan.

Sponsorship fees for international football clubs including Chelsea Football Club Limited (CFC), English Football League (EFL) and Reading Football Club (RFC) amounted to THB 159 million up by THB 27 million due to realizing the EFL sponsorship fee for the first time in June 2017. Given by the current contract terms of football sponsorship schemes, the Group believed these official football sponsorship fees, which were amortized in straight line in relation to payment terms and economic benefits the Group shall receive under the contract terms, will reach the peak in 2018 and then decline gradually from 2019 onwards.

Marketing and promotional expenses paid by CBD amounted THB 201 million, increased by THB 55 million or 37.5%. Such expenses comprised of (1) nationwide on-ground operational marketing expenses of Bao Dang Ladies amounted to THB 62 million, up by THB 3 million or 4.9% (2) advertising expenses in other formats amounted to THB 68 million, increased by THB 49 million since realization of half of 2018 World Cup broadcasting sponsorship amounted to THB 24 million in this quarter and advertising expenses relating to communication with teenagers to refresh brand amounted to THB 20 million combined with launching new products which is carbonated Carabao green apple, and (3) the rest amounted to THB 71 million, risen by THB 3 million or 4.5% as a result of the marketing activities to stimulus the domestic demand of the branded products under Carabao trademark in all channels.

Whereas, marketing and promotional expenses paid by ICUK for the operation in UK amounted to THB 153 million could be divided as follows: (1) field sales amounted to THB 26 million (2) sampling expenses amounted to THB 13 million, and (3) the rest amounted to THB 115 million were spent for advertising expenses in several formats and promotional activities at point of sales to raise brand awareness, create product experience, and demand for the product.

Selling expenses were at THB 202 million, decreased by THB 22 million or 9.8%, mainly in reduction of transportation and logistics cost amounted to THB 18 million which aligning to the decrease in export sales of energy drinks to China Afghanistan and Yemen.

Administrative expenses amounted to THB 204 million, increased by THB 36 million or 21.2%, of which the amount included expenses related to Asia Can Manufacturing (“ACM”) which is currently under the

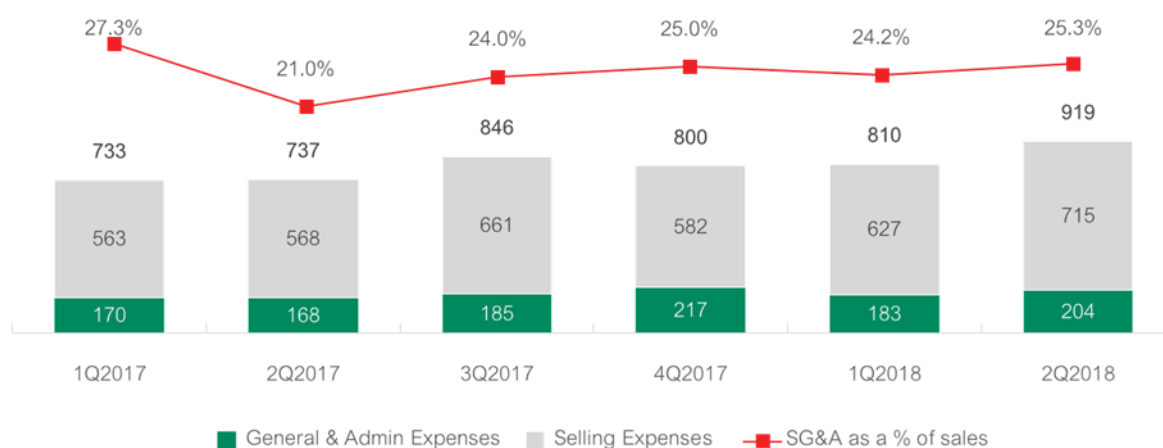
construction, machine installation and system preparation process before the commercial plan in 4Q/2018 amounting to THB 12 million. The company expect to produce 100 million can in this year and believe that the efficiency of can production under Japanese team supervision will reduce packaging cost in long run. Administrative expenses comprises of key expenses as follows: (1) staff cost amounted to THB 135 million, up by THB 30 million or 28.4% in correlation to the rising full-time employment to support the growth of business and in the increase of salary in according to the Group’s human resources policy, and (2) other administrative expenses ranging from office expenses, travelling expenses, service & fees and others amounted to THB 69 million, up by THB 6 million or 9.2%.

For the 1H/2018, the Group’s selling and administrative amounted to THB 1,729 million, increased by THB 260 million or 17.7% which represented 24.8% of revenue from sales, which increased from 23.8% from the same period of last year.

Group’s selling expense amounted to THB 1,342 million, up by THB 210 or 18.6% due to (1) realization of English Football League (EFL) sponsorship fee start from June 2017 (2) half of 2018 World Cup broadcasting sponsorship fee amounted to THB 24 million (3) increase in marketing expense especially in ICUK for increase Carabao brand awareness and sampling to create product experience.

Group’s administrative expense amounted to THB 387 million, increased by THB 49 million or 14.6% due to (1) administrative expense of Asia Can Manufacturing (“ACM”) which is currently under the construction, machine installation and system preparation process before the commercial plan amounted to THB 21 million (2) salary expense which align with increase in headcount and growth in salary.

On the quarter basis, the Group’s selling and administrative expenses as a percentage of total revenue from sales could be elaborated as detailed below:



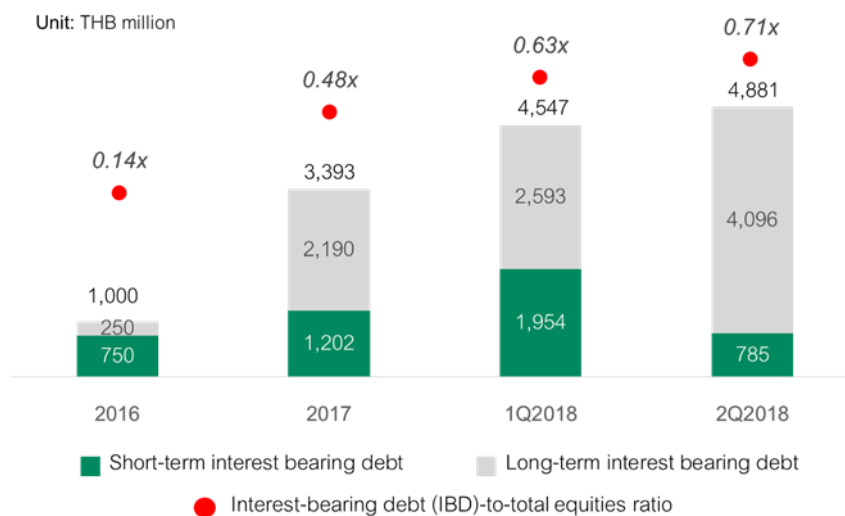
However, the company policy emphasizes on return on sales by focusing on cost and expense management.

The situation that could have an effect on the Group’s SG&A expenses is being a sponsor of the domestic broadcast for the World Cup football during the final round which incur related expenses amounting to THB 47 million, of which half the amount had been realized in June and the rest will be realized in July 2018, with the purpose to raise brand image among the new generations in alignment to the Group’s vision of “World Class Product, World Class Brand”. The Group’s trademark will be the only player in local energy drink that sponsor this broadcast.

4 Financial expenses

Financial expenses amounted to THB 27 million, up by THB 21 million from the corresponding period last year. Such a significant increase was due to our higher requirements for funding from financial institutions for the purpose of liquidity and vertical integrated business expansions. For 1H/2018, financial expense amounted to THB 51 million, up by THB 41 million due to drawing down loan from financial institution to support production capacity expansion. The Group ended up having interest-bearing debts of THB 4,881 million as of 30 June 2018, up from THB 3,393 million as of 31 December

2017, or equivalent to the interest-bearing debts to shareholders' equity ratio of 0.71 time, up from 0.48 time, respectively and could be elaborated as detailed below:



However, the Group issued bond in June and July 2018 altogether amounted to THB 2,790 million, whereby THB 1,700 million of which will mature in June 2020 and the remaining THB 1,090 million will mature in June 2021. The proceeds will be used to repay long-term debt from financial institution of THB 1,800 million, leaving the remainder on purpose of working capital utilization which will increase liquidity of the Group as reflected in better liquidity ratio of 0.83 times, up from 0.67 times as of 31 December 2017 and expectedly reduce overall financial cost in 2H/2018.

5 Corporate income tax expenses

Corporate income tax expenses amounted to THB 82 million, decreased by THB 23 million in line with domestic subsidiaries delivering improved operating performance. Coupled with overseas subsidiaries making higher loss from operations, the effective corporate income tax rate as reported on the consolidated financial statements was therefore 34.1%, up from 24.3%.

For 1H/2018 corporate income tax expense amounted to THB 161 million, up by THB 3 million as reported on the consolidated financial statements was therefore 35.8%, up from 26.0% with the same reasons mentioned above.

6 Net profits and net profits margin

Net profits amounted to THB 158 million, decreased by THB 169 million or 51.7%, which was equivalent to the ratio to total sales of 4.4%, down from 9.3%. Such decline was mainly due to a considerable increase in SG&A expenses i.e. mostly arising from overseas subsidiaries, financial expenses on uptrend throughout the quarter, and marketing expense i.e. 2018 World Cup broadcasting sponsorship fee.

Net profits attributed to the Group's shareholders amounted to THB 210 million, down by THB 216 million or 50.7%, resulting from overseas subsidiaries' higher loss from operations i.e. ICUK in particular and higher shareholding percentage that increased from 51.0% to 84.3% since January 2018.

For 1H/2018, Group's net profit amounted to THB 288 million, decreased by THB 162 million or 35.9% which represent 4.1% of total revenue from sales, decreased from 7.3% and net profit attributed to the Group's shareholders amounted to THB 390 million, decreased by THB 257 million or 39.7% as mentioned above.

Consolidated financial position of the Group as of 30 June 2018 in comparison with that as of 31 December 2017

Assets

Total assets as of 30 June 2018 and 31 December 2017 were THB 14,342 million, and THB 12,520 million, respectively, increasing by THB 1,822 million or 14.6%. The main contribution for this increase was due to the increase of properties, plant and equipment by THB 1,299 million or 13.5% resulting from payment of the construction, machine installation and system preparation process of aluminum can production factory and bottling factory in the period.

Liabilities

Liabilities as of 30 June 2018 and 31 December 2017 was THB 7,450 million and THB 5,515 million, respectively, increasing by THB 1,936 million or 35.1 %. The Group issued bond in June 2018 amounted to THB 2,416 million and partially repaid long-term debt from financial institution. Interest-bearing debt was amounted to THB 4,881 million or interest-bearing debt to equity was at 0.71 time, increased from 0.48 time as of 31 December 2017 while debt to equity ratio was at 1.08 time, increased from 0.79 time as of 31 December 2017.

Yours sincerely,

Pongsarn Klongwathanakith

(Pongsarn Klongwathanakith)

Chief Financial Officer