

**Financial Highlights**

Q3'18 profit attributable to owners of the parent ("net profit") was at THB 771.9 million, +16.8% QoQ. 9M18 net profit was at THB 2,216.3 million or 78% of FY2017 profit. Excluding Unicharm sales, 9M18 normalized total revenues from sales was -0.7% driven by 30.4% decline in OEM sales, particularly from OEM bottles as a result of major maintenance of a furnace in Ayutthaya early this year. Domestic Beverage including C-Vitt & Calpis grew 1.5% YoY and above market growth. C-Vitt became #1 brand in functional drink with market share of 23.3% in Q3'18 from 16.9% in Q2'18. Domestic Personal Care grew 9.1% YoY. At constant FX, international sales grew 2.3%, driven by growth from Myanmar market (+9.1% YoY).

Financial Performance for Q3'18 and 9M18**Income Statement Summary**

Unit: THB million	Q3'18	Q3'17	% YoY	9M18	9M17	% YoY
Total revenues	6,062.6	6,222.9	-2.6%	18,451.6	18,922.6	-2.5%
Total revenues from sales	5,901.4	6,168.2	-4.3%	17,964.3	18,662.7	-3.7%
Beverages	4,398.8	4,675.6	-5.9%	13,885.3	14,146.3	-1.8%
Personal Care	596.5	626.8	-4.8%	1,776.7	1,584.1	12.2%
Supply Chain Services	855.5	812.4	5.3%	2,151.6	2,785.4	-22.8%
Other Segments	50.5	53.4	-5.4%	150.6	146.9	2.6%
Total other income	161.2	54.7	194.9%	487.3	259.9	87.5%
Gross profit	1,876.0	2,077.6	-9.7%	5,696.9	6,180.7	-7.8%
SG&A	1,158.6	1,100.0	5.3%	3,610.5	3,333.3	8.3%
Selling and distribution expenses	825.3	809.6	1.9%	2,594.7	2,470.5	5.0%
Administrative expenses	333.3	290.4	14.8%	1,015.8	862.8	17.7%
EBIT	941.6	1,078.9	-12.7%	2,729.6	3,249.8	-16.0%
EBITDA	1,220.8	1,353.7	-9.8%	3,535.3	4,058.0	-12.9%
Profit for the period from discontinued operation, net of tax	6.7	28.1	-76.0%	26.6	62.3	-57.4%
Profit for the period	793.7	905.6	-12.4%	2,265.6	2,701.0	-16.1%
Profit attributable to owners of the parent	771.9	886.4	-12.9%	2,216.3	2,620.2	-15.4%
Key Ratios (%)						
Gross profit margin	31.8%	33.7%	-1.9%	31.7%	33.1%	-1.4%
SG&A to net sales	19.6%	17.8%	1.8%	20.1%	17.9%	2.2%
EBIT margin	15.5%	17.3%	-1.8%	14.8%	17.2%	-2.4%
EBITDA margin	20.1%	21.8%	-1.6%	19.2%	21.4%	-2.3%
Net profit margin	13.1%	14.6%	-1.5%	12.3%	14.3%	-2.0%

In September 2018, the Company completed divestment of Interactive Communications – a subsidiary of the group - and booked gain on sales of investment of THB 12.3 million before tax. As the Company completely divested out of the media business, this transaction has led to the restatement in the Company's income statement in Q3'18 by taking out all related items in the statement and combined them into one line below corporate tax expense called "Profit for the period from discontinued operation, net of tax" (See Note 7 to our interim financial statements for the three-month and for the nine-month periods ended 30 September 2018 for more details).

Financial Performance Summary for Q3'18 vs. Q3'17

The Company reported Q3'18 total revenues from sales of THB 5,901.4 million, a decrease of THB 266.8 million YoY (or -4.3%) due mainly to lower sales from Beverages segment (THB -276.8 million or -5.9% YoY) and lower OEM bottles sales (THB -72.5 million or -25.4% YoY) partially offset by stronger C-Vitt and Calpis sales (+THB 173.1 million or 48.1% YoY to THB 533.1 million in Q3'18) (See *Segment Performance section* for more details).

Beverages Segment

Total revenues from sales of Beverages segment decreased by THB 276.8 million (or -5.9% YoY) to THB 4,398.8 million in Q3'18. Domestic sales was at THB 3,589.4 million or THB 249.8 million lower than Q3'17 (or -6.5% YoY) mostly due to high promotion of M-150 and Lipovitan-D in Q3'17 partially offset by stronger sales from Chalarm (+7.7% YoY) driven by the new Chalarm Black Galingale (launched in August 2018) and Som In-Sum which continued to perform



well (+108.9% YoY). Moreover, when combining C-Vitt and Calpis (normally reported under Supply Chain Services) with domestic beverages sales, Thailand's beverages portfolio only declined by 1.8% YoY.

In overseas markets, total revenues from sales declined by THB 27.0 million (or -3.2% YoY) to THB 809.4 million in Q3'18 mostly from weaker sales in the Middle East and Africa driven by unrest in Yemen. Myanmar sales declined slightly by 1.5% YoY due to Kyat currency depreciation (at constant FX, total Myanmar sales would have been +6.8%). Laos grew 7.5% YoY while Cambodia performance was dragged by high stock level with the distributors.

Personal Care Segment

Total revenues from sales of Personal Care segment decreased by THB 30.3 million (or -4.8% YoY) from higher base last year from strong promotions for Babi Mild and Twelve Plus. Domestic sales declined by 5.7% YoY to THB 523.8 million in Q3'18 while the international sales slightly improved by 2.2% YoY to THB 72.7 million in Q3'18.

Supply Chain Services Segment

Total revenues from sales of Supply Chain Services segment increased by THB 43.2 million (or +5.3%) YoY to THB 596.5 million in Q3'18 driven by strong growth from C-Vitt product (+85.0% YoY) after the capacity expansion in 2Q18. Moreover, C-Vitt became number one brand in functional drink market with market share of 23.3% in Q3'18 from 16.9% in Q2'18, according to Nielsen. However, this was partially offset by lower Calpis sales (-20.1% YoY) and lower revenue from OEM sales (-30.1% YoY). The decrease in OEM sales were mainly from lower OEM glass bottle sales (-25.4% YoY) which were gradually recovering after the start-up of the furnace in Ayutthaya in Q2'18 post major maintenance.

The Company's gross profit decreased by THB 201.5 million YoY (or -9.7%) to THB 1,876.0 million in Q3'18. Overall gross profit margin for the Company was 31.8% mostly as a result of higher raw material costs (particularly cullet) and natural gas price, higher listing fees from the new product launches in both beverage and personal care and higher conversion costs from lower OEM sales. We started to see full benefits from lower cullet price trend in September after depleting the high price cullet inventory.

The Company's total SG&A increased by THB 58.6 million or 5.3% YoY to THB 1,158.6 million in Q3'18 which mostly caused by reversal of provisions related to termination of Unicharm's distribution agreement of THB 222.7 million in Q3'17. The reversal of the provisions related to termination of Unicharm's distribution agreement has caused administrative expenses in Q3'17 to be lower than normal. Without Unicharm's reversal impact, core SG&A declined, benefitting from lower selling and marketing expenses, administrative expenses reversal (lower pension spending), lower consulting fee as well as last year's one-time expenses related to company restructuring last year.

The Company Q3'18 reported profit for the period was THB 793.7 million and the profit attributable to owners of the parent was THB 771.9 million.

Financial Performance Summary for 9M18 vs. 9M17

The Company reported 9M18 total revenues from sales of THB 17,964.3 million, a decrease of THB 698.4 million YoY (or -3.7%) mostly driven by the absence of Unicharm sales post the termination of distribution agreement in March 2017 of THB 578.9 million. Excluding Unicharm, 9M18 normalized total revenues from sales were -0.7% driven by lower OEM sales of 30.4%, partially offset by growth in domestic beverage including C-Vitt & Calpis (which is included in Supply Chain Services) of 1.5%, and growth in Personal Care segment of 9.1%. International sales were -2.4% (but +2.3% on a constant FX basis).

Beverages Segment

Total revenues from sales of Beverages segment declined by THB 261.0 million YoY (or -1.8%) to THB 13,885.3 million in 9M18. Domestic sales contribution was at THB 11,064.7 million or THB 124.1 million lower than 9M17 (or -1.1% YoY) due to high promotion of M-150 and Lipovitan-D last year. However, a successful repositioning of Som In-Sum in late 2017 has continued to grow the sales contribution in 9M18 by 158.9% YoY. Also, M-Presso (NPD launched in February 2018) contributed to the Beverages sales this year. Hence, if combined with sales contribution of C-Vitt and Calpis, Osotspa's beverage portfolio in Thailand improved by 1.5% YoY to THB 12,306.8 million in 9M18. Subsequently, the Company was able to maintain market share in energy drink at 54% in 9M18, according to Nielsen.

In overseas markets, total revenues from sales decreased by THB 136.9 million YoY (or -4.6%) to THB 2,820.6 million in 9M18 driven by weaker sales in Cambodia and Europe. Myanmar sales remained flat YoY at THB 1,920.5 million despite the impact of Kyat devaluation against Thai Baht (at constant FX, total Myanmar sales would have grown 9.1% YoY). Moreover, Cambodia sales remained a challenge from facing high distributor's inventory.



Personal Care Segment

Total revenues from sales of Personal Care segment improved by THB 192.6 million YoY (or +12.2%) to THB 1,776.7 million in 9M18 driven by sales from Babi Mild (+16.7% YoY to THB 1,170.5 million in 9M18) as well as Twelve Plus (+5.3% YoY to THB 523.5 million in 9M18). Domestic sales for personal care improved by THB 131.1 million YoY (or +9.1%) to THB 1,575.3 million in 9M18 driven by both Babi Mild (+13.6% YoY to THB 985.7 million) and Twelve Plus (+3.0% YoY to THB 507.1 million) sales improvement. We believe both brands will continue to reap out benefit from being more focus (after SKU rationalization), having margin accretive new products launches and a cautious and active evaluation of advertising and promotional spending. In overseas markets, total revenue from sales improved by THB 61.5 million YoY (or +44.0%) to THB 201.3 million.

Supply Chain Services Segment

Total revenues from sales of Supply Chain Services decreased by THB 633.8 million YoY (or -22.8%) to THB 2,151.6 million in 9M18 driven mostly by revenue decline from termination of Unicharm's distribution business (THB -578.9 million YoY) in March 2017 and also from lower revenue from sales of OEM products especially OEM bottle sales (-35.0% YoY) which dropped from major maintenance of a furnace in Ayutthaya. Meanwhile, sales from C-Vitt has continued to outperform last year especially after completed capacity expansion in mid-2018 (+61.3% YoY in 9M18) while Calpis declined 13.0% YoY.

The Company's gross profit was THB 5,696.9 million in 9M18, a decrease of THB 483.8 million YoY (or -7.8%). Overall gross profit margin for the Company was 31.7% as a result of higher raw material costs (particularly cullet) and natural gas price, higher listing fees from the new product launches in both beverage and personal care and higher conversion costs from lower OEM sales.

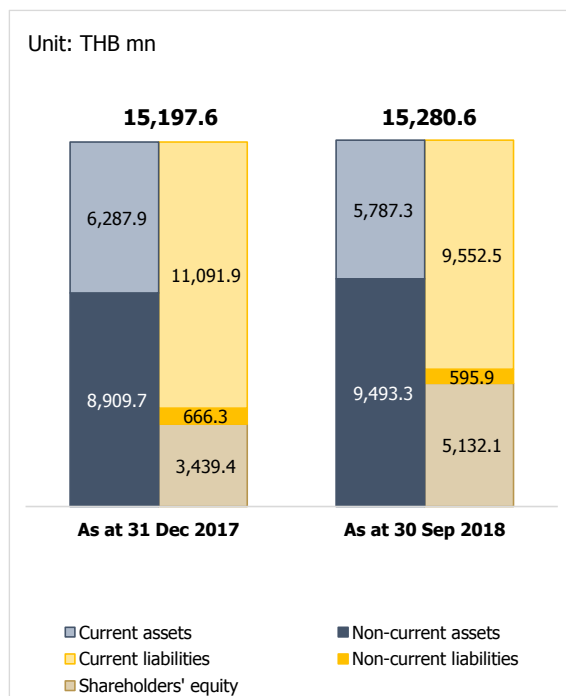
The Company's total SG&A increased by THB 277.2 million YoY (or +8.3%) to THB 3,610.5 million due to higher selling and distribution expenses (+5.0% YoY) particularly from higher advertising and promotional spending as well as higher administrative expenses (+THB 153.0 million or +17.7% YoY) which was driven by last year's one-time adjustment from partial reversal of provisions related to termination of Unicharm's distribution agreement amounted to THB 280.1 million.

The Company reported profit for the period of THB 2,265.6 million, net profit margin of 12.3% and net profit of THB 2,216.3 million.



Financial Position

Balance Sheet



Balance Sheet Breakdown

ASSETS (THB mn)	As at 31 Dec 2017	As at 30 Sep 2018
Cash and cash equivalents	375.7	1,195.8
Trade and other receivables	2,837.1	2,804.9
Inventories	1,743.5	1,625.4
Other current assets	145.5	161.2
Non-current assets classified as held for sale	1,186.1	-
Total Current Assets	6,287.9	5,787.3
Net PP&E	6,933.2	6,943.3
Long term investments	1,222.2	1,396.5
Other assets	754.3	1,153.5
Total Non-Current Assets	8,909.7	9,493.3
Total Assets	15,197.6	15,280.6
LIABILITIES and EQUITIES (THB mn)	As at 31 Dec 2017	As at 30 Sep 2018
Trade and other payables	4,338.4	3,811.7
Short term loans	6,081.7	5,400.0
Other liabilities	944.0	936.7
Liabilities classified as held for sale	394.0	-
Total Liabilities	11,758.2	10,148.4
Issued and paid-up share capital	231.0	2,497.0
Retained earnings	3,011.3	2,508.7
Surplus on business combination under common control	328.0	353.1
Other components of SE	-239.5	-429.5
Non-Controlling Interest	108.6	202.9
Total Shareholders' equity	3,439.4	5,132.1
Total Liabilities & Equity	15,197.6	15,280.6

As of 30 September 2018, the Company had total assets of THB 15,280.6 million, a slight increase of THB 83.0 million (or +0.5%) from 31 December 2017. Cash and cash equivalents increased by THB 820.1 million driven by cash generated from operations (see cash flow analysis) and other assets increased due to acquisition of leasehold rights of THB 312.1 million for the purpose of building new manufacturing plant in Thilawa Special Economic Zone. Lastly, the absence of non-current assets classified as held for sale (THB -1,186.1 million) this year was due to the divestment of Future Group.

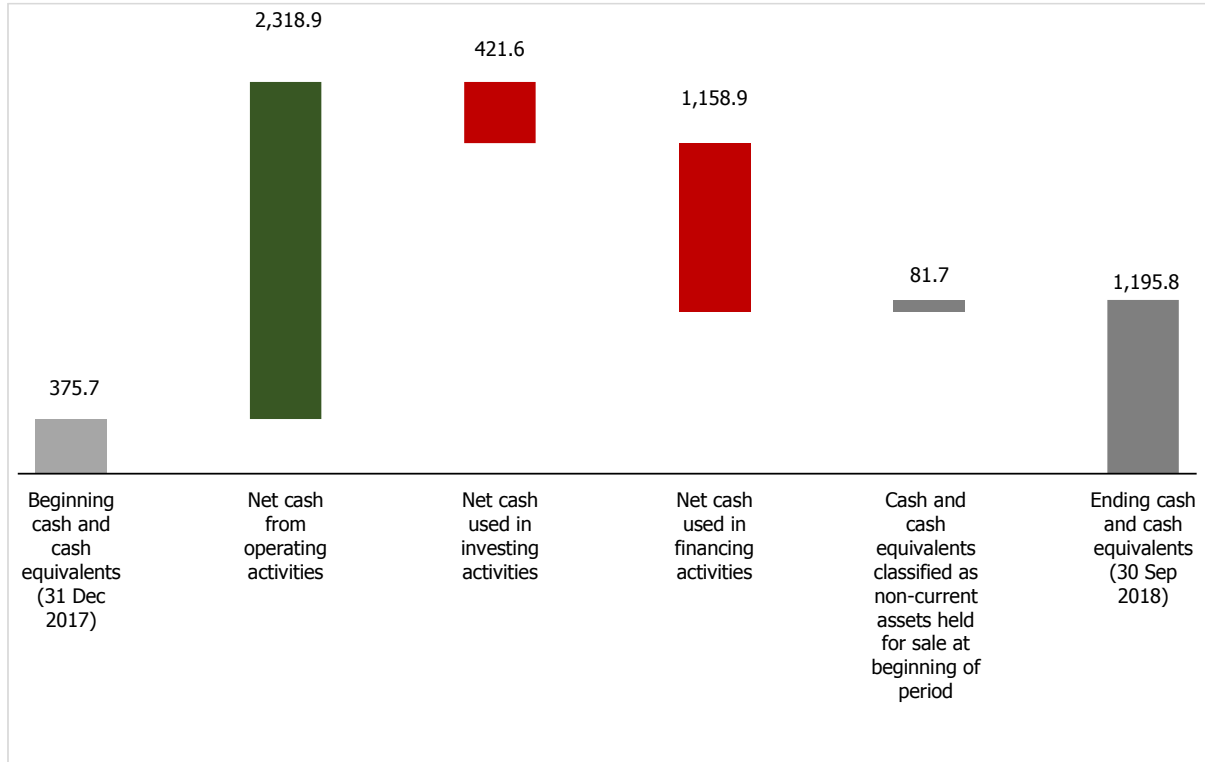
As of 30 September 2018, the Company had total liabilities of THB 10,148.4 million, a decrease of THB 1,609.7 million (or -13.7%) from 31 December 2017 primarily from net reduction in short-term loans of THB 681.7 million, lower payables and accruals of THB 526.7 million, and a decline in liabilities classified as held for sale (THB 401.3 million) post-divestment of Future Group.

As of 30 September 2018, the Company had total shareholders' equity of THB 5,132.1 million, an increase of THB 1,692.7 million from 31 December 2017 which were driven by consolidated profit for the period of THB 2,265.6 million generated in 9M18 combined with an increase in paid-up capital of THB 2,266.0 million and was partly offset by total dividend payments of THB 2,808.9 million in 9M18 (THB 2,742.3 million was paid to the owners of the Company).



Cash Flow

Unit: THB mn



As of 30 September 2018, the Company had cash and cash equivalents of THB 1,195.8 million, up by THB 820.1 million (or +218.3%) from THB 375.7 million on 31 December 2017. The Company had cash flows from operating activities of THB 2,318.9 million. Cash flows used in investing activities amounted to THB 421.6 million as there were acquisition of property, plant and equipment of THB 993.0 million and acquisition of leasehold rights in Myanmar of THB 355.4 million, which were offset by net cash proceeds from disposals of subsidiaries of THB 715.1 million (from divestment of Future Group) and cash proceeds from sales of property, plant and equipment of THB 197.3 million. The Company's cash outflows from financing activities were THB 1,158.9 million, driven by total dividends paid to shareholders of THB 2,808.9 million, net payment of short-term borrowing from financial institutions of THB 633.5 million, and offset by proceeds from issuance of shares of THB 2,266.0 million.



Financial Ratio Analysis

	Q3'18	Q3'17	9M18	9M17
Profitability Ratios				
Gross profit margin (%)	31.8	33.7	31.7	33.1
EBITDA margin (%)	20.1	21.8	19.2	21.4
Net profit margin (%) – after minority interests	12.7	14.2	12.0	13.8
Net profit margin (%)	13.1	14.6	12.3	14.3
Return on equity (%) – trailing	53.0	50.2	53.0	50.2
Return on assets (%) – trailing	16.8	17.9	16.8	17.9
Efficiency Ratios				
Number of days of inventory	38	40	38	38
Collection period (days)	44	45	44	53
Accounts payable days	44	50	43	49
Cash cycle (days)	38	35	38	42
Liquidity and Leverage Ratios				
Current ratio (times)	0.61	0.57	0.61	0.57
Total debt to equity (times)	1.98	2.38	1.98	2.38

- ▶ The Company's operating gross profit margins was 31.8% in Q3'18 compared to 33.7% in Q3'17. SG&A to net sales ratios of 19.6% in Q3'18 compared with an abnormally low 17.8% in Q3'17, the Company's EBITDA declined from 21.8% in Q3'17 to 20.1% in Q3'18 while net profit margins dropped from 14.6% in Q3'17 to 13.1% in Q3'18.
- ▶ Q3'18 cash cycle of 38 days (compared with 35 days in Q3'17) lower payables, lower inventory, and better cash collection.
- ▶ Current ratio remained relatively stable at 0.61 times in Q3'18 (and 9M18) compared with 0.57 times in Q3'17 (and 9M17). Total debt to equity ratio dropped from 2.38 times in Q3'17 (and 9M17) to 1.98 times in Q3'18 (and 9M18) mostly due to capital raising in Q3'18.



APPENDIX: Ratio & Formula

Profitability Ratios

Gross profit margin (%) = (Total revenues from sales – Total cost of sales of goods) / Total revenues from sales

SG&A to net sales ratio (%) = (Selling and distribution expenses + Administrative expenses) / Total revenues from sales

EBIT margin (%) = (Profit before income tax expense + Finance Cost) / Total revenues

EBITDA margin (%) = (Profit before income tax expense + Finance Cost + Depreciation and Amortization) / Total revenues

Net profit margin (%) = Profit for the period / Total revenues

Net profit margin (%) – after minority interests = Profit attributable to owners of the parent / Total revenues

Return on equity (%) = Profit for the period / Avg. total equity

Return on assets (%) = Profit for the period / Avg. total assets

Liquidity Ratio

Current ratio (times) = Total current assets / Total current liabilities

Efficiency Ratios

Number of days of inventory = Avg. inventory / (Cost of sales of goods / Number of days in the period¹)

Collection period (days) = Avg. trade account receivables before allowance for doubtful account / (Total revenue from sales / Number of days in the period¹)

Accounts payable days = Ending account payables / (Cost of sales of goods / Number of days in the period¹)

Leverage Ratios

Debt to equity (times) = Total liabilities / Total equity

¹ Number of days in the period is defined to have 360 days in a year. For example, 90 days and 180 days should be used for quarterly and half-year ratio analysis.