

TACC-010/2022

August 11, 2022

Subject: Management Discussion and Analysis for the Second Quarter ended June 30, 2022

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 second quarter ended June 30, 2022 as follows:

Revenues

Sales and service income

In the 2nd quarter of 2022, the company achieved a sales and service income of Baht 384.98 million. This had an increase of Baht 33.09 million or equivalent to 9.47% from the 2nd quarter of 2021 (Baht 351.90 million). The reasons are (A) sales from cold dispenser increase from last year because schools and offices are allow to operate normally, including an increase in the number of tourists from the relaxation of tourist quarantine measures, (B) increasing in instant drink from launch new flavors and (C) expansion to new market in Cambodia in conjunction with expansion of branches of 7-11.

For the six-month period ended June 2022, the company achieved a sales and service income of Baht 722.32 million. This had an increase of Baht 45.17 million or equivalent to 4.24% from the same period of previous year (Baht 677.15 million). The revenue has grown from (A) revenue from sales in 7-11 rebound because the COVID-19 pandemic situation is better than last year resulting in schools and offices are back to operate normally, including an increase in the number of tourists, (B) increasing number of outlets of All Café (a fresh coffee corner within the 7-Eleven store) where the non – coffee products and new product of upsize sold, (C) increasing in Co-develop new B2B products (7-11 and non 7-11) and expanded of modern trade customers and Food service, and (D) expansion to new market in Cambodia in conjunction with expansion of branches of 7-11.

Gain on exchange and other income

The other income is consist of unrealized gain on exchange rate and other income. In the 2nd quarter of 2022, the gain on exchange and other income were Baht 3.46 million, increased by 35.53% from the 2nd quarter of 2021 (being reported at Baht 3.46 million). This was due to the depreciation of the baht which resulted in an increase in unrealized foreign exchange gains of private funds.

For the six-month period ended June 2022, the company achieved other income of Baht 6.14 million, which slight decrease at Baht 0.65 million or equivalent to 9.62% from the same period of previous year (Baht 6.79 million). This was due to the company sold investments in private funds in the second quarter of 2022, resulting in a decrease in unrealized gains from investments in mutual funds.



Cost of Sales and services

In the 2nd quarter of 2022, the company had the cost of sales and services amounting to Baht 243.43 million, which increase Baht 28.36 million or equivalent to 13.19% from the same period of previous year (Baht 215.07 million). The portion of cost of sales and services to sales and services income increase by 2.11% from last year (2022: 63.23%, 2021: 61.12%), resulting to decreasing of gross profit margin by 2.11% from last year (2022: 36.77%, 2021: 38.88%). The gross margins decrease because the increasing in raw material prices since April. As a result, the company has higher cost of sales in this year.

For the six-month period ended June 2022, the company had the cost of sales and services amounting to Baht 449.34 million, which increase Baht 25.79 million or equivalent to 6.09% from the same period of previous year (Baht 423.55 million). The portion of cost of sales and services to sales and services income slightly decrease by 0.34% from last year (2022: 62.21%, 2021: 62.55%), resulting to increasing of gross profit margin by 0.34% from last year (2022: 37.79%, 2021: 37.45%). The gross profit margin for the six-month period 2022 is slightly different from the year 2021 is a result of the company's sales of high-margin products since 1st quarter 2022 and can effectively manage the cost of raw materials, this made the company cans maintain the gross margin despite there is increasing in raw material cost during 2nd quarter 2022.

Selling and distribution expenses

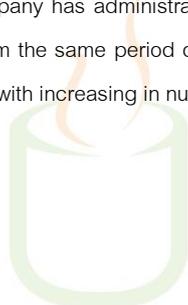
In the 2nd quarter of 2022, the company has selling and distribution expenses decrease amounting to Baht 8.83 million or equivalent to 18.77% from the same period of previous year (2022: Baht 38.23 million, 2021: Baht 47.06 million), and the portion of selling and distribution expenses to sales and services income is decrease by 3.44% from previous year (2022: 9.93%, 2021: 13.37%).

For the six-month period ended June 2022, the selling and distribution expenses decrease amounting to Baht 15.65 million or equivalent to 17.03% from the same period of previous year (2022: Baht 76.25 million, 2021: Baht 91.90 million), and the portion of selling and distribution expenses to sales and services income is decrease by 3.01% from previous year (2022: 10.56%, 2021: 13.57%). The reason of decreasing is because the decrease in promotional and advertising expenses, and fully depreciated of sales equipment and tool, which made there is no depreciation expenses in this year.

Administrative Expenses

In the 2nd quarter of 2022, the company has administrative expenses amounting to Baht 21.94 million, which decrease Baht 1.05 million or equivalent to 4.58% from the same period of previous year (Baht 22.99 million). This because in the 2nd quarter of 2021, the company has set up an allowance for diminution in the value of inventories of approximately Baht 4 million, but there is no such expense in this year. However, an employee-related expenses increase in line with the number of employees in this year.

For the six-month period ended June 2022, the company has administrative expenses amounting to Baht 40.54 million, which increase Baht 1.05 million or equivalent to 3.69% from the same period of previous year (Baht 39.09 million). This because the increase in employee-related expenses, which in line with increasing in number of employees in this year.



Share of loss from investment in joint venture

For Financial statements in which the equity method, the company have realized the share of loss from investment in joint venture from take equity in TCI, that invested at 1 April 2021.

Finance income

For the three-month and six-month periods ended June 2022, the company has finance income amounting to Baht 0.21 million and Baht 0.41 million respectively, which increase Baht 0.10 million and 0.26 million respectively from previous year. This was due to interest income increased.

Finance Costs

For the three-month and six-month periods ended June 2022, the company has finance costs amounting to Baht 0.30 million and Baht 0.61 million respectively, which increase Baht 0.03 million and 0.07 million respectively from previous year as a result of a deferred interest for a financial lease.

Net Profit

In the 2nd quarter of 2022, the company has net profit in financial statements in which the equity method and separate financial statements amounting to Baht 68.40 million and Baht 68.74 million respectively, which increase Baht 14.51 million and Baht 14.14 million or equivalent to 29.62% and 25.91% from the same period of previous year at Baht 53.89 million and Baht 54.59 million respectively. The company achieved net profit margin of 17.77% and 17.85% respectively, which increase 2.46% and 2.34% from last year at 15.31% and 15.51% respectively.

For the six-month period ended June 2022, the company has net profit in financial statements in which the equity method and separate financial statements amounting to Baht 128.55 million and Baht 129.22 million respectively, which increase Baht 27.97 million and Baht 27.93 million or equivalent to 27.80% and 27.58% from the same period of previous year at Baht 100.58 million and Baht 101.29 million respectively. The company achieved net profit margin of 17.80% and 17.89% respectively, which increase 2.95% and 2.93% from last year at 14.85% and 14.96% respectively. The main reason for the increase in net profit for the three-month and six-month periods was an increase in sales due to the COVID-19 pandemic situation is better than last year, selling of high-margin products in this year, and expansion of both domestic and international markets in year 2022, including efficient cost management and reducing unnecessary sales and distribution costs. As a result, net profit increased from last year.



Business Plan 2022

The company sets the 2022 target to grow around 10 by creating value of existing portfolio and continue to drive cost and operation efficiency and continue to creating new product in high growth & potential markets and new consume trends and expand the channel of sale.

Sincerely yours,

Chatchawe Vatanasuk

Mr. Chatchawe Vatanasuk

Chairman of the Executive Committee

T.A.C. Consumer Public Company Limited

