

CBG 008/2018

21 February 2018

Subject Management discussions and analysis for the year ending 31 December 2017

To President
The Stock Exchange of Thailand

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 financial year ended 31 December 2017 as follows:

Consolidated financial performance of the Group for the year ending 31 December 2017 in comparison with the corresponding period last year ending 31 December 2016

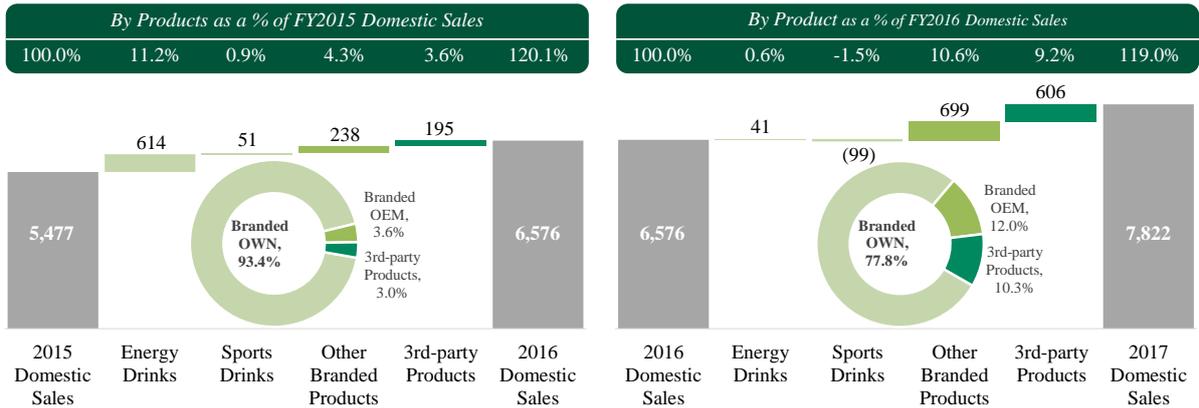
We have committed ourselves to strategies that emphasized on building up strong fundamentals in order to drive our businesses towards a sustainable growth organization. Our domestic performance has been strengthened by the product strategies that are not only limited to rolling out branded products by 3rd party manufacture, ranging from Drinking Water launched since the 1st quarter of 2016 to 3-in-1 and RTD Coffee marketed since the 2nd half of 2016.

Product strategies also include the shaping up of additional revenue stream from distribution of diversified set of 3rd party products in both general consumer goods and alcohol beverage categories. Following this, revenue growth from 3rd party products for distribution has been driven by the diversity of selective products that offer well-perceived quality at reasonable prices.

We believed that the notable Carabao brand is well imprinted among targeted customers and the positive feedback in term of sales of both the branded products by 3rd party manufacture especially the RTD Coffee and the 3rd party products for distribution shall not only diversify the risk of reliance solely on energy drink, of which the market has negative growth for over the past 2 years according to Nielsen Thailand, but also play a vital role in expanding current domestic business of the Group and in the future in relation to the growing demand and improving domestic economy.

Our domestic market growth is also supported by our cash van strategies which lifted up our distribution coverage over the traditional trade channel in key trade regions. This means, in addition to the multi-tiered agent system, cash van strategies distribute our products directly to a number of traditional trades, of which the Group has continuously collected data and developed customer-relation management process to systematically and thoroughly identify, analyze and develop marketing strategies over approximately 220,000 shops nationwide domestically with 31 distribution centers and the 334-van fleet as of 31 December 2017.

Our revenue from domestic sales amounted to THB 7,822 million increased by THB 1,247 million or 19% from the corresponding period last year, such development can be described as follows:

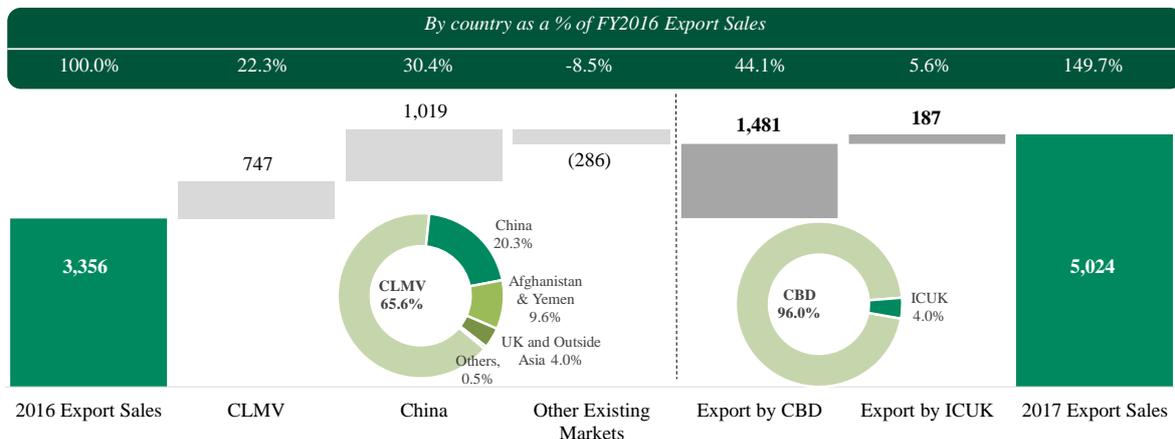


Note: Pie charts represent annual sales derived from individual product groups as a % of domestic sales in respective financial reporting period

Our product strategies and cash vans are a part of our integrated marketing policy, which is run in parallel with general above-the-line advertisement and on-ground marketing events which communicate directly to the targeted consumers with the aim to raise brand awareness, create product experience, and demand of our branded products. On top of this, football sponsorships with Chelsea Football Club Limited (CFC) and English Football League (EFL) are powerful marketing tools to spread out the Carabao brand globally.

Overseas businesses continue to grow in both our existing export markets ranging from CLMV, Afghanistan, Yemen to many others, and those new ones, which operated by our domestic subsidiary, namely Carabao Tawandang Company Limited (“**CBD**”), and our overseas subsidiary, namely Intercarabao Limited (“**ICUK**”). For overseas business, we solely export energy drink in three formats including bottle, non-carbonated can, and carbonated cans under Carabao trademark.

Our revenue from overseas sales amounted to THB 5,024mn, increased by THB 1,667mn or up by 49.7% from the corresponding period last year, which can be divided into groups of export markets as follows:



Note: Pie charts represent annual sales derived from key export markets as a % of export sales in respective financial reporting period

The expansion into new export market i.e. the People’s Republic of China, under CBD’s operations is in pursuant to the Board of Directors’ meeting No. 4/2560 held on 25 April 2017 to approve our withdrawal from holding shares in the Greater China Project, the Group nevertheless benefits from manufacturing and exporting our products to our trade partner in the People’s Republic of China for marketing for the purpose of further selling and distributing to our target consumers all over several key provinces in the People’s Republic of China under the active marketing policy of the trade partner.

ICUK recognizes the dynamics and competitive setting of energy drink market as well as the high bargaining power of leading modern trade operators in the UK, causing longer lead time than expected of the approval process to list our products on shelves. However, ICUK still aims to further entail the distribution coverage expansion in all channels while raising the same store sales growth with product differentiation strategy and careful allocation of marketing and promotional budgets to spur growth through priority channels. The launch of Green Apple flavored energy drink in the late 2016 is an example of product differentiation strategy which received positive feedback from target customers whereas the succession of new Mandarin Orange flavored energy drink is expected to be launched in the 1st quarter of 2018. Moreover, ICUK shall also give an emphasis on cost reductions particularly in redundant procedures to deliver appropriate rate of return on sales.

In term of sales, ICUK continues to gain positive momentum. The sales volume of energy drinks under Carabao trademark in the United Kingdom improved quarterly, up from average monthly sales volume of 113k cans in the 4th quarter of 2016 to 950k cans in the 4th quarter of 2018, making an average monthly sales of 588k cans for the year ending 31 December 2017. Such improvement is a result of our distribution and product differentiation strategy mentioned above coupled with our distinguishing marketing position of ICUK as official sponsors to leading Football Club/ League. The succeed of these strategies led to the increased distribution coverage throughout the fiscal year, particularly in reputable modern trades including Booker, One-Stop, WHSmith, SPAR, BP, Morrisons, Co-operative, Ocado and Poundland. Meanwhile, our product is already on-shelf in Asda since January 2018.

ICUK also continued to bear fruit from increasing sales of our energy drinks under Carabao trademark outside the UK. Such exports of our energy drinks to those countries outside the UK is, in fact, vary every month depending on the orders from importers. In short, the average monthly sales outside UK is approximately at 1 million cans.

Our sponsorship to Chelsea Football Club Limited (CFC) and English Football League (EFL) is expected to serve as a key marketing platform in overseas businesses. We decided to enter into a sponsorship partnership with Chelsea Football Club Limited for five-year seasons ending in 2021, of which incur total sponsorship fee of GBP 33 million divided into the first three-year term ending in 2019 with Principal Partnership status with total fee for the period of GBP 27 million and the next following two seasons with extra cost of GBP 6 million throughout the period as the status shall be automatically changed to Global Partner according to the deed of variation in respect of rights and fees to the sponsorship agreement with Chelsea Football Club Limited to extend the contract from the previous scheme of a three-year sponsorship ending 2019.

At the same time, the Group engaged in the English Football League sponsorship for three-year contract ending 2020 with the total fee of GBP 18 million. EFL, which is one of the largest league in the UK with over 90 football clubs throughout the country taking part in the match, is renamed into Carabao Cup over the contract term. We realized that these football sponsorship agreements together with the investment in overseas business could entail some financial risk upon the Company and its subsidiaries during the initial phase, however, the Group believes that these are strategic investments in our long-term fundamental to our bolstering visibility of energy drinks under Carabao trademark and widening business opportunity in the global spotlight.

1 Revenue from sales

For the year ending 31 December 2017, our revenue from sales amounted to THB 12,904 million, up by THB 2,961 million or 29.8% divided into the proportion of revenue from domestic sales and revenue from overseas sales at 61:39 respectively changed from the ratio of 66:34 in the same period last year.

Sales of energy drink product alone is amounted to THB 11,058 million up by THB 1,709 million or 18.3%. The amount could be separated into the ratio from domestic and export sales 55:45 respectively change from the proportion of 64:36 for the corresponding period last year. Revenues from overseas sales which are mainly generated from sales of energy drink under Carabao trademark had growth impressively both in terms of value and as a percentage of total revenue from sales on the

back of our active marketing policy to drive export markets both in Asia and outside Asia in parallel to the Group's vision of World Class Brand, World Class Product.

Revenue from sales by business Unit: THB in million	For the fiscal period ending 31 Dec		Change	
	2016	2017	Amount	Percent
Branded products by our own manufacture	6,141	6,083	(58)	(0.9)
Branded products by 3rd-party's manufacture	238	936	699	n/m
3rd-party's products for distribution	197	803	606	n/m
Domestic sales	6,576	7,822	1,247	19.0
Overseas sales derived from CBD's operations	3,340	4,821	1,481	44.3
Overseas sales derived from ICUK's operations	16	202	187	n/m
Overseas sales	3,356	5,024	1,667	49.7
Others	12	58	47	n/m
Total sales	9,943	12,904	2,961	29.8

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

Revenue from domestic sales amounted to THB 7,822 million, up by THB 1,247 million or 19.0% driven by two individual product groups: (i) revenue from sales of branded products by 3rd party manufacture increased by THB 699 million thanks to the successful launch of new products by utilizing our strong brand of Carabao especially the RTD Coffee which received the positive response from target consumers, and (ii) revenue from 3rd party products for distribution increased by THB 606 million due to the increasing coverage of distribution centers (DCs) and cash-van fleet nationwide to 31 DCs ending 31 December 2017 from 16 DCs in the corresponding period last year and the weighted average number of vans was at 336 vans up from 265 vans in the corresponding period last year, coupled with the wider range of 3rd party products for distribution covering both general consumer goods and alcohol beverages.

For overseas businesses, revenue from sales of branded products amounted to THB 5,024 million, up by THB 1,667 million or 49.7% driven by (i) revenue from sales of existing export markets excluding the People's Republic of China market i.e. CLMV, Afghahistan, Yemen and others amounted to THB 3,802 million increased by THB 462 million or 13.8% thanks to the rising point of sales and marketing strategy implemented by our importers together with the well-perceived brand image of being an official football sponsorship for leading football club, particularly in sales of export to CLMV markets that increased by THB 747 million of 29.4%, and (ii) new export market such as the People's Republic of China, which will play a significant role in the future growth of our overseas business. The rise in our revenue from sales of branded products to the People's Republic of China for the period, which amounted to THB 1,019 million representing 20.3% of total revenue from overseas sales for the period, not only support our market diversity but also raise our brand perception as the People's Republic of China is one of the top 5 energy drink market in the world.

Apart from revenue from overseas sales to CLMV, Afghanistan, Yemen, the People's Republic of China, and others under the operation of CBD mentioned above, the Group also has revenue from overseas sales under the ICUK's operation amounted to THB 202 million comprising of the UK sales and outside-UK sales in the proportion of 50:50 respectively.

2 Gross profits and gross profits margin

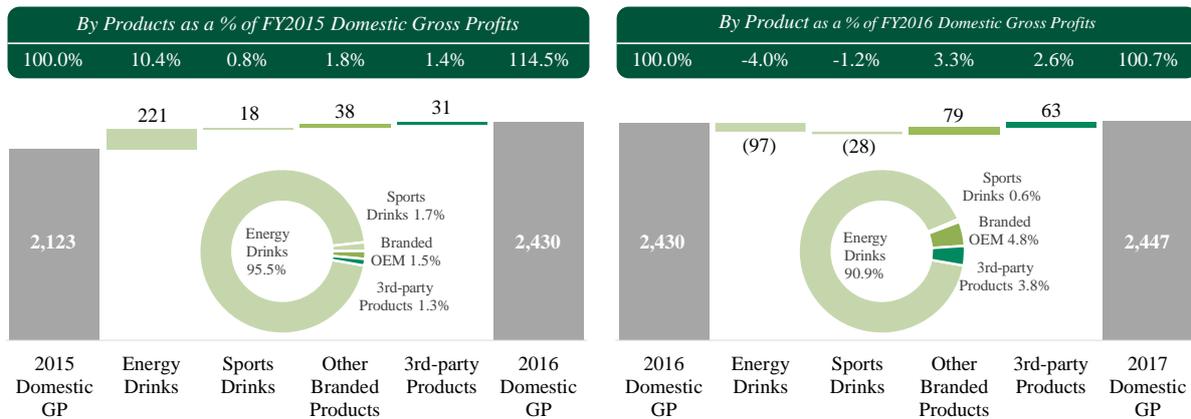
For the period ending 31 December 2017, our gross profits amounted to THB 4,065 million, up by THB 509 million or 14.3%, and represented gross profit margin of 31.5%, down from 35.8% posted during the corresponding period last year.

- Translation -

Gross profits by business Unit: THB in million	For the fiscal period ending 31 Dec		Change	
	2016	2017	Amount	Percent
Branded products by our own manufacture	2,361	2,236	(125)	(5.3)
Branded products by 3rd-party's manufacture	38	117	79	n/m
3rd-party's products for distribution	31	94	63	n/m
Gross profits from domestic businesses	2,430	2,447	17	0.7
Gross profits derived from overseas sales by CBD	1,121	1,585	464	41.4
Gross profits derived from overseas sales by ICUK	3	28	25	n/m
Gross profits from overseas businesses	1,124	1,613	489	43.5
Others	1	5	4	n/m
Total gross profits	3,555	4,065	509	14.3

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

In general, gross profit margins for branded products by 3rd party manufacture and 3rd party products for distribution are lower and gross profit margins for each of 3rd party products for distribution are typically varied as the normal business terms and conditions of trading business are set at market price. Consequently, the growth in sales of this two categories will affect product mix significantly and result in the decrease in gross profit margin of revenue from domestic sales i.e. gross profit of revenue from domestic sales was amounted to THB 2,447 million decreased by THB 17 million or 0.7% representing gross profit margin of 31.3% reduced from the ratio of 37.0% in the corresponding period last year, such development could be separated into different product categories as follows:



Note: Pie charts represent annual gross profits from individual product groups as a % of total gross profits in respective financial reporting period

The above chart illustrated that the branded products by 3rd party manufacture and the 3rd party products for distribution in both general consumer goods and alcohol beverage generated incremental sales and gross profit. Gross profit from these two categories amounted to THB 210 million up by THB 142 million compensating the performance of below-the-expectation sales in other product categories due to the strong competition and becoming another stable sources of revenue in the future.

- Translation -

Gross profits margin by business Unit: THB in million	For the fiscal period ending 31 Dec	
	2016	2017
Branded products by our own manufacture	38.5	36.8
Branded products by 3rd-party's manufacture	15.8	12.5
3rd-party's products for distribution	15.8	11.7
Gross profits margin from domestic businesses	37.0	31.3
Gross profits derived from overseas sales by CBD	33.6	32.9
Gross profits derived from overseas sales by ICUK	21.5	13.8
Gross profits margin from overseas businesses	33.5	32.1
Others	8.3	8.4
Total gross profits margin	35.8	31.5

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

Average unit cost under the operation of CBD was affected by the rising costs of key raw material price and packaging costs including sugar, taurine, caffeine, guarana and amber glass bottles as well as conversion costs ranging from energy cost, depreciation and amortization and staff costs; therefore, gross profit of branded products by own manufacture reduced from the corresponding period last year i.e. gross profit margin of energy drink in bottle format and sport drinks in domestic market was at 36.8% decreased from the ratio of 38.5% in the corresponding period last year while gross profit margin of energy drinks in formats of bottle, non-carbonated can, and carbonated can for overseas market was at 32.9% declined from the gross profit margin of 33.6% in the corresponding period last year. Such decline due to the continuously rising price of cullet which is the key raw material in the production process of amber glass bottles causing the packaging cost to increase considerably. However, the Group realizes such risk from the issue and keep monitor the cullet price closely and control the usage amount to optimize the production cost.

Gross profit of revenue from overseas sales under ICUK's operation was amounted to THB 28 million representing gross profit margin of 13.8%. The ratio reflects the reality of the ICUK operation under the initial stage, of which required some trade discounts and a series of promotional activities to support our strategic requirements with the intention to stimulate the brand awareness and raise market share of the energy drink under Carabao trademark among the competition of leading brands in the UK. Also, the fluctuation is resulting from the sales channel mix between the UK sales and outside UK sales.

Cost of goods sold of the Group for the period ending 31 December 2017 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 88% 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 70% of total cost of goods sold where sugar accounted for 15% of raw materials and packaging cost.
 - 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 12% 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 207 million up by THB 30 million or 16.9% from the corresponding period last year due to the incremental depreciation costs arising from investments in capacity expansion of canning and amber glass bottle facilities which starting to commercialize in July 2017 and December 2017, respectively.

The key issues that could have an effect on the future cost of goods sold include not only the changes from government policy in the cane and sugar industry by terminating the fixed sugar price scheme for domestic sugar consumption and introducing floating price as per world market movement, effectively on 15 January 2018, but also the Excise Tax scheme effectively on 16 September 2017. Under the new regulation, the Group is obligated to pay the related taxes at changing excise tax rates based on suggesting retail prices in proportion to the sugar content per liter of which the later tax burden will be subject to increase every two years for three times until 2023.

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

For the year ending 31 December 2017, our SG&A expenses amounted to THB 3,119 million, up by THB 1,104 million or 54.8%, and represented 24.2% of total revenue from sales, up from 20.3% during the corresponding period last year. Such significant increase resulted mainly from consolidations of ICUK's financial performance and position since the 4th quarter of 2016.

Selling expenses amounted to THB 2,379 million up by THB 916 million or 62.7% representing 18.4% of total revenue, up from 14.7% during the corresponding period last year. These expenses comprised of (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 in related to total revenue from sales in according to business plan.

Sponsorship fees for international football clubs are amortized in straight-line in relation to payment terms and economic benefits the Group shall receive under the contract terms including Chelsea Football Club Limited (CFC), English Football League (EFL), and Reading Football Club (RFC) amounted to THB 562 million up by THB 413 million due to the first-time recognize of CFC sponsorship fee via the income statement both the portion paid by CBD since May 2016 and by ICUK since October 2016. Additionally, the Group started to realize the EFL sponsorship fee for the first-time in June 2017.

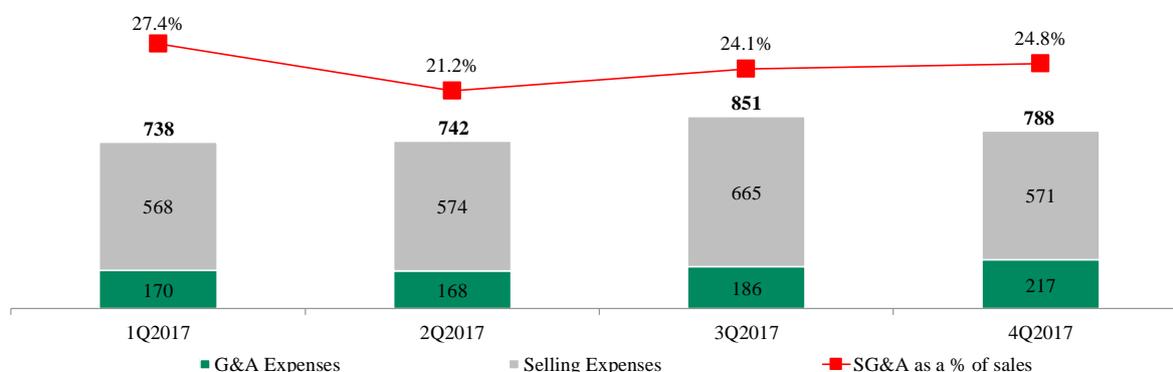
Marketing and promotional expenses paid by CBD amounted THB 679 million up by THB 129 million or 23.4% comprising of (1) nationwide on-ground operational marketing expenses of Bao Dang Ladies amounted to THB 243 million up by THB 18 million or 8.2% (2) advertising expenses in all formats amounted to THB 133 million up by THB 40 million or 42.9%, of which the amount included advertising expense and listing fees for modern trades due to the initial launch of new products i.e. instant coffee and RTD coffee amounted to THB 68 million, and (3) the rest amounted to THB 303 million up by THB 70 million or 30.3% were resulting from 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 285 million could be divided as follows: (1) field sales amounted to THB 93 million (2) listing fees in modern trades amounted to THB 64 million (3) sampling expenses amounted to THB 21 million, and (4) the rest amounted to THB 108 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 amounted to THB 852 million up by THB 155 million or 22.3% in line with the growth of the Group's revenue from sales detailed as follows: (1) rental and expenses relating to distribution centers and cash van operation amounted to THB 458 million up by THB 132 million of 40.5%, of which the amount included the fixed costs of staff cost and rental amounted to THB 335

million up by THB 98 million or 41.5%, of which the amount represented to 73% of the total expenses related to cash vans in relevant to the rising number of distribution centers and cash van fleet to support domestic sales, and (2) other selling expenses amounted to THB 394 million up by THB 23 million or 6.3% of which the amount mainly arise from transportation and logistics expenses which are varied to the growth of their related sales.

Administrative expenses amounted to THB 741 million increased by THB 188 million or 33.9% comprising of key expenses as follows: (1) staff cost amounted to THB 436 million up by THB 108 million or 32.8% 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 304 million up by THB 80 million or 35.6%, of which the amount incurred non-recurring expenses arising from the moving of production lines from the previous factory to the new factory complex located on Bangpakong district, Chacheongsao province amounted to THB 39 million and consulting fees in related to the previous investment projects amounted to THB 15 million. To sum up, the quarterly Group's selling and administrative expenses as a percentage of total revenue from sales could be elaborated as detailed below:



Since the Group consolidated the ICUK operations into our consolidated financial statements since the 4th quarter of 2016, our selling and administrative expenses started to change significantly during the period ending 31 December 2017. On quarter-on-quarter basis, the average selling and administrative expenses amounted to THB 780 million representing 24.0% of the total revenue from sales

4 Financial expenses

For the period ending 31 December 2017, financial expenses amounted to THB 48 million, up by THB 44 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. The Group ended up having interest-bearing debts of THB 3,392 million as of 31 December 2017, up from THB 1,000 million as of the same date last year, or equivalent to the ratio to shareholders' equity of 0.5 time, up from 0.1 time, respectively.

5 Corporate income tax expenses

For the period ending 31 December 2017, corporate income tax expenses amounted to THB 261 million, down by THB 18 million or 6.3%, or equivalent to the effective CIT rate of 24.6%, up from 16.5% during the corresponding period last year. This was due to the fact that we realized an increase amount of operating losses from our overseas subsidiaries.

6 Net profits and net profits margin

For the period ending 31 December 2017, our net profits amounted to THB 801 million, down by THB 604 million or 43.0%, or equivalent to the ratio to total sales of 6.2%, down from 14.1% during the corresponding period last year. Such decline was mainly due not only to deterioration in gross profits margin and rising SG&A expenses as a result of consolidations for ICUK's operating

performance and financial position, but also increased financial expenses during the year. Net profits attributed to the Group's shareholders amounted to THB 1,246 million, down by THB 244 million or 16.4% from the corresponding period last year.

Consolidated financial position of the Group as of 31 December 2017 in comparison with that as of 31 December 2016

Assets

Total assets as of 31 December 2017 and 2016 were THB 12,520 million and THB 9,778 million, respectively, increasing by THB 2,741 million or 28.0%. The main contribution for this increase was due to the following

Cash & cash equivalents and current investments

Cash & cash equivalents and current investments as of 31 December 2017 and 2016 were THB 154 million and THB 1,349 million, respectively, decreasing by THB 1,195 million or 88.6%. The main contribution for this decrease was due to investing activities amounting THB 2,431 million including construction of bottle factory, can manufacturing factory and canning factory and installing machines, totaling THB 2,979 million. The dividends paid amounted THB 950 million. During the year, the Company received short and long term loan from financial institution totaling THB 2,335 million, sold investment amounting THB 1,804 million and invested THB 1,207 million in mutual fund.

Trade and other receivables

Trade and other receivables as of 31 December 2017 and 2016 were THB 960 million and THB 562 million, respectively, increasing by THB 398 million or 70.9%. The main contribution for this increase was due to increase in trade receivables from international sales amounting THB 88 million and ICUK's credit term offered to its customers, the THB 233 million increase in domestic trade receivables resulting from increase in domestic sales especially from traditional trade customers since carabao coffee is gaining popularity, offering credit term to retail stores with low credit risk to stimulate sales growth and due to an increase in prepaid expense amounting THB 110 million resulting from payment to an English football club for sponsorship.

Inventories

Inventories as of 31 December 2017 and 2016 were THB 656 million and THB 434 million, respectively, increasing by THB 223 million or 51.4%. The main contribution was due to the THB 109 million increase in finished goods to meet higher demand from customers, production of bottle from our bottle manufacturing factory that started in December 2017 and increased the distribution of 3rd parties' products. Furthermore, the increasing of main raw materials amounting THB 110 million that were purchased sufficiently to meet the production plan.

Property, plant and equipment

Property, plant and equipment as of 31 December 2017 and 2016 were THB 9,609 million and THB 6,627 million, respectively, increasing by THB 2,982 million or 45.0%. The main contribution was the New factory's building and machines to expand capacity of canning factory and bottle manufacturing factory which includes construction cost and machines for can manufacturing factory and bottling factory.

Goodwill

During year 2016, CBVLUX invest and hold shares in Intercarabao Limited ("ICUK"). The initial investment was equivalent to GBP 7.30 million with 7.3 million shares at par value of GBP 1.00. As a result, the Company has acquisition of control, planning and policy in ICUK that the classification of investments in ICUK as an investment in a subsidiary from the acquisition date. And lastly, the Company has evaluated fair value of identifiable assets and liabilities as at the acquisition

date. Difference between the fair value of net identifiable assets and acquisition costs is considered a goodwill as of 31 December 2017 was THB 535 million.

Liabilities

Liabilities as of 31 December 2017 and 2016 was THB 5,515 million and THB 2,679 million, respectively, increasing by THB 2,836 million or 105.8%. Consist of the current liabilities THB 3,207 million, increasing by THB 881 million, and non-current liabilities THB 2,308 million, increasing by THB 1,954 million. The main contribution for this increase was due to the following

Short-term loan from financial institutions

During the end of 2017, the Company drawdown the short-term loan from financial institutions increasing by THB 95 million.

Trade and other payables

Trade and other payables as of 31 December 2017 and 2016 were THB 1,897 million and THB 1,365 million, respectively, increasing by THB 532 million or 39.0% . The main contribution for this increase was due to the

- Increase in account payables amounted THB 241 million or 31.5% resulting from purchasing of raw materials to meet the rise in domestic and international demand.

- in other payables amounted THB 241 million increase or 111.1% as a result of payment for construction of factory and machines.

-Increase in excise tax payables amounted THB 128 million due to change in regulation from being taxed when the cap shipped to the factory to being taxed when products are sold and payable in 15 days of the next month.

Short-term loan from non-controlling interest in subsidiary

Short-term loan from non-controlling interest in subsidiary increased by THB 57 million because CVHLUX borrow money from ICSG to fund ICUK.

Long-term loan from financial institutions

During the end of 2016, the Company drawdown the long-term loan from financial institutions increasing by THB 2,240 million to fund investment in bottle manufacturing factory, aluminum can manufacturing factory and canning factory.

Shareholders' equity

Shareholders' equity as of 31 December 2017 and 2016 was THB 7,005 million and THB 7,100 million, respectively, decreasing by THB 95 million or 1.3% due to decrease in net profit.

Financial ratio

Current ratio for the financial year ended 31 December 2017 and 2016 was 0.7 time and 1.1 time, respectively, decreasing by 0.4 time. Most of increase was due to the short-term loan from financial institutions and trade and other payables as the Company invested the new projects to expand production capacity

Cash cycle for the financial year ended 31 December 2017 and 2016 was 2.8 days and -3.5 days. This increase was due to slower collection period from 14.7 days in 2016 to 16.6 in 2017 as a result of credit term offered to low credit risk retail stores to boost sales, increase in inventory day from 19.2 to 22.2 and decrease in days payable outstanding.

- Translation -

Return on equity (ROE) for the year ended 31 December 2017 and 2016 was 11.3% and 20.9% , respectively, decreasing by 9.6% due to realizing of ICUK's full year business result

Return on assets (ROA) for the year ended 31 December 2017 and 2016 was 7.2% and 16.4% , respectively, decreasing by 9.2% due to investment in canning and bottle manufacturing factory(construction completed in 2017) but not operated in full capacity , can manufacturing factory and bottling factory are under construction.

Debt to Equity ratio for the year ended 31 December 2017 and 2016 was 0.8 time and 0.4 time, respectively, this result was due to the increasing of loan from financial institutions.

Yours sincerely,

Pongsarn Klongwathanakith

(Pongsarn Klongwathanakith)

Chief Financial Officer