

# Thai Beverage Public Company Limited

Financial Statement for the nine-Month period Ended 30 September 2007

## PART I INFORMATION REQUIRED FOR Q3 AND NINE-MONTH PERIODS ANNOUNCEMENTS.

1. (a) (i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Income

For the three-month periods (July - September) and nine-month periods ended 30 September 2007 and 2006

	Consolidated financial statements For the three-month periods ( July - September)			(Unit : Thousand Baht) Consolidated financial statements For the nine-month periods		
	2007	2006	+ / (-)	2007	2006	+ / (-)
	<b>Revenues from sales and services</b>					
Revenue from sale of goods and rendering of services	22,192,054	21,406,294	4%	71,299,324	69,186,339	3%
<b>Total revenues from sales and services</b>	<b>22,192,054</b>	<b>21,406,294</b>	4%	<b>71,299,324</b>	<b>69,186,339</b>	3%
<b>Cost of sales and services</b>						
Cost of sales of goods and rendering of services	15,388,983	15,058,310	2%	49,978,921	48,691,303	3%
<b>Total cost of sales and services</b>	<b>15,388,983</b>	<b>15,058,310</b>	2%	<b>49,978,921</b>	<b>48,691,303</b>	3%
<b>Gross profit</b>	<b>6,803,071</b>	<b>6,347,984</b>	7%	<b>21,320,403</b>	<b>20,495,036</b>	4%
Selling and administrative expenses	3,610,524	2,941,072	23%	9,826,308	9,027,288	9%
<b>Operating profit</b>	<b>3,192,547</b>	<b>3,406,912</b>	(6%)	<b>11,494,095</b>	<b>11,467,748</b>	0%
Interest income	8,523	12,583	(32%)	28,037	40,139	(30%)
Other income	30,728	31,178	(1%)	189,473	82,676	129%
<b>Earnings before financial costs and income tax</b>	<b>3,231,798</b>	<b>3,450,673</b>	(6%)	<b>11,711,605</b>	<b>11,590,563</b>	1%
Interest expenses	260,177	277,832	(6%)	816,880	1,223,573	(33%)
Income tax expenses	1,042,069	879,409	18%	3,705,176	2,990,454	24%
<b>Net profit</b>	<b>1,929,552</b>	<b>2,293,432</b>	(16%)	<b>7,189,549</b>	<b>7,376,536</b>	(3%)
Basic earnings per share (Baht)	0.08	0.09	(11%)	0.29	0.32	(9%)
Diluted earnings per share (Baht)	0.08	0.09	(11%)	0.29	0.32	(9%)

a ( ii )The following items (with appropriate breakdowns and explanations), if significant, must either be includes in the income statement or in the notes to the income statement for the current financial period reported on an the corresponding period of the immediately preceding financial year:-

**NOTE :**

Net profit is arrived at after charging / (Crediting) the following :

	Consolidated financial statements			(Unit : Thousand Baht) Consolidated financial statements		
	For the three-month periods			For the nine-month periods		
	2007	2006	+/( - )	2007	2006	+/( - )
A Investment income	-	-	-	-	-	-
B Other income including interest income	(39,251)	(43,761)	(10%)	(217,510)	(122,815)	77%
C Interest in borrowings	260,177	277,832	(6%)	816,880	1,223,573	(33%)
D Depreciation and amortization	1,277,375	1,111,567	15%	3,747,943	3,428,206	9%
E Allowance for doubtful debts and bad debts written off	25,313	767	3200%	27,681	2,215	1150%
F Write-off for stock obsolescence	12,320	10,789	14%	48,088	51,130	(6%)
G Impairment in value of investments	-	-	-	-	-	-
H Foreign exchange (gain) / loss	53,689	14,370	274%	132,395	60,402	119%
I Adjustments for under or overprovision of tax in respect of prior year	-	-	-	-	-	-
J (Profit) or loss on sale of investments, properties, and / or plant and equipment	(1,129)	(11,397)	(90%)	(37,519)	6,335	(692%)
K Exceptional items	-	-	-	-	-	-
L Extraordinary items	-	-	-	-	-	-

(b) (i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Thai Beverage Public Company Limited and its Subsidiaries  
Balance sheets  
As at 30 September 2007 and 31 December 2006

	(Unit : Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30-Sep-2007	31-Dec-2006	30-Sep-2007	31-Dec-2006
	(Unaudited)	(Audited)	(Unaudited)	(Restated)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	2,534,915	1,919,577	2,874	15,623
Current investments	6,463	4,359	-	-
Trade accounts receivable	890,050	1,317,930	-	-
Short-term loans to and amounts due from related companies	12,247	50,952	9,283,488	9,635,505
Inventories	31,155,551	28,315,158	-	-
Other current assets	1,563,252	1,914,238	12,958	16,989
<b>Total current assets</b>	<b>36,162,478</b>	<b>33,522,214</b>	<b>9,299,320</b>	<b>9,668,117</b>
<b>Non-current assets</b>				
Investments in subsidiaries and associates	99,479	135,490	72,160,390	63,594,730
Other long-term investments	114,074	3,754	-	-
Long-term loans to and amounts due from related parties	14,174	13,563	6,523,443	6,900,512
Property, plant and equipment	46,001,687	49,532,724	76,018	845,926
Intangible assets	340,376	354,845	18,806	12,353
Other non-current assets	1,982,596	2,016,922	353,488	357,129
<b>Total non-current assets</b>	<b>48,552,386</b>	<b>52,057,298</b>	<b>79,132,145</b>	<b>71,710,650</b>
<b>Total assets</b>	<b>84,714,864</b>	<b>85,579,512</b>	<b>88,431,465</b>	<b>81,378,767</b>
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Bank overdrafts and short-term loans from financial institutions	12,328,640	6,753,305	9,511,015	3,029,559
Trade accounts payable	1,932,208	2,275,671	-	-
Short-term guaranteed bonds	-	2,200,000	-	2,200,000
Current portion of long-term guaranteed bonds	3,000,000	2,300,000	3,000,000	2,300,000
Current portion of long-term loans	2,130,000	1,500,000	2,130,000	1,500,000
Short-term loans from and amounts due to related parties	71,175	4,837,042	3,391,532	12,958,829
Income tax payable	1,700,205	2,180,870	64,978	47,792
Other current liabilities	4,997,717	4,103,315	468,181	394,209
<b>Total current liabilities</b>	<b>26,159,945</b>	<b>26,150,203</b>	<b>18,565,706</b>	<b>22,430,389</b>
<b>Non-current liabilities</b>				
Long-term guaranteed bonds	-	3,000,000	-	3,000,000
Long-term loans from financial institutions	4,500,000	3,755,000	4,500,000	3,755,000
Long-term loans from related parties	-	-	2,943,717	4,498,200
Other non-current liabilities	126,648	120,753	-	-
<b>Total non-current liabilities</b>	<b>4,626,648</b>	<b>6,875,753</b>	<b>7,443,717</b>	<b>11,253,200</b>
<b>Total liabilities</b>	<b>30,786,593</b>	<b>33,025,956</b>	<b>26,009,423</b>	<b>33,683,589</b>
<b>Shareholders' equity</b>				
<b>Share capital</b>				
Authorised share capital	29,000,000	29,000,000	29,000,000	29,000,000
Issued and paid-up share capital	25,110,025	25,110,025	25,110,025	25,110,025
Difference arising from common control transactions	(17,141,406)	(17,141,406)	-	-
<b>Reserves</b>				
Share premium	17,215,737	17,215,737	17,215,737	17,215,737
Currency translation changes	(59,036)	(19,508)	-	-
Fair value changes and revaluation surplus	6,451,742	6,586,263	-	134,521
Retained earnings/ (Deficit)				
Appropriated - legal reserve	2,500,000	1,700,000	2,500,000	1,700,000
Unappropriated/ (Deficit)	19,851,209	19,102,445	17,596,280	3,534,895
<b>Total shareholders' equity</b>	<b>53,928,271</b>	<b>52,553,556</b>	<b>62,422,042</b>	<b>47,695,178</b>
<b>Total liabilities and shareholders' equity</b>	<b>84,714,864</b>	<b>85,579,512</b>	<b>88,431,465</b>	<b>81,378,767</b>

- (c) (ii) In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figure as at the end of the immediately preceding financial year.

- Amount repayable in one year or less, or on demand

(Unit : Thousand Baht)

As at 30 September 2007				As at 31 December 2006			
Secured	Unsecured	Guaranteed	Guaranteed/ negative pledge	Secured	Unsecured	Guaranteed	Guaranteed/ negative pledge
-	11,680,621	648,019	5,130,000	-	5,236,885	1,516,420	6,000,000

- Amount repayable after one year

(Unit : Thousand Baht)

As at 30 September 2007				As at 31 December 2006			
Secured	Unsecured	Guaranteed	Guaranteed/ negative pledge	Secured	Unsecured	Guaranteed	Guaranteed/ negative pledge
-	4,500,000	-	-	-	-	-	6,775,000

- Details of any collateral

N/A

(d) A Cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Thai Beverage Public Company Limited and its Subsidiaries  
 Statements of cash flows  
 For the nine-month periods ended 30 September 2007 and 2006

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	(Unit : Thousand Baht)			
<b>Cash flows from operating activities</b>				
Net profit	7,189,549	7,376,536	20,502,170	8,625,802
Adjustments for				
Depreciation and amortisation	3,710,443	3,390,706	21,897	17,365
Interest income	(28,037)	(40,139)	(558,459)	(647,991)
Interest expense	816,880	1,223,573	1,272,327	1,790,798
Unrealised (gain) loss on exchange rate	18,309	(5,268)	4,628	-
Amortisation of advance payments to a specialist	37,500	37,500	7,032	7,032
Increase (decrease) in allowance for obsolete inventories	180,827	(49,805)	-	-
(Gain) loss on sale and disposal of property, plant and equipment	(37,519)	6,335	(63,881)	47
Gain on sale of investment	-	-	(6)	-
Dividends	-	-	(20,290,213)	(8,055,409)
Income tax expense	3,705,176	2,990,454	174,958	-
	<b>15,593,128</b>	<b>14,929,892</b>	<b>1,070,453</b>	<b>1,737,644</b>
<b>Changes in operating assets and liabilities</b>				
Trade accounts receivable	427,700	421,059	-	-
Amounts due from related parties	33,232	80,477	1,391,370	783,651
Inventories	(3,021,219)	(2,277,777)	-	-
Prepaid excise tax	(46,935)	954,087	-	-
Other current assets	397,645	(39,480)	(35,739)	3,713
Trade accounts payable	(345,143)	999,836	-	-
Amounts due to related parties	(154,357)	49,779	7,729	(10,836)
Other current liabilities	998,858	(1,115,069)	199,040	243,639
Other non-current liabilities	5,895	(2,856)	-	-
Advance payments to a specialist	-	(2,000,000)	-	(375,000)
Income taxes paid	(4,185,841)	(4,521,678)	(157,772)	(196,531)
<b>Net cash provided by operating activities</b>	<b>9,702,963</b>	<b>7,478,270</b>	<b>2,475,081</b>	<b>2,186,280</b>
<b>Cash flows from investing activities</b>				
Interest received	28,262	41,985	548,295	646,384
Dividends received	-	-	20,290,213	8,055,409
Current investments	(2,105)	5,703	-	-
Loans to related parties	-	40,850	(656,748)	(4,500)
Investments in subsidiaries and associates	36,010	(4,871)	(8,565,662)	-
Increase in share capital in subsidiaries before business restructuring	-	27,040	-	-
Purchase of long-term investments	(110,370)	-	-	-
Sale of long-term investments	50	724	8	-
Purchase of property, plant and equipment	(944,417)	(2,432,327)	(2,161)	(91,577)
Sale of property, plant and equipment	846,487	46,188	819,206	57
Purchase of intangible assets	(29,489)	(9,713)	(10,319)	(5,790)
Other non-current assets	(2,993)	(23,823)	(3,391)	(27)
<b>Net cash provided by (used in) investing activities</b>	<b>(178,565)</b>	<b>(2,308,244)</b>	<b>12,419,441</b>	<b>8,599,956</b>

**Cash flows from financing activities**

Interest paid	(929,330)	(1,176,418)	(1,452,991)	(1,756,185)
Dividends paid	(5,775,306)	(8,042,103)	(5,775,306)	(8,042,103)
Bank overdrafts and short-term loans from financial institutions	5,575,335	(30,103,208)	6,521,226	(32,699,993)
Proceeds from short-term guaranteed bonds	-	4,700,000	-	4,700,000
Repayment of short-term guaranteed bonds	(2,200,000)	(2,500,000)	(2,200,000)	(2,500,000)
Short-term loans from related parties	(4,615,231)	(45,590)	(11,075,200)	(1,761,500)
Proceeds from long-term guaranteed bonds	-	5,300,000	-	5,300,000
Repayment of long-term guaranteed bonds	(2,300,000)	-	(2,300,000)	-
Proceeds from issuance of share capital	-	20,327,018	-	20,327,018
Proceeds from long-term loans from financial institutions	4,500,000	26,600,000	4,500,000	26,600,000
Repayment of long-term loans from financial institutions	(3,125,000)	(21,960,000)	(3,125,000)	(20,970,000)
<b>Net cash used in financing activities</b>	<b>(8,869,532)</b>	<b>(6,900,301)</b>	<b>(14,907,271)</b>	<b>(10,802,763)</b>
Currency translation changes	(39,528)	(43,873)	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>615,338</b>	<b>(1,774,148)</b>	<b>(12,749)</b>	<b>(16,527)</b>
Cash and cash equivalents at beginning of period	1,919,577	3,397,994	15,623	18,562
<b>Cash and cash equivalents at end of period</b>	<b>2,534,915</b>	<b>1,623,846</b>	<b>2,874</b>	<b>2,035</b>

d (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Thai Beverage Public Company Limited and its Subsidiaries  
 Statements of changes in shareholders' equity  
 For the nine-month periods ended 30 September 2007 and 2006(Restated)

(Unit : Thousand Baht)

	Consolidated financial statements							
	Issued and paid-up share capital	Difference arising from common control transactions	Share premium	Reserve		Retained earnings		Total shareholders' equity
				Currency translation changes	Fair value changes and revaluation surpluses	Legal reserve	Unappropriated	
<b>Balance at 1 January 2006</b>	<b>22,000,000</b>	<b>(15,630,790)</b>	<b>-</b>	<b>(5,341)</b>	<b>6,584,735</b>	<b>1,110,000</b>	<b>17,655,899</b>	<b>31,714,503</b>
<b>Change in shareholders' equity for 2006</b>								
Net surplus on property revaluation	-	-	-	-	1,528	-	-	1,528
Translation loss relating to financial statements of foreign operations	-	(6,172)	-	(37,701)	-	-	-	(43,873)
Net expense recognised directly in shareholders' equity	-	(6,172)	-	(37,701)	1,528	-	-	(42,345)
Net profit (loss)	-	(17,196)	-	-	-	-	7,393,732	7,376,536
Total recognised income and expense	-	(23,368)	-	(37,701)	1,528	-	7,393,732	7,334,191
Legal reserve	-	-	-	-	-	255,500	(255,500)	-
Dividends	-	-	-	-	-	-	(8,042,103)	(8,042,103)
Increase in share capital in subsidiaries before business restructuring	-	27,040	-	-	-	-	-	27,040
Issue of ordinary shares	3,110,025	-	17,216,993	-	-	-	-	20,327,018
<b>Balance at 30 September 2006</b>	<b>25,110,025</b>	<b>(15,627,118)</b>	<b>17,216,993</b>	<b>(43,042)</b>	<b>6,586,263</b>	<b>1,365,500</b>	<b>16,752,028</b>	<b>51,360,649</b>
<b>Balance at 1 January 2007</b>	<b>25,110,025</b>	<b>(17,141,406)</b>	<b>17,215,737</b>	<b>(19,508)</b>	<b>6,586,263</b>	<b>1,700,000</b>	<b>19,102,445</b>	<b>52,553,556</b>
<b>Change in shareholders' equity for 2007</b>								
Net surplus on property revaluation	-	-	-	-	(134,521)	-	134,521	-
Translation loss relating to financial statements of foreign operations	-	-	-	(39,528)	-	-	-	(39,528)
Net expense recognised directly in shareholders' equity	-	-	-	(39,528)	(134,521)	-	134,521	(39,528)
Net profit	-	-	-	-	-	-	7,189,549	7,189,549
Total recognised income and expense	-	-	-	(39,528)	(134,521)	-	7,324,070	7,150,021
Legal reserve	-	-	-	-	-	800,000	(800,000)	-
Dividends	-	-	-	-	-	-	(5,775,306)	(5,775,306)
<b>Balance at 30 September 2007</b>	<b>25,110,025</b>	<b>(17,141,406)</b>	<b>17,215,737</b>	<b>(59,036)</b>	<b>6,451,742</b>	<b>2,500,000</b>	<b>19,851,209</b>	<b>53,928,271</b>

(Unit : Thousand Baht)

	Separate financial statements							
	Issued and paid-up share capital	Difference arising from common control transactions	Share premium	Reserve		Retained earnings		Total shareholders' equity
				Currency translation changes	Fair value changes and revaluation surpluses	Legal reserve	Unappropriated	
<b>Balance at 1 January 2006</b>	<b>22,000,000</b>	<b>(15,979,265)</b>	-	<b>(5,341)</b>	<b>6,584,735</b>	<b>1,110,000</b>	<b>17,655,899</b>	<b>31,366,028</b>
Change in accounting policy		15,979,265		5,341	(6,450,214)	-	(14,494,368)	(4,959,976)
<b>Restated balance</b>	<b>22,000,000</b>	-	-	-	<b>134,521</b>	<b>1,110,000</b>	<b>3,161,531</b>	<b>26,406,052</b>
<b>Changes in shareholders' equity for 2006</b>								
Net profit	-	-	-	-	-	-	8,625,802	8,625,802
Legal reserve	-	-	-	-	-	255,500	(255,500)	-
Dividends	-	-	-	-	-	-	(8,042,103)	(8,042,103)
Issue of ordinary shares	3,110,025	-	17,216,993	-	-	-	-	20,327,018
<b>Balance at 30 September 2006</b>	<b>25,110,025</b>	-	<b>17,216,993</b>	-	<b>134,521</b>	<b>1,365,500</b>	<b>3,489,730</b>	<b>47,316,769</b>
<b>Balance at 1 January 2007</b>	<b>25,110,025</b>	<b>(17,141,406)</b>	<b>17,215,737</b>	<b>(19,508)</b>	<b>6,586,263</b>	<b>1,700,000</b>	<b>19,102,445</b>	<b>52,553,556</b>
Change in accounting policies		17,141,406	-	19,508	(6,451,742)	-	(15,567,550)	(4,858,378)
<b>Restated balance</b>	<b>25,110,025</b>	-	<b>17,215,737</b>	-	<b>134,521</b>	<b>1,700,000</b>	<b>3,534,895</b>	<b>47,695,178</b>
<b>Change in shareholders' equity for 2007</b>								
Net surplus on property revaluation	-	-	-	-	(134,521)	-	134,521	-
Net profit	-	-	-	-	-	-	20,502,170	20,502,170
Total recognised income and expense	-	-	-	-	(134,521)	-	20,636,691	20,502,170
Legal reserve	-	-	-	-	-	800,000	(800,000)	-
Dividends	-	-	-	-	-	-	(5,775,306)	(5,775,306)
<b>Balance at 30 September 2007</b>	<b>25,110,025</b>	-	<b>17,215,737</b>	-	-	<b>2,500,000</b>	<b>17,596,280</b>	<b>62,422,042</b>



(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

N/A

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

*The figures have been reviewed by the company's auditor in accordance with Thailand generally accepted accounting principles auditing standards.*

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

*Please see page 1 and 2 of the attached financial report.*

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

*Accounting policies and methods of computation applied in the interim financial statements for the three-month and nine-month periods ended 30 September 2007 are consistent with those applied in the financial statements for the year ended 31 December 2006 except for the change in accounting policy as discussed in Item 5 below in respect of interests in subsidiaries and associates in the separate financial statements.*

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

*The following change of accounting policy by the Company has no effect on the consolidated financial statements of the Group.*

*Until 31 December 2006, the Company accounted for its investments in subsidiary companies and associates in its financial statements using the equity method.*

*During 2007, the FAP issued the following new TAS which are effective for accounting periods beginning on or after 1 January 2007:*

*TAS 44 (revised 2007) Consolidated and Separate Financial Statements*

*TAS 45 (revised 2007) Investment in Associates*

*These new TAS require a parent company which has investments in a subsidiary company, or an associate company, which is not classified as a "held for sale" investment, to record such investment in accordance with either the cost method or with the recognition and measurement basis for financial instruments (when an announcement is made), instead of the equity method currently used.*

*Starting from 1 January 2007, the Company has, accordingly, changed its accounting policy for its investments in subsidiary companies and associate companies in its financial statements from the equity method to the cost method. The change in accounting policy has been applied retrospectively*

and the Company's 2006 financial statements, which are included in the Company's 2007 interim financial statements for comparative purposes, have been restated accordingly.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	(Unit : Baht)					
	<b>Consolidated financial statements</b>			<b>Consolidated financial statements</b>		
	For the three-month periods			For the nine-month periods		
	(July - September) 2007	2006	Changes + / (-)	(Jan - September) 2007	2006	Changes + / (-)
Earning per ordinary share of the group based on net profit attributable to shareholders:-						
(a) based on the weighted average number of ordinary shares on issue	0.08	0.09	(11%)	0.29	0.32	(9%)
(b) On a fully diluted basis	0.08	0.09	(11%)	0.29	0.32	(9%)

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

	(Unit : Baht)					
	<b>Consolidated financial statements</b>			<b>Separate financial statements</b>		
	<b>30 September 2007</b>	<b>31 December 2006</b>	Changes + / (-)	<b>30 September 2007</b>	<b>31 December 2006</b>	Changes + / (-)
Net asset value per ordinary share based on weighted average number of issued share capital	2.15	2.21	(3%)	2.49	2.01	24%

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) Any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors: and
- (b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

## **Thai Beverage Public Company Limited**

### **Management Discussion and Analysis**

#### **Performance for the third quarter and the nine-month period ended 30 September 2007**

The Thai Excise Tax Department, Ministry of Finance, declared an increase of the excise tax rate with immediate effect on white spirits, compound spirits and brandy (which falls under the "special spirits" tax classification) on August 28, 2007. The new excise tax as related to the Company's products increased about 16.7% for compound spirits and about 57.1% to 70.8% for white spirits compared with the previous excise tax. However, the Company had a substantial volume of spirits finished goods in hand on which excise tax had already been paid at the previous rate. The Company has already increased the selling price of spirits to cover the excise tax rise.

The Company is planning to improve the efficiency of its distribution network and establish more effective cost control by implementing a Logistics Project. This consists of the establishment of five Regional Distribution Centers, the charter of a new side-loading fleet and the implementation of a Supply Chain Management System. Total cost of the Logistics Project will be approximately Baht 2,541 million from the fourth quarter of 2007 to 2009.

The Company has also planned to increase PET (Polyethylene Terephthalate) drinking water bottle production capacity from the current approximately seven million litres per year to about 70 million litres per year. Total cost of the project will be approximately Baht 194 million from the fourth quarter of 2007 to the third quarter of 2008.

The Company has been processing the acquisition of a distillery named United Products Company Limited (UPC) and a non-alcohol beverage manufacturer named SPM Foods and Beverages Company Limited (SPM) by purchasing shares of 80% and 83% in the companies respectively. This is expected to be completed by the end of 2007. On 30 September 2007, the Company has purchased 31% shares of UPC to the amount of Baht 110 million but none of SPM. The operations of UPC and SPM have not yet been included in the Company's financial statements for this period except for the amount of shares purchased, which is shown as "other long-term investment."

The Company has included the assets, liabilities and operations of Pacific Spirits (UK) Limited and Best Spirits Company Limited, which it acquired at the end of October 2006, in the consolidated financial statements for the period ended 30 September 2007. The consolidated financial statements for the same period of 2006 have been restated for comparison with 2007.

From the third quarter 2007 onwards, the reporting of business segments will be rearranged to present transactions with external customers more meaningfully. Related business segments which normally conduct most of their business within the group will no longer be presented separately as in previous periods but will be allocated to the Company core business segments which consist of Beer/Water, Spirits and Industrial Alcohol. The segmental information for the same period of 2006 has been restated for comparison with 2007.

## Performance for the third quarter ended 30 September 2007

### Group

For the third quarter of 2007, total sales revenue of the Company was Baht 22,192 million, an increase of 3.7% or Baht 786 million from Baht 21,406 million in the corresponding quarter of the previous year, mainly due to the increase in sales revenue from the beer/water business of about 10.9%

Gross profit was Baht 6,803 million, an increase of Baht 455 million or 7.2%, mainly due to the increase in the sales revenue from the beer/water business and the increase in the selling price of spirits.

Earnings before interest, tax, depreciation and amortization (EBITDA) were Baht 4,497 million, a decrease of Baht 52 million or 1.1%, mainly due to an increase in marketing expenses.

Net profit was Baht 1,930 million, a decrease of Baht 363 million or 15.8%, mainly due to an increase in marketing expenses and depreciation of the Kampheng Phet Brewery expansion.

Unit :Million Baht

### Q3 2007

	Beer /Water	% to Sales	Spirits	% to Sales	Alcohol	% to Sales	Eliminate	% to Sales	Total	% to Sales
Sales	11,014	100.0	11,329	100.0	152	100.0	(303)	100.0	22,192	100.0
Cost of sales	8,593	78.0	6,996	61.8	164	107.9	(364)	120.1	15,389	69.3
Gross profit	2,421	22.0	4,333	38.2	(12)	(7.9)	61	(20.1)	6,803	30.7
Selling and administrative expenses	1,705	15.5	1,809	16.0	63	41.4	33	(10.9)	3,610	16.3
Operating profit	716	6.5	2,524	22.3	(75)	(49.3)	28	(9.2)	3,193	14.4
Other income/ Interest income	30	0.3	11	0.1	-	-	(2)	0.7	39	0.2
EBIT	746	6.8	2,535	22.4	(75)	(49.3)	26	(8.6)	3,232	14.6
Interest expenses	66	0.6	182	1.6	9	5.9	3	(1.0)	260	1.2
Income tax	452	4.1	590	5.2	-	-	-	-	1,042	4.7
Net Profit	228	2.1	1,763	15.6	(84)	(55.3)	23	(7.6)	1,930	8.7
Depreciation & Amortization	605	5.5	612	5.4	48	31.6	-	-	1,265	5.7
EBITDA	1,351	12.3	3,147	27.8	(27)	(17.8)	26	(8.6)	4,497	20.3

**Q3 2006**

	Beer /Water	% to Sales	Spirits	% to Sales	Alcohol	% to Sales	Eliminate	% to Sales	Total	% to Sales
Sales	9,933	100.0	11,588	100.0	499	100.0	(614)	100.0	21,406	100.0
Cost of sales	7,765	78.2	7,476	64.5	434	87.0	(617)	100.5	15,058	70.3
Gross profit	2,168	21.8	4,112	35.5	65	13.0	3	(0.5)	6,348	29.7
Selling and administrative expenses	1,297	13.1	1,612	13.9	32	6.4	-	-	2,941	13.7
Operating profit	871	8.8	2,500	21.6	33	6.6	3	(0.5)	3,407	15.9
Other income/ Interest income	15	0.2	29	0.3	5	1.0	(5)	0.8	44	0.2
EBIT	886	8.9	2,529	21.8	38	7.6	(2)	0.3	3,451	16.1
Interest expenses	48	0.5	214	1.8	16	3.2	-	-	278	1.3
Income tax	407	4.1	473	4.1	-	-	-	-	880	4.1
Net Profit	431	4.3	1,842	15.9	22	4.4	(2)	0.3	2,293	10.7
Depreciation & Amortization	498	5.0	570	4.9	30	6.0	-	-	1,098	5.1
EBITDA	1,384	13.9	3,099	26.7	68	13.6	(2)	0.3	4,549	21.3

**Increase(Decrease)**

	Beer /Water	%	Spirits	%	Alcohol	%	Eliminate	%	Total	%
Sales	1,081	10.9	(259)	(2.2)	(347)	(69.5)	311	50.7	786	3.7
Cost of sales	828	10.7	(480)	(6.4)	(270)	(62.2)	253	41.0	331	2.2
Gross profit	253	11.7	221	5.4	(77)	(118.5)	58	1,933.3	455	7.2
Selling and administrative expenses	408	31.5	197	12.2	31	96.9	33	-	669	22.7
Operating profit	(155)	(17.8)	24	1.0	(108)	(327.3)	25	833.3	(214)	(6.3)
Other income/ Interest income	15	100.0	(18)	(62.1)	(5)	(100.0)	3	60.0	(5)	(11.4)
EBIT	(140)	(15.8)	6	0.2	(113)	(297.4)	28	1,400.0	(219)	(6.3)
Interest expenses	18	37.5	(32)	(15.0)	(7)	(43.8)	3	-	(18)	(6.5)
Income tax	45	11.1	117	24.7	-	-	-	-	162	18.4
Net Profit	(203)	(47.1)	(79)	(4.3)	(106)	(481.8)	25	1,250.0	(363)	(15.8)
Depreciation & Amortization	107	21.5	42	7.4	18	60.0	-	-	167	15.2
EBITDA	(33)	(2.4)	48	1.5	(95)	(139.7)	28	1,400.0	(52)	(1.1)

### **The Beer, Soda & Drinking Water Business**

Q3/07 sales revenue of Baht 11,014 million compared with Q3/06, increased by Baht 1,081 million or 10.9%. This was mainly due to an increase in beer sales volume. The total sales volume of beer was 221.5 million litres, the increase of 23.3 million litres or 11.7% over the same quarter in 2006, mainly due to a rising demand for low alcohol beer with sales volume at 77.9 million litres, or 35.4% of total beer sales volume, while in Q3/06 low alcohol beer sales volume was 31.9 million litres, or 16.2% of total beer sales volume. The sales volume of soda water was 1.9 million litres, a decrease of 12.7% and the sales volume of drinking water was 10.9 million litres, an increase of 5.9% compared to the corresponding quarter of the previous year.

Q3/07 gross profit of Baht 2,421 million increased by Baht 253 million, or 11.7% of the same period last year, reflecting the increase in sales volume.

Q3/07 EBITDA of Baht 1,351 million decreased by Baht 33 million, or 2.4%, mainly due to the increase in marketing expenses. The free beer volume for sales promotion, as a percentage of sales volume increased from 6.8% on average in Q3/06 to 10.2% in Q3/07.

Q3/07 net profit of Baht 228 million showed a decrease of Baht 203 million, or 47.1%, mainly due to the increase of marketing expenses and the higher fixed cost associated with the commencement of depreciation on the capital expenditure of the Kamphaengphet brewery expansion project.

### **The Spirits Business**

Q3/07 sales revenue of Baht 11,329 million decreased from Q3/06 by Baht 259 million, or 2.2%, mainly due to a decrease in the sales volume of white spirits. The total sales volume of spirits in Q3/07 was 96.9 million litres, a decrease of 4.5%. This was led by a decline in white spirits' sales volumes, down 6.6% to 74.0 million litres.

On the other hand, brown spirits' sales volumes increased by 3.1% to 22.9 million litres. This was largely due to the sales volume of Hong Thong, a brown spirit product re-launched in April, 2006, reaching 8.3 million litres in Q3/07; that is, growth of 157.2% from Q3/06. Due to the increase of the excise tax rate with immediate effect declared by Thai Excise Tax Department on August 28, 2007, the Company has raised the selling price of its white spirits and brown spirits to cover the excise tax rise.

The selling price of some major items in Baht per one crate (a dozen bottles) increased as illustrated here.

	Increase per crate (Baht)	
	Full bottle	Half bottle
Ruang Khao (28 degree of Alc.)	129 (+24.7%)	64 (+22.8%)
Ruang Khao (30 degree of Alc.)	129 (+24.2%)	64 (+22.3%)
Ruang Khao (35 degree of Alc.)	129 (+22.7%)	64 (+21.1%)
Ruang Khao (40 degree of Alc.)	129 (+21.5%)	64 (+20.0%)
Hong Thong	56 (+3.6%)	56 (+6.8%)
Blend 285	168 (+9.5%)	N/A

Note: The volume of Ruang Khao bottles is 625ml, half bottles are 330ml. Hong Thong bottles are 700 ml, and half bottles are 350 ml. Blend 285 bottles are 700ml and there are no half bottles.

Q3/07 Gross profit of Baht 4,333 million increased by Baht 221 million or 5.4% mainly due to higher margin from selling spirits in hand, on which the Company had already paid excise tax at the previous rate. This was combined with the new, higher, selling price and lower molasses (an important raw material) cost.

Q3/07 EBITDA of Baht 3,147 million increased by Baht 48 million, or 1.5%, mainly due to the abovementioned higher margin, which helped cover higher employee expenses and other marketing expenses. Free spirits volume used for sales promotions, as a percentage of sales volume, decreased from an average of 0.8% in Q3/06 to 0.7% in Q3/07.

Q3/07 Net Profit of Baht 1,763 million decreased by Baht 79 million, or 4.3%, over the same period last year, mainly due to higher income tax because some tax benefits had been fully utilized in last year.

### **The Industrial Alcohol Business**

Q3/07 sales revenue of Baht 152 million decreased by Baht 347 million, or 69.5%, from Q3/06, mainly due to the decrease in both volume and selling price of ethanol domestic sales. The average price of ethanol decreased from Baht 25.44 per liter in Q3/06 to Baht 15.81 per liter in Q3/07. The sales volume of ethanol was 9.0 million litres, a decrease of 53.5%. Alcohol 95 sales volume was 0.5 million litres, an increase of 121.6%, while the average sales price decreased from Baht 26.66 per liter in Q3/06 to Baht 19.79 per liter in Q3/07.

Q3/07 showed a gross loss of Baht 12 million while Q3/06 showed a gross profit of Baht 65 million, a change of 118.5%. This can be mainly attributed to the lower sales volume and margin created by the oversupply in the domestic market.

Q3/07 EBITDA showed a loss of Baht 27 million while Q3/06 showed a gain of Baht 68 million decreased by Baht 95 million, or 139.7%, mainly due to the decrease of sales and the increase of idle costs.

Whereas Q3/07 showed a net loss of Baht 84 million, Q3/06 showed a net profit of Baht 22 million, a change of 481.8%, mainly due to the decrease of sales and the increase of idle costs.

### **Performance for the nine-month period ended 30 September 2007**

#### **Group**

For the first nine months of 2007, total sales revenue of the company was Baht 71,299 million, an increase of 3.1%, or Baht 2,113 million, from Baht 69,186 million in the corresponding period of the previous year, mainly due to the increase of total sales revenue from the spirits business of about 1.5% and the beer/water business of about 5%.

Gross profit was Baht 21,320 million, an increase of Baht 825 million, or 4%, mainly due to the increase in sales revenue from the beer/water business.

Earnings before interest, tax, depreciation and amortization (EBITDA) were Baht 15,422 million, an increase of Baht 441 million, or 2.9%, mainly due to the increase in sales revenue from the beer/water business over the same period in the previous year.

Net profit was Baht 7,190 million, a decrease of Baht 187 million, or 2.5%, mainly due to higher income tax because tax benefits from losses carry forward have been fully utilized.

Unit :Million Baht

## 9mths YTD \_ 2007

	Beer /Water	% to Sales	Spirits	% to Sales	Alcohol	% to Sales	Eliminate	% to Sales	Total	% to Sales
Sales	34,100	100.0	37,491	100.0	502	100.0	(794)	100.0	71,299	100.0
Cost of sales	26,457	77.6	23,932	63.8	485	96.6	(895)	112.7	49,979	70.1
Gross profit	7,643	22.4	13,559	36.2	17	3.4	101	(12.7)	21,320	29.9
Selling and administrative expenses	4,618	13.5	5,057	13.5	126	25.1	25	(3.1)	9,826	13.8
Operating profit	3,025	8.9	8,502	22.7	(109)	(21.7)	76	(9.6)	11,494	16.1
Other income/ Interest income	92	0.3	124	0.3	16	3.2	(14)	1.8	218	0.3
EBIT	3,117	9.1	8,626	23.0	(93)	(18.5)	62	(7.8)	11,712	16.4
Interest expenses	207	0.6	582	1.6	28	5.6	-	-	817	1.1
Income tax	1,633	4.8	2,071	5.5	1	0.2	-	-	3,705	5.2
Net Profit	1,277	3.7	5,973	15.9	(122)	(24.3)	62	(7.8)	7,190	10.1
Depreciation &Amortization	1,765	5.2	1,800	4.8	145	28.9	-	-	3,710	5.2
EBITDA	4,882	14.3	10,426	27.8	52	10.4	62	(7.8)	15,422	21.6

## 9mths YTD \_ 2006

	Beer /Water	% to Sales	Spirits	% to Sales	Alcohol	% to Sales	Eliminate	% to Sales	Total	% to Sales
Sales	32,487	100.0	36,944	100.0	712	100.0	(957)	100.0	69,186	100.0
Cost of sales	25,387	78.1	23,590	63.9	594	83.4	(880)	92.0	48,691	70.4
Gross profit	7,100	21.9	13,354	36.1	118	16.6	(77)	8.0	20,495	29.6
Selling and administrative expenses	4,036	12.4	4,868	13.2	135	19.0	(12)	1.3	9,027	13.0
Operating profit	3,064	9.4	8,486	23.0	(17)	(2.4)	(65)	6.8	11,468	16.6
Other income/ Interest income	49	0.2	84	0.2	6	0.8	(16)	1.7	123	0.2
EBIT	3,113	9.6	8,570	23.2	(11)	(1.5)	(81)	8.5	11,591	16.8
Interest expenses	210	0.6	960	2.6	56	7.9	(2)	0.2	1,224	1.8
Income tax	1,388	4.3	1,602	4.3	-	-	-	-	2,990	4.3
Net Profit	1,515	4.7	6,008	16.3	(67)	(9.4)	(79)	8.3	7,377	10.7
Depreciation &Amortization	1,597	4.9	1,703	4.6	90	12.6	-	-	3,390	4.9
EBITDA	4,710	14.5	10,273	27.8	79	11.1	(81)	8.5	14,981	21.7



	Increase(Decrease)									
	Beer /Water	%	Spirits	%	Alcohol	%	Eliminate	%	Total	%
Sales	1,613	5.0	547	1.5	(210)	(29.5)	163	17.0	2,113	3.1
Cost of sales	1,070	4.2	342	1.4	(109)	(18.4)	(15)	(1.7)	1,288	2.6
Gross profit	543	7.6	205	1.5	(101)	(85.6)	178	231.2	825	4.0
Selling and administrative expenses	582	14.4	189	3.9	(9)	(6.7)	37	308.3	799	8.9
Operating profit	(39)	(1.3)	16	0.2	(92)	(541.2)	141	216.9	26	0.2
Other income/ Interest income	43	87.8	40	47.6	10	166.7	2	12.5	95	77.2
EBIT	4	0.1	56	0.7	(82)	(745.5)	143	176.5	121	1.0
Interest expenses	(3)	(1.4)	(378)	(39.4)	(28)	(50.0)	2	100.0	(407)	(33.3)
Income tax	245	17.7	469	29.3	1	-	-	-	715	23.9
Net Profit	(238)	(15.7)	(35)	(0.6)	(55)	(82.1)	141	178.5	(187)	(2.5)
Depreciation & Amortization	168	10.5	97	5.7	55	61.1	-	-	320	9.4
EBITDA	172	3.7	153	1.5	(27)	(34.2)	143	176.5	441	2.9

### The Beer, Soda & Drinking Water Business

For the first nine months of 2007, sales revenue was Baht 34,100 million, rising by Baht 1,613 million, or 5%, mainly due to an increase in beer sales volume. Total sales volume of beer was 685.5 million litres, an increase of 5.9% over the first nine months of 2006. Low alcohol beer sales volume was 213.0 million litres, providing an increase over the same period in 2006 of 163.4 million litres or 329.7%. The sales volume of soda was 7.9 million litres and the sales volume of drinking water was 32.1 million litres, a decline of 16.2% and increase 1.9% respectively.

Gross profit of Baht 7,643 million increased by Baht 543 million, or 7.6%, over the first nine months of 2006, mainly due to the increase of sales volume.

EBITDA of Baht 4,882 million increased by Baht 172 million, or 3.7%, mainly due to the increase of gross profit which helped cover higher employee expenses and other marketing expenses. Free beer volume for sales promotions as a percentage of sales volume was 7.9% by average over the first nine months of 2007 close to the 7.8% achieved in 2006.

Net Profit of Baht 1,277 million decreased by Baht 238 million or 15.7% mainly due to the higher fixed cost associated with the commencement of depreciation on the capital expenditure of the Kampheng Phet brewery expansion project.

### The Spirits Business

Sales in the first nine months of 2007 were Baht 37,491 million, higher than the same period in 2006 by Baht 547 million, or 1.5%, mainly due to the increase of brown spirits' sales volume. The total sales volume of spirits was 327.8 million litres, a decrease of 4%. This is attributed to the white spirits' sales volume declining by 8% to 243.2 million litres, though brown spirits sales increased by 11.6% to 84.6

million litres. The sales price increases to cover the excise tax rise as mentioned above, did help to increase revenues.

Gross profit of Baht 13,559 million reflected an increase of Baht 205 million, or 1.5%, mainly due to higher margins from new sales price increases.

EBITDA of Baht 10,426 million increased by Baht 153 million, or 1.5%, mainly due to the abovementioned higher margin which helped cover higher employee expenses. Free spirits volumes used for sales promotion as a percentage of sales volume decreased from 1.4% on average over the first nine months of 2006, to 0.8% in 2007.

Net profit of Baht 5,973 million decreased by Baht 35 million, or 0.6% mainly due to higher income tax because some tax benefits had been fully utilized in last year.

### **Industrial Alcohol Business Segment**

In the first nine months of 2007, sales of Baht 502 million reflected a decrease of Baht 210 million, or 29.5%, mainly due to the decrease in both volume and sales price of ethanol domestic sales. The sales volume of ethanol was 23.2 million litres, a decrease of 15.6% over the same period in the previous year, and the average sales price decreased from Baht 24.61 per liter in the first nine-month period of 2006 to Baht 19.14 per liter in 2007. Alcohol 95 sales volume was 2.9 million litres, an increase of 132.9%, while the average sales price decreased from Baht 24.15 per liter in Q3/06 to Baht 17.61 per liter in Q3/07.

Gross profit of Baht 17 million decreased by Baht 101 million, or 85.6%, mainly due to the fact that ethanol had a lower margin caused by oversupply in the domestic market.

EBITDA of Baht 52 million showed a decrease of Baht 27 million, or 34.2%, mainly due to the decrease of sales volume and margin.

Net loss was Baht 122 million, an increase of Baht 55 million or 82.1%, mainly due to the decrease of sales volume and margin as mentioned above.

### **Financial Position**

#### **Assets**

Total assets as at end of September 2007 was Baht 84,715 million, a decrease of Baht 865 million, or 1.0%, compared with the end of 2006. Current assets increased by Baht 2,640 million, mainly due to the increase in inventory of finished goods and raw materials. Non-current assets decreased by Baht 3,505 million, mainly due to the sale of land and a building known as the ThaiBev Tower Project, and depreciation of property, plant and equipment.

#### **Liabilities**

Total liabilities as at end of September 2007 was Baht 30,787 million down by Baht 2,239 million, or 6.8%, compared with the end of 2006. This was mainly due to the re-payment of bonds.

The maturity of loans and bonds are as follows.

	Unit: Million Baht
Within September 2008	17,459
During October 2008 – September 2009	3,000

During October 2009 – Jan 2010	1,500
Total	21,959

### Shareholders' Equity

Total shareholders' equity as at the end of September 2007 was Baht 53,928 million, an increase of Baht 1,375 million, or 2.6% compared with the end of 2006. This was mainly due to the increase of retained earnings.

### Liquidity

Cash and cash equivalents as at September 30, 2007 was Baht 2,535 million. The net increase from the beginning of the period was Baht 615 million. Details of activities are as follows.

	Unit: Million Baht
Net cash provided by operating activities	9,703
Net cash used in investing activities	(179)
Net cash used in financing activities	(8,869)
Adjustment from financial statement translation	<u>(40)</u>
Net increase in cash and cash equivalents in period	615
Cash and cash equivalents at beginning of period	<u>1,920</u>
Cash and cash equivalents at end of period	<u><u>2,535</u></u>

Net cash provided by operating activities of Baht 9,703 million was mainly derived from net income of Baht 7,190 million and adjusted with non cash items, such as depreciation and amortization, of Baht 3,710 million.

Net cash used in investing activities of Baht 179 million was mainly due to the proceeds from the sale of land and a building, called the ThaiBev Tower Project.

Net cash used in financing activities of Baht 8,869 million was mainly due to the dividend paid of Baht 5,775 million and bond and loan repayments.

### Financial Ratios

	Sep.30, 07	Dec.31, 06
Current Ratio (times)	1.38	1.28
Total Debt to Equity Ratio (times)	0.57	0.63
Net asset value per share (Baht)	2.15	2.21
	Jan. - Sep.07	Jan. - Dec.06
Accounts Receivable Turnover (days)	4	5
Inventory Turnover (days)		
Beer/water Business		
Finished Goods	19	12
Raw Materials	5	4
Spirits Business		
Finished Goods (Excl. Legacy Stocks)	95	75
Raw Materials	15	8

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

N/A

10. Commentary to accompany the interim announcement regarding significant trends or competitive conditions in the industry and any know factors or events that may affect the group in the next reporting period or over next 12 months.

### **Business in Thailand**

The Thai economy has not changed materially since our previous report. Private investment fell 0.6% YoY in September, an improvement of 2.4% fall in August. Investment in machinery picked up as seen in rising capital goods imports during August and September. However, construction continued to contract. Private consumption rose 0.3% YoY in September but this was lower than 1.4% growth seen in August. This implies that recovery will take some time. Slower growth was due mainly to a fall in motorcycle and passenger car sales while consumer goods imports and electricity consumption improved.

Business sentiment has improved for three months in a row but the index remains below 50. This means that the majority still feel that the business environment has worsened. However, the three-month outlook is positive with the Business Sentiment Index (BSI) at 51.4 (above 50 is considered good). The only factor that is expected to worsen is production cost. Domestic demand in the third quarter has improved gradually both in consumption and investment. Export growth slowed but the trade surplus remained high due to lower imports. Economic growth in Q3 is estimated to grow by 4 % with domestic demand contributing to overall growth. Negative factors that may slow down the pick-up in future domestic demand are higher oil prices and consumer goods driven by higher transportation cost.

The current government is now focusing on the coming election, announced as December 23<sup>rd</sup>, 2007. The general public views the election optimistically and believes that the Thai economy will improve after a new democratic government is established. However, it is too early to speculate who will be the next prime minister and what the new government will look like. The only certain thing is that the new government will be a coalition government comprising many parties.

There is still no progress on the Alcohol Control Act because it is still under review by the National Legislation Assembly (NLA). There is no movement to report on this subject and it appears the current government has placed a very low priority on the Act. The Act has to pass another two readings by the NLA.

On August 28, 2007, the government approved and announced new excise tax increase. The increases were on white and compound spirits and brandy. The tax increases affected Thaibev's white spirits and its three compound spirit brands; Mungkorn Thong, Hong Thong and Blend 285. The white spirits excise tax increased from Baht 70 per liter of 100 per cent alcohol to Baht 110 per liter of 100 per cent alcohol while the ad valorem rate remains unchanged at 50 per cent of the ex-factory price. Compound and Chinese spirits increase from Baht 240 per liter of 100 per cent alcohol to Baht 280 per liter while the ad valorem rate remains 50 per cent of the ex-factory price. For brandy the ad valorem rate increased from 45 per cent to 50 per cent of the ex-factory price while the flat rate remained unchanged at Baht 400 per liter of 100 per cent alcohol. The Excise

Department collects excise tax based on whichever is the higher amount between a fixed and ad valorem rate. We will discuss the impact of tax increases in the spirits section of our report.

### **Beer Business**

The beer market remained the most competitive among all alcoholic beverage categories in Thailand during the third quarter. The trend to growing demand for low strength beer continues. During the third quarter all beer companies focused on defending their market shares at the trade level and started to invest more in the media as on-premise market remained sluggish due to the slow economy and Buddhist Lent period which lasted until the end of October. Due to the seasonal consumption slow down, all beer companies promoted their economy beer aggressively. The intensified competition forced Thaibev to defend its position by offering higher free beer in the form of Chang and Archa more than in the first six months.

At the time we are writing, Singha Corporation is launching their new beer to compete directly with Archa called *Esan Beer* (meaning “Northeastern Beer” in Thai), it is being launched as a fighting-brand in the northeast of the country where Archa has built up a strong presence over the past years. Esan is priced at Baht 360 per case, Baht 38 lower than Archa and is being offered aggressive buy-two-get-one free deal. This is their second attempt to wrest some market share away from Thaibev following an unsuccessful attempt to use the *Thai Beer* brand as a fighting brand against Archa. This enjoyed very limited success. Thaibev will closely monitor this launch and report on its progress in our next report. It seems that the competition in economy beer segment will finally come down to just Thaibev and Singha Corporation as the other economy brands have performed poorly this year.

Thaibev continued to perform well in the beer business. Sales revenue from beer/water and soda business went up 10.9% compared with third quarter sales last year. All the growth was contributed by beer as water and soda sales declined marginally from the same period last year. Cumulative sales revenue up to September was still ahead of last year by 5% solely from beer sales. Both the Company’s gross profit and EBITDA up to September 2007 surpassed that of the same period last year by 7.6% and 3.7% respectively. However, net profit for the first nine months to September was Baht 1,277 million showing a decline over last year of Baht 238 million, or 15.7% due mainly to the increased depreciation resulting from the expansion of our Kampheng Phet brewery.

The Thaibev executive board of directors approved an expansion plan regarding PET drinking water bottles, increasing the production capacity from the current seven million liters per year to 70 million liters per year. To date, our drinking water business is dependent largely on returnable glass bottles that are used only at on-premise outlets. Since PET bottles are in demand for take-home markets Thaibev is not adequately equipped to compete at present. Once the expansion has been completed, it will help Thaibev to compete effectively in the growing take-home market. Drinking water under the Chang brand name will not only help Thaibev to enhance its business but will help reinforce Chang brand awareness among Thai consumers. The total cost of expansion project will be approximately Baht 194 million and the project will start in Q4/07 and be completed in Q3/08

### **Spirits Business**

While the company was doing well in the beer business the spirit business during the third quarter continued to wrest with external factors. Low sales were to the result of depressed overall consumption of white spirit, and increasing consumption of illegal moonshine, particularly in the Northern provinces. Provincial consumers, principally in suburban areas, not only had less purchasing power but price increases in other consumer goods forced them to cut down their spending on alcoholic beverage. The Buddhist Lent period was another factor that traditionally contributes to low consumption in Q3 when some consumers stop drinking completely for

religious reasons for the whole period. The impact on brown spirit was not as severe as the white spirit because consumption of brown spirit takes place mainly in urban areas where consumers have more purchasing power and are less strict about religious convention.

On August 28, 2007 the government announced new excise tax increase on white spirits, compound spirits and brandy. The new tax rates of all the increased categories were mentioned earlier in this report. For Thaibev the new tax increased impacted on all its white spirit brands, as well as its compound spirits brands Mungkorn Thong, Hong Thong and Blend 285. Thaibev passed on all tax increases to consumers as normal. Detailed tax increases expressed in “per large bottle” are presented in the table below.

Products (Unit : Baht/Bottle)	Size	Taxes (Excise, Municipal, Health)		
		Old	New	Increase
White Spirits 28 degree	0.625 L.	13.72	21.56	7.84
White Spirits 30 degree	0.625 L.	14.70	23.10	8.40
White Spirits 35 degree	0.625 L.	17.15	26.95	9.80
White Spirits 40 degree	0.625 L.	19.60	30.80	11.20
Mungkorn Thong 35 deg.	0.750 L.	70.56	82.32	11.76
Hong Tong 35 degree	0.700 L.	65.86	76.83	10.97
Blend 285 35 degree	0.700 L.	65.86	76.83	10.97

We passed all tax increases in full to consumers except for Mungkorn Thong and Hong Thong. We still have legacy stocks of Mungkorn Thong, with taxes paid at the old rate, and therefore we do not need to increase its price for at least another year. As for Hong Thong since we increased its selling price in May by Baht 10, so we decided to only pass on Baht 4.67 this time which considering the gain on the price increase previously will be more than enough to cover the increase. Moreover we plan to launch Hong Thong in a gift box and increase its price by another Baht 5 per bottle.

The excise tax increase impact will be highest on white spirits and we believe the consumers will adjust to the rise either by purchasing small bottles or move to lower strength products. We also believe consumers will trade down to cheaper brands. Thaibev now has three white spirit brands at different prices: Ruang Khao, Niyomthai and Sua Khao (White Tiger).

Q3/07 sales revenue of Baht 11,329 million was lower than the same period last year by 2.2%, mainly due to a decrease in the sales volume of white spirits by 4.5%. However, this was partly absorbed by the growth of brown spirits by 3.1%. Unfortunately, it was not enough to cover the white spirits sales loss. The growth of brown spirits in Q3 was lower than the previous periods due to the fact that the company announced price increases of Hong Thong and Blend 285 immediately after tax increase announcement which caused September sales to slow down as dealers decided to deplete their old-priced stocks before buying new stocks. Despite the sales revenue decline, gross profit for the same period increased by 5.4% this was due to the fact that products sold in September at new prices were stocks on which tax had been paid at the old rate and that the company had produced and accumulated prior to the tax increase announcement. In cumulative terms, sales revenue and margin of the first nine months of this year were still higher than the same period last year by 1.5%. Net profit during the corresponding period decreased from last year by 0.6% due to higher income tax this year than last year since the tax benefit from losses carried forward had been fully utilized.

The Company is now in the process of acquiring a distillery named United Products Company Limited (UPC) and a non-alcoholic beverage manufacturer named SPM Foods and Beverages Company Limited (SPM) by purchasing 80% and 83% of the companies respectively. UPC is a

white spirit distiller with facilities to produce FAB (flavored alcoholic beverage). At present they are selling the White Bear brand white spirit which is regionally strong in the central part of Thailand. This will become the fourth white spirits brand in Thaibev's white spirits portfolio. UPC is a contracted manufacturer for Bacardi Breezer in Thailand. The acquisition allows Thaibev to gain technical knowledge of FAB production and the opportunity to work with Bacardi in future projects. The process is expected to be completed by the end of 2007.

### **Industrial Alcohol Business**

The first nine months of 2007 have been poor for the industrial alcohol business. The year started with the transitional government deciding to delay an expected import ban on 95 octane gasoline as well as slowing down its gasohol promotion campaign. As a result, both demand and prices of ethanol declined. Sales in Q3/07 were 9 million liters which was 53.5% lower than sales in Q3/06. The average price per liter of Baht 25.44 in Q3/06 decreased to Baht 15.81 per liter in Q3/07. The Thai Alcohol Company turned to focus on exporting alcohol 95, commencing with 0.5 million liters. Though appearing rather small, we consider it a good start and this report volume was 121.6% higher than last year. Export prices also declined from Baht 26.66 per liter last year to Baht 19.79 per liter in Q3/07. The Company showed a gross loss of Baht 12 million compared to a gross profit of Baht 65 million gross profit last year.

In cumulative terms, sales revenue for the first nine months were Baht 502 million, a decrease of Baht 210 million or 29.5% over the same period last year. This was due to both low sales volume and price. The Industrial alcohol business showed net loss of Baht 122 million. The future of this business is still promising if it receives the promotion and support of the government, as well as better demand should oil prices continue to rise and alternative fuels become essential to transportation globally.

### **Business Overseas**

During Q3/07, International Beverage Holding Limited (IBHL) continued to integrate Inver House into its current operations and established routes to overseas market for Thaibev products. Due to rising Scotch malt demand and prices, Inver House Distillers performed well during the past three quarters and believe the company will continue to do well going forward. The business in other markets where IBHL has a presence continued to develop according to plan. Notable highlights in Q3/07 included the following:

- Inver House Distillers received the "Distiller of the Year" award at the Icons of Whisky 2007 event.
- Following the launch of Chang beer in the USA, the brand was rolled-out to the east coast markets.
- The Mekong brand has been repackaged and is to be launched into selected international markets as the "Spirit of Thailand". The official launch took place on September 30, 2007 at a dinner in London. The event was a great success.

11. If a decision regarding dividend has been made:-

(a) Current Financial Period Reported On

Any dividend declared for current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Dividend is before tax.

N/A

(d) The date the dividend is payable.

N/A

12. If no dividend has been declared/recommended, a statement to that effect.

N/A

13. Interested person transaction

The details of the aggregate value of interested person transactions of the company for the three-month period (July- September) and nine-month period ended 30 September 2007 are as follows:



Thai Beverage Public Company Limited  
 Unaudited but reviewed results for the nine month period ended 30 September 2007

Interested persons transactions for the nine month period ended 30 September 2007

	Aggregate value of all interested persons transactions during the nine month period ended 30 September, 2007 under review (excluding transactions less than S\$100,000* and transactions conducted under Shareholders' Mandate) Baht '000	Aggregate value of all interested persons transactions conducted under the mandate (excluding transactions less than S\$100,000*) Baht '000
<b>A Revenue from sales and service income</b>		
1 Pisetkij Co., Ltd.	-	18,144.53
2 PS Recycle Co., Ltd.	-	82,985.77
3 Oishi Trading Co., Ltd.	13,003.63	-
4 The Chonburi Sugar Corp. Ltd.	-	3,154.18
5 TCC Hotel Collection Co.,Ltd. (**)	2,352.82	-
<b>B Other income</b>		
1 Pisetkij Co., Ltd.	-	8,705.95
<b>C Cost of sales</b>		
1 PS Recycle Co., Ltd.	-	913,793.55
2 The Chonburi Sugar Corp. Ltd.	-	31,293.89
3 The Mae Wang Sugar Industry Co., Ltd.	-	21,587.07
4 The Suphanburi Sugar Industry Co., Ltd.	-	53,596.63
5 Dhipaya Sugar (1999) Co., Ltd.	-	10,697.05
6 South East Capital Co., Ltd.	-	4,811.64
7 T.C.C. Technology Co., Ltd.	-	23,015.13
8 Thai Beverage Can Co., Ltd.	-	848,504.39
9 Berli Jucker PCL.	-	1,609,420.68
10 The Southeast Insurance (2000) Co., Ltd.	-	74,440.61
11 The Southeast Life Insurance Co., Ltd.	-	2,945.15
12 Uttaradit Sugar Industry Co., Ltd.	-	29,223.90
13 New Noble Property And Loan Fund	-	10,708.70
14 BJC Industrial and Trading Company Limited (***)	-	2,383.44
15 TCC Hotel Collection Co.,Ltd. (**)	2,356.84	-
16 Dynamic Assets Property and Loan Fund	40,223.00	-
17 T.C.C. Ningbo Best Spirits Co., Ltd.	7,505.63	-
18 Siam Food Products Public Co., Ltd.	9,352.00	-
<b>D Interest expenses</b>		
1 Great Oriole Limited	161,024.95	-
<b>E Other expenses</b>		
1 South East Capital Co., Ltd.	-	83,470.48
2 T.C.C. Technology Co., Ltd.	-	32,418.87
3 The Southeast Insurance (2000) Co., Ltd.	-	22,070.29
4 The Southeast Life Insurance Co., Ltd.	-	4,106.07
5 Plaza Athenee Hotel (Thailand) Co., Ltd.	-	22,874.38
6 Regent Gold Property Fund	-	3,985.38
7 North Park Golf And Sport Club Co., Ltd.	-	9,367.33
8 T.C.C. Capital Land Limited	5,218.50	-
9 TCC Hotel Collection Co.,Ltd. (**)	17,687.36	-
10 Dynamic Assets Property and Loan Fund	3,025.36	-
11 Best Wishes co Ltd	4,126.21	-
<b>F Sales of assets</b>		
1 TCC Hotel Collection Co.,Ltd. (**)	819,000.00	-
<b>G Purchase of assets</b>		
1 Siam Realty Co., Ltd.	30,810.06	-

\* Exchange rate Baht 23.00 per 1 SGD.

\*\* Formerly : Queen's Park Hotel Group Co., Ltd.

\*\*\* Formerly : BJC Engineering Co., Ltd.

Thai Beverage Public Company Limited

Unaudited but reviewed results for the three-month period (Jul-Sep) ended 30 September 2007

Interested persons transactions for the three-month period (Jul-Sep) ended 30 September 2007

	Aggregate value of all interested persons transactions during the three-month period (Jul- Sept) ended 30 September 2007 under review (excluding transactions less than S\$100,000* and transactions conducted under Shareholders' Mandate) Baht '000	Aggregate value of all interested persons transactions conducted under the mandate (excluding transactions less than S\$100,000*) Baht '000
<b>A Revenue from sales and service income</b>		
1 Pisetkij Co., Ltd.	-	6,342.92
2 PS Recycle Co., Ltd.	-	26,589.38
3 Oishi Trading Co., Ltd.	3,710.63	-
<b>B Other income</b>		
	-	-
<b>C Cost of sales</b>		
1 PS Recycle Co., Ltd.	-	289,293.67
2 The Chonburi Sugar Corp. Ltd.	-	3,826.01
3 The Mae Wang Sugar Industry Co., Ltd.	-	4,705.08
4 The Suphanburi Sugar Industry Co., Ltd.	-	4,359.89
5 Dhipaya Sugar (1999) Co., Ltd.	-	4,352.24
6 T.C.C. Technology Co., Ltd.	-	7,656.86
7 Thai Beverage Can Co., Ltd.	-	297,243.76
8 Berli Jucker PCL.	-	613,557.07
9 The Southeast Insurance (2000) Co., Ltd.	-	26,502.88
10 Uttaradit Sugar Industry Co., Ltd.	-	6,764.54
11 New Noble Property And Loan Fund	-	3,602.90
12 BJC Industrial and Trading Company Limited (***)	-	2,351.44
13 Dynamic Assets Property and Loan Fund	14,819.00	-
14 Siam Food Products Public Co., Ltd.	9,352.00	-
<b>D Interest expenses</b>		
1 Great Oriole Limited	111,381.45	-
<b>E Other expenses</b>		
1 South East Capital Co., Ltd.	-	27,447.34
2 T.C.C. Technology Co., Ltd.	-	11,889.46
3 The Southeast Insurance (2000) Co., Ltd.	-	6,865.68
4 Plaza Athenee Hotel (Thailand) Co., Ltd.	-	6,111.48
5 T.C.C. Capital Land Limited	5,218.50	-
6 TCC Hotel Collection Co.,Ltd. (**)	3,978.34	-
7 T.C.C. International Limited	(2,491.67)	-
<b>F Sales of assets</b>		
	-	-
<b>G Purchase of assets</b>		
	-	-

\* Exchange rate Baht 23.00 per 1 SGD.

\*\* Formerly : Queen's Park Hotel Group Co., Ltd.

\*\*\* Formerly : BJC Engineering Co., Ltd.