



ANNOUNCEMENT

Date: October 20, 2006

To: Singapore Exchange Securities Trading Limited

Subject: Advertising Ban on Alcoholic Beverage Products in Thailand and its Impact on Thai Beverage Plc.

Reference is made to the announced ban on advertising by the Food and Drug Administration ("FDA") on October 18, 2006 and newspaper articles about the proposed Alcoholic Beverages' Control Act ("The Act") by the Public Health Ministry. On October 17, 2006, Prime Minister Gen Surayudh Chulanont said that the Cabinet had ruled to appoint a working group to consider details of the proposed Act. The Cabinet has not yet reached a conclusion whether to endorse the proposed Act controlling alcoholic beverages or not. It instructed the Public Health Ministry to seek consultation with the Education, and Social Development & Human Society Ministries to ensure prudence, in particular the practicality and enforceability of raising the drinking age to no less than 25 years old.

The ban on advertising of alcoholic beverages by the government will have short-term and long-term impacts on the alcoholic beverage industry. The following outline the potential impacts on our business.

Neutral to positive impact on sales volumes in the short-run

Our key products, namely beer and spirits, dominate the economy segment of the market with minimal advertising. Above-the-line spending on advertising only accounts for a small portion of our total marketing and promotional expenses annually. The impact will be more significant for premium brands, which rely more heavily on advertising across a wide range of media for their brand building activities. The ban on advertising on all media means that companies in the alcoholic beverage industry will likely focus their marketing efforts more on distribution, which we clearly have an advantage.

Launching new products will be increasingly difficult, with higher barriers to entry to the Thai alcoholic beverage industry

The advertising ban will have a direct impact on the success of new product launches by making it much more difficult to introduce new brands to consumers. Television advertising is by far the most effective means for the introduction phase of a new product. Nevertheless, we have a strong portfolio of well-known brands which gives us a clear advantage over our competitors or new entrants whose products are introduced for the first time. In the short to medium-term, market leaders with established brands will likely benefit from the new policy.

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The exact nature of long-term effect on consumption is yet to be determined

Although the short to medium-term impact of the policy will be different to different products based on their respective segments (economy vs. premium) and degree of reliance on advertising in the past, it is unclear what impact the new policy will have on the consumption of alcoholic beverage in Thailand in the long-run. The announced regulations by the Food and Drugs Administration (FDA) whereby advertising is banned on all media, coupled with the newly proposed Act, which will further restrict the display of alcoholic beverage products in shops and the banning of promotional activities at the point of sales, undoubtedly means that younger generations of Thais will eventually grow up with limited exposure to alcoholic beverage products. However, since Thailand will be the first country to consider such strict measures, it is too early to assess the exact effect this will have on overall alcoholic beverage consumption.



Samut Hatthasing
President

