

I.C.C. INTERNATIONAL PLC

No. 57/2013

1 August 2013

Company Rating: AA*

Outlook: Stable

New Issue Rating: -

Rating History:

| Date | Company | Issue (Secured/ Unsecured) |
|----------|---------|----------------------------------|
| 23/03/05 | AA/Sta | - |
| 12/07/04 | AA-/Sta | - |
| 11/07/02 | AA- | - |

Rating Rationale

TRIS Rating affirms the company rating of I.C.C. International PLC (ICC) at "AA". The rating reflects the company's position as Thailand's leading distributor of lingerie, men's apparel, and cosmetics; a diverse portfolio of products and brands; intra-group supply chain; and nationwide distribution coverage. The rating also takes into consideration its conservative financial policy. However, the rating is constrained by the low level of profitability typically associated with trading companies. Limited ability to grow the operating cash flow would constrain ICC's financial flexibility and negatively impact the company's credit rating.

ICC is one of Thailand's key wholesalers and distributors of consumer products, particularly lingerie, apparel, and cosmetics. The company offers more than 80 brands, covering international licensed brands and its own brands. The international brands under the ICC umbrella, such as *Wacoal*, *Arrow*, *Lacoste*, *Daks*, *Guy Laroche*, and *ELLE*, are well-accepted by Thai consumers. ICC's products are available in department stores, discount stores, and shops, accounting for over 3,100 points of sales nationwide. The long-experienced management team, together with the support provided by suppliers within the Saha Group, help maintain ICC's market-leading positions in its key product categories.

The three major contributors to ICC's top line are the lingerie, men's apparel, and cosmetics product lines. During the last three years and the first quarter of 2013, the men's apparel line contributed 27%-29% of total revenue, the lingerie line generated about 25%, and the cosmetics line contributed 12%-13%. ICC dominates the middle- to high-end lingerie segment, with about 60% share in 2012, as measured by sales of all brands through department stores. *Wacoal* has remained the leading lingerie brand for over a decade, with 53% market share in 2012. Although *Wacoal*'s market share has gradually declined due to aggressive competition, its share is much higher than the second-largest competitor. The *Wacoal* product line alone has generated 20%-22% of ICC's total sales during the last three years. The strength of ICC's men's apparel segment is derived from the *Lacoste* and *Arrow* brands, which contributed 10% and 8% of ICC's total sales, respectively. *BSC Cosmetology*, ICC's own brand, is the core product brand in the cosmetics segment. Annual sales were Bt750-Bt850 million per annum during the past three years.

ICC's financial profile and liquidity remain strong, underpinned by its conservative financial policy and diverse source of income. ICC reported total sales of Bt13,677 million in 2012 and Bt3,451 million for the first three months of 2013, accounting for a 6.6% and 3.4% year-on-year (y-o-y) growth, respectively. The growth was softer than 13.6% reported in 2011. The slower growth pace reflected the weaker economic environment owing to rising household debt, high cost of living, and domestic political uncertainty. As the nature of trading company, ICC's profitability is fairly thin. Operating income before depreciation as a percentage of sales ranged from 5%-6% each year during 2009 through the first quarter of 2013. The profit margin was continually pressured by the increasing marketing expenditures, required to counter the intensifying competition. ICC's selling and administrative expenses rose by 13% in 2012, and by 15% y-o-y for the first quarter of 2013. Its proportion rose from 32.6% of total sales in 2011, to 34.5% in 2012, and 35.4% for the first quarter of 2013. The return on permanent capital ratio has gradually dropped since ICC has continued to build up its equity base over the

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years while profitability remained low. The return on permanent capital ratio was about 8% during 2011-2012. Going forward, ICC faces challenges to boost sales and enhance its ability to generate operating cash flow.

Funds from operations (FFO) has been fairly stable but was considered relatively softened over the years. In 2012, ICC generated FFO of Bt1,083 million which included Bt108.5 million of gain from sales of assets. For the first three months of 2013, FFO stood at Bt200 million. ICC's liquidity profile remained strong, mainly supported by low leverage. The FFO to total debt ratio was 176% in 2012 and 192% for the first three months of 2013.

ICC remained debt-free during 2002 to 2011. However, in 2012, ICC raised short-term debt to fund its working capital needs. ICC's inventory level increased significantly to support growth target. The inventory turnover climbed from 158 days in 2010 to 169 days in 2011 and 194 days in 2012. As a result, ICC incurred the short-term debt of Bt464 million in 2012 and Bt419 million at the end of March 2013. ICC has also made some guarantees to related companies to strengthen its supply chain. The total amount of outstanding guarantees has remained at Bt152 million since 2009. Despite the increase in debt, its total debt (including guarantee) to capitalization ratio was considered low at 3.5% at the end of March 2013. ICC's leverage level is expected to maintain in the medium term. ICC has planned capital expenditures of about Bt1,200 million during 2013-2015, to renovate and expand the *His&Her* outlets, purchase land and building, and build new office building. TRIS Rating expects ICC to continue its conservative financial policy while improving inventory management strategies to reduce surplus or obsolete inventory.

ICC has invested in the property development business by utilizing its non-performing assets (NPAs). In TRIS Rating's view, the company will be exposed to higher risk as the property development industry is intensely competitive and more sensitive to economic cycles. At present, ICC's capital injection remained small. Any future investments are expected to be prudently considered so as to maintain ICC's financial strength and ample liquidity at all times.

ICC and other Saha Group companies have complex cross-holding structures. TRIS Rating expects that all transactions between ICC and other companies in the group should conform to the regulations of the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC).

Rating Outlook

The "stable" outlook reflects TRIS Rating's expectation that ICC will continue to maintain its strong market positions in its major product lines, and be able to improve its cash flow generation ability. The minimal growth over the long period has weakened the company's financial profile and will negatively impact its credit profile.

I.C.C. International PLC (ICC)

Company Rating:

AA

Rating Outlook:

Stable

KEY RATING CONSIDERATIONS

Strengths/Opportunities

- Thailand's leading distributor in fashion products
- Diverse range of products and brands
- Nationwide distribution coverage
- Group supply chain

Weaknesses/Threats

- Low profitability
- Stagnant operating cash flow
- Intense competition
- Financial support to related companies

CORPORATE OVERVIEW

ICC is the major distributor of consumer products for the Saha Group, one of the largest conglomerates in Thailand. The company was established by the Chokwatana family in 1964, initially to distribute imported cosmetics. At

present, ICC's portfolio has extended to cover over 80 brands, mainly fashion products. ICC was listed on the SET in 1978. As of May 2013, approximately 58% of ICC's shares are held by the Chokwatana family and various companies in the Saha Group, including ICC's suppliers, such as Thai Wacoal PLC, Thanulux PLC, People's Garment PLC, and International Laboratories Corp.

ICC's product portfolio spans into several product lines: cosmetics, men's apparel, lingerie, women's wear, children's apparel, leather goods and accessories, sporting goods, and household products. The men's apparel, lingerie, and cosmetics product lines have been the largest revenue contributors during the past five years. ICC licenses several international brands, such as *Wacoal*, *Arrow*, *Daks*, *Lacoste*, *Guy Laroche*, and *ELLE*. In addition to the international brands, ICC has its own brands, such as *BSC*, *Enfant*, *St. Andrews*, and *Essence*.

Table 1: Revenue Contribution by Major Product Line

Unit: %

| Product Line | 2010 | 2011 | 2012 | Jan-Mar 2013 |
|-----------------------------|--------------|--------------|--------------|--------------|
| Cosmetics | 13.0 | 12.6 | 12.0 | 11.9 |
| Lingerie | 26.3 | 26.2 | 25.9 | 25.4 |
| Men's wear | 27.1 | 26.9 | 27.4 | 28.9 |
| Women's apparel | 3.9 | 4.2 | 4.4 | 4.3 |
| Household products | 10.8 | 9.9 | 9.8 | 9.0 |
| Children's apparel | 4.0 | 4.4 | 4.4 | 4.2 |
| Leather goods & accessories | 8.0 | 8.7 | 9.0 | 8.6 |
| Sporting goods & toys | 4.6 | 4.3 | 5.1 | 5.9 |
| Others | 2.3 | 2.8 | 2.0 | 1.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Source: ICC

RECENT DEVELOPMENTS

Invested in Shop Global (Thailand) Co., Ltd.

In March 2013, ICC's board of directors approved the investment in Shop Global (Thailand) Co., Ltd. (Shop Global). ICC bought 30% or 1,800,000 shares of Shop Global. The total investment is around Bt180 million, funded by ICC's operating cash flow. The joint venture partners include Central Department Store Ltd. and Sumitomo Corporation Group, who acquire 30% and 40% stakes of Shop Global, respectively.

Shop Global is established to develop the multimedia retail business in Thailand with the technology support from Sumitomo Group. Initially Shop Global will operate the TV home shopping channel which is a 24 hour-live broadcasting program. The future opportunity is to expand the distribution network through the online base.

Purchased asset from related companies

In April 2013, ICC announced it would purchase land and buildings in Rayong and Chonburi provinces from three related companies, Pan Asia Footwear PLC (PAF), Excellent Rubber Co., Ltd., and International Curiry Footwear Co., Ltd. The total cost was Bt340 million. This is to rescue its supply chain in Saha Group. As part of Saha Group, PAF makes and exports foot wear. PAF has to downsize and sell some of its assets, due to discontinuation of export order and business rehabilitation with creditors.

INDUSTRY ANALYSIS

Private consumption grew satisfactorily in 2012, but is expected to slow down in 2013

In 2012, the consumer products industry experienced a strong rise in private sector spending. Due to strong economic recovery from flood crisis, rising consumer confidence, and the government's economic

stimulus policies, private consumption expenditure in Thailand grew by 6.7% in 2012, compared with 1.3% in 2011. Specifically, consumption expenditure of private sector reported a huge increase of 12.4% y-o-y in the fourth quarter of 2012. Gross domestic product (GDP) also showed the same pattern.

However, consumer confidence has weakened since April 2013. The latest consumer confidence index (CCI), reported by the Center for Economic and Business Forecasting (CEBF) of the University of the Thai Chamber of Commerce, showed an unfavorable outlook. The CCI fell continuously to 81.6 in June 2013, from 84.8 in March 2013. The low index reflects consumers' concerns over domestic economic slowdown, the uncertainty of global economic recovery, the high cost of living, and future domestic political uncertainty.

Table 2: Growth Rates (Y-O-Y) of GDP and Private Consumption

Unit: %

| | 2011 | 2012 | 2012 | | | | 2013 | 2013p |
|---------------------|------|------|------|-----|-----|------|------|-------|
| | | | Q1 | Q2 | Q3 | Q4 | Q1 | |
| GDP | 0.1 | 6.5 | 0.4 | 4.4 | 3.1 | 19.1 | 5.3 | 4.2 |
| Private consumption | 1.3 | 6.7 | 2.9 | 5.3 | 6.0 | 12.4 | 4.2 | 3.4 |

p = Bank of Thailand's projection

Sources: 1) Office of the National Economic and Social Development Board (NESDB)

2) Bank of Thailand (BOT)

Private sector spending is expected to slow down in 2013, due to the continuation of those unfavorable concerns and a slowdown in government's economic stimulus policies. Recently, the Bank of Thailand (BOT) revised the economic growth projection for 2013 down from the previous assessment (5.1%) to 4.2%, mainly resulting from a slowdown in domestic demand and exports, and delay in the government investment plans especially in water and flood management projects. The private consumption expenditure growth estimate for 2013 is revised down from 4.7% to 3.4%.

Lingerie:

Demand for lingerie is determined by demographic factors, such as age and gender, and economic factors, including disposable income and the level of unemployment. Product accessibility also is driving a new market opportunity as the existing market is close to maturity. Modern trade sales outlets have increased over the past decade in Thailand. There are now more modern trade facilities in the provinces. In addition, lingerie sellers have increased the level of market penetration to service new customer groups including young and trendy customers. Over the past few years, sales of fashion lingerie for young

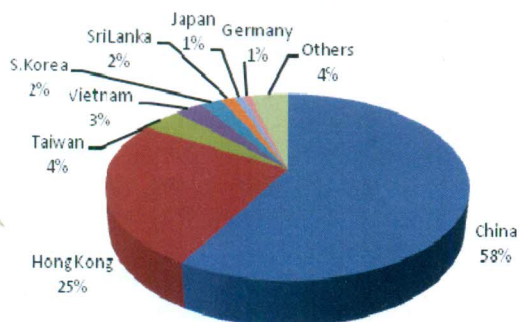
customers have driven the growth of lingerie sales in Thailand. Teenagers and young women, the main purchasers of fashion lingerie, typically have higher buying frequencies than working women or older adults.

The lingerie market in Thailand can be grouped by price and brand image. In 2012, the value of major branded lingerie sold in department stores in Thailand totalled approximately Bt5,300 million, a rise of 14.6% from 2011, according to a survey conducted by ICC. The favorable economic condition pushed the growth of sales in 2012. In 2013, lingerie sales are expected to grow marginally due to the economic and political uncertainties. Political unrest would hurt tourism in Thailand which lingerie sales will partly be affected as foreign tourist is one of the key customers.

Among the various brands of lingerie sold in department stores in 2012, Wacoal dominated the market with around 53% market share, followed by Sabina (14%) and Triumph (13%). Young customers are mostly attracted by the latest fashion trends, which in turn encourages manufacturers to continuously introduce new collections. For working women, a target group with higher brand loyalty than younger customers, fit and suitable sizes, are the major factors influencing the purchase decision.

Competition in the lingerie market remains high. Producers now have to launch new designs and collections more often, offer price discounts, and conduct more marketing activities and campaigns to remain competitive. Domestic producers are expected to face higher competition from imported products from both China and the member nations of the ASEAN Free Trade Area (AFTA). In 2012, brassieres imported from China and Hong Kong comprised 83% of total brassiere imports into Thailand. The remaining portion was imported from Taiwan, Vietnam, Korea, Sri Lanka, and Japan.

Chart 1: Thailand's Brassiere Imports by Country of Origin in 2012

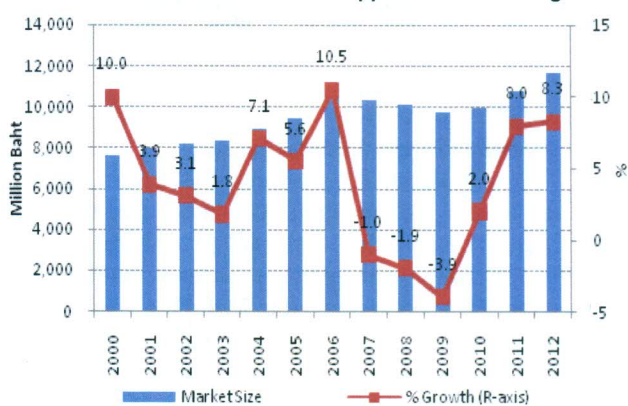


Source: Customs Department

Men's Apparel:

As with other segments of the apparel market, demand for men's apparel is mainly determined by economic factor. The market continued to grow in 2012, mainly owing to strong economic condition. According to a survey made by ICC, sales in the upper and middle segments of the men's apparel market in 2012 rose to Bt11,700 million, or 8.3% higher than in 2011. The opportunity to boost the sales of men's apparel relies on population growth and the offers of new materials and styles. The expansion of modern trade outlets raise sales in provincial areas.

Chart 2: Sales of Men's Wear in Upper and Middle Segments



Source: ICC

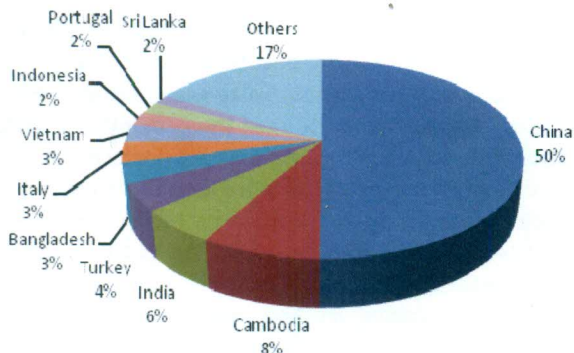
With approximately 87 men's apparel brands in department stores in Thailand, the market is segmented by price and brand image. The market is not as concentrated as the lingerie market because none of the leading men's apparel brands holds more than 25% market share by value.

While brand image is a major criterion for the upper end of the market, retailers will, from time to time, use price reduction campaigns to boost sales and clear stock. Manufacturers selling to the upper and middle segments of the market will also strive to increase market share by continuously and quickly introducing new collection to meet changes in demand and lifestyles. To maintain market share and avoid price competition, producers conduct research and development to differentiate its product and lead the market trend. In addition to innovation, firms also use production and distribution efficiencies, plus marketing activities and events as the key factors to compete with rivals.

Competition in the men's apparel industry is expected to become more intense as imported products have increased. Several bilateral free trade agreements (FTA) between Thailand and other countries have increased competition in the Thai apparel industry,

especially in the low-end market segment. Due to relatively low production costs, China held the biggest portion of imported men's and boy's shirts in 2012.

Chart 3: Thailand's Imported Men's and Boy's Shirts by Country of Origin in 2012

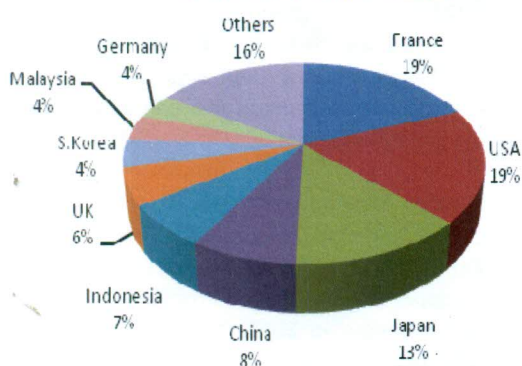


Source: Customs Department

Cosmetics:

Demand for cosmetics is mainly affected by seasonal and social factors, such as fashion trends, climates, and lifestyles. In 2012, sales in the cosmetic market rose to approximately Bt44,000 million, up by 9.5% from 2011. The rise in sales was partly due to promotional campaigns and the introduction of new products. For 2013, sales are expected to have lower growth, compared with 2012. This is due to uncertainties of economic condition and political situation. However, active marketing campaign, product innovations, and the high potential in the provincial market can boost growth.

Chart 4: Thailand's Imported Cosmetics by Country of Origin in 2012



Source: Ministry of Commerce

Competition in the cosmetic market remains high, especially in the middle and economy segments, which are relatively more price sensitive than the luxury cosmetic

segment. Market shares in the luxury segment are more stable because of brand loyalty. The cosmetic market can also be classified by distribution channel: counter sales, self-selection, and direct sales.

Demand for skincare cosmetics depends on various factors including the level of income, seasonal effects, health awareness, lifestyle, and gender. The products for men segment offer good growth potential as more men are using skincare products. Manufacturers are increasingly using medical research to develop and introduce new value-added products. Competition focuses on complicate production process and high-value ingredient. Therefore, the key imported brands are from western countries. According to the Ministry of Commerce, the value of cosmetics imported in 2012 increased by 22.3% to US\$669.6 million, 19.0% of which came from France, 18.4% from the United States (US), and 13.2% from Japan.

BUSINESS ANALYSIS

ICC's business profile reflects its position as a leading distributor of lingerie, men's apparel, and cosmetics in Thailand. The company benefits from the well diversified product and brand portfolio, plus nationwide distribution coverage. Supply chain within Saha Group supports the product development, but some would need financial assistance. In addition, ICC recently reported increases in inventory, which raised questions on its competitiveness and market sentiment.

▪ Broad range of products and diverse channels of distribution

ICC offers a broad range of product lines: cosmetics, men's apparel, lingerie, women's wear, children's apparel, leather goods and accessories, sporting goods, and household products. ICC's product portfolio covers over 80 brands, both international brands and its own brands. Its international brands, such as *Wacoal*, *Arrow*, *Lacoste*, *Daks*, *Guy Laroche*, and *ELLE*, have strong presences in the Thai market. At the same time, ICC has developed its own brands, such as *BSC*, *Enfant*, *Essence*, *POP Line*, *Kullasatri*, and *St. Andrews*. However, some brands need to be modernized in order to compete in an increasingly competitive market and penetrate the segments with younger customers.

ICC's products are available in more than 3,100 points of sales nationwide. ICC's key distribution channels are department stores, modern trade stores, shops, and specialty stores. Department stores are ICC's major distribution channel, generating around half of ICC's total sales. The department store channel offers premium brand products to capture medium- to high-income consumers,

while the modern trade or discount store channel is suited for economy brands.

ICC has established *His&Her* specialty stores to capture customers outside the department store channel and create brand loyalty through a membership program, *His&Her Plus Point*. In 2012, ICC closed some *His&Her* shops, as some locations reported losses. At the end of March 2013, ICC had 95 *His&Her* outlets, which provided about 5% of total revenue. The company plans to add 40 more *His&Her* outlets by the end of 2015.

▪ **Support from group supply chain**

As part of Saha Group, ICC has sourced most of its products through the companies in the Group. The companies in the Saha Group, including ICC, have complex cross shareholdings. Some of ICC's executives also hold management positions at supplier companies. The benefit of this structure is that it ensures good cooperation with suppliers. The cooperation facilitates the development of new products and raw materials, which are the key success factors in a fashion-driven business. On the other hand, this group structure sometime demands the financial support to some group members. The supports could be in various forms, i.e., guarantee, inter-company lending, and asset acquisition, which will consume the company's resources.

ICC's management has long established a good relationship with international licensors and its distribution channels which is one of the key factor contributing to the company's successful history. The management team is experienced and has been with the company for a long time. The team is gradually transited to the next generation which will face a challenge to pursue the growth pace and strengthen the brand image.

▪ **Dominant position in lingerie market**

Sales of lingerie products have constituted about 25% of total revenue during the past three years. ICC has dominated the lingerie market, especially in the middle- to high-end segment. Measured by sales through department stores, ICC's lingerie brands, including *Wacoal*, *BSC*, *BSC Signature*, *ELLE*, *VR*, and *Kullasatri*, had a combined market share of about 60% in 2012. *Wacoal* brand held 53% market share.

Wacoal is a leading brand in the Thai women's lingerie market, targeting the middle- to high-end customer. The *Wacoal* brand has a history in Thailand dating back over 40 years and has a strong market position in the working age segment. Products sold under the *Wacoal* brand name contributed about 80% of ICC's lingerie sales, or 20%-21% of total revenues during the last three years. Although having the highest share in the market, *Wacoal's* share has gradually declined due to the

aggressive marketing activities and fierce competition from its rivals, especially in the segments of young customers. ICC faces a challenge to improve the competitive edge in order to protect the market share.

▪ **Lacoste and Arrow, anchor the men's apparel segment**

The men's apparel segment has generated 27%-29% of ICC's revenues during the past three years. Sales in the men's apparel segment continued to grow, rising by 8% in 2012 and 5.2% y-o-y for the first three months of 2013. The strength of ICC's men's apparel segment comes from the sound performance of the *Lacoste* and *Arrow* brands and their strong market positions. The *Lacoste* and *Arrow* brands have contributed of 33% and 29% of total segment sales, respectively.

Arrow competes in the men working apparel, targeting middle- to high-income customers. In 2012, *Arrow* had market share of 20% in its segment. The *Lacoste* brand competes in the high-end men's casual wear market, which it could acquire 11% market share. In addition to the strong brand awareness, ICC puts effort to enhance its competitive edge through quick response to customer needs, and expansions to the young consumer segment and upcountry areas.

▪ **Highlight of new product launches**

Product development and new product launches are crucial to differentiate products, retain customer attention, and strengthen brand recognition. ICC has continually introduced new products and collection across all product categories. New products are offered in several patterns including new designs, more value-added products, improved raw material quality, and products for new segments.

In mid-2012, ICC launched *Pearl of Siam*, a new skin care cosmetics, using amino acids and minerals to nourish skin. In 2013, ICC introduced *DXS*. *DXS* is a new brand fashion sneakers. The *DXS* concept is a unique product for an easy lifestyle of today's youth.

▪ **Concerns over surplus inventory**

During the last two years, ICC's inventory level increased significantly due in part to support ICC's growth targets. Inventory rose from Bt3,107 million at the end of 2010, to Bt3,764 million in 2011, and Bt4,488 million in 2012. The inventory turnover days climbed from 158 days in 2010 to 169 days in 2011 and 194 days in 2012. The high level of inventory, indicating stagnant products, has absorbed large amounts of cash. This occurrence has raised concerns over stock management and the additional funds needed for working capital. TRIS Rating expects ICC

to improve its inventory management strategies to reduce surplus or obsolete inventory.

FINANCIAL ANALYSIS

ICC's financial profile remains strong, though slightly softened. The thin operating margin as the nature of trading business is offset by its conservative financial policy and diverse sources of income. Intensified competition has pressured the ability to grow the operating cash flow. Limited FFO constrained its financial flexibility for future development.

▪ *Rising expenses pressure*

ICC's revenue grew by nearly 6.6% to Bt13,677 million in 2012. However, the growth rate in 2012 was less than the 13.6% rise reported in 2011. In the first three months of 2013, total sale increased by 3.4% y-o-y to Bt3,451 million. The slower pace of growth reflected a weaker economy as household debt and cost of living continue to rise. The economy also remains hindered by domestic political uncertainty.

As the nature of trading companies, ICC's profitability is fairly thin. The operating profit margin, ranged from 5%-6% during 2009 up to present. The operating profit margin was pressured by increases in marketing expenditures to counter intensifying competition. In addition, ICC has adopted a minimum wage for all of its salespersons nationwide since May 2012. ICC's selling and administrative expenses rose by 13% in 2012, and by 15% y-o-y for the first three months of 2013. Selling and administrative expense rose from 32.6% of total sales in 2011, to 34.5% in 2012, and 35.4% for the first three months of 2013. The return on permanent capital ratio was 8.4% during 2011 and 2012 and slightly dropped to 7.7% for the first quarter of 2013. Despite the rising expenses, ICC is expected to properly manage its cost to maintain the profit margin.

▪ *Increased leverage*

ICC had remained debt-free until 2011. However, in 2012, ICC incurred some short-term debt to fund its working capital needs, including piled up inventory. As a result, total debt was Bt464 million at the end of December 2012 and Bt419 million at the end of March 2013. ICC has also made some guarantees to related companies in its supply chain. The total amount of outstanding guarantees to related companies has remained at Bt152 million since 2009. Despite the increase in debt, the adjusted debt to capitalization ratio (including guarantees to related parties) was low at 3.5% at the end of March 2013.

ICC planned its capital expenditures of about Bt1,200 million during 2013-2015. The expenditures include *His&Her* outlets expansion, acquisition of PAF's asset, and construction of new office building. ICC's leverage level is expected to maintain in the medium term. TRIS Rating expects ICC to continue its conservative financial policy in order to maintain its financial strength and ample liquidity.

▪ *Ample liquidity*

ICC's liquidity profile remains strong, mainly supported by the low level of leverage and its conservative financial policy. The FFO to total debt ratio was 176% in 2012 and 191.7% at the end of March 2013, trailing for the last 12 months.

ICC generated about Bt900-Bt1,000 million per year in FFO during the last three years. FFO was Bt1,083 million in 2012, which included a Bt108.5 million gain from the sales of assets, and was Bt200 million for the first three months of 2013. The amount of FFO, although having a stability, remains small due to its minimal growth over the last 10 years. ICC is expected to improve its cash flow generation ability. The standstill in operating cash flow over the long period has comparatively weakened the company's financial profile and could negatively impact its credit quality.

In terms of financial flexibility, as of March 2013, ICC had Bt209 million in cash and Bt3,300 million in credit facilities available from various financial institutions. The company generally has sound relationships with its banks.

Financial Statistics and Key Financial Ratios

Unit: Bt million

| | | ----- Year Ended 31 December ----- | | | | |
|--|-----------------|------------------------------------|--------|--------|--------|--------|
| | Jan-Mar 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Sales | 3,451 | 13,677 | 12,825 | 11,294 | 10,649 | 10,947 |
| Gross interest expense | 1.3 | 5.0 | 0.0 | 0.0 | 0.0 | 0.7 |
| Net income from operations | 183 | 972 | 744 | 810 | 652 | 779 |
| Funds from operations (FFO) | 200 | 1,083 | 928 | 985 | 833 | 1031 |
| Total capital expenditures | 38 | 383 | 400 | 284 | 106 | 81 |
| Total assets | 19,230 | 19,325 | 16,583 | 15,083 | 13,772 | 13,277 |
| Total debt | 419 | 464 | - | - | - | - |
| Guarantees to related companies | 152 | 152 | 152 | 152 | 152 | 326 |
| Shareholders' equity | 15,875 | 16,106 | 13,758 | 12,963 | 11,803 | 11,129 |
| Operating income before depreciation and amortization as % of sales | 6.1 | 5.1 | 5.5 | 5.9 | 4.9 | 5.9 |
| Pretax return on permanent capital (%) | 7.7** | 8.4 | 8.4 | 8.7 | 7.9 | 9.5 |
| Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times) | 216.3 | 283.1 | n.m. | n.m. | n.m. | n.m. |
| FFO/total debt * (%) | 191.7 ** | 175.8 | 611.8 | 649.1 | 549.1 | 316.0 |
| Total debt/capitalization * (%) | 3.5 | 3.7 | 1.1 | 1.2 | 1.3 | 2.8 |

n.m. Not meaningful

* Including contingent liabilities of guarantees to related companies

** Annualized with trailing 12 months

TRIS Rating Co., Ltd.

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