

Financial Highlights

- OSP reported Q2'22 sales of THB 7,184 million, +3.9% YoY, driven by growth in international business, personal care, and other segments. Domestic beverages declined in Q2'22 during the transition to execute our premiumization portfolio strategy while other players continued price promotion. 1H'22 revenue from sales grew 7.1% to THB 14,656 million, underpinned by growth across all business segments.
- Q2'22 gross margin declined by 460 bps YoY and 50 bps QoQ to 31.2%. Key factors included key material and energy price increase from global commodity price hike, unfavorable gross margin mix from higher sales contribution of C-Vitt and Yanhee beverages products, lower production efficiency from sequential production line adjustment towards lighter weight bottles, and fixed production cost deleverage partially offset by higher margin of the new M-150 and cost savings from Fast Forward 10X program.
- OSP delivered Q2'22 net profit* at THB 604 million, with net profit* margin of 8.4%. Compared to the same period last year, the reported profit softened mainly due to higher commodity and energy prices and operation transition. 1H'22 net profit* was at THB 1,354 million, -25.8% YoY, with net profit* margin of 9.2%, -410 bps YoY. Compared to 1H'21, net profit* declined by 12.2% YoY, if adjusted the dividend income from investment in other company that we received less by THB 285 million.
- OSP continued its leadership position in both energy drinks and functional drinks markets. C-Vitt led OSP's functional drinks portfolio to achieve the all-time high market share of 44.6% in Q2'22. OSP's energy drinks market share was 51.4% in 1H'22, reflecting the transition to establish our premiumization strategy while other players executed more price promotion.
- OSP has a solid balance sheet with low interest-bearing debt to equity ratio of 0.08, ready to invest and capture inorganic growth and partnership opportunities.
- The Board of Directors approved the interim dividend payment of THB 0.45 per share, approximately 100% payout ratio of the consolidated net profit to be paid on 9 September 2022.

*Net Profit = Net Profit attributable to owners of the parent

Financial Performance for Q2'22 and 1H'22

Consolidated Income Statement Summary

Unit: THB million	Q2'22	Q2'21	%YoY	1H'22	1H'21	%YoY
Total revenues	7,262	6,964	4.3%	14,780	14,086	4.9%
Total revenues from sales	7,184	6,913	3.9%	14,656	13,689	7.1%
Beverages	5,857	5,938	-1.4%	12,212	11,739	4.0%
Personal Care	587	481	21.9%	1,141	982	16.3%
Others	740	494	49.8%	1,303	968	34.5%
Total other income	78	51	54.9%	124	397	-68.6%
Gross profit	2,244	2,478	-9.5%	4,616	4,731	-2.4%
SG&A	1,651	1,581	4.3%	3,231	3,075	5.0%
Selling and distribution expenses	1,305	1,123	16.2%	2,463	2,162	13.9%
Administrative expenses	346	458	-24.6%	768	913	-15.9%
EBIT	762	1,013	-24.8%	1,684	2,191	-23.1%
EBITDA	1,164	1,379	-15.6%	2,495	2,905	-14.1%
Profit for the period	608	799	-23.9%	1,358	1,786	-24.0%
Profit attributable to owners of the parent	604	820	-26.4%	1,354	1,824	-25.8%
Key Ratios (%)						
Gross profit margin	31.2%	35.8%	-4.6%	31.5%	34.6%	-3.1%
SG&A to net sales ratio	23.0%	22.9%	0.1%	22.0%	22.5%	-0.5%
EBIT margin	10.6%	14.7%	-4.1%	11.5%	16.0%	-4.5%
EBITDA margin	16.2%	19.9%	-3.7%	17.0%	21.2%	-4.2%
Net profit margin for the period	8.5%	11.6%	-3.1%	9.3%	13.0%	-3.7%
Net profit margin attributable to the owners of the parent	8.4%	11.9%	-3.5%	9.2%	13.3%	-4.1%

Financial Performance Summary for Q2'22 vs Q2'21

OSP has accelerated its transformation and premiumization strategy to build holistic product portfolio, strengthen distribution network, and increase flexibility and capabilities in manufacturing and operations. We strongly believe that these strategic actions will enhance our mid-to-long-term competitive advantage to deliver profitable and sustainable growth.

OSP reported total revenues of THB 7,262 million, +4.3% YoY, and revenues from sales of THB 7,184 million, +3.9% YoY. Functional drinks, personal care, international business, and other segments showed strong growth, while domestic energy drinks declined during the transition period of executing premiumization portfolio strategy to reignite the category. OSP outperformed the market growth in Q1'22 while had short-term impact during the transition in Q2'22. We expect our energy drinks market share to gradually recover in 2H'22 from stronger product portfolio and effective sales execution.

Beverage Segment

OSP reported total beverage revenues of THB 5,857 million, a decrease of 1.4% YoY. International beverage sales grew by 6.3% YoY, while domestic beverage sales declined by 3.4% YoY. Domestic energy drinks declined during the transition period of our strategic move towards premiumization and aggressive price promotions from peers. OSP believes that premiumization strategy will help invigorating the category and driving our long-term growth. OSP aims to lead and drive energy drinks market growth through innovation, strength of product portfolio, and strong route-to-market execution. Functional drinks showed double-digit growth from C-Vitt, which captured health and well-being trend, traffic recovery in modern trade channel, higher distribution penetration, and full product portfolio covering more drinking occasions. In addition to C-Vitt, Calpis, Yanhee Cannabis water, and distribution of Yanhee Vitamin B water and Koikeya snack products added to the overall growth. International beverage sales continued to show solid growth despite challenging situation in many countries, including ongoing political unrest in Myanmar, skyrocketing inflation and debt repayment crisis in Laos, and currency fluctuation. OSP continued to leverage our strong brand position, effective route-to-market execution, and flexibility of having local teams and operations to manage the uncertainty.

OSP is market leader in both energy drinks and functional drinks markets. OSP recorded energy drinks market share at 49.1% during the transition towards premiumization with price promotions by peers. OSP will undergo this transition and reinstate our position using portfolio strategy, leveraging strong distribution network, catering products to expand consumer base and respond to changing consumer trend. C-Vitt continued to achieve record-high market share of 40.1% (+730 bps YoY), another all-time-high market share of 44.6% for the overall OSP's functional drinks in Q2'22.

Personal Care Segment

As Thailand and many countries relaxed nationwide pandemic restrictions and reopened to tourists, economic activities, including business operations, travelling, and leisure events, started to resume, driving more consumer spending and traffic in modern trade channels, which resulted in the turnaround of personal care market. As a result, OSP reported Q2'22 total personal care revenues of THB 587 million, increased 21.9% YoY and 5.8% QoQ, driven by growth across all key subsegments, including baby care under Babi Mild brand, women's beauty care under Twelve Plus brand, and male grooming products under Exit brand.

Others Segment

Overall others segment revenues showed strong growth of 49.8% YoY to THB 740 million, driven by an increase in OEM of glass bottles. This helped maximizing the utilization of our manufacturing facilities and leveraging fixed operating costs.

Gross margin declined by 460 bps YoY and 50 bps QoQ to 31.2%. Key factors included key material and energy price increase from global commodity price hike, unfavorable gross margin mix from higher sales contribution of C-Vitt and Yanhee beverages products, lower production efficiency from sequential production line adjustment towards lighter weight bottles, and fixed production cost deleverage partially offset by higher margin of the new M-150 and savings from Fast Forward 10X program. Going forward, OSP continues to mitigate cost increase and aim for margin expansion through our Fast Forward 10X program, targeting cost savings and margin improvement of THB 5,000 million over the next 5 - 7 years. This program will identify actions to mitigate costs and maximize our operational efficiency, achieve better utilization of manufacturing facilities, and streamline processes, people, technology, and assets with the objective to optimize costs to build strong fundamentals for sustainable future growth.

Selling and administrative expenses (SG&A) spending was at 23.0% of sales, compared to 22.9% in Q2'21. The spending level was allocated based on the phase of marketing activities and sales activation to support new product launches together with increased freight cost, while administrative expenses were under control and well managed.

OSP reported Q2'22 profit attributable to owners of the parent at THB 604 million with net profit margin of 8.4%. The softened profit resulted from higher commodity and energy prices, operation transition, and marketing and activation spending to support new product launches.

Financial Performance Summary for 1H'22 vs 1H'21

OSP delivered solid performance with total revenue from sales of THB 14,656 million, +7.1% YoY, driven by the growth across all business segments, with double-digit growth in domestic personal care (+18.3% YoY) and international business (+11.9% YoY). Considered several challenges domestically and internationally, OSP will continue strengthening our business operations, navigating through unprecedented cost inflation, and stepping up our competitiveness to build long-term business resilience and deliver stronger financial performance.

Beverage Segment

Total beverage revenues increased by 4.0% YoY to THB 12,212 million in 1H'22, underpinned by both domestic and international businesses. Domestic beverage sales grew by 1.9% YoY to THB 9,537 million, driven by the growth in functional drinks, especially C-Vitt. Moreover, Calpis and Yanhee Cannabis water showed impressive growth, while distribution of Yanhee Vitamin B water and Koikeya snack products provided additional growth. This helped offset the decline in energy drinks during the transition period in Q2'22. International beverage sales delivered 12.5% growth YoY, driven by double-digit growth in all key countries because of strong brand position, effective route-to-market execution, and flexibility of having local teams and operations to manage the uncertainty.

Energy drinks market growth rebounded in Q2'22, leading the 1H'22 energy drinks market turned positive YoY. The growth was driven by our premiumization strategy as well as price promotions of peers, stimulating the overall market activities. OSP continued its leadership position with a 1H'22 market share of 51.4%. OSP will continue leading and driving market growth by launching innovations, leveraging strength of our product portfolio, and strengthening route-to-market execution.

Functional drinks market also grew 1.6% YoY, contributed by the recovery of modern retail channel after the reopening and resumption of economic activities. Vitamin C subsegment continued its double-digit growth for two consecutive quarters and C-Vitt continued to outperform the market and drove category growth, reflecting in market share gain 600 bps from 2021.

Personal Care Segment

After the disruption caused by the pandemic, the personal care industry showed signs of rebound in 2022 from the resumption of economic activities and the increased footfall traffic in modern retail channels. As a result, OSP's total personal care revenues recorded at THB 1,141 million, increased 16.3% YoY, driven by growth across all key subsegments, including baby care under Babi Mild, women's beauty care under Twelve Plus, and male grooming products under Exit.

Others Segment

Overall others segment revenues increased 34.5% YoY to THB 1,303 million, mostly due to an increase in OEM of glass bottles. This enables us to maximize the utilization of our manufacturing facilities and leverage fixed operating costs.

1H'22 gross profit was at THB 4,616 million, -2.4% YoY and gross margin was at 31.5%, -310 bps YoY. Key factors included key material and energy price increase from global commodity price hike and lower production efficiency from sequential production line adjustment towards lighter weight bottles, which may have short-term impact but will contribute to long-run cost savings. In addition, OSP will continue to improve and transform our organization and operation under the Fast Forward 10X program, targeting cost savings and margin improvement of THB 5,000 million over the next 5 - 7 years. This program will identify actions to mitigate costs and maximize our operational efficiency, achieve better utilization of manufacturing facilities, and streamline processes, people, technology, and assets with the objective to optimize costs to build strong fundamentals for sustainable future growth.

Selling and administrative expenses (SG&A) to total revenue from sales were at 22.0%, decreasing 50 bps YoY. Despite high spending to support new product launches during Q2'22, OSP prudently controlled and managed the overall spending, especially administrative expenses from cost reduction efforts by streamlining our processes, implementing technology, and improving efficiency.

OSP reported 1H'22 profit attributable to owners of the parent at THB 1,354 million with net profit margin of 9.2%. The profit declined from softened profit in Q2'22, which reflected the transition period towards premiumization together with higher energy, commodity prices, and freight costs.

Dividend

OSP has a dividend payout policy to shareholders of at least 60% of consolidated net profit after deducting the legal reserve.

On 10 August 2022, the Board of Directors approved an interim dividend payment of THB 0.45 per share (THB 1,352 million) from the Company's 1H'22 operating results. The interim dividend is payable on 9 September 2022 (record date on 25 August 2022) and is translated to dividend payout ratio at approximately 100% of the consolidated net profit, aligned with the dividend payout policy of at least 60%.



OSP Sustainability

"Enhancing sustainable living" is our commitment to enhance the quality of life, improve economic inclusiveness and reduce environmental impact throughout our value chain. Corporate sustainability strategy has been designed for driving commitment. There are 3 main strategic pillars and plus 1 foundation pillar which is known as 3+1 sustainability strategy to establish a solid foundation towards sustainability goals and develop a resilient business that thrives in volatile business environment.

Sustainability initiatives

Osotspa's sustainability working team led by CEO has endorsed specific 5 years roadmap with emphasis on people pillar, which has strategic focus on human capital development and great place to work areas. These will be capability engines to drive sustainability culture and business performances as well as enhance level of resilience for the emerging and future global mega trends.

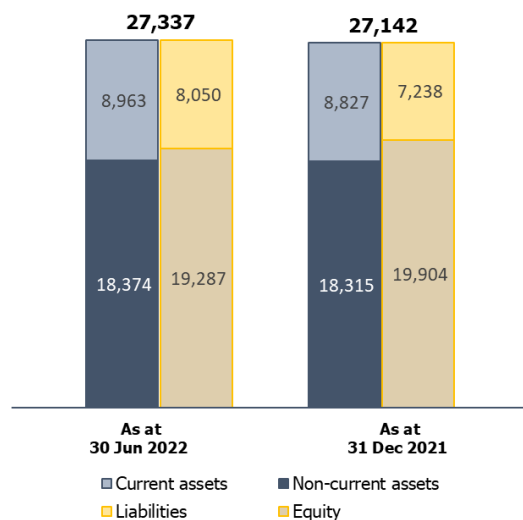
In addition, Osotspa has integrated the 3+1 strategy into CSR initiatives and public relations which ensuring robust and bonded engagement between the company and stakeholders. The "Bottle to Bottle" project has been designed to support the strategic objectives and aligned with stakeholders' expectation. "Osotspa care for community and environment" (โอสถสภา รับผิดชอบต่อสังคมและสิ่งแวดล้อม), and "Care the whale with SET" are example of project initiatives under "Bottle to Bottle" project. In 1H'22, we can take the valued waste back to recycle process at 18,330 kg or equivalent with GHG emissions reduction of 53.7 tCO₂e. For glass bottles as a focused material, 11,785 kg of glass bottles has been taken back and recycled which is equivalent to GHG emissions reduction at 5.9 tCO₂e.



Financial Position

Balance Sheet

Unit: THB million



Balance Sheet Breakdown

ASSETS (THB million)	As at 30 Jun 2022	As at 31 Dec 2021
Cash and cash equivalents	1,707	2,493
Trade and other receivables	4,337	3,660
Inventories	2,901	2,658
Other current assets	18	16
Total Current Assets	8,963	8,827
Net PP&E	13,735	13,730
Other non-current financial assets and long-term investments	3,935	3,817
Other assets	704	768
Total Non-Current Assets	18,374	18,315
Total Assets	27,337	27,142
LIABILITIES and EQUITY (THB million)	As at 30 Jun 2022	As at 31 Dec 2021
Trade and other payables	5,282	4,822
Loans from financial institutions	1,152	780
Other liabilities	1,616	1,636
Total Liabilities	8,050	7,238
Issued and paid-up share capital	3,004	3,004
Share Premium	11,848	11,848
Retained earnings	2,997	3,596
Other components of equity	1,412	1,437
Non-Controlling Interest	26	19
Total Equity	19,287	19,904
Total Liabilities & Equity	27,337	27,142

As of 30 June 2022, the Company had total assets of THB 27,337 million, an increase of THB 195 million (or +0.7%) from 31 December 2021 mainly from the increase of THB 677 million in trade and other receivables and the increase of THB 243 million in inventories, offset by the decrease of THB 786 million in cash and cash equivalent.

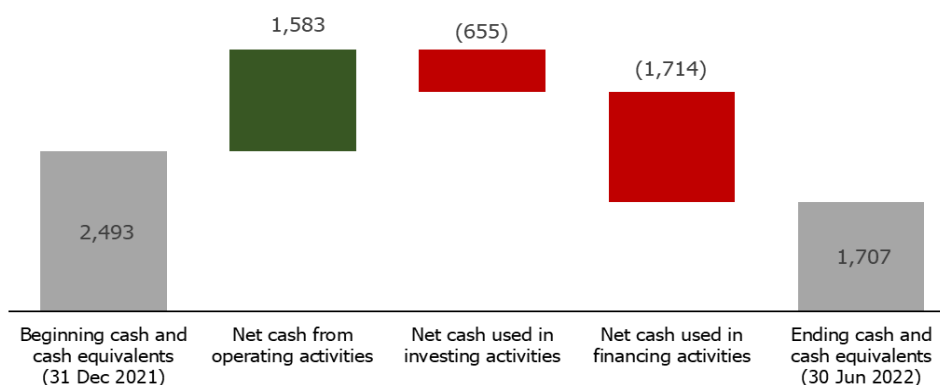
As of 30 June 2022, the Company had total liabilities of THB 8,050 million, an increase of THB 812 million (or +11.2%) from 31 December 2021 primarily from increase of THB 460 million in trade accounts payable and other payables and additional short-term loans from financial institutions of THB 362 million.

As of 30 June 2022, the Company had total equity of THB 19,287 million, a decrease of THB 617 million (or -3.1%) from 31 December 2021, mainly from lower retained earnings due to the final dividend payment of 2021 at the amount of THB 1,952 million.



Cash Flows

Unit: THB million



As of 30 June 2022, the Company had cash and cash equivalents of THB 1,707 million, decreased by THB 786 million, compared to 31 December 2021. The Company had positive cash flows from operating activities of THB 1,583 million. Net cash flows used in investing activities of THB 655 million was mainly from the investment in the new warehouse, improvement of glass factories to support the lighter weight bottle technology, and the investment in Osotspa Yanhee Beverage Company Limited. Cash outflows of financing activities of THB 1,714 million were primarily due to the 2021 final dividend paid to OSP shareholders in May'22.

Financial Ratio Analysis

	Q2'22	Q2'21	1H'22	1H'21
Liquidity Ratios				
Current ratio (times)	1.4	1.6	1.4	1.6
Number of days of inventory	51	44	50	43
Collection period (days)	44	41	40	39
Accounts payable (days)	48	47	44	41
Profitability Ratios				
Gross profit margin (%)	31.2	35.8	31.5	34.6
EBITDA margin (%)	16.2	19.9	17.0	21.2
Net profit margin for the period (%)	8.5	11.6	9.3	13.0
Net profit margin attributable to owners of the parent (%)	8.4	11.9	9.2	13.3
Return on equity (%) - trailing	14.1	18.2	14.1	18.2
Return on assets (%) - trailing	10.1	13.0	10.1	13.0
Other Ratios				
Total debt to equity (times)	0.4	0.4	0.4	0.4

Q2'22 gross margin declined by 460 bps YoY and 50 bps QoQ to 31.2%. Key factors included key material and energy price increase from global commodity price hike, unfavorable gross margin mix from higher sales contribution of C-Vitt and Yanhee beverages products, lower production efficiency from sequential production line adjustment towards lighter weight bottles, and fixed production cost deleverage partially offset by higher margin of the new M-150 and savings from Fast Forward 10X program. Going forward, OSP continued to mitigate cost increase and aim for margin expansion through our Fast Forward 10X program, targeting cost savings and margin improvement of THB 5,000 million over the next 5 - 7 years. This program will identify actions to mitigate costs and maximize our operational efficiency, achieve better utilization of manufacturing facilities, and streamline processes, people, technology, and assets with the objective to optimize costs to build strong fundamentals for sustainable future growth.

Q2'22 profit attributable to owners of the parent at THB 604 million and net profit margin attributable to owners of the parent was 8.4%. The softened profit resulted from higher commodity and energy prices, operation transition, and marketing and activation spending to support new product launches.

Cash cycle (Number of days of inventory + Collection period – Accounts payable days) was 47 days, increased from 38 days in Q2'21. The increase in inventory level reflected our actions to mitigate commodity price increase and prepare new product launch to support sales growth. The average collection period in Q2'22 was 44 days, increased from the same period last year. However, OSP will continue closely monitor credit risk exposure and this was within the company's established credit term ranging from 14 days to 100 days. Current ratio was favorable at 1.4 times, showing strong liquidity position and financial strength. Debt to equity ratio was at 0.4 times.



APPENDIX: Ratios & Formulas

Liquidity Ratios

Current ratio (times) = Total current assets / Total current liabilities

Number of days of inventory = Average inventory / (Cost of sales of goods / Number of days in the period¹)

Collection period (days) = Average trade account receivables / (Total revenues from sales / Number of days in the period¹)

Accounts payable (days) = Average account payables / (Cost of sales of goods / Number of days in the period¹)

Profitability Ratios

Gross profit margin (%) = (Total revenues from sales – Total cost of sales of goods) / Total revenues from sales

SG&A to sales ratio (%) = (Selling and distribution expenses + Administrative expenses) / Total revenues from sales

EBIT margin (%) = (Profit before income tax expense + Finance Cost) / Total revenues from sales

EBITDA margin (%) = (Profit before income tax expense + Finance Cost + Depreciation and Amortization) / Total revenues from sales

Net profit margin for the period (%) = Net Profit for the period / Total revenues from sales

Net profit margin attributable to the owners of the parent (%) = Net Profit attributable to owners of the parent / Total revenues from sales

Return on equity (%) = Profit for the period / Average total equity

Return on assets (%) = Profit for the period / Average total assets

Other Ratios

Debt to equity (times) = Total liabilities / Total equity

¹ Number of days in the period is defined as 360 days in a year. For example, 90 days and 180 days should be used for quarterly and half-year ratio analyses, respectively.