



TRANSLATION

HAADTHIP

11th August 2022

Subject: Management Discussion and Analysis of the Consolidated Financial Statements of Quarter 2 and 6-Month Period of the Year 2022

To: President
The Stock Exchange of Thailand

Haadthip Public Company Limited (“the Company”) would like to explain the performance of Quarter 2 and 6-Month Period, end of 30th June 2022 as follows;

1. Three-month period performance (April - June 2022: Quarter 2 of 2022)

1.1 Revenue from sales

In reference to the operating results of Q2/2022 that the Auditor has reviewed, the Company’s consolidated financial statements of the period showed revenue from sales of Baht 1,805.9 million, which increased by Baht 100.1 million or 5.9% from the same period of last year. Total beverage sales volume increased by 3.4%, from 16.3 million unit cases in Q2/2021 to 16.9 million unit cases in Q2/2022. This was due to;

- I. Tourism businesses started to recover more from the easing of the covid-19 control measures. Sales volume increased in all distribution channels, specifically in convenience stores, supermarkets and hypermarkets whose recovery has gained volume to pre-pandemic level. Traditional Trade sales volume increased by 6.4% from the same period of last year;
- II. The Company implemented Revenue Growth Management Initiatives through the pack and channel mix in prompt response to increasing demand for single-serve packages.

The Company maintained its Non-Alcoholic Ready to Drink (NARTD) and Sparkling Soft Drink (SSD) market shares at 26.1% and 81.0%, respectively.

1.2 Costs of sale and gross profit margin

The costs of sale was Baht 1,095.9 million, an increase of Baht 95.0 million or 9.5% from the same period of last year, as a consequence of the rise in sale volume by 3.4% and the rise in raw material prices due to commodity and fuel prices increase. Hence, the gross profit margin was 39.3%, a decrease of 2.0 percentage points from 41.3% in the same period of last year.

1.3 Distribution costs and administrative expenses

The Company reported distribution costs of Baht 364.3 million, an increase of Baht 44.9 million or 14.1% from the same period of last year and administrative expenses of Baht 212.7 million, an increase of Baht 37.2 million or 21.2% from the same period of last year. In total, SG&A expenses were Baht 577.0 million, an increase of 16.7%, compared to Baht 494.9 million in the same period last year. The increase was mainly due to;

- I. Sales promotion and marketing expenses increased by 11.2%, mainly due to the shifting distribution channels and the additional investments to support the market and tourism recovery.
- II. Transportation costs increased by 45.3% due to rising in fuel prices. The Company had partially mitigated the impact by fixed expense optimization.

1.4 Finance costs and income tax expenses

Finance costs were Baht 2.8 million, which decreased by Baht 0.6 million or 17.3% as the Company has continuously repaid the loan's principal. While, income tax expenses decreased by Baht 14.0 million or 43.8%, due to a decrease in earnings before tax.

1.5 Net profit and net profit margin

Net profit of the Company was Baht 116.9 million, compared to Baht 186.5 million in the same period of last year, a decrease of Baht 69.6 million or 37.3%. Net profit margin was 6.5%, a decrease of 10.9% from the same period of last year.

2. Six-month period performance (January – June 2022)

2.1 Revenue from sales

As stated in the 6-month consolidated financial statements for the year 2022, the Company's sales revenue was Baht 3,492.0 million, which increased by Baht 168.1 million or 5.1% from the same period last year. The beverage sales volume was 32.6 million unit cases in Q2/2022, compared with 31.5 million unit cases from the same period of last year, representing an increase of 3.3%. The sales revenue and volume growth drivers were:

- I. The tourism business started to recover slowly in the first three months of the year, and continues to recover more due to the easing of COVID-19 control measures. Sales volume increased in all distribution channels, convenience stores, supermarkets, hypermarkets, and food shops (HORECA) by 26.9% from the same period of last year. Sales volume from the Traditional Trade channel increased by 2.9% from the same period of last year.
- II. The Company implemented Revenue Growth Management Initiatives through the pack and channel mix in prompt response to increasing demand for the sales of single-serve packages.

The Company was able to maintain its year-to-date NARTD and SSD shares at 26.0% and 81.2%, respectively.

2.2 Costs of sale and gross profit margin

Costs of sale was Baht 2,122.2 million, an increase of Baht 174.7 million or 9.0% from the same period last year as a consequence of the rise in sale volume by 3.3% and the rise in raw material prices due to commodity and fuel price increases. Hence, gross profit margin was 39.2%, a decrease of 2.2 percentage points from 41.4% from the same period of last year.

2.3 Distribution costs and administrative expenses

Distribution costs were Baht 711.6 million, increased by Baht 80.0 million or 12.7% from the same period of last year. Administrative expenses were Baht 412.0 million, increased by 46.8 million or 12.8% from the same period of last year. In total, SG&A expenses were Baht 1,123.6 million, increased by Baht 126.8 million or 12.7%, compared to Baht 996.8 million in the same period of last year. The increase was mainly due to

- I. Sales promotion and marketing expenses increased by 16.0% from the same period of last year, mainly due to the shifting distribution channels and the additional investments to support the market and tourism recovery.
- II. Transportation costs increased by 35.9% from the same period of last year due to the rising fuel prices. The Company had partially mitigated the impact by fixed expense optimization.

2.4 Finance costs and income tax expenses

Finance costs were Baht 5.7 million, decreased by Baht 1.2 million or 16.8% as the Company has continuously repaid the loan's principal. Income tax expense decreased by Baht 17.3 million or 32.0% due to a reduction in earnings before tax.

2.5 Net profit and net profit margin

Net profit of the Company was Baht 220.0 million, a decrease of Baht 113.4 million or 34.0%, compared to Baht 333.5 million in the same period of last year. Net profit margin was 6.3%, decreased from 10.0% in the same period of last year.

Net profit for the Parent Company was Baht 221.2 million, compared to Baht 334.5 million in the same period of last year, representing a decrease of Baht 113.3 million or 33.9%.

3. Profitability and Efficiency Ratios

Ratio	2022		2021	
	Quarter 2	6-Month period	Quarter 2	6-Month period
Gross Profit Margin (%)	39.3	39.2	41.3	41.4
Net Profit Margin (%)	6.5	6.3	10.9	10.0
Return on Equity (%)	11.7		17.8	
Return on Assets (%)	9.2		13.2	

- Net profit margin for Q2 and 6-month period decreased by 2.0 and 2.2 percentage points respectively. Due to the lower gross profit, the shifting in the distribution channel and the rise in transportation costs.
- Return on Equity (12-month operating results) decreased by 6.1 percentage points as a direct result of a decrease in the Company's profits from the last 12 months (1st July 2021 - 30th June 2022).
- Return on Assets (12-month operating results) decreased by 4.0 percentage points as a direct result of a decrease in the Company's earnings before tax for the last 12 months (1st July 2021 - 30th June 2022).

For your acknowledgment and further dissemination

Best regards,

Maj Gen.

(Patchara Rattakul)

Chief Executive Officer

Office of the Chief Executive Officer

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