

TRANSLATION

11th November 2022

Subject: Management Discussion and Analysis of the Consolidated Financial Statements of Quarter 3 and 9-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 3 and 9-Month Period, end of 30th September 2022 as follows;

1. Three-month period performance (July - September 2022: Quarter 3 of 2022)

1.1 Revenue from sales

In reference to the operating results of Q3/2022 that the Auditor has reviewed, the Company’s consolidated financial statements of the period showed revenue from sales of Baht 1,817.2 million, which increased by Baht 230.4 million or 14.5% from the same period of last year. Total beverage sales volume increased by 8.8%, from 15.1 million unit cases in Q3/2021 to 16.5 million unit cases in Q3/2022. This was due to;

- I. Tourism has started to recover from the easing of the COVID-19 control measures. Data from the Ministry of Tourism & Sports showed the number of South of Thailand tourists during July-August 2022 of, 3.9 million persons, a significant increase from 0.1 million persons from the same period 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. This is part of the Away From Home Consumption Strategy.
- III. The Company has implemented price increase in selected pack-sizes, with overall price increase of approximately 6%.
- IV. Zero sugar sparkling beverages received good feedback : Coca-Cola Marshmello Zero Sugar, Schweppes Citrus Raspberry Soda Zero Sugar, Schweppes Pineapple Mojito Soda Zero Sugar and Sprite Lemon Plus Zero Sugar.

In Q3/2021, the Company maintained its Non-Alcoholic Ready to Drink (NARTD) and Sparkling Soft Drink (SSD) market shares at 25.4% and 80.5%, respectively.

1.2 Cost of sales and gross profit margin

The cost of sales was Baht 1,108.0 million, an increase of Baht 151.2 million or 15.8% from the same period of last year, as a consequence of the rise in sales volume by 8.8% and the rise in raw material prices due to commodity and fuel prices increase. Hence, the gross profit margin was 39.0%, a decrease of 0.7 percentage points from 39.7% in the same period of last year.

1.3 Distribution costs and administrative expenses

The Company reported distribution costs of Baht 368.6 million, an increase of Baht 58.2 million or 18.8% from the same period of last year and administrative expenses of Baht 217.6 million, an increase of Baht 53.5 million or 32.6% from the same period of last year. In total, SG&A expenses were Baht 586.3 million, an increase of Baht 111.7 million or 23.5%, compared to Baht 474.6 million in the same period of last year. The increase was mainly due to:

- I. Sales promotion and marketing expenses increased by 5.1%, mainly due to the shifting distribution channels and the additional investments to support the market and tourism recovery.
- II. Transportation costs increased by 52.8% due to rising in sale volume and fuel prices. The Company had partially mitigated the impact by fixed expense optimization.
- III. Personnel expenses increases driven by adjustments to the employee compensation and benefit plans in consideration of high inflations as well as additional headcounts to support our recovery and growth plans in tourism-related distribution channels (Food shops, hotels, convenience stores, supermarkets, and hypermarkets) and traditional trade.

1.4 Finance costs and income tax expenses

Finance costs were Baht 1.5 million, which decreased by Baht 1.6 million or 51.3% as the Company has continuously repaid the loan principal. While, income tax expenses decreased by Baht 4.4 million or 14.8%, due to a 12.1% decrease in earnings before tax from the rise in SG&A expenses in response to the NARTD market recovery and the fuel prices increase.

1.5 Net profit and net profit margin

Net profit of the Company was Baht 110.6 million, compared to Baht 124.9 million in the same period of last year, a reduction of Baht 14.3 million or 11.4%. Net profit margin was 6.1%, a decrease of 7.9% from the same period of last year. It was due to the rise in SG&A expenses in response to the NARTD market recovery and the increase in fuel prices.

2. Nine-month period performance (January – September 2022)

2.1 Revenue from sales

As stated in the 9-month consolidated financial statements for the year 2022, the Company's sales revenue was Baht 5,309.2 million, which increased by Baht 398.4 million or 8.1% from Baht 4,910.7 million of the same period of last year. The beverage sales volume was 49.1 million unit cases in 9M/2022, compared with 46.7 million unit cases from the same period of last year, representing an increase of 5.1%. The sales revenue and volume growth drivers were:

- I. The tourism business has been recovering well following the easing of COVID-19 control measures. Data from the Ministry of Tourism & Sports showed the number of South Thailand tourists during January-August 2022 of, 13.1 million persons, an increase of 239% 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. This is part of the Away From Home Consumption Strategy.
- III. The Company has implemented price increases of sparkling beverage in selected pack-sizes, with overall price increase approximately 6% effective August 2022.
- IV. Zero sugar sparkling beverages received good feedback : Coca-Cola Starshine Zero Sugar, Coca-Cola Marshmello Zero Sugar, Schweppes Citrus Raspberry Soda Zero Sugar, Schweppes Pineapple Mojito Soda Zero Sugar and Sprite Lemon Plus Zero Sugar.

The Company was able to maintain its year-to-date NARTD and SSD shares at 25.8% and 80.9%, respectively.

2.2 Cost of sales and gross profit margin

Cost of sales was Baht 3,230.2 million, an increase of Baht 325.8 million or 11.2% from the same period of last year as a consequence of the rise in sales volume by 5.1% and the rise in raw material prices due to commodity and fuel prices increase. Hence, gross profit margin was 39.2%, a decrease of 1.7 percentage points from 40.9% from the same period of last year.

2.3 Distribution costs and administrative expenses

Distribution costs were Baht 1,080.2 million, increased by Baht 138.2 million or 14.7% from the same period of last year. Administrative expenses were Baht 629.7 million, increased by 100.3 million or 18.9% from the same period of last year. In total, SG&A expenses were Baht 1,709.9 million, increased by Baht 238.5 million or 16.2%, compared to Baht 1,471.4 million in the same period of last year. The increase was mainly due to

- I. Personnel expenses increases of 13.3% driven by adjustments to the employee compensation and benefit plans in consideration of high inflations as well as additional headcounts to support our recovery and growth plans in tourism-related distribution channels (Food shops, hotels, convenience stores, supermarkets, and hypermarkets) and Traditional Trade.
- II. Sales promotion and marketing expenses increased by 12.3% 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.
- III. Transportation costs increased by 41.4% from the same period of last year due to the rising in sales volume and 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 7.2 million, decreased by Baht 2.7 million or 27.5% as the Company has continuously repaid the loan principal. Income tax expense decreased by Baht 21.7 million or 25.9% due to a 27.6% reduction in earnings before tax due to the rise in raw material prices and SG&A expenses from the NARTD market recovery and the fuel prices increase.

2.5 Net profit and net profit margin

Net profit of the Company was Baht 330.7 million, a decrease of Baht 127.7 million or 27.9%, compared to Baht 458.4 million in the same period of last year. Net profit margin was 6.2%, decreased from 9.3% in the same period of last year. It resulted from the rise in raw material prices and SG&A expenses from the NARTD market recovery and the fuel prices increase.

Net profit for the Parent Company was Baht 332.5 million, compared to Baht 460.0 million in the same period of last year, representing a decrease of Baht 127.5 million or 27.7%.

3. Profitability and Efficiency Ratios

Ratio	2022		2021	
	Quarter 3	9-Month period	Quarter 3	9-Month period
Gross Profit Margin (%)	39.0	39.2	39.7	40.9
Net Profit Margin (%)	6.1	6.2	7.9	9.3
Return on Equity (%)	11.3		16.6	
Return on Assets (%)	8.0		12.7	

- Net profit margin for Q3 and 9-month period decreased by 1.8 and 3.1 percentage points respectively. Due to the lower gross profit, the rise in personnel expenses from the NARTD market recovery, the shifting in the distribution channel and the rise in transportation cost from the sales volume and fuel prices increase.
- Return on Equity (12-month operating results) decreased by 5.3 percentage points as a direct result of a decrease in the Company's profits from the last 12 months (1st October 2021 - 30th September 2022).
- Return on Assets (12-month operating results) decreased by 4.6 percentage points as a direct result of a decrease in the Company's earnings before tax for the last 12 months (1st October 2021 - 30th September 2022).

For your acknowledgment and further dissemination

Best regards,

Maj Gen.

(Patchara Rattakul)

Chief Executive Officer

Office of the Chief Executive Officer

Tel. 0-2391-4488 Ext. 136