



TRANSLATION

28th February 2023

Subject: Management Discussion and Analysis of the Consolidated Financial Statements for the year 2022

To: President
The Stock Exchange of Thailand

Haadthip Public Company Limited (“the Company”) would like to explain the performance for the year 2022 ending 31st December 2022 as follows;

1. Revenue from sales

In reference to the operating results for the year 2022 that the Auditor has audited, the Company’s consolidated financial statements of the period showed revenue from sales of Baht 7,048.3 million, which increased by Baht 530.4 million or 8.1% from the same period of last year of Baht 6,518.0 million. Total beverage sales volume increased by 3.9%, from 61.9 million unit cases in 2021 to 64.3 million unit cases in 2022. This was due to;

- I. The tourism business has been recovering well following the easing of COVID-19 control measures.
- 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 a price increase in selected pack-sizes in August 2022, with overall price increase of approximately 6% .
- IV. Zero sugar sparkling beverages continued to grow with new flavour introductions : 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.

For 2022, the Company maintained its leadership in Non-Alcoholic Ready to Drink (NARTD) and Sparkling Soft Drink (SSD) market shares for the south at 25.5% and 80.7%, respectively.

2. Cost of sales and gross profit margin

The cost of sales was Baht 4,228.6 million, an increase of Baht 335.3 million or 8.6% from the same period of last year, as a consequence of the rise in sales volume by 3.9% and the increase in raw material prices due to commodity and fuel prices increase. The gross profit margin was 40.0%, a decrease of 0.3 percentage points compared to 40.3% in the same period of last year.

3 Distribution costs and administrative expenses

The Company reported distribution costs of Baht 1,449.5 million, an increase of Baht 171.6 million or 13.4% from the same period of last year and administrative expenses of Baht 878.9 million, an increase of Baht 147.2 million or 20.1% from the same period of last year. In total, SG&A expenses were Baht 2,328.4 million, an increase of Baht 318.8 million or 15.9%, compared to Baht 2,009.6 million in the same period of last year. The increase was mainly due to:

- I. Sales promotion and marketing expenses increased by 10.2%, mainly due to the shifting distribution channels and the additional investments to support the market and tourism recovery.
- II. Transportation costs increased by 32.8% 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.
- IV. One-time expenses from the asset impairment and loss from write-off assets from the dissolution of the three subsidiaries in the amount of Baht 23.4 million.

4.Finance costs and income tax expenses

Finance costs were Baht 9.4 million, which decreased by Baht 3.5 million or 27.3% as the Company has continuously repaid the loan principal. While, income tax expenses was Baht 95.0 million a decrease of Baht 0.4 million or 0.4% from the same period of last year of Baht 95.4 million due to the lower taxable profit.

5. Net profit and net profit margin

Net profit of the Company was Baht 431.0 million, (excluding one-time expenses of the asset impairment and loss from write-off, the net profit was Baht 454.4 million) compared to Baht 533.3 million in the same period of last year, a reduction of Baht 102.3 million or 19.2%. Net profit margin was 6.1% (excluding one-time expenses was 6.4%), a decrease of 2.1 percentage points from the same period of last year of 8.2%. It was due to the rise in raw material prices, SG&A expenses in response to the NARTD market recovery and the increase in fuel prices.

Net profit for the Parent Company was Baht 435.1 million, compared to Baht 535.4 million from the same period of last year, representing a decline of Baht 100.3 million or 18.7%

6. Profitability and Efficiency Ratios

Ratio	2022	2021
Gross Profit Margin (%)	40.0	40.3
Net Profit Margin (%)	6.1	8.2
Return on Equity (%)	11.7	15.1
Return on Assets (%)	9.4	11.9

- Net profit margin for 2022 was 6.1% (excluding one-time expenses : 6.4%) compared to the same period last year of 8.2% representing a decrease of 2.1 percentage points. 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 for 2022 was 11.7%, a decrease of 3.4 percentage points from the same period last year of 15.1%, as a direct result of a reduction of the Company's profits from the year.
- Return on Assets for 2022 was 9.4%, a decrease of 2.5 percentage points from the same period last year of 11.9%, as a direct result of a decrease in the Company's earnings before tax.

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