



TRANSLATION

11th August, 2023

Subject: Management Discussion and Analysis of the Consolidated Financial Statements of Quarter 2 and 6-month period of the year 2023
To: President
The Stock Exchange of Thailand

Haadthip Public Company Limited (“the Company”) would like to provide an explanation of the performance of Quarter 2 and the 6-month period, end of 30th June 2023 as follows;

1. Three-month period performance (April - June 2023: Quarter 2 of 2023)

1.1 Revenue from sales

In reference to the operating results of Q2/2023 that was reviewed by the Auditor, the Company’s consolidated financial statements of the period showed revenue from sales of Baht 1,984.8 million, increased by Baht 219.4 million or 12.4% from the same period of last year of Baht 1,765.3 million, driven by the beverage sales volume in an amount of 17.8 million unit cases in Q2/2023, increased by 5.8% from 16.9 million unit cases in Q2/2022. The sales revenue and volume growth drivers were:

- I. The tourism businesses recovered well from an increase in the number of foreign tourists visiting Thailand. Data from The Bank of Thailand (BOT) displayed that the number of foreign tourists visiting Thailand in Q2/2023 was 6.4 million persons, compared with the same period last year was 1.6 million persons. South Hotel’s occupancy rate was significantly higher, at 70.0% compared with the same period last year at 37.0%. Data from Nielsen Thailand presented that the South Non-Alcoholic Ready-to-Drink (NARTD) market grew at 21.5 % while total Thailand growth was 14.8%.

HAADYAI OFFICE: 87/1 Kanchanavanich Rd., T.Banpru Hatyai, Songkhla 90250 Thailand Tel: 0 7421 0008-18 Fax: 0 7421 0006-7

BANGKOK OFFICE: 36/6 Soi Ramkhamhaeng 21 (Navasri), Yaek 5 Phlabphla, Wang Thonglang, Bangkok 10310 Tel: 0 2391 4488, 0 2391 0169-70 Fax: 0 2381 2257

Email: personnel@haadthip.com, marketing@haadthip.com, webmaster@haadthip.com

- II. The Company implemented Revenue Growth Management Initiatives through pack and channel mix in prompt response to increasing demand for the sales of single-serve packages, especially in HORECA and Convenience Stores (CVS) channels.
- III. Zero sugar sparkling beverages continued to grow with the new brand introduction: OOHA a fruit-infused flavored soda beverage with 2 flavors: Lychee & yogurt flavored soda and Yuzu & sea salt Flavored.
- IV. The Company has implemented a price increase in selected pack sizes since August 2022, with an overall price increase of approximately 6%, and in April 2023 with an overall price increase of approximately 1.5%.

The Company continued to maintain its leadership in Non-Alcoholic Ready-to-Drink (NARTD) with a market share of 26.0 % and Sparkling Soft Drink (SSD) with a market share of 79.3% in Q2/2023.

1.2 Cost of sales of goods and gross profit margin

The cost of sales of goods amounted to Baht 1,136.0 million, an increase of Baht 78.5 million or 7.4% from the same period of last year of Baht 1,057,5 million with improving gross profit. The gross profit amounted to Baht 848.8 million, an increase of Baht 141.0 million from the same period of last year of Baht 707.9 million, representing a growth of 19.9% as a result of;

- I. The Company has implemented a price increase in selected pack sizes since August 2022, with an overall price increase of approximately 6%, and in April 2023 with an overall price increase of approximately 1.5%.
- II. The lower packaging material prices compared with the same period last year, resulted from the reduction of commodity prices and oil prices.
- III. Production efficiency by reducing the raw material amount for packaging production.

The gross profit margin was 42.8%, an increase of 2.7 percentage points from 40.1% in the same period of last year.

1.3 Distribution costs and administrative expenses

Distribution costs were Baht 404.2 million, increased by Baht 46.8 million or 13.1% from the same period of last year. Administrative expenses were Baht 261.0 million, increased by Baht 53.0 million or 25.5%. In total, SG&A expenses were Baht 665.2 million, which increased by 17.7%, compared with Baht 565.4 million in the same period of last year. The increase was mainly due to:

- I. Sales promotion and marketing expenses increased by 3.2%, mainly due to the shifting in the distribution channels and the additional spending to support the recovery of the market and tourism.
- II. Employee expenses increase 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.
- III. One-time expenses from the asset impairment from the obsoleted machines in the amount of Baht 10.5 million.

1.4 Finance costs and income tax expenses

Finance costs were Baht 3.0 million, increased by Baht 0.4 million or 17.0% from the same period last year of Baht 2.6 million as a result of a long-term loan for machines of PET line 3 production, Punpin Plant, Suratthani. Income tax expenses were Baht 36.3 million, an increase of Baht 18.3 million or 101.3%, compared with the same period last year of Baht 18.0 million as a result of an increase in earnings before tax.

1.5 Net profit and net profit margin

Net profit of the Company was Baht 150.6 million, an increase of Baht 33.8 million or 28.9%, compared with Baht 116.9 million of the same period of last year. Net profit margin was 7.6%, an increase of 1.0 percentage points from 6.6% in the same period of last year.

2. Six-month period performance (January – June 2023)

2.1 Revenue from sales

As stated in the 6-month consolidated financial statements for the year 2023, the Company's sales revenue was Baht 4,035.2 million, which increased by Baht 625.9 million or 18.4% compared with Baht 3,409.3 million from the same period of last year. The beverage sales volume amounted to 36.2 million unit cases in H1/2023, compared with 32.6 million unit cases from the same period of last year, representing an increase of 11.1%. The sales revenue and volume growth drivers were:

- I. The tourism businesses recovered well from an increase in the number of foreign tourists visiting Thailand. Data from the Bank of Thailand (BOT) displayed that the number of foreign tourists visiting Thailand for 6 months was 12.9 million persons, compared with the same period last year of 2.0 million persons. South Hotel's

occupancy rate in Q1 & Q2' 2023 was significantly higher, at 74.5% & 70.0% and compared with the same period last year at 25.9% and 37.0%, respectively. Data from Nielsen Thailand presented that the South Non-Alcoholic Ready-to-Drink (NARTD) market grew at 24.0 % while total Thailand growth was 13.9%.

- II. The Company implemented Revenue Growth Management Initiatives through pack and channel mix in prompt response to increasing demand for the sales of single-serve packages, especially in HORECA and Convenience Stores (CVS) channels.
- III. Zero sugar sparkling beverages continued to grow with new flavor introductions: Sprite Zero Sugar and Coca-Cola Move, along with the improvement of current products: Minute Maid Pulpy C-Boost with 200% Vitamin C and a new taste for all Fanta products. And also, with a new brand introduction: OOHA a fruit-infused flavored soda beverage with 2 flavors: lychee & yogurt flavored soda and yuzu & sea salt flavored
- IV. The Company has implemented a price increase in selected pack sizes since August 2022, with an overall price increase of approximately 6%, and in April 2023 with an overall price increase of approximately 1.5%.

The Company was able to maintain its year-to-date NARTD and SSD shares at 25.7% and 79.9%, respectively.

2.2 Cost of sales of goods and gross profit margin

The costs of sale of Baht 2,317.1 million, showed an increase of Baht 274.3 million or 13.4% from the same period last year of Baht 2,042.8 million as a consequence of the rise in sale volume by 11.1%. With a gross profit improvement of Baht 1,718.1 million an increase of Baht 351.6 million or 25.7% from the same period of last year of Baht 1,366.5 million as the result from;

- I. The Company has implemented a price increase in selected pack sizes since August 2022, with an overall price increase of approximately 6%, and in April 2023 with an overall price increase of approximately 1.5%.
- II. The lower packaging material prices compared with the same period last year, resulted from the reduction of commodity prices and oil prices.
- III. Production efficiency by reducing the raw material amount for packaging production.

The gross profit margin was 42.6%, an increase of 2.5 percentage points compared with 40.1% from the same period of last year.

2.3 Distribution costs and administrative expenses

Distribution costs were Baht 805.0 million, which increased by Baht 107.2 million or 15.4% from the same period of last year. Administrative expenses were Baht 485.4 million, which increased by which increased by Baht 83.5 million or 20.5% from the same period of last year. In total, SG&A expenses were Baht 1,290.4 million, increased by Baht 189.7 million or 17.2%, compared with Baht 1,100.7 million in the same period of last year. The increase was mainly due to

- I. Sales promotion and marketing expenses increased by 4.3%, mainly due to the shifting distribution channels and the additional spending to support the market and tourism recovery.
- II. Transportation costs increased by 8.4% from the same period of last year due to a rise in sales volume that drove the demand for transportation.
- III. Employee expenses increased driven by the 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 from the obsoleted machines in the amount of Baht 10.5 million.

2.4 Finance costs and income tax expenses

Finance costs were Baht 4.9 million, decreased by Baht 0.4 million or 8.0% as the Company has continuously repaid the loan's principal. Income tax expenses were Baht 75.9 million increased by Baht 39.0 million or 105.9% compared with Baht 36.9 million from the same period of last year due to a 61.0% increase in earnings before tax.

2.5 Net profit and net profit margin

Net profit of the Company was Baht 350.0 million, an increase of Baht 129.1 million or 59.0%, compared with Baht 220.1 million in the same period of last year. Net profit margin was 8.7% compared with 6.5% from the same period of last year.

Net profit for the Parent Company was Baht 350.3 million, compared with Baht 221.2 million in the same period of last year, representing an increase of Baht 129.1 million or 58.3%.

3. Profitability and Efficiency Ratios

Ratios	2023		2022	
	Quarter 2	6-month period	Quarter 2	6-month Period
Gross profit margin (%)	42.8	42.6	40.1	40.1
Net Profit Margin (%)	7.6	8.7	6.6	6.5
Return on Equity (%)	14.9		11.7	
Return on Assets (%)	11.8		9.2	

- Gross profit margin for Q2/2023 and the 6-month period of 2023 increased by 2.7 and 2.5 percentage points, respectively. Due mainly to the selling price increase and the lower packaging material costs.
- Net profit margin for Q2/2023 and the 6-month period of 2023 increased by 1.0 and 2.2 percentage points, respectively. As a result of the higher gross margin and the efficiency in SG&A management.
- Return on Equity (12-month operating results) increased by 3.2 percentage points as a direct result of an increase in the Company's net profit for the last 12 months (1st July 2022 – 30th June 2023).
- Return on Assets (12-month operating results) increased by 2.6 percentage points as a direct result of an increase in the Company's earnings before tax for the last 12 months (1st July 2022 – 30th June 2023).

For your acknowledgment and further dissemination

Best regards,

Maj Gen.

(Patchara Rattakul)

Chief Executive Officer

Office of Company Secretary

Tel. 0-2391-4488 Ext. 103