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CBG 021/2023

10 August 2023

Subject Management discussions and analysis for 3-month period ended 30 June 2023

To Directors and Manager

The Stock Exchange of Thailand

We, Carabao Group Public Company Limited, are pleased to submit management discussions and analysis regarding consolidated financial performance and position of the Company and subsidiaries (the “Company” or “CBG”) for 3-month period ended 30 June 2023 in comparison with the corresponding period last year as follows:

Consolidated financial performance

1. Revenue from sales

Total revenue from sales amounted to THB 4,707 million, down by -10% YoY, up by +14% QoQ, of which, revenue from sales of our branded own products was THB 3,017 million, down -16% YoY mainly from overseas sales. However, sales have rebounded with a +21% QoQ growth, thanks to the recovery of CLMV sales. Moreover, Revenue from 3rd party products for distributions was THB 1,452 million, up +14% YoY, as a combined result of effective coverage through our cash van operations as well the selection of the products.

Revenue from sales by product group Unit: THB million	2Q2022	% to total	1Q2023	% to total	2Q2023	% to total	%YoY	%QoQ
Branded products by own manufacture 1/	3,581	68%	2,485	60%	3,017	64%	(16%)	+21%
Branded products by 3rd party's manufacture 2/	132	3%	48	1%	64	1%	(52%)	+34%
3rd party's products for distribution	1,270	24%	1,468	36%	1,452	31%	+14%	(1%)
Others	264	5%	123	3%	174	4%	(34%)	+42%
Total	5,247	100%	4,124	100%	4,707	100%	(10%)	+14%

Note: 1/ Energy Drinks, Zinc-contained Drinks, and Functional Drinks

2/ Drinking Water, 3-in-1 Coffee and RTD Coffee



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Revenue from sales by geography Unit: THB million	2Q2022	% to total	1Q2023	% to total	2Q2023	% to total	%YoY	%QoQ
Domestic	3,148	60%	2,799	68%	3,202	68%	+2%	+14%
Overseas	2,099	40%	1,325	32%	1,505	32%	(28%)	+14%
CLMV	1,764	34%	1,194	29%	1,291	27%	(27%)	+8%
China	252	5%	9	0%	41	1%	(84%)	+351%
UK	46	1%	39	1%	56	1%	+21%	+43%
Others	37	1%	83	2%	117	2%	+214%	+42%
Total	5,247	100%	4,124	100%	4,707	100%	(10%)	+14%

1.1) Revenue from sales of branded own products amounted to THB 3,017 million, down by -16% YoY, up by +21% QoQ. Domestic and overseas portions were at the ratio of 51:49, respectively.

(1.1.1) Domestic sales were THB 1,525 million, up by +2% YoY, as a result of competitors raising their selling prices meanwhile, the Company maintains the selling price at 10 baht and the engagement of marketing activities under the campaign “Carabao Great Thai Good Career Project” to support job creation and careers opportunities for Thai people by collaborating with Thairath TV channel for communications. Despite the uncertainty of political situation, the restricted economic recovery, and pressures from the cost of living and household debt burdens, the Company continues to draw strength from its diversified product distribution, pricing strategies, and consumer communication approaches. This resulted in domestic sales of branded own products up by 31% in 2Q2023 compared with the previous quarter.

(1.1.2) Overseas sales were THB 1,492 million, down by -29% YoY, mainly due to the decreased sales in CLMV and China. However, there’s still increasing +13% QoQ, especially, sales in Cambodia gradually recovering from the previous quarter. Furthermore, Afghanistan and the Central Eastern countries have shown a gradually upward trend in sales from the corresponding period last year.

Our overseas sales in the UK market managed under our subsidiary namely Intercarabao Company Limited (“ICUK”) amounted to THB 56 million, marking a significant +21% YoY increase and a +43% surge in QoQ. Moreover, the gross profit margins have consistently improved due to the introduction of new flavor products, new packaging designs, and new product-launched isotonic sports drinks which have aligned with consumer demands in the UK market.



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- 1.2) Revenue from 3rd party products for distribution amounted to THB 1,452 million, up by +14% YoY. Key contributing factors included the variety and quality of products. Of which, a continuous increase in the popularity of the products. The Company carried in the portfolio as well as effectiveness in managing our fleet of over 300 cash vans to access over the retailers countrywide.
- 1.3) Revenue from sales of branded OEM products amounted to THB 64 million, down by -52% YoY. of which drinking water and 3-in-1 have been a +27% YoY step-up in sales and drinking water has recorded an all-time high in the current quarter whereas the coffee RTD product had no sales as it was undergoing a product redesign and new formula development, which expected to be launched in the near future.
- 1.4) Revenue from other sales amounted to THB 174 million, down by -34% YoY, +42% QoQ. Mainly caused by the manufacture and sales of glass bottles by our subsidiary, namely Asia Pacific Glass Company Limited (“APG”), which went into a decline in volume compared with the same period of the previous year.

2. Gross profits and gross profits margin

Gross profits amounted to THB 1,260 million, down by -22% YoY, which were equivalent to gross profits margin of 27% compared to 31% in the previous year, resulting from prices of major raw materials and packaging materials as well as utility-related expenses that went up alongside changes in product mix whereas gross profits grew +24% QoQ of which, the gradually decrease in raw materials and packaging price as well as the improvement in economies of scale from increasing of production capacity that aligns with sales growth in the current period.

Gross profits by product group Unit: THB million	2Q2022	GPM	1Q2023	GPM	2Q2023	GPM	%YoY	%QoQ
Branded products by own manufacture 1/	1,360	38%	837	34%	1,062	35%	(22%)	+27%
Branded products by 3rd party's manufacture 2/	15	12%	6	13%	9	14%	(42%)	+47%
3rd party's products for distribution	140	11%	141	10%	145	10%	+4%	+3%
Others	101	38%	33	26%	44	25%	(57%)	+34%
Total	1,616	31%	1,017	25%	1,260	27%	(22%)	+24%

Note: 1/ Energy Drinks, Zinc-contained Drinks, and Functional Drinks

2/ Drinking Water, 3-in-1 Coffee and RTD Coffee



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3. Selling, general and administrative (SG&A) expenses

SG&A expenses amounted to THB 712 million, down by -7% YoY, representing the SG&A to total revenue from sales ratio of 15% which was the same ratio as the corresponding period last year and continued decline -2% QoQ.

Selling and Administrative expenses Unit: THB million	2Q2022	% to sales	1Q2023	% to sales	2Q2023	% to sales	%YoY	%QoQ
Selling expenses	515	10%	513	12%	494	11%	(4%)	(4%)
Sponsorship fees	65	1%	75	2%	76	2%	+17%	+2%
Selling without sponsorship fees	450	9%	438	11%	418	9%	(7%)	(5%)
Administrative expenses	250	5%	215	5%	218	5%	(13%)	+1%
Total SG&A	765	15%	729	18%	712	15%	(7%)	(2%)

Selling expenses amounted to THB 494 million, down by -4% YoY, resulting from the efficient strategy and cost management that aligned with the planning. In terms of proportion to total revenue from sales, selling expenses represented 11% versus 10% a year ago.

Administrative expenses amounted to THB 218 million, down by -13% YoY, representing 5% of total revenue from sales which was the same ratio as the corresponding period last year.

4. Financial expenses

Financial expenses amounted to THB 44 million, up by +69% YoY, +21% QoQ, as a result of higher finance costs that went in line with the Bank of Thailand's policy rate.

5. Corporate income tax expenses

Corporate income tax expenses amounted to THB 80 million, down by -51% YoY, representing the effective tax rate of 14% versus 18% a year ago.

6. Net profits and net profits margin

Net profits attributed to our shareholders amounted to THB 482 million, down by -35% YoY, +83% QoQ, resulting from the increasing of sales and cost reduction.



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Consolidated financial position as of 30 June 2023 in comparison with the same as of 31 December 2022

Assets

Total assets as of 30 June 2023 and 31 December 2022 were THB 19,894 million and THB 20,039 million, respectively. A decrease of THB 145 million was derived mainly from (1) THB 621 million increase in cash and cash equivalents, (2) THB 476 million decrease in inventories, and (3) THB 385 million decrease in account receivables and other receivables.

Liabilities

Total liabilities as of 30 June 2023 and 31 December 2022 were THB 9,309 million and THB 9,474 million, respectively. A decrease of THB 165 million was derived mainly from (1) THB 3,018 million decrease in short-term loans from financial institutions, (2) THB 2,011 million increase in debentures and net of current portion, (3) THB 965 million increase in long-term loans from financial institutions.

Shareholders' equity

Total shareholders' equity as of 30 June 2023 and 31 December 2022 were THB 10,585 million and THB 10,565 million, respectively. An increase of THB 20 million took into account mainly the net profits generated during the period. the Company paid THB 750 million of dividends for the previous year.

Carabao's "World class product, World class brand" with Sustainability

With the vision of "World-Class Products, World-Class Brand," sustainability is a concern for our Company. The Company place great importance on conducting our business in alignment with principles that consider the environment, society, and corporate governance. Our goal is to earn the trust of stakeholders as a World-Class Brand. The company is conscious of the potential negative impacts our operations might have on society and the environment. In response, the Company have formed a dedicated team for sustainable development. This team operates under a charter that outlines our responsibilities for long-term sustainable progress and stands as a commitment to the society and the environment that drives us to act responsibly through our initiatives for the highest societal and environmental responsibilities.

Nowadays, the urgent issue of climate change is a shared responsibility that requires collective effort. Climate is threatened by the condition of global warming, necessitating genuine and ethical collaboration. Our Company is well aware that production, transportation, and distribution contribute significantly to greenhouse gas emissions. The Company has taken steps to gather data from various areas to analyze methods for reducing greenhouse gas emissions. And aim to increase the proportion of renewable energy sources compared to conventional ones. Currently, the Company is utilizing clean and alternative energy by installing solar power systems on the factory



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roof. The installed capacity is 5 megawatts, starting production in 2022 with an additional 5-megawatt installation projected to begin production by 2023, enabling us to generate electricity from renewable sources.

For society, amidst the ongoing recovery from the COVID-19 pandemic, Thailand continues to face economic challenges. Moreover, the impact of increased raw material costs has led to caution in spending among the majority of the population. In response, our Company has engaged in marketing activities that help create jobs and careers for our customers. We've distributed taxis and motorcycles as prizes to support various occupations, businesses, and facilitate traveling. Furthermore, the Company has made appropriate donations of funds and goods to various organizations.

Good corporate governance place great importance on the Company. The Company aims to emphasize the clear division of powers, responsibilities, and accountability, creating transparency and audibility. Effective corporate governance stems from various policies such as corporate governance policy, code of conduct, anti-corruption measures, and risk management policy. We've established a structure to oversee operations and the relationship between the Company's board, management, employees, and shareholders. This structure aims to enhance competitiveness, sustainable growth, and create long-term value for the Company and its shareholders.

Yours sincerely,

Pongsarn Klongwathanakith

(Pongsarn Klongwathanakith)

Chief Financial Officer