



TRANSLATION

25th February, 2021

Subject: Management Discussion and Analysis of the Consolidated Financial Statements for the Year 2020 (Additional)

To: President
The Stock Exchange of Thailand

Haadthip Public Company Limited (“the Company”) would like to provide the explanation on the performance for the year ending 31st December 2020 as follows;

1. Revenue from sales

As stated in the consolidated financial statements for the year 2020, the Company’s sale revenues were Baht 6,425.42 million, which decreased by Baht 350.08 million or 5.17%. This resulted from a decline of sale volume by 7.2% from 64.1 million unit cases to 59.5 million unit cases in the same period, mainly due to a contraction of beverage market from the COVID-19 impact.

During the year, the Company has implemented several programs and activities to respond to the customer’s dynamic demand that continues to shift along with the implementation of the government’s infection control measures, as follows;

- I. Ensure an adequate supply of large pack sizes and water for home consumption and home stock up in the right channels e.g. Hypermarket/Super market and provision shop channels;
- II. Activate additional promotions via an online channel and home delivery platform;
- III. Following the government’s easing of the COVID-19 control measures or lockdown restriction, the Company’s operation has been prepared to promptly respond to the customers who were back to re-open the outlets with its efficient route-to-market.

Therefore, the Company was able to maintain full year 2020 NARTD and SSD value shares at 25.9% and 82.5%, respectively.

2. Cost of sales and gross profit margin

The Cost of sales of Baht 3,741.91 million, showed a decrease of Baht 441.76 million or -10.56% from the same period last year. Thus, the gross profit margin showed an increase of 3.51 percentage points as a consequence of

- I. Production cost efficiencies (from relocation of major production to Punpin, Surat Thani);
- II. Less-sugar product reformulations;
- III. Revenue management initiatives, with selective price increases in certain products and channels, which had been implemented in 2nd half of 2019.

3. Distribution costs and administrative expenses

The Company reported distribution costs of Baht 1,271.89 million, decreased by Baht 143.89 million or 10.16% from the same period last year. While, administrative expenses increased by 89.52 million or 12.95%. In total, SG&A expenses were Baht 2,052.93 million compared to Baht 2,107.29 million last year, representing a 2.58% decrease, which was mainly due to:

- I. A decrease in average distribution costs due to a decline in fuel cost and number of trips. While, the fixed costs has been optimized to mitigate the COVID-19 impact;
- II. A decline in Marketing Expenses by 17.6% from the same period last year as a result of the Company's cost control initiatives in response to the COVID-19 pandemic;
- III. An increase in salary and welfare, to be in line with labor market in the South and recruitment of new talents to support the approved growth plan for the future;
- IV. One-off implementation expenses to relocate can and PET production lines.

4. Finance costs and income tax expenses

Finance costs were Baht 16.67 million, which decreased by Baht 7.60 million or 31.32% as the Company has continuously repaid the loan's principal. While, income tax expense increased by Baht 31.05 million or 85.43% due to an increase in earnings before tax.

5. Net profit and net profit margin

The Company's consolidated financial statements of the period had shown a net profit of Baht 564.94 million, compared to Baht 440.72 million of the same period last year, an increase of 28.19%. While, the net profit margin increased from 6.50% to 8.79%. For separate financial statements had shown a net profit of Baht 642.73 million, compared to Baht 485.83 million of the same period last year, an increase of Baht 156.91 million or 32.30%. While, the net profit margin increased from 7.18% to 10.06%

6. Profitability and Efficiency Ratios

Ratio	Year 2020	Year 2019
Gross Profit Margin (%)	41.76	38.25
Net Profit Margin (%)	8.79	6.50
Return on Equity (%)	20.20	15.66
Return on Assets (%)	12.68	10.37

- Net profit margins increased by 2.29 percentage points for the period due mainly to increased gross profit margin and declined marketing and distribution costs.
- Return on Equity increased by 4.54 percentage points as a direct result of the increase in the Company's profits.
- Return on Assets increased by 2.31 percentage points as a direct result of the increase in the Company's profits.

For your acknowledgement and further dissemination

Best regards,

Maj Gen.

(Patchara Rattakul)

Chief Executive Officer

Office of the Chief Executive Officer

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