



(Translation)

H.O. 1001/150/2021

May 12, 2021

Subject: Management Discussion and Analysis for the three-month and six-month periods ended March 31, 2021

Attention: President
The Stock Exchange of Thailand

Sermasuk Public Company Limited and its subsidiaries clarify Consolidated Operating Result and Financial Position for the three-month and six-month periods ended March 31, 2021 as the following,

Financial Performance for the three-month period ended March 31, 2021 (Quarter 2/2021)

Revenue from sales and services

Revenue from sales and services of the Company was Baht 2,496 million, decreased by Baht 482 million or 16.2% from the same period of last year mainly from the decline in domestic consumption driven by the slowdown of economy from the new wave of COVID-19 virus pandemic resulted in a decrease in sales volume in restaurant, convenience store and department store. Nevertheless, the Company have emphasized on sales in traditional channel as well as building new sales in urban neighborhood together with sales promotion activities.

Cost of sales and services

Cost of sales and services of the Company was Baht 1,731 million, decreased by Baht 312 million or 15.3% from the same period of last year. The cost of sales and services reduced in line with lower sales volume. In addition, the Company was able to manage cost savings in raw material and packaging by improve production efficiency.

Distribution costs

Distribution cost of the Company was Baht 583 million, decreased by Baht 158 million or 21.3% from the same period of last year. Mainly from a decreased in marketing and promotion expense by shifting to the online and digital marketing to increase brand awareness in corresponding to social distancing during the COVID-19 infection control measure. The transportation expenses reduced in line with lower sales volume and control over route and fuel cost efficiently.



Administrative expenses

Administrative expenses of the Company were Baht 195 million, decreased by Baht 27 million or 12.2% from the same period of last year due to continuous control on cost spending and implementation of a more stringent control to improve efficiencies in all spending during COVID-19 pandemic.

Net profit

Profit of the Company for Q2/2021 was Baht 45 million, which decreased by Baht 10 million or 18.2% from net profit Baht 55 million in the same period of last year. Mainly from a decrease in revenue from sales and services driven by the impact from the COVID-19 virus pandemic. However, the Company mitigated the impact from cost control and efficiency management over operating expenses.

The Company earnings per share was Baht 0.17, a decrease of Baht 0.04 per share compared to earnings per share of Baht 0.21 in the same period of last year with aforementioned reasons.

Financial Performance for the six-month period ended March 31, 2021

Revenue from sales and services

Revenue from sales and services of the Company was Baht 4,886 million, decreased by Baht 889 million or 15.4% from the same period of last year mainly from the decline in domestic consumption driven by the slowdown of economy from the COVID-19 virus pandemic impact. Nevertheless, the Company have expanded sales in traditional channel as well as building new sales in urban neighborhood together with promotion and marketing activities. Moreover, the Company has distributed new functional drink product for health-conscious consumers “V-Boost” with 200% vitamin C and beta glucan to strengthen the immune system to capture the consumer’s health-conscious trend.

Cost of sales and services

Cost of sales and services of the Company was Baht 3,368 million, decreased by Baht 629 million or 15.7% from the same period of last year. The cost of sales and services reduced in line with lower sales volume. In addition, the Company was able to manage cost savings in raw material and packaging by improve production efficiency.

Distribution costs

Distribution cost of the Company was Baht 1,174 million, decreased by Baht 186 million or 13.7% from the same period of last year. Transportation expenses reduced in line with lower sales volume and control to improve efficiencies in marketing and promotion expenses.



Administrative expenses

Administrative expenses of the Company were Baht 357 million, decreased by Baht 85 million or 19.2% from the same period of last year due to continuous control on cost spending and implementation of a more stringent control to improve efficiencies in all spending during COVID-19 pandemic.

Net profit

Net profit of the Company for six-month period 2021 was Baht 100 million, which decreased by Baht 28 million or 21.9% from net profit Baht 128 million in the same period of last year. Mainly from a decrease in revenue from sales and services driven by the impact of from the COVID-19 virus pandemic. However, the Company mitigated the impact from cost control and efficiency management over operating expenses.

The Company earnings per share was Baht 0.38, a decrease of Baht 0.10 per share compared to earnings per share of Baht 0.48 in the same period of last year with aforementioned reasons.

Financial Position as at March 31, 2021

Assets

Total assets as of March 31, 2021 was Baht 12,799 million, increased by Baht 299 million or 2.4% compared to total assets at the end of last year as describe below;

Current assets were Baht 2,877 million, increased by Baht 156 million or 5.7% mainly from an increase in trade account receivable due to the sales expansion in the end of second quarter to serve the demand during Songkran Festival, partly offset with a decrease in Cash and cash equivalents from the dividend payment. The Company continues to invest in mutual fund, which generate higher return than saving account.

Non-current assets were Baht 9,922 million, increased by Baht 143 million or 1.5% mainly due to recognition of right-of-use assets Baht 314 million from the adoption of TFRS 16 Leases, partly offset by a decrease in net value of building and equipment from depreciation expense.

Liabilities

Total liabilities as of March 31, 2021 was Baht 3,830 million, increased by Baht 228 million or 6.3% compared to total liabilities at the end of last year as describe below;

Current liabilities were Baht 2,052 million, increased by Baht 57 million or 2.9% mainly due to recognition of current porting of lease liabilities of Baht 91 million in accordance to the adoption of TFRS16 Leases partly offset by the payment of other payable, mainly from annual employee expense.

Non-current liabilities were Baht 1,778 million, increased by Baht 171 million or 10.6% mainly due to recognition of financial lease liabilities of Baht 216 million from the adoption of TFRS 16 Leases as mentioned above, our financial position remains strong with debt-free status as of March 31, 2021



Equity

Total equity as of March 31, 2021 was Baht 8,969 million, increased by Baht 71 million or 0.8% from September 30, 2020 mainly from additional net profit of the period, Baht 100 million from the adoption of TFRS 9 Financial Instruments, Baht 56 million from gain on investments in equity instruments designated at fair value through other comprehensive income partly offset by dividend payment of Baht 85 million.

Cash flows

Cash and cash equivalents as at 31 March 2021 were Baht 683 million. The net cash decreased from the beginning of the year Baht 720 million was mainly from investment in mutual fund of Baht 650 million. The investment is classified under current investments. Dividend payment of Baht 85 million and the purchase of machinery and equipment Baht 74 million to increase operation's efficiency, partly offset by cash increased in operating activities of baht 111 million, which represent the Company's capabilities to continue in generating cash inflow.

Please be informed accordingly.

Yours sincerely,

(Kosit Suksingha)

President