



TRANSLATION

HAADTHIP

13th August, 2021

Subject: Management Discussion and Analysis of the Consolidated Financial Statements of Quarter 2 and 6-Month Period of the Year 2021

To: President
The Stock Exchange of Thailand

Haadthip Public Company Limited (“the Company”) would like to provide the explanation on the performance of Quarter 2 and 6-Month Period, end of 30th June 2021 as follows;

1. Three-month period performance (April - June 2021: Quarter 2 of 2021)

1.1 Revenue from sales

In reference to the operating results of Q2/2021 that has been reviewed by the Auditor, the Company’s consolidated financial statements of the period had shown revenue from sales of Baht 1,705.9 million, which increased by Baht 53.5 million or 3.2% from the same period last year. Total beverage sales volume increased by 5.3% from 15.5 million unit cases in Q2/2021 to 16.3 million unit cases in Q2/2021. This was due to the market execution capabilities, pack mix and distribution mix management in order to maintain sales volume during the COVID-19 pandemic as follow;

- I. Improved executions in Traditional Trade channel resulting in sales volume growth of 15.8% compared with the same period last year;
- II. Ensure a consistent adequate supply of large pack sizes and water for home consumption and home stock up supply in the right channels e.g. Hypermarket/Super market super/hyper channel, and provision shop channels.

The Company was able to maintain its Non-Alcoholic Ready to Drink (NARTD) and Sparkling Soft Drink (SSD) market shares at 26.2% and 81.2%, respectively.

1.2 Cost of sales and gross profit margin

The cost of sales of Baht 1,000.9 million showed an increase of Baht 70.5 million or 7.6 % from the same period last year. Gross profit margin (41.3%) showed a 2.4 percentage point decline driven by a one-time of discount from suppliers and business partners during COVID-19 which contributed to an increase of around 3 ppts in the same period of last year.

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

1.3 Distribution costs and administrative expenses

The Company reported distribution costs of Baht 319.4million, increased by Baht 3.2 million or 1.0% from the same period last year. While, reported administrative expenses of Baht 175.6 million, decreased by 10.4 million or 5.6%. In total, Q2/2021 SG&A expenses were Baht 494.9 million, compared to Baht 502.1 million in the same period last year, representing a 1.4% decrease, which was mainly due to a decline in employees related costs and expenses management.

1.4 Finance costs and income tax expenses

Finance costs were Baht 3.4 million, which decreased by Baht 0.9 million or 20.4% as the Company has continuously repaid the loan's principal. While, 24.5% or Baht 6.3 million increase in income tax expenses for the quarter.

1.5 Net profit and net profit margin

The Company's consolidated financial statements of the period had shown a net profit of Baht 186.5 million, compared to Baht 192.2 million of the same period last year, a decrease of Baht 5.7 million or 3.0%. While, the net profit margin decreased from 11.6% to 10.9% as the result of the declining in gross profit margin.

2. Six-month period performance (January – June 2021)

2.1 Revenue from sales

As stated in the 6-month consolidated financial statements of the year 2021, the Company's sale revenues were Baht 3,323.9 million, which decreased by Baht -36.2 million or 1.1%. Even with an increase of sale volume by 2.1% from 30.9 million unit cases to 31.5 million unit cases in the same period of 2021. This was due to an increase in sales of larger packs to drive at-home consumption and implemented selective price promotion activities in certain channels.

During the past six months, 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. Exploring and updating the information for recruiting new outlet and improve execution in the Traditional Trade channel resulting in sales volume growth of 22.0% compared with the same period last year;

- III. Offered more value to consumers by upsizing Coca-Cola 455 ML PET to 505 ML;
- IV. Increased distribution and availability of Namthip water enabling 2.0 percentage point increase in market share.

Therefore, the Company was able to maintain its year-to-date NARTD and SSD shares at 26.3% and 81.7%, respectively.

2.2 Cost of sales and gross profit margin

The Cost of sales of Baht 1,947.6 million, showed a decrease of Baht 12.8 million or 0.7% from the same period last year. Thus, the gross profit margin showed a decrease of 0.3 percentage points from 41.7% in 2020 to 41.4% in 2021. This was driven by a one time of discounts from suppliers and business partners during COVID-19 in the same period last year.

2.3 Distribution costs and administrative expenses

The Company reported distribution costs of Baht 631.5 million, decreased by Baht 32.2 million or 4.8% from the same period last year. While, administrative expenses were Baht 365.2 million, decreased by 14.6 million or 3.8%. In total, SG&A expenses for 6-month of 2021 were Baht 996.8 million compared to Baht 1,043.5 million last year, representing a Baht 45.8 million decrease or 4.5%, which was mainly due to:

- I. A decline in Marketing Expenses by 3.8% from the same period last year as a result of the Company's cost control initiatives in response to the COVID-19 pandemic;
- II. A decrease in employees related costs, as a result of the Company's cost management in response to the COVID-19 pandemic;
- III. One-off implementation expenses to relocate Can and PET production lines in year 2020.

2.4 Finance costs and income tax expenses

Finance costs were Baht 6.9 million, which decreased by Baht 2.4 million or 25.9% as the Company has continuously repaid the loan's principal. While, income tax expense increased by Baht 15.7 million or 40.9% due to an increase in earnings before tax.

2.5 Net profit and net profit margin

The Company's consolidated financial statements of the period had shown a net profit of Baht 333.5 million, compared to Baht 312.0 million of the same period last year, an increase of Baht 21.5 million or 6.9%. While, the net profit margin increased from 9.3% to 10.0% from the expense management.

Net profit for the Parent Company was Baht 334.5 million, compared with Baht 312.5 million same period last year, representing an increase of Baht 22.0 million or 7.0%.

3. Profitability and Efficiency Ratios

Ratio	2021		2020	
	Quarter 2	6-Month Period	Quarter 2	6-Month Period
Gross Profit Margin (%)	41.3	41.4	43.7	41.7
Net Profit Margin (%)	10.9	10.0	11.6	9.3
Return on Equity (%)	17.8		14.8	
Return on Assets (%)	13.2		10.1	

- Net profit margins decreased by 0.7 percentage points in Q2 but increased 0.7 percentage points for the 6-month period mainly due to a decline in marketing and employees related costs.
- Return on Equity (12-month operating results) increased by 3.0 percentage points as a direct result of an increase in the Company's profits from the last 12 months (1st August 2020 - 30th June 2021)
- Return on Assets (12-month operating results) increased by 3.1 percentage points as a direct result of an 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

Tel. 0-2391-4488 Ext. 103