



TRANSLATION

12th November 2021

Subject: Management Discussion and Analysis of the Consolidated Financial Statements of
Quarter 3 and 9-Month Period of the Year 2021

To: President
The Stock Exchange of Thailand

Haadthip Public Company Limited (“the Company”) would like to explain the performance of Quarter 3 and 9-Month Period, end of 30th September 2021 as follows:

1. Three-month period performance (July - September 2021: Quarter 3 of 2021)

1.1 Revenue from sales

In reference to the operating results of Q3/2021 that has been reviewed by the Auditor, the Company’s consolidated financial statements of the period had shown revenue from sales of Baht 1,586.8 million, compared to Baht1,609.9 million from the same period last year, representing a decrease of Baht 23.1 million or 1.4%. This was the impact from the COVID-19 pandemic and the government had implemented the disease control measurement with lockdown during July - August 2021. The easing of lockdown period gradually started in September 2021. During Q3/2021 the Company increased sales of larger packs to drive at home consumption and implemented selective price promotion activities in certain channels. Thus, total beverage sales volume increased by 0.9% from 15.0 million unit cases in Q3/2020 to 15.1 million unit cases in Q3/2021.

The Company had executed sales and marketing initiatives to maintain sales volume as follow:

- I. Distribution channel adjustment, shifting to Super/Hyper/ Market, Convenience store, and Makro. Resulting in sales volume growth of 12.5% compared with the same period last year;
- II. Offered more value to consumers by upsizing Coca-Cola 455 ML PET to 505 ML;
- III. Offered more value to consumers by upsizing Coca-Cola 1.25L PET to 1.45L.

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The Company was able to maintain its Non-Alcoholic Ready to Drink (NARTD) and Sparkling Soft Drink (SSD) market shares at 25.7% and 80.9%, respectively.

1.2 Cost of sales and gross profit margin

The cost of sales of Baht 956.9 million showed an increase of Baht 7.5 million or 0.8% from the same period last year. The gross profit margin (39.7%) showed a 1.3 percentage points decline from 41.0% same period last year. The main drivers were:

- I. The increasing sales of larger packs to drive at-home consumption (Product Mix);
- II. Distribution channels adjustment (Channel Mix);
- III. Some certain price promotion with value-added in certain products (Price Mix);
- IV. Increases of Commodity prices.

1.3 Distribution costs and administrative expenses

The Company reported distribution costs of Baht 310.4million, increased by Baht 12.0 million or 4.0% from the same period last year. While, reported administrative expenses of Baht 164.2 million, decreased by 12.4 million or 7.0%. In total, Q3/2021 SG&A expenses were Baht 474.6 million, compared to Baht 475.0 million in the same period last year, representing a Baht 0.4 million or 0.1% decrease, which was mainly due to:

- I. Distribution costs increase from
 - 1) An increase in transportation costs by 3.0% from the same period last year due to a rise in fuel price. The Company had mitigated the impact by optimizing the fixed expenses;
 - 2) An increase in sale promotion and marketing expenses by 26.6% from the same period last year, as the channel distribution shifted to respond with easing COVID-19 infection control measures.
- II. Administrative expenses declined from a reduction in employees related costs and expenses management.

1.4 Finance costs and income tax expenses

Finance costs were Baht 3.1 million, which decreased by Baht 0.6 million or 16.9% as the Company has continuously repaid the loan's principal. Whereas a 60.9% or Baht 11.2 million increase in income tax expenses from the higher taxable profit than accounting profit.

1.5 Net profit and net profit margin

The Company's consolidated financial statements of the period had shown a net profit of Baht 124.9 million, compared to Baht 168.0 million of the same period last year, a decrease of Baht 43.0

million or 25.7%. While, the net profit margin decreased from 10.4% to 7.9% as the result of the declining in gross profit margin.

2. Nine-month period performance (January – September 2021)

2.1 Revenue from sales

As stated in the 9-month consolidated financial statements of the year 2021, the Company's sale revenues were Baht 4,910.7 million, which decreased by Baht 59.3 million or 1.2% compared with the same period last year of Baht 4,970.0 million. Total beverage sales volume increased by 1.7% from 45.9 million unit cases to 46.7 million unit cases in the same period of 2021. This was a 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 nine 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/Supermarket and provision shop channels;
- II. Improved execution in the Traditional Trade channel resulting in sales volume growth of 12.1% compared with the same period last year;
- III. Offered more value to consumers by upsizing Coca-Cola 455 ML PET to 505 ML;
- IV. Offered more value to consumers by upsizing Coca-Cola 1.25 L PET to 1.45L;
- V. Increased distribution and availability of Namthip water enabling 1.8 percentage point increase in market share.

Therefore, the Company was able to maintain its year-to-date NARTD and SSD shares at 26.1% and 81.4%, respectively.

2.2 Cost of sales and gross profit margin

The Cost of sales of Baht 2,904.4 million, showed a decrease of Baht 5.3 million or 0.2% from the Baht 2,909.7 million same period last year. Thus, the gross profit margin showed a decrease of 0.6 percentage points from 41.5% in 2020 to 40.9% in 2021. This was driven by:

- I. A one-time of discounts from suppliers and business partners during COVID-19 in the same period last year.
- II. Increases of commodity prices

- III. Revenue management initiatives increasing sales of larger packs to drive at-home consumption (product mix), shifting in the distribution channel (channel mix), and price promotion with value-added in certain products (price mix).

2.3 Distribution costs and administrative expenses

The Company reported distribution costs of Baht 942.0 million, decreased by Baht 20.2 million or 2.1% from the same period last year. While, administrative expenses were Baht 529.4 million, decreased by Baht 27.0 million or 4.8%. In total, SG&A expenses for 9-month of 2021 were Baht 1,471.4 million compared to Baht 1,518.5 million same period last year, representing a Baht 47.1 million decrease or 3.1%, which was mainly due to:

- I. A decrease in employees related costs, as a result of the Company's cost management in response to the COVID-19 pandemic;
- II. 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 10.0 million, which decreased by Baht 3.0 million or 23.4% as the Company has continuously repaid the loan's principal. While, income tax expense increased by Baht 26.9 million or 47.4% due to the higher taxable profit than accounting profit.

2.5 Net profit and net profit margin

The Company's consolidated financial statements of the period had shown a net profit of Baht 458.4 million, compared to Baht 480.0 million of the same period last year, a decrease of Baht 21.6 million or 4.5%. While, the net profit margin decreased from 9.7% to 9.3% from the declining in gross profit margin.

Net profit for the Parent Company was Baht 460.0 million, compared to Baht 480.9 million same period last year, representing a decrease of Baht 20.9 million or 4.3%

3. Profitability and Efficiency Ratios

Ratio	2021		2020	
	Quarter 3	9-Month Period	Quarte 3	9-Month Period
Gross Profit Margin (%)	39.7	40.9	41.0	41.5
Net Profit Margin (%)	7.9	9.3	10.4	9.7
Return on Equity (%)	16.6		17.2	
Return on Assets (%)	12.7		12.0	

- Gross profit margin decreased by 1.3 percentage points in Q3/2021 from 40.9% to 39.7%. While the 9-month period, the gross profit margin declined by 0.6 percentage points. Resulting from the impact of the COVID-19 pandemic.
- Net profit margin decreased by 2.5 percentage points in Q3/2021 and decreased 0.4 percentage points for the 9-month period mainly due to a decline in gross profit margin.
- Return on Equity (12-month operating results) decreased by 0.6 percentage points due to a decline in the Company's net profit from the last 12 months (1st October 2020 - 30th September 2021).
- Return on Assets (12-month operating results) increased by 0.7 percentage points as the higher of the Company's earnings before tax from the last 12 months (1st October 2020 - 30th September 2021).

For your acknowledgement and further dissemination

Best regards,

Maj Gen.

(Patchara Rattakul)

Chief Executive Officer

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