



TRANSLATION

HAADTHIP

25th February, 2022

Subject: Management Discussion and Analysis of the Consolidated Financial Statements for 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 for the year ending 31st December 2021 as follows;

1. Revenue from sales

As stated in the consolidated financial statements for the year 2021, the Company's sales revenue was Baht 6,518.0 million, an increase of Baht 92.5 million or 1.4% compared to the same period of last year of Baht 6,425.4 million. Total beverage sales volume increased by 4.0% from 59.5 million-unit cases in 2020 to 61.9 million-unit cases in 2021. This was a due to an increase in sales of larger packs to drive at - home consumption and the implementation of selective price promotion activities in certain channels. Also, the Company focused on market execution with added safety precautions under the pandemic environment while adding digital technology to complement effective sales strategies. The agile strategy helped us to respond to the government's COVID-19 infection control measures which seriously restricted sales growth.

During the year, the Company has implemented several programmes and activities to respond to the customer's dynamic demand that continued 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 12.2% compared with last year;

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- 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 1.4 percentage point increase in market share;
- VI. Focus on Zero sugar products for both cola and other flavors. This resulted in market share increase of Zero sugar products by 2.2 percentage points.

The Company was able to maintain full year 2021 Non-Alcoholic Ready to Drink (NARTD) and Sparkling Soft Drink (SSD) value shares for the south at 26.1% and 81.5%, respectively.

2. Cost of sales and gross profit margin

The Cost of sales was Baht 3,893.3 million, an increase of Baht 151.4 million or 4.0% from Baht 3,741.9 million from last year. Thus, gross profit margin declined by 1.5 percentage points from 41.8% in 2020 to 40.3% in 2021. Detailed reasons are;

- I. There was a one-time of discount from suppliers and business partners during COVID-19 in 2020;
- II. Raw material price increases
- III. Revenue growth management initiatives focusing on the sales of larger packs to drive at-home consumption (product mix), shifting in the distribution channel (channel mix), and value - added price promotion in certain products (price mix).

3. Distribution costs and administrative expenses

The Company reported distribution costs of Baht 1,277.9 million, an increase of Baht 6.0 million or 0.5% from last year. While, administrative expenses were Baht 731.7 million, a decline of Baht 49.4 million or 6.3%. In total, SG&A expenses were Baht 2,009.6 million compared to Baht 2,052.9 million last year, representing a 2.1% decline, which was mainly due to:

- I. Increase in distribution costs resulted from:
 - 1) An increase in transportation costs by 7.7% from 2020 due to a rise in fuel price. The Company had mitigated the impact by optimizing fixed expenses;
 - 2) An increase in sale promotion and marketing expenses by 6.4% from 2020 as channel distribution shifted to respond to the easing of COVID-19 infection control measures.
- II. Reduction in administrative expenses was the result of a reduction in employees-related costs and expenses management.

4. Finance costs and income tax expenses

Finance costs were Baht 12.9 million, a decline of Baht 3.7 million or 22.5% from Baht 16.7 million in 2020, as the loan's principal was being paid back. While Income tax of Baht 95.4 million showed an increase of Baht 28.0 million or 41.6% increases from Baht 67.4 million of previous year due to the higher taxable profit.

5. Net profit and net profit margin

The Company's consolidated financial statements for year 2021 had shown a net profit of Baht 533.3 million, compared to Baht 564.9 million of the same period last year, a decline of 5.6%. While, net profit margin decreased from 8.8% to 8.2%.

Net profit for the Parent Company was Baht 535.4 million, compared to Baht 566.3 million from the same period of last year, representing a decline of Baht 30.9 million or 5.5%

6. Profitability and Efficiency Ratios

Ratio	Year 2021	Year 2020
Gross Profit Margin (%)	40.3	41.8
Net Profit Margin (%)	8.2	8.8
Return on Equity (%)	15.1	20.2
Return on Assets (%)	11.9	12.7

- Gross profit margin decreased by 1.5 percentage points from 41.8% to 40.3%. Resulting from the impact of the COVID-19 pandemic and rising in raw material prices.
- Net profit margin decreased by 0.6 percentage points from 8.8% to 8.2%. mainly due to a decline in gross profit margin, the rising of oil price and marketing expenses.
- Return on Equity decreased by 5.1 percentage points from 20.2% to 15.1% due to a decline in the Company's net profit for the year.
- Return on Assets decreased by 0.8 percentage points from 12.7% to 11.9% due to lower earnings before tax for the year.

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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