

Date 13 August 2021

Subject Management's Discussion and Analysis of the Financial Statements for the second quarter ended 30 June 2021.

To Managing Director of The Stock Exchange of Thailand

Enclosure Management's Discussion and Analysis of the Financial Statements for the second quarter ended 30 June 2021, both Thai and English, 1 set for each

NSL Foods Public Company Limited ("NSL") would like to submit the Company's audited financial statements for the second quarter ended 30 June 2021.

The operation result of NSL for the quarter and the six-month period ended 30 June 2021 registered a net profit amounting to 66.89 THB million and 123 THB million, respectively. Please see further details in the Management's Discussion and Analysis of the financial statements for the second quarter ended 30 June 2021 as attached.

Best regards,

Somchai Asavapiyanond

(Mr. Somchai Asavapiyanond)

President

NSL Foods Public Company Limited

Management Discussion and Analysis for the second quarter ended 30 June 2021

Business Overview

Summary of operating performance in the second quarter of 2021 (“Q221”)

Operating Performance	Q221	Q220	Increase (Decrease)	%Increase (Decrease)
Sales	798.5	611.9	186.5	30.5%
Other income	1.1	1.2	(0.1)	(9.9%)
Total Revenues	799.5	613.1	186.4	30.4%
Cost of sales	645.5	516.5	129.0	25.0%
Distribution costs	50.4	31.8	18.6	58.6%
Administrative expenses	22.1	21.7	0.4	2.0%
Profit from Operating Activities	81.6	43.2	38.4	88.8%
Finance costs	5.0	5.9	(0.9)	(14.6%)
Profit before income tax	76.6	37.4	39.2	105.0%
Income tax expenses	9.7	7.6	2.1	27.8%
Net Profit	66.9	29.8	37.1	124.7%

Summary of operating performance in the six-month period of 2021 (“6M21”)

Operating Performance	6M21	6M20	Increase (Decrease)	%Increase (Decrease)
Sales	1,561.4	1,421.4	140.0	9.8%
Other income	1.8	2.1	(0.2)	(11.9%)
Total Revenues	1,563.3	1,423.5	139.8	9.8%
Cost of sales	1,266.0	1,205.2	60.8	5.0%
Distribution costs	94.5	82.8	11.7	14.1%
Administrative expenses	44.5	44.2	0.2	0.5%
Profit from Operating Activities	158.3	91.3	67.0	73.4%
Finance costs	11.4	13.1	(1.7)	(13.2%)
Profit before income tax	146.9	78.2	68.7	87.9%
Income tax expenses	23.9	16.4	7.6	46.3%
Net Profit	123.0	61.8	61.2	98.9%

Revenue

Revenue Structure	Q221		Q220		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	798.5	99.9%	611.9	99.8%	186.5	30.5%
- Bakery and appetizers	749.9	93.8%	583.6	95.2%	166.3	28.5%
- Snack under NSL's brands	5.0	0.6%	2.8	0.5%	2.2	78.8%
- Food Services	39.9	5.0%	22.2	3.6%	17.7	79.6%
- OEM, sales of bread wastes and others	3.7	0.5%	3.3	0.5%	0.3	10.4%
Other income	1.0	0.1%	1.2	0.2%	(0.2)	(19.6%)
Total Revenue	799.4	100.0%	613.1	100.0%	186.3	30.4%

Revenue Structure	6M21		6M20		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	1,561.4	99.9%	1,421.4	99.9%	140.0	9.8%
- Bakery and appetizers	1,462.4	93.5%	1,344.5	94.4%	117.9	8.8%
- Snack under NSL's brands	10.0	0.6%	6.5	0.5%	3.4	53.0%
- Food Services	81.8	5.2%	62.9	4.4%	18.8	29.9%
- OEM, sales of bread wastes and others	7.3	0.5%	7.5	0.5%	(0.2)	(2.3%)
Other income	1.8	0.1%	2.1	0.1%	(0.2)	(11.9%)
Total Revenue	1,563.3	100.0%	1,423.5	100.0%	139.8	9.8%

Revenue

In Q221 and 6M21, NSL's revenue from sales and other income were accounted for 99.9% and 0.1% of total revenue, respectively. Revenue from sales comprises products of bakery, appetizers, snacks by NSL's brands, food services, OEM, sales of bread waste and others.

In Q221 period, NSL had revenue from sales of 798.5 THB millions, increased from Q220 by 186.5 THB millions or accounted for the increase of 30.5% and in 6M21 period, NSL had revenue from sales of 1,561.4 THB millions, increased from 6M20 by 140 THB millions or accounted for the increase of 9.8%, mainly due to COVID-19 pandemic situation was more severe and impactful since mid of March 2020 and it was the first time of pandemic situation so the people had a lot of concern but this year, the people can adapt to the current situation and partner emphasize delivery sales so the revenue has increased. The revenue from food services increased from the same period of the previous year, due to the adjustment of the sales plan by finding more customers and selling products to restaurants with various sizes from retail to large restaurants. Even with the COVID-19 situation, those restaurants were able to sell foods by delivery service. For the segment of snack products by NSL's brands, the revenue was increased from the previous year, due to the addition of new products and operated more marketing to gain more brand awareness.

Other income

In Q221 and 6M21, NSL's other income were relatively stable when compare with the same period of the previous year.

Cost of sales and Gross profit

Description	Q221		Q220		Increase	%Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sales	798.5	100.0%	611.9	100.0%	186.5	30.5%
Cost of sales	645.5	80.8%	516.5	84.4%	129.0	25.0%
Gross Profit	153.0	19.2%	95.4	15.6%	57.5	60.3%

Description	6M21		6M20		Increase	%Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sales	1,561.4	100.0%	1,421.4	100.0%	140.0	9.8%
Cost of sales	1,266.0	81.1%	1,205.2	84.8%	60.8	5.0%
Gross Profit	295.4	18.9%	216.2	15.2%	79.2	36.6%

In Q221 and 6M21, gross profit margin was improved from the same period of the previous year mainly due to it was the first time of COVID-19 pandemic situation, so revenue dramatically decreased but the Company had fixed costs i.e. employee salaries, depreciation and etc., in this period, NSL has adapted to the current situation so the revenue is growth and NSL has seek for new suppliers with the quality and flavor that was required by NSL, and with competitive prices. NSL has improve the cost analysis which solve problems more quickly and real time from changing the accounting system and during COVID-19 pandemic situation, NSL management made efforts to emphasize all parties to work effectively to reduce wastes from productions and cost of manufacturing.

Distribution Costs

Distribution Costs	Q221		Q220		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	0.5	0.1%	0.5	0.1%	0.0	1.2%
Sales transportation expenses	38.0	4.7%	24.0	3.9%	13.9	58.0%
Salaries, wages, overtime, bonuses, and employee benefits	8.7	1.1%	7.0	1.1%	1.7	24.2%
Other distribution costs	3.2	0.4%	0.2	0.0%	3.0	1418.4%
Total Distribution costs	50.4	6.3%	31.8	5.2%	18.6	58.6%

Distribution Costs	6M21		6M20		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	1.1	0.1%	1.4	0.1%	(0.4)	(25.8%)
Sales transportation expenses	70.9	4.5%	60.6	4.3%	10.3	17.0%
Salaries, wages, overtime, bonuses, and employee benefits	16.4	1.1%	15.6	1.1%	0.9	5.6%
Other distribution costs	6.1	0.4%	5.2	0.4%	0.9	17.3%
Total Distribution costs	94.5	6.0%	82.8	5.8%	11.7	14.1%

The distribution costs in Q221 and 6M21 increased from the same period of the previous year by 18.6 THB million and 11.7 THB million, respectively. It was mainly due to the increase of sales transportation expenses from more product delivery cycle, as a result of increase in purchase orders, sales and also fuel price.

Administrative Expenses

Administrative Expenses	Q221		Q220		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	15.6	1.9%	13.2	2.2%	2.3	17.7%
Consulting fees and service fees	2.6	0.3%	4.0	0.7%	(1.4)	(35.1%)
Depreciation and amortization	0.6	0.1%	0.8	0.1%	(0.2)	(21.3%)
Utilities and equipment repair and transportation expenses	0.9	0.1%	0.8	0.1%	0.1	6.2%
Other administrative expenses	2.3	0.3%	2.8	0.5%	(0.5)	(18.2%)
Administrative Expenses	22.0	2.7%	21.7	3.5%	0.3	1.4%

Administrative Expenses	6M21		6M20		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	30.8	2.0%	27.7	1.9%	3.1	11.2%
Consulting fees and service fees	5.0	0.3%	7.4	0.5%	(2.4)	(32.7%)
Depreciation and amortization	1.4	0.1%	1.5	0.1%	(0.2)	(11.5%)
Utilities and equipment repair and transportation expenses	1.7	0.1%	1.5	0.1%	0.1	7.3%
Other administrative expenses	5.6	0.4%	6.0	0.4%	(0.4)	(6.6%)
Administrative Expenses	44.5	2.8%	44.2	3.1%	0.2	0.5%

Administrative expenses in Q221 and 6M21 were relatively stable when compare with the same period of the previous year.

Finance Costs

Finance Costs	Q221	Q220	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	5.0	5.9	(0.9)	(14.6%)

Finance Costs	6M21	6M20	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	11.4	13.1	(1.7)	(13.2%)

In Q221 and 6M21, Finance costs had decreased when compare with the same period of the previous year, caused by the repayment of borrowings from a financial institution and had paid borrowings from a financial institution from IPO fund in May 2021.

Net profit and Net profit margin

Net profit and Net profit margin	Unit	Q221	Q220	Increase (Decrease)	% Increase (Decrease)
Net profit	MB	66.9	29.8	37.1	124.7%
Net profit margin (%)	%	8.4%	4.9%	3.5%	

Net profit and Net profit margin	Unit	6M21	6M20	Increase (Decrease)	% Increase (Decrease)
Net profit	MB	123.0	61.8	61.2	98.9%
Net profit margin (%)	%	6.9%	4.5%	2.4%	

In Q221, NSL had net profit of 66.9 THB million, accounted for net profit margin of 8.4% and in 6M21, NSL had net profit of 123 THB million, accounted for net profit margin of 6.9% higher than the same period of the previous year. It resulted from efficiency of costs and expenses management. In addition, finance costs and corporate income tax were also decreased, that led to the increase of net profit.

Financial Position

Financial Position	30-Jun-21	31-Dec-20	Increase (Decrease)	%Increase (Decrease)
Total Assets	2,079.4	1,574.6	504.8	32.1%
Total Liabilities	820.5	1,119.8	(299.3)	(26.7%)
Total Shareholders' Equity	1,258.9	454.8	804.1	176.8%

Assets

Assets	30-Jun-21	31-Dec-20	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	30-Jun-21
Cash and cash equivalents	518.3	9.9	508.4	5117.4%	24.9%
Trade and other current receivables	441.0	413.4	27.5	6.7%	21.2%
Inventories	143.0	141.8	1.1	0.8%	6.9%
Property, plant and equipment and Right-of-use assets	947.9	983.0	(35.1)	(3.6%)	45.6%
Other assets	29.3	26.4	2.9	10.9%	1.4%
Total Assets	2,079.4	1,574.6	504.8	32.1%	100.0%

NSL's total assets in 6M21 increased from the previous year, mainly due to the increase of cash and cash equivalents from IPO and increase of receivables from more orders, however, the property, plant, and equipment was decreased from depreciation around 48 THB million and additional of assets around 13 THB million.

Liabilities

Liabilities	30-Jun-21	31-Dec-20	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	30-Jun-21
Trade and other current payables	368.3	404.2	(35.9)	(8.9%)	17.7%
Long-term borrowings from a financial institution	364.6	609.3	(244.7)	(40.2%)	17.5%
Short-term borrowings from a director	-	-	-	0.0%	0.0%
Lease liabilities	10.3	9.9	0.4	3.8%	0.5%
Other liabilities	77.3	96.4	(19.1)	(19.8%)	3.7%
Total Liabilities	820.5	1,119.8	(299.3)	(26.7%)	39.5%

NSL's total liabilities in 6M21 was decreased from the previous year mainly caused by the decrease of short-term and long-term borrowings from a financial institution was due to the payment from IPO fund and the repayment of the borrowings.

Shareholder's Equity

Shareholder's Equity	30-Jun-21	31-Dec-20	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	30-Jun-21
Issued and paid-up share capital	300.0	225.0	75.0	33.3%	14.4%
Premium on ordinary shares	797.4	0.0	797.4	N/A	38.3%
Retained earnings - Legal reserve	30.0	30.0	-	0.0%	1.4%
Retained earnings - Unappropriated	131.5	199.8	(68.3)	(34.2%)	6.3%
Total Shareholders' Equity	1,258.9	454.8	804.1	176.8%	60.5%

Shareholders' equity in 6M21 was 1,258.9 THB million, increased by 804.1 THB million or accounted for 176.8%. It resulted from IPO 872.4 THB million and the increase of retained earnings from net profit during the period 123 THB million. There was dividend payment in Q221 191.3 THB million.

Key Financial Ratios

Financial Ratio	Unit	For the fiscal year ended		
		30-Jun-21	31-Dec-20	Increase (Decrease)
Current ratio	times	2.0	0.7	1.3
Quick ratio	times	1.7	0.5	1.2
Return on Assets (ROA)	%	11.8%	9.4%	2.4%
Return on Equity (ROE)	%	23.0%	32.6%	(9.6%)
Debt to Equity ratio (D/E Ratio)	times	0.7	2.5	(1.8)
Bank Debt to EBITDA ratio (Bank Debt / EBITDA)	times	1.0	1.9	(0.9)
Debt Service Coverage ratio (Cash Basis)	times	0.4	0.6	(0.2)

Current ratio and Quick ratio

At the end of 6M21, the current ratio and quick ratio increased comparing with the same period of the previous year. NSL's current assets increased from IPO fund and sales, while current liabilities decreased since 2018 from repayment of loan.

Return on Assets (ROA)

At the end of 6M21, return on assets increased to 11.8%, mainly due to the increase of net profit from the improved efficiency of cost and expense management.

Return on Equity (ROE)

Return on equity increased from 32.6% in 31 Dec 20 to 23% in 6M21, due to equity from IPO and the increase of net profit. There was the dividend payment of 225 THB million in 2020 and 191.3 THB million in 2021.

Debt-to-Equity ratio (D/E ratio) and Bank debt to EBITDA ratio (Bank Debt / EBITDA)

NSL's debt-to-equity ratio decreased to 0.7 times in 6M21. NSL's liabilities was decreased due to the decrease of borrowings from a financial institution from IPO fund and normal repayment. Moreover, shareholders' equity in 6M21 was also increased from IPO. Bank debt to EBITDA ratio was decreased to 1.0 times in 6M21 due to the repayment of borrowings from a financial institution from IPO fund and normal repayment. The current financial covenants stated in loan agreements are 1) maintaining D/E ratio of not exceeding 3:1 times for the financial statements of 2019 onwards. 2) Bank Debt / EBITDA not exceeding 5:1 times for the financial statements of 2018 onwards. In 6M21 period, NSL can comply with the conditions stated in the agreements.

Debt service coverage ratio

The debt service coverage ratios in 6M21 was decreased to 0.4 times which were lower than 1.0 time. It resulted from the repayment of loan from a financial institution from IPO fund and dividend payment. However, NSL has never defaulted on repayment of loans and interests. In addition, NSL has cash and cash equivalents and undrawn reserve limit to support financial liquidity in 6M21, which are bank overdrafts (OD) of 30 THB million, short term loan (PN) of 160 THB million and import credit facility (LC/TR) of 8.3 THB million.