

Date 23 December 2021

Subject Management's discussion and Analysis of the Financial Statement for the third quarter ended 30 September 2021

To Managing Director of The Stock Exchange of Thailand

Enclosure Management's discussion and Analysis of the Financial Statement for the third quarter ended 30 September 2021, 1 set each of Thai and English

Nova Organic Public Company Limited ("NV") would like to submit the Company's audited Financial Statement for the third quarter ended 30 September 2021 to The Stock Exchange of Thailand.

The operation result of NV for the third quarter ended 30 September 2021 registered a net profit amounting to 74.22 million Baht. Please see further details in the Management's discussion and Analysis of the Financial Statement for the third quarter ended 30 September 2021 as attached.

Best regards,

(Mr. Navaphol Chanjuthamard)

Chief Executive Officer

Nova Organic Public Company Limited

The Management's discussion and Analysis of the Financial Statement for the third quarter ended 30 September 2021

Summary of operating performance

	9M2020	9M2021	Increase	% Increase
	thousand Baht	thousand Baht	(Decrease)	(Decrease)
Revenue from sales	1,269,352	910,136	(359,216)	(28.30)
Cost of sales	(338,399)	(346,518)	8,119	2.40
Gross profit	930,953	563,618	(367,335)	(39.46)
Other income	899	1,848	949	105.56
Selling expenses	(277,410)	(413,156)	135,746	48.93
Administrative expenses	(53,586)	(72,225)	18,639	34.78
Profit from operating activities	600,856	80,085	(520,771)	(86.67)
Finance income	410	432	22	5.37
Reversal of loss from impairment of assets	1,492	884	(608)	(40.75)
Gain (loss) from sale of assets	(424)	5,982	6,406	1,510.85
Reversal of expected credit loss	289	1,315	1,026	(355.02)
Finance costs	(333)	(889)	556	166.97
Profit before income tax	602,290	87,809	(514,481)	85.42
Tax expense	(122,648)	(13,590)	(109,058)	(88.92)
Profit for the year	479,642	74,219	(405,423)	(84.53)

Revenue structure

	9M2020		9M2021		Increase	% Increase
	Mb.	%	Mb.	%		
1. Revenue from products under the Company's trademark						
1.1 Dietary Supplement Product "DONUTT"	165.61	12.42	255.08	26.86	89.47	54.02

	9M2020		9M2021		Increase	% Increase
	Mb.	%	Mb.	%	(Decrease)	(Decrease)
Collagen products	65.16	4.89	164.54	17.33	99.38	152.52
Fiber products	76.43	5.73	77.95	8.21	1.52	1.99
Other products	24.02	1.80	12.59	1.32	(11.43)	(47.59)
1.2 Dietary Supplement Product "LIVNEST"	1,134.00	85.03	679.70	71.58	(454.30)	(40.06)
1.3 Other products	34.01	2.55	14.81	1.56	(19.20)	(56.45)
Total Revenue from products under the Company's trademark	1,333.62	100.00	949.59	100.00	(384.03)	(28.80)
<u>Less</u> Trade discount	29.20	-	29.50	-		
<u>Less</u> Estimated sales return	(2.05)	-	(19.01)	-		
<u>Less</u> Transportation fee	37.93	-	29.48	-		
Net income from products under the Company's trademark	1,268.54	-	909.62	-	(358.92)	(28.29)
2. Revenues from Original Equipment Manufacturer (OEM)	0.81	-	0.52	-	(0.29)	(35.80)
Revenues from Sale	1,269.35	-	910.14	-	(359.21)	(28.30)

The Company's total sales revenue for the nine-month period ending September 30, 2021 was 910.14 million Baht, down 359.21 million Baht or 28.30 percent from the previous year. The sales revenue for Cordyceps-containing products under the trademark "LIVNEST" had dropped significantly and reduced in the quantity of purchasing orders since February 2021, as a result of news about dietary supplement consumption and news about a lawsuit of exaggerated advertising quality of products under the brand "LIVNEST," as well as the types of marketing that are not permitted. Therefore, the Company had to delay advertising that has been planned for sales and marketing and updated its marketing approach by advertising a variety of products, including cordyceps coffee and calcium-fortified collagen dipeptide, in addition to cordyceps blended with multivitamin vitamins. As a result, LIVNEST's revenue had decreased significantly to 679.70 million Baht or accounted to 71.58 percent of the total sales, comparing to previous period that was 1,134.00 million Baht or accounted to 85.03 percent of the total sales. However, revenue under "DONUTT" and revenue proportion increased to 255.08 million Baht or accounted to 26.88 percent of the total sales from 165.61 million Baht or accounted to 12.42 percent of the total sales in the previous period.

Gross Profit

For the nine-month period ended September 30, 2021, the Company's gross profit margin decreased to 61.93%. This is because at the beginning of 2021, the Company was affected by the negative news about the consumption of dietary supplements and news of lawsuits about exaggerated advertising quality of products. Orders were being held up by customers. As a result, the Company had delayed the advertisements about products under the LIVNEST brand that were affected by the news. The percentage of LIVNEST revenue with a high profit margin and a low cost of production had declined.

During the second quarter of 2021, the Company's marketing and advertising strategy had been changed by advertising a variety of products which did not have a cost advantage in terms of production, comparing to Cordyceps-containing products. As a result, total cost of products sold went up and gross profit went down and the percentage of LIVNEST revenue with a high profit margin declined. The percentage of LIVNEST revenue was 85.030 percent for the nine-month period ending September 30, 2020, but fell to 71.58 percent for the nine-month period ending September 30, 2021. The future profit margin may vary in proportion to each product's revenue, which has different gross margins depending on competitive conditions, strategy for pricing, higher manufacturing volumes result in cost savings and trade discounts from importers of extracts in the case of purchasing raw materials in quantities specified by the seller.

Selling Expenses

Selling expenses for the nine-month period ended September 30, 2021, were 413.16 million Baht, up 135.75 million Baht or 48.93 percent, due mostly to a rise in investment of advertising and promotional costs.

Administrative Expenses

Administrative expenses for the nine-month period ended September 30, 2021 were 72.23 million Baht, increasing 18.64 million Baht or 34.78 percent due to an increase in the number of employees, office supplies, depreciation of office equipment and computers, as well as other administrative costs such as information system and computer program charges and donation.

Financial Cost

For the nine-month period ended September 30, 2021, the Company's financial cost was 0.88 million Baht, increasing 0.56 million Baht due to an increase in interest on liabilities under financial leasing contracts from the lease of office buildings and warehouses, as well as fees charged by financial institutions for transfer transaction fees and the usage of a Letter of Guarantee.

Net Profit

The Company's net profit for the nine-month period ended September 30, 2021 was 74.22 million Baht, a decrease of 405.42 million Baht or a decrease of 84.53 percent, the negative news about the consumption of dietary supplements and news of lawsuits about exaggerated advertising quality of products. The Company's marketing and advertising strategy had been changed by advertising a variety of products and not relying solely on the distribution of a single product for long term growth. The Company's production costs increased as a result of new strategy because some products have a high production cost. In addition, the quantity of raw materials purchased at the start of production is insufficient to negotiate pricing with trading partners. The Company also experienced significantly selling costs as a result of increased product awareness through television advertising. As a result, net profit for the nine-month period ended September 30, 2021 had declined significantly.

Financial Position

Unit: Thousand Baht

	31 December 2020	30 September 2021	Increase (Decrease)	% Increase (Decrease)
Total Assets	1,151,286	844,927	(306,359)	(26.61)
Total Liabilities	561,369	180,791	(380,578)	(67.79)
Shareholders' equity	589,917	664,136	74,219	12.58

Total Assets

Total assets were 844.93 million Baht as of September 30, 2021, a decrease of 306.36 million Baht due to a decrease in cash and cash equivalents as a result of tax payments and a decrease in trade accounts receivable as a result of lower product sales volume.

Total Liabilities

Total liabilities were 180.79 million Baht as of September 30, 2021, a decrease of 380.58 million Baht, due mostly to the payment of accrued income tax and decrease in trade account payable.

Shareholders' equity

As of September 30, 2021, shareholders' equity was 664.14 million Baht, increasing 74.22 million Baht due to an increase in retained earnings from operations.

Key Financial Ratios

	Unit	31 December 2020	30 September 2021
Current ratio	times	1.32	2.69
Finished Goods Turnover Ratio	times	9.87	6.60 ^{/1}
Average Finished Goods Period	days	37	55
Inventory Turnover Ratio	times	5.09	3.36 ^{/1}
Average Inventory Period	days	72	109
Gross Profit Margin	%	74.38	61.93
Net Profit Margin	%	34.86	8.14
Return on Equity	%	188.97	15.78 ^{/1}
Return on Assets	%	100.24	9.91 ^{/1}
Debt to Equity ratio	times	0.95	0.27

Remark: ^{/1} To calculate the financial ratios for the nine-month period of 2021, the calculation is adjusted annually (Prorated) for comparative purposes.

Liquidity ratio

As of September 30, 2021, the Company's current liabilities decreased from the payment of income tax. As a result, the Company's liquidity ratio increased to 2.69 times.

The Company had Average Finished Goods Period and Average Inventory Period as of September 30, 2021 were 55 days and 109 days, respectively, increasing due to the impact of negative news about dietary supplement consumption. As a result, orders and sales of products slowed down.

Profitability Ratios

For the nine-month period of 2021, the Company's profit had declined due to the impact of negative news about dietary supplement consumption and news of lawsuits about exaggerated advertising quality of products under the LIVNEST brand. Orders are being slowed by customers, resulting in a drop in revenue. The Company had delayed the advertisements for products under the LIVNEST brand that were affected by the news. Also, the Company had changed marketing and advertising strategy to advertise other products with low margin instead of LIVNEST products with a high profit, and the Company also paid in advance for advertisement

services, but the adverts were delayed and some were not focused to the targeted clients. As a result, overall sales, profit margin and Return on Equity all declined.

Operating efficiency ratio

The operating efficiency ratio for the period ended September 30, 2021 had decreased because the Company was affected by the negative news of dietary supplements and the news of unsuitable advertising lawsuits in early 2021. These affected the operating results and caused the operating efficiency ratio to decline.

Financial Policy Ratio

Debt to equity ratio for the period ended September 30, 2021 was 0.27 times decreased from the previous year because the Company had not had any credit with any financial institution.