

Date 25 February 2022

Subject Management's Discussion and Analysis of the Financial Statements for the year ended 30 December 2021.

To Managing Director of The Stock Exchange of Thailand

Enclosure Management's Discussion and Analysis of the Financial Statements for the year ended 31 December 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 year ended 31 December 2021.

The operation result of NSL for the year ended 31 December 2021 registered a net profit amounting to 191.11 THB million. Please see further details in the Management's Discussion and Analysis of the financial statements for the year ended 31 December 2021 as attached.

Best regards,

Somchai Asavapiyanond

(Mr. Somchai Asavapiyanond)

President

NSL Foods Public Company Limited

Management Discussion and Analysis for the year ended 31 December 2021

Business Overview

Summary of operating performance of 2021

Operating Performance	2021	2020	Increase (Decrease)	%Increase (Decrease)
Sales	3,038.3	2,923.2	115.1	3.9%
Other income	4.6	4.4	0.2	5.3%
Total Revenues	3,042.9	2,927.6	115.3	3.9%
Cost of sales	2,496.7	2,448.3	48.4	2.0%
Distribution costs	203.8	175.4	28.4	16.2%
Administrative expenses	93.2	88.9	4.4	4.9%
Profit from Operating Activities	249.2	215.1	34.1	15.9%
Finance costs	16.8	24.3	(7.5)	(30.8%)
Profit before income tax	232.4	190.8	41.6	21.8%
Income tax expenses	41.3	39.4	1.9	4.7%
Net Profit	191.1	151.4	39.7	26.2%

Revenue

Revenue Structure	2021		2020		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	3,038.3	99.8%	2,923.2	99.8%	115.1	3.9%
- Bakery and appetizers	2,791.2	91.7%	2,759.5	94.3%	31.7	1.1%
- Snack under NSL's brands and trading	24.9	0.8%	15.6	0.5%	9.3	59.7%
- Food Services	207.3	6.8%	132.6	4.5%	74.7	56.3%
- OEM, sales of bread wastes and others	14.9	0.5%	15.5	0.5%	(0.6)	(3.9%)
Other income	4.6	0.2%	4.4	0.2%	0.2	5.3%
Total Revenue	3,042.9	100.0%	2,927.6	100.0%	115.3	3.9%

Revenue

In 2021, NSL's revenue from sales and other income were accounted for 99.8% and 0.2% of total revenue, respectively. Revenue from sales comprises products of bakery, appetizers, products by NSL's brands and trading, food services, OEM, sales of bread waste and others.

In 2021, NSL had revenue from sales of 3,038.3 THB millions, increased from 2020 by 115.1 THB millions or accounted for the increase of 3.9%, mainly due to COVID-19 pandemic situation was the most severe in Thailand in Q321, so sales significantly decreased in Q321, however, that situation could recover in Q421 so the revenue increased when compare with 2020. Moreover, partner emphasize delivery sales and promotion continuously. The revenue from food services increased from the previous year, due to COVID-

19 pandemic situation could recover in Q421 and 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 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 2021, NSL's other income were relatively stable when compare with the previous year.

Cost of sales and Gross profit

Description	2021		2020		Increase	%Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sales	3,038.3	100.0%	2,923.2	100.0%	115.1	3.9%
Cost of sales	2,496.7	82.2%	2,448.3	83.8%	48.4	2.0%
Gross Profit	541.6	17.8%	475.0	16.2%	66.7	14.0%

In 2021, gross profit margin was improved from the same period of the previous year mainly due to 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	2021		2020		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	9.0	0.3%	3.0	0.1%	6.0	203.2%
Sales transportation expenses	142.2	4.7%	123.1	4.2%	19.1	15.5%
Salaries, wages, overtime, bonuses, and employee benefits	35.2	1.2%	30.7	1.0%	4.5	14.8%
Other distribution costs	17.4	0.6%	18.6	0.6%	(1.2)	(6.2%)
Total Distribution costs	203.8	6.7%	175.4	6.0%	28.4	16.2%

The distribution costs in 2021 increased from the same period of the previous year by 28.4 THB million. It was mainly due to the increase of sales transportation expenses from increasing of fuel price and more product delivery cycle. Moreover, promotional and advertising expenses increased from more company public relations and product advertising.

Administrative Expenses

Administrative Expenses	2021		2020		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	64.9	2.1%	55.2	1.9%	9.7	17.5%
Consulting fees and service fees	11.4	0.4%	13.7	0.5%	(2.3)	(16.8%)
Depreciation and amortization	2.7	0.1%	3.0	0.1%	(0.3)	(10.7%)
Utilities and equipment repair and transportation expenses	3.4	0.1%	3.5	0.1%	(0.1)	(3.7%)
Other administrative expenses	10.9	0.4%	13.4	0.5%	(2.6)	(19.1%)
Administrative Expenses	93.2	3.1%	88.9	3.0%	4.4	4.9%

Administrative expenses in 2021 were increased from the same period of the previous year mainly due to the expense of prevention COVID-19 such as vaccine, ATK and etc.

Finance Costs

Finance Costs	2021	2020	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	16.8	24.3	(7.5)	(30.8%)

In 2021, 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 and decreasing in interest rate during this period.

Net profit and Net profit margin

Net profit and Net profit margin	Unit	2021	2020	Increase	% Increase
				(Decrease)	(Decrease)
Net profit	MB	191.1	151.4	39.7	26.2%
Net profit margin (%)	%	6.3%	5.2%	1.1%	

In 2021, NSL had net profit of 191.1 THB million, accounted for net profit margin of 6.3% higher than the previous year. It resulted from the significant improvement of the 6M21 performance and although in Q321, COVID-19 pandemic situation was the most severe in Thailand so revenue dramatically decreased in that period, however, it could recover again in Q421 and 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	31-Dec-21	31-Dec-20	Increase	%Increase
			(Decrease)	(Decrease)
Total Assets	2,110.9	1,574.6	536.3	34.1%
Total Liabilities	858.9	1,119.8	(260.9)	(23.3%)
Total Shareholders' Equity	1,252.0	454.8	797.2	175.3%

Assets

Assets	31-Dec-21	31-Dec-20	Increase	%Increase	% Proportion
	MB	MB	(Decrease)	(Decrease)	per total assets 31-Dec-21
Cash and cash equivalents	459.3	9.9	449.4	4,523.8%	21.8%
Trade and other current receivables	496.3	413.4	82.9	20.0%	23.5%
Inventories	188.8	141.8	47.0	33.2%	8.9%
Property, plant and equipment and Right-of-use assets	925.8	983.0	(57.2)	(5.8%)	43.9%
Other assets	40.7	26.4	14.2	53.9%	1.9%
Total Assets	2,110.9	1,574.6	536.3	34.1%	100.0%

NSL's total assets in 2021 increased from the previous year, mainly due to the increase of cash and cash equivalents around 449 THB million from IPO, increased from receivables caused by more orders during 4Q21 and inventories increased from stock for sales during festival and after the COVID-19 situation improved. However, the property, plant, and equipment were decreased from depreciation around 96 THB million and additional of assets around 39 THB million.

Liabilities

Liabilities	31-Dec-21	31-Dec-20	Increase	%Increase	% Proportion
	MB	MB	(Decrease)	(Decrease)	per total assets 31-Dec-21
Trade and other current payables	453.2	404.2	49.1	12.1%	21.5%
Long-term borrowings from a financial institution	316.7	609.3	(292.6)	(48.0%)	15.0%
Lease liabilities	10.2	9.9	0.3	3.1%	0.5%
Other liabilities	78.7	96.4	(17.7)	(18.4%)	3.7%
Total Liabilities	858.9	1,119.8	(260.9)	(23.3%)	40.7%

NSL's total liabilities in 2021 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. However, trade and other current payables was increased caused by the increase of the purchase of raw materials and packaging containers per more purchase orders during Q421.

Shareholder's Equity

Shareholder's Equity	31-Dec-21	31-Dec-20	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	31-Dec-21
Issued and paid-up share capital	300.0	225.0	75.0	33.3%	14.2%
Premium on ordinary shares	797.4	0.0	797.4	N/A	37.8%
Retained earnings - Legal reserve	30.0	30.0	-	0.0%	1.4%
Retained earnings - Unappropriated	124.6	199.8	(75.1)	(37.6%)	5.9%
Total Shareholders' Equity	1,252.0	454.8	797.2	175.3%	59.3%

Shareholders' equity in 2021 was 1,252 THB million, increased by 797.2 THB million or accounted for 175.3%. It resulted from IPO 872.4 THB million and the increase of retained earnings from net profit during the period 191 THB million. There was dividend payment in 2021 266.2 THB million.

Key Financial Ratios

Financial Ratio	Unit	For the fiscal year ended		
		31-Dec-21	31-Dec-20	Increase (Decrease)
Current ratio	times	1.8	0.7	1.1
Quick ratio	times	1.5	0.5	1.0
Return on Assets (ROA)	%	10.4%	9.4%	1.0%
Return on Equity (ROE)	%	22.4%	32.6%	(10.2%)
Debt to Equity ratio (D/E Ratio)	times	0.7	2.5	(1.8)
Bank Debt to EBITDA ratio (Bank Debt / EBITDA)	times	0.9	1.9	(1.0)
Debt Service Coverage ratio (Cash Basis)	times	0.3	0.6	(0.3)

Current ratio and Quick ratio

At the end of 2021, the current ratio and quick ratio increased comparing with the same period of the previous year. NSL's current assets increased from IPO fund, while current liabilities decreased since 2018 from repayment of loan.

Return on Assets (ROA)

At the end of 2021, return on assets increased to 10.4%, mainly due to the increase of net profit from the improved efficiency of cost and expense management.

Return on Equity (ROE)

Return on equity decreased from 32.6% in 2020 to 22.4% in 2021, due to equity from IPO and the increase of net profit. There was the dividend payment of 225 THB million in 2020 and 266.2 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 2021. 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 2021 was also increased from IPO. Bank debt to EBITDA ratio was decreased to 0.9 times in 2021 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 2021 period, NSL can comply with the conditions stated in the agreements.

Debt service coverage ratio

The debt service coverage ratios in 2021 was decreased to 0.3 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 9M21, which are bank overdrafts (OD) of 30 THB million, short term loan (PN) of 210 THB million and import credit facility (LC/TR) of 51.3 THB million.