

Date 13 May 2022

Subject Management's Discussion and Analysis of the Financial Statements for the first quarter ended 31 March 2022.

To Managing Director of The Stock Exchange of Thailand

Enclosure Management's Discussion and Analysis of the Financial Statements for the first quarter ended 31 March 2022, both Thai and English, 1 set for each

NSL Foods Public Company Limited ("NSL") would like to submit the Company's reviewed financial statements for the first quarter ended 31 March 2022.

The operation result of NSL for the first quarter ended 31 March 2022 registered a net profit amounting to 66.6 THB million. Please see further details in the Management's Discussion and Analysis of the financial statements for the first quarter ended 31 March 2022 as attached.

Best regards,

Somchai Asavapiyanond

(Mr. Somchai Asavapiyanond)

President

NSL Foods Public Company Limited

Management Discussion and Analysis for the first quarter ended 31 March 2022

Summary of operating performance in the first quarter of 2022 (“3M22”)

Operating Performance	3M22	3M21	Increase (Decrease)	%Increase (Decrease)
Sales	931.7	763.0	168.7	22.1%
Other income	1.4	0.9	0.5	54.7%
Total Revenues	933.0	763.8	169.2	22.1%
Cost of sales	760.5	620.5	140.0	22.6%
Distribution costs	62.2	44.1	18.1	41.0%
Administrative expenses	24.7	22.5	2.3	10.1%
Profit from Operating Activities	85.5	76.7	8.8	11.5%
Finance costs	2.4	6.4	(3.9)	(61.6%)
Profit before income tax	83.1	70.4	12.7	18.1%
Income tax expenses	16.5	14.2	2.2	15.8%
Net Profit	66.6	56.1	10.5	18.7%

Revenue

Revenue Structure	3M22		3M21		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	931.7	99.9%	763.0	99.9%	168.7	22.1%
- Bakery and appetizers	846.5	90.7%	712.5	93.3%	134.0	18.8%
- Snack under NSL's brands and trading	4.6	0.5%	5.0	0.7%	(0.3)	(6.6%)
- Food Services	72.4	7.8%	41.9	5.5%	30.5	72.8%
- OEM, sales of bread wastes and others	8.1	0.9%	3.6	0.5%	4.5	123.7%
Other income	1.4	0.1%	0.9	0.1%	0.5	54.7%
Total Revenue	933.0	100.0%	763.8	100.0%	169.2	22.1%

Revenue

In 3M22, 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 and trading, food services, OEM, sales of bread waste and others.

In 3M22 period, NSL had revenue from sales of 931.7 THB millions, increased from 3M21 by 168.7 THB millions or accounted for the increase of 22.1%, mainly due to COVID-19 pandemic situation could recover and more relax since Q421 until 3M22 and partner emphasize delivery sales and promotion continuously in the result of sales increasing while in 3M21, the COVID-19 pandemic situation was still on going and affected. Moreover, the revenue from food services increased in 3M22 from the same period of the previous year, due to COVID-19 pandemic situation could recover and more relax.

Other income

In 3M2022, NSL's other income 1.4 THB million similar amount to 3M21.

Cost of sales and Gross profit

Description	3M22		3M21		Increase	%Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sales	931.7	100.0%	763.0	100.0%	168.7	22.1%
Cost of sales	760.5	81.6%	620.5	81.3%	140.0	22.6%
Gross Profit	171.1	18.4%	142.5	18.7%	28.7	20.1%

In 3M22, gross profit margin was slightly decreased from the same period of the previous year mainly due to raw material cost decreased, however, NSL has adjusted price of some products thus they are partially offsetting the increase in raw material costs.

Distribution Costs

Distribution Costs	3M22		3M21		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	0.3	0.0%	0.5	0.1%	(0.3)	(50.2%)
Sales transportation expenses	45.7	4.9%	33.0	4.3%	12.7	38.5%
Salaries, wages, overtime, bonuses, and employee benefits	11.7	1.3%	7.7	1.0%	4.0	51.0%
Other distribution costs	4.6	0.5%	2.9	0.4%	1.7	59.0%
Total Distribution costs	62.2	6.7%	44.1	5.8%	18.1	41.0%

The distribution costs in 3M22 increased from the same period of the previous year by 18.1 THB million. It was mainly due to the increase of sales transportation expenses from increasing of fuel price and more product delivery cycle. Moreover, Salaries, wages, overtime, bonuses, and employee benefits increased from increasing in personnel in sales and marketing department.

Administrative Expenses

Administrative Expenses	3M22		3M21		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	16.3	1.7%	15.3	2.0%	1.1	6.9%
Consulting fees and service fees	4.2	0.4%	2.4	0.3%	1.8	75.0%
Depreciation and amortization	0.7	0.1%	0.8	0.1%	(0.1)	(10.9%)
Utilities and equipment repair and transportation expenses	1.0	0.1%	0.8	0.1%	0.2	30.4%
Other administrative expenses	2.6	0.3%	3.3	0.4%	(0.7)	(22.0%)
Administrative Expenses	24.7	2.7%	22.5	2.9%	2.3	10.1%

Administrative expenses in 3M22 were increased from the same period of the previous year mainly due to the expense of prevention COVID-19 such as ATK etc. and service fee from staff recruitment.

Finance Costs

Finance Costs	3M22	3M21	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	2.4	6.4	(3.9)	(61.6%)

In 3M22, 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 by 350 THB million in May 2021 and decreasing in interest rate since mid of 2021.

Net profit and Net profit margin

Net profit and Net profit margin	Unit	3M22	3M21	Increase (Decrease)	% Increase (Decrease)
Net profit	MB	66.6	56.1	10.5	18.7%
Net profit margin (%)	%	7.1%	7.3%	(0.2%)	

In 3M22, NSL had net profit of 66.6 THB million higher than the same period of the previous year by 10.5 THB million, however, 3M22 net profit margin is 7.1% lower than the same period of the previous year by 0.2%. It resulted from increasing in revenue from recovery of COVID-19 situation, however, raw material cost and fuel cost increased so net profit margin decreased when compare with the same period of the previous year.

Financial Position

Financial Position	31-Mar-22	31-Dec-21	Increase (Decrease)	%Increase (Decrease)
Total Assets	2,174.2	2,110.9	63.3	3.0%
Total Liabilities	855.6	858.9	(3.3)	(0.4%)
Total Shareholders' Equity	1,318.6	1,252.0	66.6	5.3%

Assets

Assets	31-Mar-22	31-Dec-21	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	31-Mar-22
Cash and cash equivalents	203.8	459.3	(255.5)	(55.6%)	9.4%
Trade and other current receivables	503.3	496.3	7.0	1.4%	23.1%
Inventories	190.1	188.8	1.3	0.7%	8.7%
Property, plant and equipment and Right-of-use assets	926.8	925.8	1.0	0.1%	42.6%
Other assets	350.3	40.7	309.6	761.7%	16.1%
Total Assets	2,174.2	2,110.9	63.3	3.0%	100.0%

NSL's total assets in 3M22 increased from the previous year, mainly due to the increase of other assets from investing in fixed deposit and mutual fund so cash and cash equivalents decreased but a smaller amount because cash receipts from higher sales in 3M22.

Liabilities

Liabilities	31-Mar-22	31-Dec-21	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	31-Mar-22
Trade and other current payables	450.1	453.2	(3.1)	(0.7%)	20.7%
Long-term borrowings from a financial institution	293.4	316.7	(23.3)	(7.4%)	13.5%
Lease liabilities	12.1	10.2	1.9	18.7%	0.6%
Other liabilities	99.9	78.7	21.3	27.0%	4.6%
Total Liabilities	855.6	858.9	(3.3)	(0.4%)	39.4%

NSL's total liabilities in 3M22 was slightly 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 repayment of the borrowings. However, income tax payable increased by 18.5 THB million from 3M22 profit.

Shareholder's Equity

Shareholder's Equity	31-Mar-22	31-Dec-21	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	31-Mar-22
Issued and paid-up share capital	300.0	300.0	-	0.0%	13.8%
Premium on ordinary shares	797.4	797.4	-	0.0%	36.7%
Retained earnings - Legal reserve	30.0	30.0	-	0.0%	1.4%
Retained earnings - Unappropriated	191.2	124.6	66.6	53.4%	8.8%
Total Shareholders' Equity	1,318.6	1,252.0	66.6	5.3%	60.6%

Shareholders' equity in 3M22 was 1,318.6 THB million, increased by 66.6 THB million or accounted for 5.3%. It resulted from the increase of retained earnings from net profit during the period.

Key Financial Ratios

Financial Ratio	Unit	For the fiscal period ended		
		3M22	3M21	Increase (Decrease)
Current ratio	times	1.9	0.8	1.1
Quick ratio	times	1.1	0.6	0.5
Return on Assets (ROA)	%	10.9%	11.2%	(0.3%)
Return on Equity (ROE)	%	22.0%	32.8%	(10.8%)
Debt to Equity ratio (D/E Ratio)	times	0.6	2.0	(1.4)
Bank Debt to EBITDA ratio (Bank Debt / EBITDA)	times	0.8	1.7	(0.9)
Debt Service Coverage ratio (Cash Basis)	times	0.3	0.6	(0.3)

Current ratio and Quick ratio

At the end of 3M22, 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 from repayment of loan.

Return on Assets (ROA)

At the end of 3M22, return on assets was stable comparing with the same period of the previous year even if net profit increased but assets also increased.

Return on Equity (ROE)

Return on equity decreased from 32.8% in 3M21 to 22.0% in 3M22, due to equity from IPO in Q221 and the increase of net profit. There was the dividend payment of 266.2 THB million in 2021 and 225 THB million in 2020.

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

NSL's debt-to-equity ratio decreased to 0.6 times in 3M22. 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 0.8 times in 3M22 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 3M22 period, NSL can comply with the conditions stated in the agreements.

Debt service coverage ratio

The debt service coverage ratios in 3M22 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, dividend payment and investing in temporary investments. 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 3M22, which are bank overdrafts (OD) of 30 THB million, short term loan (PN) of 210 THB million and import credit facility (LC/TR) of 107.7 THB million.