

Date 9 August 2022

Subject Management's Discussion and Analysis of the Financial Statements for the second quarter ended 30 June 2022.

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 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 second quarter ended 30 June 2022.

The operation result of NSL for the quarter and the six-month period ended 30 June 2022 registered a net profit amounting to 80.79 THB million and 147.38 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 2022 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 2022

Summary of operating performance in the second quarter of 2022 (“Q222”)

Operating Performance	Q222	Q221	Increase (Decrease)	%Increase (Decrease)
Sales	988.3	798.5	189.8	23.8%
Other income	2.2	1.1	1.1	103.2%
Total Revenues	990.5	799.5	190.9	23.9%
Cost of sales	798.6	645.5	153.2	23.7%
Distribution costs	62.5	50.4	12.2	24.2%
Administrative expenses	25.5	22.1	3.4	15.5%
Profit from Operating Activities	103.8	81.6	22.2	27.2%
Finance costs	2.5	5.0	(2.5)	(49.3%)
Profit before income tax	101.2	76.6	24.6	32.2%
Income tax expenses	20.4	9.7	10.8	110.9%
Net Profit	80.8	66.9	13.9	20.8%

Summary of operating performance in the six-month period of 2022 (“6M22”)

Operating Performance	6M22	6M21	Increase (Decrease)	%Increase (Decrease)
Sales	1,919.9	1,561.4	358.5	23.0%
Other income	3.6	1.8	1.7	92.8%
Total Revenues	1,923.5	1,563.3	360.2	23.0%
Cost of sales	1,559.2	1,266.0	293.2	23.2%
Distribution costs	124.8	94.5	30.3	32.0%
Administrative expenses	50.3	44.5	5.8	13.1%
Profit from Operating Activities	189.3	158.3	31.0	19.6%
Finance costs	5.0	11.4	(6.4)	(56.2%)
Profit before income tax	184.3	146.9	37.4	25.4%
Income tax expenses	36.9	23.9	13.0	54.3%
Net Profit	147.4	123.0	24.4	19.8%

Revenue

Revenue Structure	Q222		Q221		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	988.3	99.8%	798.5	99.9%	189.8	23.8%
- Bakery and appetizers	898.0	90.7%	749.9	93.8%	148.1	19.7%
- Snack under NSL's brands and trading	9.2	0.9%	5.0	0.6%	4.2	83.7%
- Food Services	72.9	7.4%	39.9	5.0%	33.0	82.8%
- OEM, sales of bread wastes and others	8.3	0.8%	3.7	0.5%	4.6	124.7%
Other income	2.2	0.2%	1.1	0.1%	1.1	103.2%
Total Revenue	990.5	100.0%	799.5	100.0%	190.9	23.9%

Revenue Structure	6M22		6M21		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	1,919.9	99.8%	1,561.4	99.9%	358.5	23.0%
- Bakery and appetizers	1,744.5	90.7%	1,462.4	93.5%	282.1	19.3%
- Snack under NSL's brands and trading	13.8	0.7%	10.0	0.6%	3.8	38.6%
- Food Services	145.2	7.6%	81.8	5.2%	63.5	77.7%
- OEM, sales of bread wastes and others	16.4	0.9%	7.3	0.5%	9.1	124.2%
Other income	3.6	0.2%	1.8	0.1%	1.7	92.8%
Total Revenue	1,923.5	100.0%	1,563.3	100.0%	360.2	23.0%

Revenue

In Q222 and 6M22, 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, snacks by NSL's brands and trading, food services, OEM, sales of bread waste and others.

In Q222 period, NSL had revenue from sales of 988.3 THB millions, increased from Q221 by 189.8 THB millions or accounted for the increase of 23.8% and in 6M22 period, NSL had revenue from sales of 1,919.9 THB millions, increased from 6M21 by 358.5 THB millions or accounted for the increase of 23.0%, mainly due to COVID-19 pandemic situation could recover and more relax since Q421 until 6M22 and partner emphasize delivery sales and promotion continuously in the result of sales increasing while in 6M21, the COVID-19 pandemic situation was still on going and affected. Moreover, the revenue from food services increased in 6M22 from the same period of the previous year, due to COVID-19 pandemic situation could recover and more relax.

Other income

In Q222 period, NSL's other income increased from Q221 by 1.1 THB million and in 6M22 period, NSL's other income increased from 6M21 by 1.7 THB million from the support of marketing expenses to boost sales.

Cost of sales and Gross profit

Description	Q222		Q221		Increase	%Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sales	988.3	100.0%	798.5	100.0%	189.8	23.8%
Cost of sales	798.6	80.8%	645.5	80.8%	153.2	23.7%
Gross Profit	189.6	19.2%	153.0	19.2%	36.7	24.0%

Description	6M22		6M21		Increase	%Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sales	1,919.9	100.0%	1,561.4	100.0%	358.5	23.0%
Cost of sales	1,559.2	81.2%	1,266.0	81.1%	293.2	23.2%
Gross Profit	360.8	18.8%	295.4	18.9%	65.4	22.1%

In Q222 and 6M22, 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	Q222		Q221		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	1.5	0.2%	0.5	0.1%	1.0	175.7%
Sales transportation expenses	46.1	4.7%	38.0	4.7%	8.2	21.6%
Salaries, wages, overtime, bonuses, and employee benefits	11.8	1.2%	8.7	1.1%	3.2	36.5%
Other distribution costs	3.1	0.3%	3.2	0.4%	(0.1)	(4.1%)
Total Distribution costs	62.5	6.3%	50.4	6.3%	12.2	24.2%

Distribution Costs	6M22		6M21		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	1.8	0.1%	1.1	0.1%	0.7	65.3%
Sales transportation expenses	91.8	4.8%	70.9	4.5%	20.9	29.5%
Salaries, wages, overtime, bonuses, and employee benefits	23.5	1.2%	16.4	1.1%	7.1	43.4%
Other distribution costs	7.7	0.4%	6.1	0.4%	1.6	25.8%
Total Distribution costs	124.8	6.5%	94.5	6.0%	30.3	32.0%

The distribution costs in Q222 and 6M22 increased from the same period of the previous year by 12.2 THB million and 30.3 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	Q222		Q221		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	16.4	1.7%	15.6	1.9%	0.8	5.1%
Consulting fees and service fees	2.9	0.3%	2.6	0.3%	0.3	10.2%
Depreciation and amortization	0.9	0.1%	0.6	0.1%	0.2	39.2%
Utilities and equipment repair	0.8	0.1%	0.9	0.1%	(0.1)	(8.9%)
Other administrative expenses	4.6	0.5%	2.4	0.3%	2.2	91.0%
Administrative Expenses	25.5	2.6%	22.1	2.8%	3.4	15.5%

Administrative Expenses	6M22		6M21		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	32.7	1.7%	30.8	2.0%	1.8	6.0%
Consulting fees and service fees	7.0	0.4%	5.0	0.3%	2.1	41.3%
Depreciation and amortization	1.5	0.1%	1.4	0.1%	0.2	11.5%
Utilities and equipment repair	1.8	0.1%	1.7	0.1%	0.2	9.1%
Other administrative expenses	7.2	0.4%	5.6	0.4%	1.6	28.4%
Administrative Expenses	50.3	2.6%	44.5	2.8%	5.8	13.1%

Administrative expenses in Q222 and 6M22 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	Q222	Q221	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	2.5	5.0	(2.5)	(49.3%)

Finance Costs	6M22	6M21	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	5.0	11.4	(6.4)	(56.2%)

In Q222 and 6M22, 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	Q222	Q221	Increase (Decrease)	% Increase (Decrease)
Net profit	MB	80.8	66.9	13.9	20.8%
Net profit margin (%)	%	8.2%	8.4%	(0.2%)	

Net profit and Net profit margin	Unit	6M22	6M21	Increase (Decrease)	% Increase (Decrease)
Net profit	MB	147.4	123.0	24.4	19.8%
Net profit margin (%)	%	7.7%	7.9%	(0.2%)	

In Q222 and 6M22, NSL had net profit of 80.8 THB million and 147.4 THB million, respectively, higher than the same period of the previous year by 13.9 THB million and 24.4 THB million, respectively, however, net profit margin is lower than the same periods 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	30-Jun-22	31-Dec-21	Increase (Decrease)	%Increase (Decrease)
Total Assets	2,200.2	2,110.9	89.3	4.2%
Total Liabilities	875.8	858.9	17.0	2.0%
Total Shareholders' Equity	1,324.4	1,252.0	72.4	5.8%

Assets

Assets	30-Jun-22	31-Dec-21	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	30-Jun-22
Cash and cash equivalents	153.1	459.3	(306.2)	(66.7%)	7.0%
Trade and other current receivables	545.0	496.3	48.7	9.8%	24.8%
Inventories	221.5	188.8	32.6	17.3%	10.1%
Property, plant and equipment and Right-of-use assets	930.3	925.8	4.5	0.5%	42.3%
Other assets	350.4	40.7	309.8	762.0%	15.9%
Total Assets	2,200.2	2,110.9	89.3	4.2%	100.0%

NSL's total assets in 6M22 increased from the previous year, mainly due to the increase of Trade and other current receivables and inventories based on sales growth. Moreover, other assets increase, and Cash and cash equivalents decrease from investing in fixed deposit and mutual fund by 300 THB million.

Liabilities

Liabilities	30-Jun-22	31-Dec-21	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	30-Jun-22
Trade and other current payables	469.3	453.2	16.1	3.5%	21.3%
Borrowings from a financial institution	293.5	316.7	(23.3)	(7.3%)	13.3%
Lease liabilities	12.7	10.2	2.5	24.2%	0.6%
Other liabilities	100.4	78.7	21.7	27.6%	4.6%
Total Liabilities	875.8	858.9	17.0	2.0%	39.8%

NSL's total liabilities in 6M22 was increased from the previous year mainly caused by the increase of Trade and other current payables by 16.1 THB million based on purchasing increase and increase of income tax payable by 18 THB million from 6M22 profit while income tax payable last year was paid in this year. However, borrowings from a financial institution decrease due to the repayment of the borrowings.

Shareholder's Equity

Shareholder's Equity	30-Jun-22	31-Dec-21	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	30-Jun-22
Issued and paid-up share capital	300.0	300.0	-	0.0%	13.6%
Premium on ordinary shares	797.4	797.4	-	0.0%	36.2%
Retained earnings - Legal reserve	30.0	30.0	-	0.0%	1.4%
Retained earnings - Unappropriated	197.0	124.6	72.4	58.1%	9.0%
Total Shareholders' Equity	1,324.4	1,252.0	72.4	5.8%	60.2%

Shareholders' equity in 6M22 was 1,324.4 THB million, increased by 72.4 THB million or accounted for 5.8%. It resulted from the increase of retained earnings from net profit during the period by 147.4 THB million. There was dividend payment in Q222 by 75 THB million

Key Financial Ratios

Financial Ratio	Unit	For the fiscal period ended		
		30-Jun-22	31-Dec-21	Increase (Decrease)
Current ratio	times	1.8	1.8	(0.1)
Quick ratio	times	1.0	1.5	(0.5)
Return on Assets (ROA)	%	10.1%	10.4%	(0.3%)
Return on Equity (ROE)	%	16.7%	22.4%	(5.7%)
Debt to Equity ratio (D/E Ratio)	times	0.7	0.7	(0.0)
Bank Debt to EBITDA ratio (Bank Debt / EBITDA)	times	0.8	0.9	(0.1)
Debt Service Coverage ratio (Cash Basis)	times	0.4	0.3	0.1

Current ratio and Quick ratio

At the end of 6M22, the current ratio was stable comparing with the previous year while the quick ratio decreased comparing with the previous year from investing in fixed deposit and mutual fund.

Return on Assets (ROA)

At the end of 6M22, return on assets was stable comparing with the previous year even if net profit increased but assets also increased.

Return on Equity (ROE)

Return on equity decreased from 22.4% in year 2021 to 16.7% in 6M22, due to equity from IPO in Q221 and the increase of net profit. There was the dividend payment of 75 THB million in 2022 and 266.2 THB million in 2021.

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

At the end of 6M22, debt-to-equity ratio (D/E ratio) and bank debt to EBITDA ratio (Bank Debt / EBITDA) was stable comparing with the previous year.

Debt service coverage ratio

The debt service coverage ratios in 6M22 was 0.4 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 6M22, which are bank overdrafts (OD) of 30 THB million, short term loan (PN) of 210 THB million and import credit facility (LC/TR) of 82.56 THB million.