

Date 9 May 2023

Subject Management's Discussion and Analysis of the Financial Statements for the first quarter ended 31 March 2023.

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 2023, 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 2023.

The operation result of NSL for the first quarter ended 31 March 2023 registered a net profit from Financial statements in which the equity method is applied and separate financial statements amounting to 75.34 THB million and 76.06 THB million. Please see further details in the Management's Discussion and Analysis of the financial statements for the first quarter ended 31 March 2023 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 2023

#### Summary of operating performance in the first quarter of 2023 (“3M23”)

Operating Performance	Financial statements in which the equity method is applied	Separate financial statements			
	3M23	3M23	3M22	Increase (Decrease)	%Increase (Decrease)
Sales	1,095.3	1,095.3	931.7	163.6	17.6%
Other income	2.1	2.1	1.4	0.8	56.7%
<b>Total Revenues</b>	<b>1,097.5</b>	<b>1,097.5</b>	<b>933.0</b>	<b>164.4</b>	<b>17.6%</b>
Cost of sales	891.8	891.8	760.5	131.2	17.3%
Distribution costs	79.5	79.5	62.2	17.3	27.8%
Administrative expenses	27.8	27.8	24.7	3.1	12.5%
<b>Profit from Operating Activities</b>	<b>98.4</b>	<b>98.4</b>	<b>85.5</b>	<b>12.8</b>	<b>15.0%</b>
Finance costs	3.0	3.0	2.4	0.5	22.2%
Share of loss of joint venture accounted for using equity method	0.7	-	-	-	-
<b>Profit before income tax</b>	<b>94.7</b>	<b>95.4</b>	<b>83.1</b>	<b>12.3</b>	<b>14.8%</b>
Income tax expenses	19.3	19.3	16.5	2.8	17.1%
<b>Net Profit</b>	<b>75.3</b>	<b>76.1</b>	<b>66.6</b>	<b>9.5</b>	<b>14.2%</b>

#### Revenue

Revenue Structure	3M23		3M22		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	1,095.3	99.8%	931.7	99.9%	163.6	17.6%
- Bakery and appetizers	1,003.5	91.4%	846.5	90.7%	157.0	18.5%
- Snack under NSL's brands and trading	9.9	0.9%	4.6	0.5%	5.3	113.8%
- Food Services	68.0	6.2%	72.4	7.8%	(4.4)	(6.1%)
- OEM and others	13.9	1.3%	8.1	0.9%	5.8	71.0%
Other income	2.1	0.2%	1.4	0.1%	0.8	56.7%
<b>Total Revenue</b>	<b>1,097.5</b>	<b>100.0%</b>	<b>933.0</b>	<b>100.0%</b>	<b>164.4</b>	<b>17.6%</b>

#### Revenue

In 3M23, 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 and others.

In 3M23 period, NSL had revenue from sales of 1,095.3 THB millions, increased from 3M22 by 164.4 THB millions or accounted for the increase of 17.6%, mainly due to COVID-19 pandemic situation could recover and more relax and NSL has regularly new products and partner emphasize delivery sales and promotion continuously in the result of sales increasing while in 3M22, the COVID-19 pandemic situation was still on going and affected.

### Other income

In 3M2023, NSL's other income increased from 2022 by 0.8 THB million, from gain on exchange rate.

### Cost of sales and Gross profit

Description	3M23		3M22		Increase	%Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sales	1,095.3	100.0%	931.7	100.0%	163.6	17.6%
Cost of sales	891.8	81.4%	760.5	81.6%	131.2	17.3%
Gross Profit	203.5	18.6%	171.1	18.4%	32.4	18.9%

In 3M23, gross profit margin was slightly increased from the same period of the previous year mainly due to raw material cost and utilities cost increased, however, NSL has adjusted price of some products thus they are partially offsetting the increase in costs.

### Distribution Costs

Distribution Costs	3M23		3M22		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	2.2	0.2%	0.3	0.0%	2.0	761.3%
Sales transportation expenses	55.6	5.1%	45.7	4.9%	9.9	21.7%
Salaries, wages, overtime, bonuses, and employee benefits	13.8	1.3%	11.7	1.3%	2.1	17.6%
Other distribution costs	7.9	0.7%	4.6	0.5%	3.3	72.7%
<b>Total Distribution costs</b>	<b>79.5</b>	<b>7.2%</b>	<b>62.2</b>	<b>6.7%</b>	<b>17.3</b>	<b>27.8%</b>

The distribution costs in 3M23 increased from the same period of the previous year by 17.3 THB million. It was mainly due to the increase of sales transportation expenses from increasing of fuel price and more product delivery cycle. Promotional and advertising expenses increased from product promoting. Moreover, Salaries, wages, overtime, bonuses, and employee benefits increased from increasing in personnel in sales and marketing department.

### Administrative Expenses

Administrative Expenses	3M23		3M22		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	18.4	1.7%	16.3	1.7%	2.1	12.9%
Consulting fees and service fees	3.9	0.4%	4.2	0.4%	(0.3)	(6.0%)
Depreciation and amortization	1.3	0.1%	0.7	0.1%	0.6	93.1%
Utilities and equipment repair and transportation expenses	1.1	0.1%	1.0	0.1%	0.1	14.9%
Other administrative expenses	3.1	0.3%	2.6	0.3%	0.5	18.1%
<b>Administrative Expenses</b>	<b>27.8</b>	<b>2.5%</b>	<b>24.7</b>	<b>2.7%</b>	<b>3.1</b>	<b>12.5%</b>

Administrative expenses in 3M23 were increased from the same period of the previous year mainly due to salaries, wages, overtime, bonuses, and employee benefits increased from increasing in personnel in administration and management department.

### Finance Costs

Finance Costs	3M23	3M22	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	3.0	2.4	0.5	22.2%

In 3M23, Finance costs had increased when compare with the same period of the previous year, caused by increasing in interest rate.

### Net profit and Net profit margin

Net profit and Net profit margin	Unit	3M23	3M22	Increase (Decrease)	% Increase (Decrease)
<b>Financial statements in which the equity method is applied</b>					
Net profit	MB	75.3	-	-	-
Net profit margin (%)	%	6.9%	-	-	
<b>Separate financial statements</b>					
Net profit	MB	76.1	66.6	9.5	14.2%
Net profit margin (%)	%	6.9%	7.1%	(0.2%)	

In 3M23, NSL had net profit from separate financial statements of 76.1 THB million higher than the same period of the previous year by 9.5 THB million, however, 3M23 net profit margin is 6.9% 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, utilities cost and fuel cost increased so net profit margin decreased when compare with the same period of the previous year.

Moreover, in 3M23 NSL invested in Pen 1 F & B Co., Ltd. amounting to 5 THB million and had share of loss of joint venture accounted for using equity method amounting to 0.72 THB million from operating expense so remaining net profit from financial statements in which the equity method is applied was 75.3 THB million.

## Financial Position

Financial Position	Financial statements in which the equity method is applied	Separate financial statements			
	31-Mar-23 MB	31-Mar-23 MB	31-Dec-22 MB	Increase (Decrease)	%Increase (Decrease)
Total Assets	2,327.4	2,328.1	2,289.7	38.4	1.7%
Total Liabilities	845.9	845.9	883.6	(37.6)	(4.3%)
Total Shareholders' Equity	1,481.4	1,482.1	1,406.1	76.1	5.4%

## Assets

Assets	Financial statements in which the equity method is applied	Separate financial statements				
	31-Mar-23	31-Mar-23	31-Dec-22	Increase	%Increase	% Proportion per total assets
	MB	MB	MB	(Decrease)	(Decrease)	31-Mar-23
Cash and cash equivalents	128.0	128.0	115.1	12.9	11.2%	5.5%
Trade and other current receivables	594.4	594.4	595.4	(1.0)	(0.2%)	25.5%
Inventories	262.9	262.9	267.1	(4.2)	(1.6%)	11.3%
Investment in a joint venture	4.3	5.0	0.0	5.0	100%	0.2%
Property, plant and equipment and Right-of-use assets	968.6	968.6	969.7	(1.1)	(0.1%)	41.6%
Other assets	369.1	369.1	342.3	26.9	7.8%	15.9%
<b>Total Assets</b>	<b>2,327.4</b>	<b>2,328.1</b>	<b>2,289.7</b>	<b>38.4</b>	<b>1.7%</b>	<b>100.0%</b>

NSL's total assets in 3M23 increased from the previous year, mainly due to the increase of other assets from the collateral for the auction by 23.9 THB million which was returned in April 2023.

Moreover, in 3M23 NSL invested in Pen 1 F & B Co., Ltd. amounting to 5 THB million and had share of loss of joint venture accounted for using equity method amounting to 0.72 THB million from operating expense so remaining investment in a joint venture from financial statements in which the equity method is applied was 4.3 THB million.

## Liabilities

Liabilities	Financial statements in which the equity method is applied	Separate financial statements				
	31-Mar-23	31-Mar-23	31-Dec-22	Increase	%Increase	% Proportion per total assets
	MB	MB	MB	(Decrease)	(Decrease)	31-Mar-23
Trade and other current payables	535.7	535.7	559.5	(23.8)	(4.3%)	23.0%
Long-term borrowings from a financial institution	200.5	200.5	234.3	(33.8)	(14.4%)	8.6%
Lease liabilities	11.3	11.3	12.7	(1.4)	(10.9%)	0.5%
Other liabilities	98.4	98.4	77.1	21.4	27.7%	4.2%
<b>Total Liabilities</b>	<b>845.9</b>	<b>845.9</b>	<b>883.6</b>	<b>(37.6)</b>	<b>(4.3%)</b>	<b>36.3%</b>

NSL's total liabilities in 3M23 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 and decreased from trade and other current payables. However, income tax payable increased by 19.7 THB million from 3M23 profit.

## Shareholder's Equity

Shareholder's Equity	Financial statements in which the equity method is applied	Separate financial statements				
	31-Mar-23	31-Mar-23	31-Dec-22	Increase	%Increase	% Proportion per total assets
	MB	MB	MB	(Decrease)	(Decrease)	31-Mar-23
Issued and paid-up share capital	300.0	300.0	300.0	-	0.0%	12.9%
Premium on ordinary shares	797.4	797.4	797.4	-	0.0%	34.3%
Retained earnings - Legal reserve	30.0	30.0	30.0	-	0.0%	1.3%
Retained earnings - Unappropriated	354.1	354.8	278.7	76.1	27.3%	15.2%
<b>Total Shareholders' Equity</b>	<b>1,481.4</b>	<b>1,482.1</b>	<b>1,406.1</b>	<b>76.1</b>	<b>5.4%</b>	<b>63.7%</b>

Shareholders' equity in 3M23 was 1,482.1 THB million, increased by 76.1 THB million or accounted for 5.4%. 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		
		3M23	3M22	Increase (Decrease)
Current ratio	times	1.7	1.9	(0.1)
Quick ratio	times	0.9	1.1	(0.1)
Return on Assets (ROA)	%	17.5%	13.9%	3.6%
Return on Equity (ROE)	%	21.9%	22.0%	(0.1%)
Debt to Equity ratio (D/E Ratio)	times	0.6	0.6	(0.1)
Bank Debt to EBITDA ratio (Bank Debt / EBITDA)	times	0.4	0.8	(0.4)
Debt Service Coverage ratio (Cash Basis)	times	0.8	0.3	0.5

### **Current ratio and Quick ratio**

At the end of 3M23, the current ratio and quick ratio slightly decreased.

### **Return on Assets (ROA)**

At the end of 3M23, return on assets increased to 17.5%, mainly due to the increase of net profit.

### **Return on Equity (ROE)**

Return on equity at the end of 3M23 were relatively stable when compare with the previous year.

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

At the end of 3M23, debt-to-equity ratio (D/E ratio) and bank debt to EBITDA ratio (Bank Debt / EBITDA) decreased comparing with the previous year from the repayment of the borrowings.

### **Debt service coverage ratio**

The debt service coverage ratios in 3M23 was 0.8 times which were lower than 1.0 time. It resulted from the repayment of loan from a financial institution 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 3M23, which are bank overdrafts (OD) of 30 THB million, short term loan (PN) of 210 THB million and import credit facility (LC/TR) of 199.72 THB million.