

Date 9 August 2023

Subject Management's Discussion and Analysis of the Financial Statements for the second quarter ended 30 June 2023.

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 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 second quarter ended 30 June 2023.

The operation result of NSL for the quarter and the six-month period ended 30 June 2023 registered a net profit from Financial statements in which the equity method is applied amounting to 82.56 THB million and 157.90 THB million, respectively and a net profit from separate financial statements amounting to 84.33 THB million and 160.38 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 2023 as attached.

(Mr. Somchai Asavapiyanond)

President

NSL Foods Public Company Limited

Management Discussion and Analysis for the second quarter ended 30 June 2023

**Summary of operating performance in the second quarter of 2023 (“Q223”)**

Operating Performance	Financial statements in which the equity method is applied	Separate financial statements			
	Q223	Q223	Q222	Increase (Decrease)	%Increase (Decrease)
Sales	1,163.4	1,163.4	988.3	175.1	17.7%
Other income	2.9	2.9	2.2	0.7	33.6%
<b>Total Revenues</b>	<b>1,166.3</b>	<b>1,166.3</b>	<b>990.5</b>	<b>175.8</b>	<b>17.8%</b>
Cost of sales	949.1	949.1	798.6	150.4	18.8%
Distribution costs	80.6	80.6	62.5	18.1	28.9%
Administrative expenses	28.2	28.2	25.5	2.7	10.6%
<b>Profit from Operating Activities</b>	<b>108.4</b>	<b>108.4</b>	<b>103.8</b>	<b>4.6</b>	<b>4.5%</b>
Finance costs	2.7	2.7	2.5	0.1	5.3%
Share of loss of joint venture accounted for using equity method	1.8	-	-	-	-
<b>Profit before income tax</b>	<b>104.0</b>	<b>105.7</b>	<b>101.2</b>	<b>4.5</b>	<b>4.4%</b>
Income tax expenses	21.4	21.4	20.4	1.0	4.7%
<b>Net Profit</b>	<b>82.6</b>	<b>84.3</b>	<b>80.8</b>	<b>3.5</b>	<b>4.4%</b>

**Summary of operating performance in the six-month period of 2023 (“6M23”)**

Operating Performance	Financial statements in which the equity method is applied	Separate financial statements			
	6M23	6M23	6M22	Increase (Decrease)	%Increase (Decrease)
Sales	2,258.7	2,258.7	1,919.9	338.7	17.6%
Other income	5.1	5.1	3.6	1.5	42.5%
<b>Total Revenues</b>	<b>2,263.8</b>	<b>2,263.8</b>	<b>1,923.5</b>	<b>340.3</b>	<b>17.7%</b>
Cost of sales	1,840.8	1,840.8	1,559.2	281.7	18.1%
Distribution costs	160.1	160.1	124.8	35.3	28.3%
Administrative expenses	56.1	56.1	50.3	5.8	11.5%
<b>Profit from Operating Activities</b>	<b>206.8</b>	<b>206.8</b>	<b>189.3</b>	<b>17.5</b>	<b>9.2%</b>
Finance costs	5.7	5.7	5.0	0.7	13.6%
Share of loss of joint venture accounted for using equity method	2.5	-	-	-	-
<b>Profit before income tax</b>	<b>198.6</b>	<b>201.1</b>	<b>184.3</b>	<b>16.8</b>	<b>9.1%</b>
Income tax expenses	40.7	40.7	36.9	3.8	10.2%
<b>Net Profit</b>	<b>157.9</b>	<b>160.4</b>	<b>147.4</b>	<b>13.0</b>	<b>8.8%</b>

**Revenue**

Revenue Structure	Q223		Q222		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	1,163.4	99.7%	988.3	99.8%	175.1	17.7%
- Bakery and appetizers	1,066.2	91.4%	898.0	90.7%	168.2	18.7%
- Snack under NSL's brands and trading	9.8	0.8%	9.2	0.9%	0.6	6.9%
- Food Services	68.7	5.9%	72.9	7.4%	(4.1)	(5.7%)
- OEM and others	18.6	1.6%	8.3	0.8%	10.4	125.3%
Other income	2.9	0.3%	2.2	0.2%	0.7	33.6%
<b>Total Revenue</b>	<b>1,166.3</b>	<b>100.0%</b>	<b>990.5</b>	<b>100.0%</b>	<b>175.8</b>	<b>17.8%</b>

Revenue Structure	6M23		6M22		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	2,258.7	99.8%	1,919.9	99.8%	338.7	17.6%
- Bakery and appetizers	2,069.7	91.4%	1,744.5	90.7%	325.2	18.6%
- Snack under NSL's brands and trading	19.7	0.9%	13.8	0.7%	5.9	42.9%
- Food Services	136.7	6.0%	145.2	7.6%	(8.5)	(5.9%)
- OEM and others	32.6	1.4%	16.4	0.9%	16.1	98.4%
Other income	5.1	0.2%	3.6	0.2%	1.5	42.5%
<b>Total Revenue</b>	<b>2,263.8</b>	<b>100.0%</b>	<b>1,923.5</b>	<b>100.0%</b>	<b>340.3</b>	<b>17.7%</b>

### Revenue

In Q223 and 6M23, NSL's revenue from sales were accounted for 99.7% and 99.8% and other income were accounted for 0.3% 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 Q223 period, NSL had revenue from sales of 1,163.4 THB millions, increased from Q222 by 175.1 THB millions or accounted for the increase of 17.7% and in 6M23 period, NSL had revenue from sales of 2,258.7 THB millions, increased from 6M22 by 338.7 THB millions or accounted for the increase of 17.6%, mainly due to COVID-19 pandemic situation could recover and more relax since Q422 until 6M23 and partner emphasize delivery sales and promotion continuously in the result of sales increasing while in 6M22. Moreover, the revenue from food services decreased in 6M23 from the same period of the previous year, due to COVID-19 pandemic situation could recover and more relax.

### Other income

In Q223 period, NSL's other income increased from Q222 by 0.7 THB million and in 6M23 period, NSL's other income increased from 6M22 by 1.5 THB million

### Cost of sales and Gross profit

Description	Q223		Q222		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Revenue from sales	1,163.4	100.0%	988.3	100.0%	175.1	17.7%
Cost of sales	949.1	81.6%	798.6	80.8%	150.4	18.8%
Gross Profit	214.3	18.4%	189.6	19.2%	24.7	13.0%

Description	6M23		6M22		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Revenue from sales	2,258.7	100.0%	1,919.9	100.0%	338.7	17.6%
Cost of sales	1,840.8	81.5%	1,559.2	81.2%	281.7	18.1%
Gross Profit	417.9	18.5%	360.8	18.8%	57.1	15.8%

In Q223 and 6M23, 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	Q223		Q222		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	3.6	0.3%	1.5	0.2%	2.1	142.6%
Sales transportation expenses	55.3	4.7%	46.1	4.7%	9.1	19.8%
Salaries, wages, overtime, bonuses, and employee benefits	13.4	1.1%	11.8	1.2%	1.6	13.2%
Other distribution costs	8.3	0.7%	3.1	0.3%	5.2	170.4%
<b>Total Distribution costs</b>	<b>80.6</b>	<b>6.9%</b>	<b>62.5</b>	<b>6.3%</b>	<b>18.1</b>	<b>28.9%</b>

Distribution Costs	6M23		6M22		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	5.9	0.3%	1.8	0.1%	4.1	233.7%
Sales transportation expenses	110.8	4.9%	91.8	4.8%	19.0	20.7%
Salaries, wages, overtime, bonuses, and employee benefits	27.2	1.2%	23.5	1.2%	3.6	15.4%
Other distribution costs	16.2	0.7%	7.7	0.4%	8.6	111.8%
<b>Total Distribution costs</b>	<b>160.1</b>	<b>7.1%</b>	<b>124.8</b>	<b>6.5%</b>	<b>35.3</b>	<b>28.3%</b>

The distribution costs in Q223 and 6M23 increased from the same period of the previous year by 18.1 THB million and 35.3 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	Q223		Q222		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	17.5	1.5%	16.4	1.7%	1.2	7.2%
Consulting fees and service fees	4.2	0.4%	2.9	0.3%	1.4	48.2%
Depreciation and amortization	1.4	0.1%	0.9	0.1%	0.5	62.1%
Utilities and equipment repair	1.2	0.1%	0.8	0.1%	0.4	49.4%
Other administrative expenses	3.8	0.3%	4.6	0.5%	(0.8)	(17.2%)
<b>Administrative Expenses</b>	<b>28.2</b>	<b>2.4%</b>	<b>25.5</b>	<b>2.6%</b>	<b>2.7</b>	<b>10.6%</b>

Administrative Expenses	6M23		6M22		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	35.9	1.6%	32.7	1.7%	3.3	10.1%
Consulting fees and service fees	8.2	0.4%	7.0	0.4%	1.1	16.0%
Depreciation and amortization	2.7	0.1%	1.5	0.1%	1.2	75.8%
Utilities and equipment repair	2.4	0.1%	1.8	0.1%	0.6	30.6%
Other administrative expenses	6.9	0.3%	7.2	0.4%	(0.3)	(4.6%)
<b>Administrative Expenses</b>	<b>56.1</b>	<b>2.5%</b>	<b>50.3</b>	<b>2.6%</b>	<b>5.8</b>	<b>11.5%</b>

Administrative expenses in Q223 and 6M23 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	Q223	Q222	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	2.7	2.5	0.1	5.3%

Finance Costs	6M23	6M22	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	5.7	5.0	0.7	13.6%

In Q223 and 6M23, Finance costs had decreased when compare with the same period of the previous year, caused by the repayment of borrowings from a financial institution

**Net profit and Net profit margin**

Net profit and Net profit margin	Unit	Q223	Q222	Increase (Decrease)	% Increase (Decrease)
<b>Financial statements in which the equity method is applied</b>					
Net profit	MB	82.6	-	-	-
Net profit margin (%)	%	7.1%	-	-	
<b>Separate financial statements</b>					
Net profit	MB	84.3	80.8	3.5	4.4%
Net profit margin (%)	%	7.2%	8.2%	(0.9%)	

Net profit and Net profit margin	Unit	6M23	6M22	Increase (Decrease)	% Increase (Decrease)
<b>Financial statements in which the equity method is applied</b>					
Net profit	MB	157.9	-	-	-
Net profit margin (%)	%	7.0%	-	-	
<b>Separate financial statements</b>					
Net profit	MB	160.4	147.4	13.0	8.8%
Net profit margin (%)	%	7.1%	7.7%	(0.6%)	

In Q223 and 6M23, NSL had net profit of 84.3 THB million and 160.4 THB million, respectively, higher than the same period of the previous year by 3.5 THB million and 13.0 THB million, respectively, however, net profit margin is lower than the same periods of the previous year by 0.9% and 0.6%, respectively. 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.

Moreover, in Q223 and 6M23 NSL invested in Pen 1 F & B Co., Ltd. amounting to 10 THB million and had share of loss of joint venture accounted for using equity method amounting to 1.8 and 2.5 THB million from operating expense so remaining net profit from financial statements in which the equity method is applied was 82.6 and 157.9 THB million.

## Financial Position

Financial Position	Financial statements in which the equity method is applied	Separate financial statements			
	30-Jun-23 MB	30-Jun-23 MB	31-Dec-22 MB	Increase (Decrease)	%Increase (Decrease)
Total Assets	2,316.7	2,319.2	2,289.7	29.5	1.3%
Total Liabilities	842.7	842.7	883.6	(40.9)	(4.6%)
Total Shareholders' Equity	1,474.0	1,476.5	1,406.1	70.4	5.0%

## Assets

Assets	Financial statements in which the equity method is applied	Separate financial statements				
	30-Jun-23	30-Jun-23	31-Dec-22	Increase	%Increase	% Proportion per total assets
	MB	MB	MB	(Decrease)	(Decrease)	30-Jun-23
Cash and cash equivalents	195.6	195.6	115.1	80.4	69.8%	8.4%
Trade and other current receivables	601.0	601.0	595.4	5.6	0.9%	25.9%
Inventories	268.4	268.4	267.1	1.3	0.5%	11.6%
Investment in a joint venture	7.5	10.0	0.0	10.0	100%	0.4%
Property, plant and equipment and Right-of-use assets	986.9	986.9	969.7	17.2	1.8%	42.6%
Other assets	267.3	257.3	342.3	(85.0)	(24.8%)	11.1%
<b>Total Assets</b>	<b>2,316.7</b>	<b>2,319.2</b>	<b>2,289.7</b>	<b>29.5</b>	<b>1.3%</b>	<b>100.0%</b>

NSL's total assets in 6M23 increased from the previous year, mainly due to the increase of Trade and other current receivables and inventories based on sales growth.

Moreover, in 6M23 NSL invested in Pen 1 F & B Co., Ltd. amounting to 10 THB million and had share of loss of joint venture accounted for using equity method amounting to 2.5 THB million from operating expense so remaining investment in a joint venture from financial statements in which the equity method is applied was 7.5 THB million.



## Liabilities

Liabilities	Financial statements in which the equity method is applied	Separate financial statements				
	30-Jun-23	30-Jun-23	31-Dec-22	Increase	%Increase	% Proportion per total assets
	MB	MB	MB	(Decrease)	(Decrease)	30-Jun-23
Trade and other current payables	554.8	554.8	559.5	(4.7)	(0.8%)	23.9%
Long-term borrowings from a financial institution	191.7	191.7	234.3	(42.6)	(18.2%)	8.3%
Lease liabilities	11.1	11.1	12.7	(1.6)	(12.3%)	0.5%
Other liabilities	85.1	85.1	77.1	8.0	10.3%	3.7%
<b>Total Liabilities</b>	<b>842.7</b>	<b>842.7</b>	<b>883.6</b>	<b>(40.9)</b>	<b>(4.6%)</b>	<b>36.3%</b>

NSL's total liabilities in 6M23 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 6.9 THB million from 6M23 profit.

## Shareholder's Equity

Shareholder's Equity	Financial statements in which the equity method is applied	Separate financial statements				
	30-Jun-23	30-Jun-23	31-Dec-22	Increase	%Increase	% Proportion per total assets
	MB	MB	MB	(Decrease)	(Decrease)	30-Jun-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%	34.4%
Retained earnings - Legal reserve	30.0	30.0	30.0	-	0.0%	1.3%
Retained earnings - Unappropriated	346.7	349.1	278.7	70.4	25.3%	15.1%
<b>Total Shareholders' Equity</b>	<b>1,474.0</b>	<b>1,476.5</b>	<b>1,406.1</b>	<b>70.4</b>	<b>5.0%</b>	<b>63.7%</b>

Shareholders' equity in 6M23 was 1,476.5 THB million, increased by 70.4 THB million or accounted for 5.0%. It resulted from the increase of retained earnings from net profit during the period by 160.4 THB million. There was dividend payment in Q223 by 90 THB million

### **Key Financial Ratios**

Financial Ratio	Unit	For the fiscal period ended		
		30-Jun-23	30-Jun-22	Increase (Decrease)
Current ratio	times	1.6	1.8	(0.2)
Quick ratio	times	1.0	1.0	0.0-
Return on Assets (ROA)	%	17.7%	13.1%	4.6
Return on Equity (ROE)	%	22.2%	16.7%	5.5
Debt to Equity ratio (D/E Ratio)	times	0.6	0.7	(0.1)
Bank Debt to EBITDA ratio (Bank Debt / EBITDA)	times	0.4	0.8	(0.4)
Debt Service Coverage ratio (Cash Basis)	times	0.9	0.4	0.5

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

At the end of 6M23, the current ratio and quick ratio slightly decreased.

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

At the end of 6M23, return on assets increased to 17.7%, 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 6M23, 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 6M23 was 0.9 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 6M23, which are bank overdrafts (OD) of 30 THB million, short term loan (PN) of 210 THB million and import credit facility (LC/TR) of 183.14 THB million.