

Subject Management Discussion and Analysis for the second quarter of year 2024

To Directors and Managers

The Stock Exchange of Thailand

Nutrition SC Public Company Limited and its subsidiaries would like to clarify the financial performance and financial information for the second quarter, three months and six months period of year 2024 with the following details:

Business Overview

The main business of the company's group is to import, manufacture and sale of food additives and ingredients in order to be used as raw materials or ingredients in customers' recipes. The business can be classified into two segments as follows. 1) Food ingredients business and 2) Feed ingredients business.

The customers are domestic customers, which can be divided into sales in the food and animal feed industry, approximately 90-95% of sales revenue, and to ODM and OEM customers, approximately 5-10% of sales revenue during 2019 to 2024.

Nutrition SC Public Company Limited or "NTSC" and its subsidiaries ("NTSC group") additional shares were issued to sell common shares to the general public on the 1st quarter of 2023. As a result, the financial statement information has differences when compared with the previous year, which include the operating results and related expenses.

For the second quarter of year 2024, the group had revenue from sales of 550.5 million baht, increased by 79.2 million baht or 16.8% when compared with the second quarter of year 2023. It was due to the company's strategies that were carried out and followed up closely, especially to increase the proportion of OEM and ODM production. The second quarter of year 2024 had higher performance than the second quarter of year 2023, because of OEM revenue segment from both food ingredient or feed ingredients. There were not only positive factors affecting the economy. It was also because the Russian and Ukraine war was gradually reduced. All this was not possible if the company did not have an effective internal management plan to suit the constantly changing situation, including monthly strategy measurement, effective monitoring of the situation, internal control and closely monitoring risks.

NTSC and NTSC group have implemented appropriate sales, marketing, and investment strategies in order to compete in business sustainably to continually build new opportunities. NTSC group was seeking

new vendors, new customers, new business units, new products development and prepared supportive plan, as well as increasing the proportion of production in OEM and ODM products. By promoting brand awareness and additional services of the company in many channels, all offline and online, as well as investing in machinery to support the production of a variety of products. In addition, NTSC and NTSC group have invested in research and development of new innovative products, which is currently being researched, developed and tested for efficiency before entering the next market. In addition, NTSC and NTSC group have joined hands with additional business partners both domestically and abroad to distribute new innovative products and/or services that meet the needs of today's consumers. As well, we do new product development in collaboration with partners, customers, universities and research institutes to create value and sustainability that will create more sales sustainably in the future.

For internal management, NTSC and NTSC group continued to do their best to control sales costs in order not to affect the company's operating results and sell both existing and new products to new or existing customers. In addition, NTSC and NTSC group controlled the volume ordering of products appropriately to maintain a balanced stock quantity. We also selected additional sellers to diversify the product portfolio. At the same time, NTSC and NTSC group has considered, assessed, controlled, prevented, and/or reduced risks in various areas according to the rapidly changing situation.

Revenue Structure

Group revenue structure derived from the business of manufacture and distribution of raw materials used as Food Ingredients by dividing into 2 types:

1. Food ingredients business
2. Feed ingredients business

Analysis of Financial Performance for three months and six months period between 2024 and 2023, as of 30 June 2024 of the company and its subsidiaries

Unit : Million Baht

Revenue structure	Three months period (Apr-Jun)		Change		Six months period (Jan-Jun)		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Food ingredients	253.4	208.1	45.3	21.8%	486.9	434.4	52.5	12.1%
Feed ingredients	34.9	18.5	16.4	88.6%	63.6	36.9	26.7	72.4%
Total	288.3	226.6	61.7	27.2%	550.5	471.3	79.2	16.8%

Unit : Million Baht

Profit or Loss	Three months period (Apr-Jun)		Change		Six months period (Jan-Jun)		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Revenue from sales	288.3	226.6	61.7	27.2%	550.5	471.3	79.2	16.8%
Cost of goods sold	(225.4)	(175.7)	(49.7)	28.3%	(430.9)	(366.2)	(64.7)	17.7%
Gross profit	62.9	50.9	12.0	23.6%	119.6	105.1	14.5	13.8%
Other income	2.1	2.2	(0.1)	(4.5%)	3.5	3.8	(0.3)	(7.9%)
Selling expenses	(13.3)	(11.4)	(1.9)	16.7%	(26.4)	(22.7)	(3.7)	16.3%
Administrative expenses	(23.7)	(21.5)	(2.2)	10.2%	(44.8)	(43.7)	(1.1)	2.5%
Other loss	0.03	(2.6)	2.6	(100.0%)	(2.2)	(1.6)	(0.6)	37.5%
Finance costs	(0.9)	(1.0)	0.1	(10.0%)	(1.8)	(3.7)	1.9	(51.4%)
Profit before income tax expenses	27.1	16.6	10.5	63.3%	47.9	37.2	10.7	28.8%
Income tax expenses	(5.5)	(3.5)	(2.0)	57.1%	(10.6)	(7.6)	(3.0)	39.5%
Profit for the year	21.6	13.1	8.5	64.9%	37.3	29.6	7.7	26.0%
Non-controlling interests	-	-	-	-	-	-	-	0.0%
Owners of the parents	21.6	13.1	8.5	64.9%	37.3	29.6	7.7	26.0%

Revenues from Sales for three months and six months period , as of 30 June 2024 of the company and its subsidiaries

For the three months period, the Group had revenues from sales of 288.3 million baht, which increased by 61.7 million baht or 27.2%, when compared with three months period of second quarter of Year 2023, which had revenues from sales of 226.6 million baht. The main reasons for the increase in revenue from sales amounting to 61.7 million baht were mainly increased by Food ingredients of 45.3 million baht or 21.8% and increased by Feed ingredients of 16.4 million baht or 88.6%.

For the six months period, the Group had revenues from sales of 550.5 million baht, which increased by 79.2 million baht or 16.8%, when compared with six months period of second quarter of Year 2023, which had revenues from sales of 471.3 million baht. The main reasons for the increase in revenue from sales amounting to 79.2 million baht were mainly increased by Food ingredients of 52.5 million baht or 12.1% and increased by Feed ingredients of 26.7 million baht or 72.4%.

The company and its subsidiaries Gross Profit for three months and six months period between 2024 and 2023, as of 30 June 2024

Unit : Million Baht

Gross Profit	Three months period (Apr-Jun)		Change		Six months period (Jan-Jun)		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Gross Profit	62.9	50.9	12.0	23.6%	119.6	105.1	14.5	13.8%
Proportion to revenue from sales	21.8%	22.5%	(0.7%)		21.7%	22.3%	(0.6%)	

Gross Profit for the three months and six months period between 2024 and 2023 were increased by 12.0 million baht and 14.5 million baht respectively, cost of goods sold was affected by increasing of costing price. That was the reason of decreasing of gross margin by 0.7% and 0.6% respectively.

Sales and Administrative Expenses for three months and six months period between 2024 and 2023, as of 30 June 2024 of the company and its subsidiaries

Unit : Million Baht

Selling and Administrative Expenses	Three months period (Apr-Jun)		Change		Six months period (Jan-Jun)		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Selling and Administrative Expenses	37.0	32.9	4.1	12.5%	71.2	66.4	4.8	7.2%
Proportion to revenue from sales	12.8%	14.5%			12.9%	14.1%		

The main reasons for the change in selling and administrative expenses for three months and six months period between the year 2024 and 2023

For three months period, selling expenses was increased by 1.9 million baht, mainly increased such as employee expenses, transportation expenses, sales and marketing expenses. Administrative expenses was increased by 2.2 million baht, mainly increased such as employee expenses was increased by 3.2 million baht, whereas utilities expenses was decreased by 1.0 million baht, effected from Solar Cell usage, also with a professional fee was decreased 0.4 million baht approximately.

For six months period, selling expenses was increased by 3.7 million baht, mainly increased such as transportation expenses, sales and marketing expenses. Administrative expenses was increased by 1.1 million baht, mainly increased such as employee expenses and transportation expenses.

Profit for three months and six months period between 2024 and 2023, as of 30 June 2024 of the company and its subsidiaries

Unit : Million Baht

Profit	Three months period (Apr-Jun)		Change		Six months period (Jan-Jun)		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Profit	21.6	13.1	8.5	65.1%	37.3	29.6	7.7	26.0%
Proportion to revenue from sales	7.5%	5.8%			6.8%	6.3%		

For three months period of the year 2024 compared with the year 2023, was increased of 8.5 million baht or 65.1%, the main reasons were selling and allowance for obsolete stocks was decreased by 8.6 million baht, a professional fee was decreased by 0.4 million baht, utilities expenses was decreased by 1.0 million baht, loss from exchange rate was decreased by 2.6 million baht. Hence, Profit for the period was increased.

For six months period of the year 2024 compared with the year 2023, was increased of 7.7 million baht or 26.0%, the main reasons were selling and finance cost decreased by 1.8 million baht.

Analysis of the Financial Position as of 30 June 2024 of the company and its subsidiaries

Financial Position (In Million Baht)	30 Jun 2024	31 Dec 2023	%
Total Current Assets	802.8	754.2	6.4%
Total Non-Current Assets	429.2	435.6	(1.5%)
Total Assets	1,232.0	1,189.8	3.5%
Total Current Liabilities	146.0	112.6	29.7%
Total Non-Current Liabilities	120.2	120.8	0.5%
Total Liabilities	266.2	233.4	14.1%
Shareholders' Equity	50.0	50.0	0.0%
Share premium- Share swap	762.9	762.9	0.0%
Legal reserved	5.0	5.0	0.0%
Unappropriated retained earnings	147.8	138.5	6.7%
Non-Control interests	0.0	0.0	0.0%
Total Shareholders' Equity	965.7	956.4	1.0%

Assets

As of 30 June 2024, the Group had total assets of 1,232.0 million baht, which was an increase of 42.2 million baht or 3.5% from the balance as at 31 December 2023 where the total assets were 1,189.8 million baht.

The significant change comprised of financial assets where measured by “amortization cost method” of 20.0 million baht, increasing of trade account receivable of 43.6 million baht, inventory of 21.0 million baht, decreasing of cash and cash equivalents of 37.5 million baht, main reasons were from gain from operating activity of 12.4 million baht, as the part of the activity was corporate income tax expenses, bonus and payment of dividend by amount of 28.0 million baht.

Liabilities

As of 30 June 2024, the Group had total liabilities of 266.2 million baht, proportion to total assets were 21.6%, by increasing amount of 32.8 million baht or 14.1% when compared with total liabilities as at 31 December 2023 where the total of liabilities were 233.4 million baht, main reasons effected by trade and other payables of 28.5 million baht.

Shareholders' Equity

As of 30 June 2024, the group had total shareholders' equity of 965.7 million baht, proportion to total assets were 78.4%. Shareholders' equity was increased by operating profit of 9.3 million baht or 6.7% when compared with total shareholders' equity as at 31 December 2023 where the total shareholders' equity were 956.4 million baht.

Financial Ratios as of 30 June 2024

Compared with Financial Ratios as of 31 December 2023

1) Efficiency ratios as of 30 June 2024

Financial Ratios	Six months period as of 30 June 2024	For the year ended 31 December 2023
<u>Profitability Ratio</u>		
Gross Profit Margin (%)	21.7%	22.5%
Net Profit Margin (%)	6.8%	7.2%
Return on Equity (%)	7.8%	7.3%
<u>Efficiency Ratio</u>		
Return on Asset (%)	6.2%	6.1%
<u>Financial policy Ratio</u>		
Debt to Equity Ratio (Time)	0.3	0.2

2) Liquidity ratio

Financial Ratios	Six months period as of 30 June 2024	For the year ended 31 December 2023
Liquidity Ratio		
Current Ratio (Time)	5.5	6.7
Quick Ratio (Time)	4.9	4.7
Average Collection Period (Day)	63.3	62
Average Sale Period (Day)	98	124
Average Payment Period (Day)	49	87
Cash Cycle (Day)	112	99

The Company and its subsidiaries Cash Flow Statements for the second quarter, six months period between 2024 and 2023, as at 30 June 2024

Cash Flow Statements (In Million Baht)	Second quarter of year 2024	Second quarter of year 2023
Cash flow from operating activity		
Net cash flows provided by operating activity	12.4	(6.1)
Cash flow from investing activity		
Net cash flows used in investing activity	(20.8)	(73.5)
Cash flow from financing activity		
Net cash flows used in financing activity	(29.3)	88.4
Net cash and cash equivalents increased (decreased)	(37.7)	21.0
Brought forward in cash and cash equivalents	289.9	253.4
Gain(loss) on exchange rate	0.3	0.3
Carried forward in cash and cash equivalents	252.5	274.7

Cash Flow Statements as of 30 June 2024

- 1.) Net cash flow provided by operating activities of 12.4 million baht.
- 2.) Net cash flow used in investing activities of 20.8 million baht, main effected from purchasing in financial assets of 20.0 million baht.
- 3.) Net cash flow used in financing activities of 29.3 million baht, main effected from payment of dividend.
- 4.) Cash and cash equivalents as of 30 June 2024 amounting to 252.5 million baht and as at 31 December 2023 amounting to 289.9 million baht.