

## **Sri Trang Agro-Industry Public Company Limited**

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### **Part 3**

#### **Financial Position and Operating Result**

**13. FINANCIAL INFORMATION****13.1 Statements of Financial Position**

(Unit: Million Baht)	Consolidated		
	As at 31 December of		
	2020	2019	2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	26,446.7	2,381.8	4,259.2
Derivative financial instruments	235.9	62.6	59.6
Trade accounts receivable and other receivables, net	9,260.1	4,978.4	5,969.5
Amounts due from futures brokers	801.5	729.7	976.3
Inventories, net	19,031.5	13,493.6	12,451.8
Other current assets	1,599.1	896.7	509.6
<b>Total current assets</b>	<b>57,375.0</b>	<b>22,542.8</b>	<b>24,225.9</b>
<b>Non-current assets</b>			
Fixed deposits pledged as collateral	-	0.7	27.4
Investments in associates	507.7	499.6	394.9
Investment in joint ventures	431.9	396.4	406.4
Long-term investments	-	109.9	136.5
Other non-current financial assets	97.1	-	-
Property, plant and equipment, net	27,243.3	27,801.5	26,381.9
Right-of-use assets	273.2	-	-
Economic tree plantations	2,390.2	2,246.7	2,051.5
Intangible assets – Computer software	451.3	385.9	425.9
Goodwill	3,174.7	3,174.7	3,174.7
Investment properties	193.6	190.3	201.5
Withholding tax deducted at source	492.2	660.0	701.7
Deferred income tax assets	269.8	284.2	236.1
Other non-current assets	217.2	38.0	49.9
<b>Total non-current assets</b>	<b>35,742.3</b>	<b>35,788.1</b>	<b>34,188.5</b>
<b>Total assets</b>	<b>93,117.2</b>	<b>58,330.9</b>	<b>58,414.4</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Trade accounts payable and other payables	4,635.9	2,528.6	2,677.0
Short-term loans from financial institutions	22,162.3	16,948.9	15,766.9
Current portion of long-term loans from financial institutions	2,328.4	2,621.8	1,464.2
Current portion of debentures	1,455.0	-	810.0

**13.1 Statements of Financial Position (Cont'd)**

(Unit: Million Baht)	Consolidated		
	As at 31 December of		
	2020	2019	2018
Current portion of finance lease liabilities	-	20.7	20.7
Current portion of lease liabilities	115.7	-	-
Derivative financial instruments	139.4	143.2	171.4
Income tax liabilities	1,399.7	152.3	186.7
Other current liabilities	184.0	56.8	39.5
<b>Total current liabilities</b>	<b>32,420.4</b>	<b>22,472.4</b>	<b>21,136.4</b>
<b>Non-current liabilities</b>			
Long-term loans from financial institutions	5,996.8	7,873.9	8,238.0
Debentures	-	1,455.0	1,455.0
Finance lease liabilities	-	16.3	29.0
Lease liabilities	137.1	-	-
Deferred tax liabilities	647.9	606.7	774.3
Derivative financial instruments	44.5	-	-
Provision for retirement benefit obligations	440.3	385.0	335.4
Other non-current liabilities	33.3	33.2	35.1
<b>Total non-current liabilities</b>	<b>7,299.9</b>	<b>10,370.1</b>	<b>10,866.8</b>
<b>Total liabilities</b>	<b>39,720.3</b>	<b>32,842.5</b>	<b>32,003.1</b>
<b>Shareholders' equity</b>			
Issued and paid-up share capital	1,536.0	1,536.0	1,536.0
Premium on ordinary shares	10,852.0	10,852.0	10,852.0
Surplus from the change in the ownership interests in subsidiaries	6,087.9	288.5	(173.1)
Other components of shareholders' equity	3,815.8	3,964.4	4,102.7
Surplus on revaluation of assets - net of income tax			
Surplus (deficit) on changes in fair value through other comprehensive income of investments in equity - net of income tax	(0.1)	7.5	11.2
Cash flow hedge reserve – net of income tax	(20.0)	-	-
Exchange differences on translation of financial statements in foreign currency	(1,149.6)	(1,096.1)	(796.2)
Retained earnings			
Appropriated - legal reserve	153.6	153.6	153.6
Unappropriated	16,795.6	8,413.1	9,019.1
<b>Total parent's shareholders' equity</b>	<b>38,071.2</b>	<b>24,119.0</b>	<b>24,705.2</b>
Non-controlling interests	15,325.7	1,369.4	394.6
Former interests before restructuring of the subsidiary	-	-	1,311.5
<b>Total shareholders' equity</b>	<b>53,396.9</b>	<b>25,488.4</b>	<b>26,411.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>93,117.2</b>	<b>58,330.9</b>	<b>58,414.4</b>

## 13.2 Statements of Comprehensive Income

(Unit: Million Baht)	Consolidated		
	2020	2019	2018
Revenues from sales and services	75,478.7	60,286.4	73,135.9
Cost of sales and services	(53,697.5)	(55,432.0)	(65,974.6)
<b>Gross profit</b>	<b>21,781.3</b>	<b>4,854.4</b>	<b>7,161.4</b>
Other income	347.3	279.2	232.6
Dividend income	2.1	1.9	1.7
Selling expenses	(3,127.8)	(3,011.6)	(3,520.3)
Administrative expenses	(1,654.9)	(1,559.0)	(1,738.4)
Gains on exchange rate, net	267.8	354.6	(252.1)
Loss on change in fair value of investment properties	-	(2.4)	13.4
Gain (loss) from disposal of investments in an associate	0.2	-	-
Other gain (loss)	(80.9)	(261.5)	1,189.9
<b>Operating profit</b>	<b>17,535.1</b>	<b>655.6</b>	<b>3,088.3</b>
Share of profit from investments in associates and joint ventures	168.6	132.3	223.7
<b>Profit (loss) before net finance costs and income tax</b>	<b>17,703.7</b>	<b>788.0</b>	<b>3,312.0</b>
Finance income	51.3	34.9	29.4
Finance costs	(690.9)	(890.6)	(935.2)
<b>Profit (loss) before income tax</b>	<b>17,064.0</b>	<b>(67.6)</b>	<b>2,406.2</b>
Income tax	(1,667.5)	15.6	(244.7)
<b>Profit (loss) for the years</b>	<b>15,396.6</b>	<b>(52.1)</b>	<b>2,161.5</b>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Change in surplus on revaluation of assets – net of income tax	(6.3)	(1.6)	240.5
Actuarial gain (loss) – net of income tax	(11.5)	20.3	11.7
Loss on changes in value of equity investments designed at fair value through other comprehensive income – net of income tax	(7.6)	-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods – net of income tax</i>	(25.5)	18.7	252.1
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of financial statements in foreign currency	(57.7)	302.7	(137.2)
Loss in change in value of available-for-sale investments – net of income tax	-	(3.7)	(5.2)
Loss on cash flow hedges – net of income tax	(7.1)	-	-
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax</i>	(64.7)	(306.4)	(142.4)
<b>Other comprehensive income for the years, net of tax</b>	<b>(90.2)</b>	<b>(287.6)</b>	<b>109.8</b>
<b>Total comprehensive income for the years</b>	<b>15,306.4</b>	<b>(339.7)</b>	<b>2,271.3</b>
<b>Profit for the years attributable to:</b>			
Owners of the Company	9,531.2	(148.5)	2,064.4
Non-controlling interests of the subsidiaries	5,865.4	92.1	81.6
Former interests before restructuring of the subsidiary	0.0	4.3	15.5
<b>Profit (loss) for the years</b>	<b>15,396.6</b>	<b>(52.1)</b>	<b>2,161.5</b>
<b>Total comprehensive income for the years attributable to:</b>			
Owners of the Company	9,446.2	(433.0)	2,181.2
Non-controlling interests of the subsidiaries	5,860.2	89.0	74.6
Former interests before restructuring of the subsidiary	0.0	4.3	15.5
<b>Total comprehensive income for the years</b>	<b>15,306.4</b>	<b>(339.7)</b>	<b>2,271.3</b>
<b>Earnings per share</b>			
Basic earnings per share (Unit: Baht per share)	6.21	(0.10)	1.34

**13.3 Statements of Cash Flows**

(Unit: Million Baht)	Consolidated		
	2020	2019	2018
<b>Cash flows from operating activities</b>			
Profit before income tax	17,064.0	(67.6)	2,406.2
Adjustments for:			
Unrealised (gains) losses on exchange rates	(18.0)	(128.3)	39.8
Unrealised (gains) losses on revaluation of derivative financial instruments	(148.7)	(31.2)	288.5
Share-based payment expenses	21.8	-	-
Allowance for expected credit losses/doubtful debts (reversal)	2.2	(8.3)	(7.6)
Reduction of inventory cost to net realizable value (reversal)	30.7	(133.4)	(173.7)
Provision for damaged inventories from fire accident	-	-	-
Expenses for retirement benefit obligations	45.9	111.7	47.5
Depreciation	2,717.6	2,405.6	2,369.6
Amortisation charges – economic tree plantations	9.4	6.4	4.0
Amortisation charges - intangible assets	74.5	74.2	72.2
Impairment loss from assets revaluation (reversal)	-	-	13.2
Allowance for impairment loss on long-term investment	-	22.0	10.0
Loss on fair value adjustments of other financial instruments	4.0	-	-
Write-off withholding tax deducted at source	38.4	42.6	0.5
Finance costs	690.9	890.6	935.2
Finance income	(51.3)	(34.9)	(29.4)
Dividend income	(2.1)	(1.9)	(1.8)
Share of profit from investments in associates and joint ventures	(168.6)	(132.3)	(223.7)
Loss on disposal and write-off of property, plant and equipment, right-of-use assets, economic tree plantations and intangible assets	85.8	25.7	12.9
Loss (gain) on disposal of investment in an associate	(0.2)	-	-
(Gains) losses on change in fair value of investment properties	-	2.4	(13.4)
<b>Profit (loss) from operating activities before change in operating assets and liabilities</b>	<b>20,396.2</b>	<b>3,043.3</b>	<b>5,750.0</b>
Changes in operating assets and liabilities			
(Increase) decrease in operating assets			
- Trade accounts receivable and other receivables	(4,252.0)	1,019.6	1,500.0
- Amounts due from futures brokers	(71.9)	246.6	(165.7)
- Inventories	(5,568.7)	(908.4)	4,997.6
- Other current assets	(660.1)	(388.0)	59.2
- Other non-current assets	(179.1)	11.2	16.1
Increase (decrease) in operating liabilities			
- Trade accounts payable and other payables	2,063.3	(262.2)	84.4
- Other current liabilities	127.2	17.3	(101.1)
- Provision for retirement benefit obligations	(4.1)	(37.2)	(4.6)
- Other non-current assets	0.1		
<b>Cash provided by (used in) operating activities</b>	<b>11,850.9</b>	<b>2,742.2</b>	<b>12,135.9</b>
Interest paid	32.8	(947.9)	(952.7)
Interest received	(722.8)	36.0	36.7
Income tax refunded	167.3	126.0	73.9
Income tax paid	(372.9)	(380.3)	(574.7)
<b>Net cash provided by (used in) operating activities</b>	<b>10,955.2</b>	<b>1,576.0</b>	<b>10,722.1</b>

**13.3 Statements of Cash Flows (Cont'd)**

(Unit: Million Baht)	Consolidated		
	2020	2019	2018
<b>Cash flows from investing activities</b>			
Decrease in fixed deposits pledged as collateral	-	26.7	9.7
Dividends received	118.9	39.5	154.2
Cash received from disposal of property, plant and equipment, economic tree plantations and intangible assets	28.9	15.5	50.2
Cash paid for purchases of property, plant and equipment, economic tree plantations and intangible assets	(2,494.6)	(4,003.7)	(2,964.4)
Cash received from disposal of investment in an associate	8.4	-	-
Cash paid for purchases of an investment property	-	-	240.2
<b>Net cash used in investing activities</b>	<b>(2,338.4)</b>	<b>(3,921.9)</b>	<b>(2,510.2)</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term borrowings from financial institutions	5,253.6	1,293.1	(5,767.6)
Proceeds from long-term borrowings	2,347.0	3,068.0	2,279.4
Repayments of long-term borrowings	(4,517.3)	(2,162.5)	(1,488.0)
Repayments of debentures	-	(810.0)	(600.0)
Repayments of lease liabilities	(146.2)	(21.5)	(11.1)
Dividend paid	(1,304.6)	(614.4)	(391.7)
Dividend paid from subsidiaries to non-controlling interests	-	-	-
Dividend paid by the subsidiaries	(782.4)	(3.2)	(48.9)
Cash received from increase in share capital of subsidiary	14,609.3	31.2	-
<b>Net cash provided by (used in) financing activities</b>	<b>15,459.3</b>	<b>784.0</b>	<b>(6,027.8)</b>
<b>Decrease in translation adjustments</b>	<b>(11.3)</b>	<b>(315.4)</b>	<b>(166.8)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>24,064.9</b>	<b>(1,877.3)</b>	<b>2,017.3</b>
Cash and cash equivalents at the beginning of the years	<b>2,381.8</b>	4,259.2	2,241.9
<b>Cash and cash equivalents at the end of the years</b>	<b>26,446.7</b>	<b>2,381.8</b>	<b>4,259.2</b>

**13.4 Financial Ratios**

<b>Financial Ratio</b>		<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Liquidity Ratios</b>				
Current ratio	Times	1.77	1.00	1.15
Quick ratio	Times	1.18	0.40	0.56
Cash flow liquidity ratio	Times	0.40	0.07	0.46
Account receivable turnover <sup>1</sup>	Times	11.35	12.20	12.77
Average collection period	Days	31.71	29.51	28.18
Inventory turnover <sup>2</sup>	Times	3.30	4.27	4.46
Inventory period	Days	109.03	84.25	80.69
Account payable turnover <sup>3</sup>	Times	41.95	46.44	48.17
Average payment period	Days	8.58	7.75	7.47
Cash Cycle	Days	132.16	106.00	101.40
<b>Profitability Ratios</b>				
Gross profit margin	(%)	28.86	8.05	9.79
Operating profit margin	(%)	23.23	1.09	4.22
Operating cashflow to operating profit ratio	(%)	62.48	240.37	347.18
Net profit margin	(%)	12.63	(0.25)	2.82
Return on equity (ROE) <sup>4</sup>	(%)	24.16	(0.57)	8.31
<b>Efficiency Ratios</b>				
Return on assets (ROA) <sup>5</sup>	(%)	12.59	(0.25)	3.50
Return on fixed assets <sup>6</sup>	(%)	0.41	0.08	0.16
Fixed assets turnover ratio <sup>7</sup>	Times	2.53	2.06	2.69
Total assets turnover ratio <sup>8</sup>	Times	0.10	1.04	1.24
<b>Financial Leverage Ratios</b>				
Net debt to equity ratio <sup>9</sup>	Times	0.10	1.04	0.89
Debt to equity ratio	Times	0.74	1.29	1.21
Interest bearing debt to EBITDA ratio	Times	1.56	8.63	4.80
Debt Service Coverage Ratio: DSCR	Times	0.77	0.16	0.30
Interest Coverage Ratio	Times	29.81	3.76	6.19
Interest bearing debt with maturity less than 1 year to total interest bearing debt <sup>9</sup>	(%)	80.95	67.70	65.01
Interest bearing debt to total liabilities	Times	0.60	1.14	1.05
Loans from financial institutions to interest bearing debt	Times	0.95	0.95	0.92
Loans from bill of exchange to total interest bearing debt <sup>9</sup>	Times	N/A	N/A	N/A
Dividend payout ratio	(%)	36.23	N/A	48.51

Notes:

1. Computed by dividing sales of goods and services by average trade accounts receivable
2. Computed by dividing cost of sales and services by average inventories
3. Computed by dividing cost of sales and services by trade accounts payable
4. Computed by dividing net profit for the year (attributable to owners of the parent) by average shareholders' equity
5. Computed by dividing net profit for the year (attributable to owners of the parent) by average total assets

6. Computed by dividing summation of net profit for the year (attributable to owners of the parent) and depreciation by average fixed assets
7. Computed by dividing sales of goods and services by average fixed assets
8. Computed by dividing total revenues by average total assets
9. Interest bearing debts excluding financial lease liabilities and lease liabilities



## 14. MANAGEMENT DISCUSSION AND ANALYSIS

### **Financial Result Overview**

#### ***An All-Time-High Net Profit***

In FY2020, on the strength of our glove business, which saw a substantial growth in both sales volume and ASP, and the profitability of our NR business in the face of market turmoil, we recorded THB 75,478.7 million in revenue, growing 25.2% YoY, and a net profit of THB 9,531.2 million, or THB 6.21 per share, with 12.6% in net profit margin.

The natural rubber (NR) industry felt the full impact of COVID-19, from the slowing demand (the IRSG estimated that global NR demand in 2020 was 12.5 million tons, down by 8.1% from 14.0 million tons in 2019) to the decline in prices as a result of the weakened demand. NR prices saw a sharp drop from late March through July, a period when China, the world's largest NR consumer, was reeling from the outbreak and tire manufacturers in many countries had to suspend their operations for 4-10 weeks. The lowest price of TSR 20 on SICOM in 2020 was 103.4 cent/kg. However, demand started to pick up once China had brought COVID-19 under control, with prices of TSR and RSS trending up from August onwards. The average price of TSR20 on SICOM in 2020 was 131.5 cent/kg, down 6.5% YoY. All of this had an impact on our midstream business – natural rubber. In response, we promptly adjusted our strategy by focusing on customers with strong recovery potential. Our sales volume decreased by only 6.5% YoY to 1,032,284 ton, less than the overall 8.9% drop in global NR consumption. We still had the highest market share at 8% of global NR consumption (9% of global NR consumption if latex consumption by STGT is included) and our average selling price (ASP), which declined only slightly by 0.6%, was higher than the average NR price on the global market in 2020.

In the downstream business – gloves, following our capacity expansion, we had 33 billion pieces in annual production capacity at the end of 2020, up from 27 billion pieces at the end of 2019. The additional capacity came from our existing plants in Songkla and Trang. Sales volume rose by 40.8% YoY to 28,048 million pieces as the COVID-19 pandemic led to a surge in demand globally. The strong demand was reflected in the selling prices of all products that continued to increase in every quarter, with the ASP for FY2020 growing by 79.1% YoY.

### **Extraordinary Event**

Sri Trang Gloves (Thailand) Public Limited Company (STGT), a producer and distributor of natural rubber and nitrile medical and industrial gloves and a flagship of Sri Trang Group, completed an initial public offering (IPO) and the listing on the Stock Exchange of Thailand on 2 July 2020. Following the IPO, our direct and indirect shareholding in STGT was reduced from 81.1% to 56.2% from 3Q20 onwards but STA remains a major shareholder of STGT.

**Income Statement Overview**

(Unit : THB million)	FY20	FY19	%YoY
<b>Revenue from sales of goods and services</b>	<b>75,478.7</b>	<b>60,286.4</b>	<b>25.2%</b>
Cost of sales and services	(53,697.5)	(55,432.0)	-3.1%
<b>Gross profit (loss)</b>	<b>21,781.3</b>	<b>4,854.4</b>	<b>348.7%</b>
SG&A	(4,782.7)	(4,570.6)	4.6%
Other income and dividend income	349.4	281.1	24.3%
Gain on exchange rates	267.8	354.6	-24.5%
Other gain (loss)	(80.9)	(261.5)	-69.1%
<b>Operating profit (loss)</b>	<b>17,535.1</b>	<b>655.6</b>	<b>2574.5%</b>
Share of profit (loss) from investments in JV	168.6	132.3	27.4%
<b>EBITDA</b>	<b>20,505.0</b>	<b>3,274.3</b>	<b>526.2%</b>
<b>EBIT</b>	<b>17,703.7</b>	<b>788.0</b>	<b>2146.7%</b>
Finance costs	(690.9)	(890.6)	-22.4%
Income tax (expense)	(1,667.5)	15.6	N/A
<b>Net Profit (loss) for the periods</b>	<b>15,396.6</b>	<b>(52.1)</b>	<b>N/A</b>
Attributed to owners of the parent	9,531.2	(148.5)	N/A
Attributed to non-controlling interests	5,865.4	92.1	6266.3%
Former interests before restructuring of the subsidiaries	-	4.3	N/A

**Revenue**

Total revenue from products and services in FY2020 was THB 75,478.7 million, growing 25.2% YoY. Revenue from NR products decreased 7.0% YoY to THB 44,678.1 million because sales volume dropped as a result of the COVID-19 pandemic and the suspension of operations by many tire manufacturers. The ASP, meanwhile, declined by only 0.6% and was higher than the average NR price on the global market in 2020. Revenue from gloves was THB 30,750.4 million, growing 152.2% YoY. The ASP rose 79.1% YoY and sales volume grew 40.8% YoY on the back of strong demand from all geographic markets and customer sectors following the outbreak of COVID-19, which led to a widespread usage of gloves as part of the “New Normal.” Revenue from other products and services came in at THB 50.3 million.

**Sales Volume***NR products*

Sales volume for NR products decreased 6.5% YoY to 1,032,284 tons as the COVID-19 pandemic led to a slowdown in demand. But the decline in our sales volume was less than the overall 8.1% drop in global NR consumption. Geographically, China remained our largest market at 53.4% of total sales volume, followed by other countries in Asia at 26.3%. Thailand made up 15.1% of total sales volume, while Europe and the Americas accounted for 2.7% and 2.5% of total sales volume, respectively.

*Gloves*

Sales volume for gloves increased 40.8% YoY to 28,043 million pieces. Both latex and nitrile gloves saw the growth in sales volume following our capacity expansion and a surge in demand as a result of the COVID-19 pandemic. Throughout 2020 our production facilities were running at full capacity with 94% utilization rate. Latex gloves accounted for 69% of sales volume while nitrile gloves accounted for 31%. Geographically, Asia was our largest market with 41.7% of total sales volume, followed by North America and Europe at 24.9% and 21.2% respectively. South America accounted for 10.0% of total sales volume. The Middle East and Africa made up 3.7% and 2.8% of total sales volume, respectively. Oceania accounted for 0.9% of total sales volume.

**Gross Profit**

Gross profit was THB 21,781.3 million, a significant increase of 348.7% YoY from THB 4,854.4 million in FY2019. The growth in gross profit came on the strength of both of our businesses. In the NR business, we adjusted our strategy in response to the outbreak of COVID-19 by focusing on improving production efficiency, reducing fixed costs and energy consumption, as well as on customers with strong recovery potential. This was reflected in our ASP of THB 138.3 cent/kg, which was higher than the average NR price on the global market in 2020. Gross profit margin for the NR business was 9.3%. Meanwhile, our glove business saw significant growth, both in the ASP and sales volume, on the back of robust demand throughout the year. Gross profit margin for the

glove business increased in every quarter and was 57.3% for FY2020. The overall gross profit margin of STA was 28.9%. Taking account of the reversal of inventory allowance in the amount of THB 28.8 million and realized gains from hedging transactions of THB 203.9 million, our adjusted gross profit margin in 2020 would have been 29.2%, up from 7.6% in FY2019.

### Operating Profit

Operating profit in FY2020 was THB 17,535.1 million and operating profit margin was 23.2%, a substantial increase from THB 655.6 million in FY2019. This can be attributed to the strong growth of our glove business and the profitability of our NR business despite the industry slowdown. We also recorded THB 267.8 million in currency exchange gains in the normal course of business, which fully offset THB 80.9 million in losses from currency exchange and NR hedging transactions.

Administrative and selling expenses (SG&A) were THB 4,782.4 million, increasing 4.9% YoY. The increase is mainly attributed to the growth of our glove business. However, the proportion of SG&A to sales was 6.3%, down from 7.6% in FY2019, as we benefited from improved efficiency and the economies of scale. Other income in FY2020 was THB 349.4 million, including the THB 78.6 million that STGT received from the Rubber Authority of Thailand as part of the interest rate subsidy program as well as THB 77.1 million in insurance claims. The rest was from rent, the provision of IT services and the sale of production waste. At the end of FY2020 we had THB 556.0 million in gains from the net realizable value of inventory (NRV)\*.

*Note: \*Inventory balance of the Company at net realizable value (NRV), for only RSS, LTX and TSR, is at lower of cost or net realizable value. Under the Thai Financial Reporting Standards, such surplus from inventories is not allowed to be recognized in the profit and loss until the inventories are actually sold. The amount of such difference changes over time depending on the actual price at the time of sale.*

### Share of Profit from Investments in Associates and Joint Ventures

Share of profits from investments in associates and joint ventures in FY2020 was THB 168.6 million, up 36.2% YoY because of higher profits from both the NR and high-pressure hydraulic hose joint ventures.

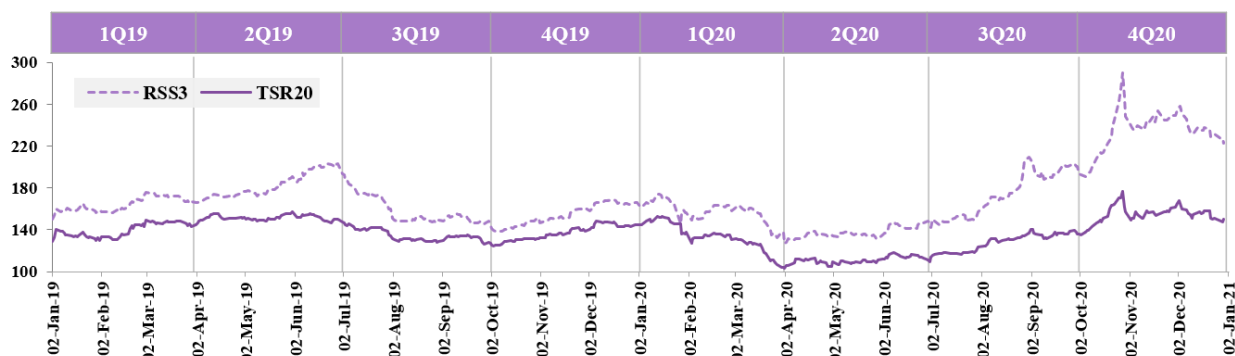
### Net Loss Attributed to Owners of The Company

Net profit in FY2020 was THB 9,531.2 million, a significant improvement over a net loss of THB 148.5 million in 2019. This can be attributed to the record profit of our glove business and the profitability of our NR business despite the industry slowdown. Our finance costs also went down 22.4% YoY to THB 690.9 million after the repayment of loans by STGT following the IPO, a reduction in short-term loans for working capital for the purchase of raw materials in our NR business and lower interest rates from financial institutions.

In short, our glove business was instrumental in driving the record revenue and profit of Sri Trang Group as a product that has been experiencing high growth in the new normal. We are working to further expand our production capacity to serve the growing global demand. Our ready access to quality concentrated latex has differentiated us from other glove producers and makes us stand out from the pack. In the NR business, despite the turmoil throughout the year, we successfully adjusted our strategy and focused on customers with strong recovery potential. Our strong finances serve to provide credibility and reassurance to our customers and stakeholders. We are well positioned to capture opportunities as NR demand and prices rebound.

## Key Factors Affecting the Company's Operations

### 1. Volatility of Natural Rubber Price



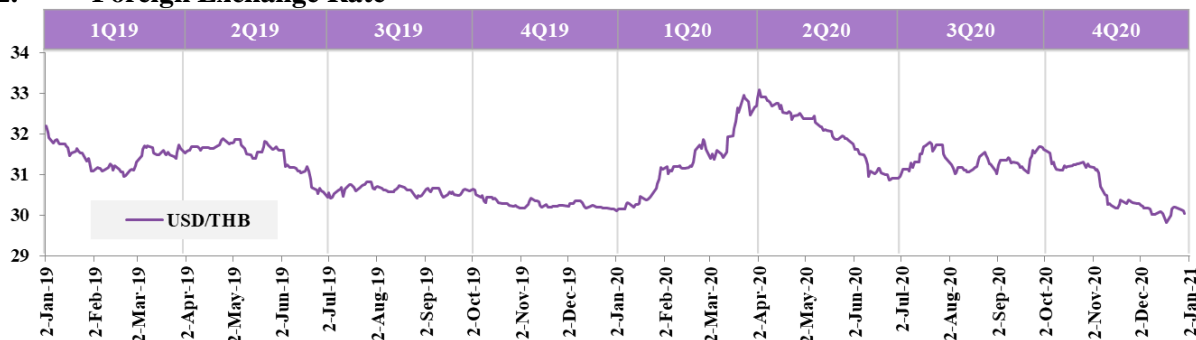
Daily Price Movement of TSR20 and RSS3 at SICOM

In 2020, the natural rubber (NR) industry felt the full impact of COVID-19, from the slowing demand to the sharp drop in prices from late March through July, a period when China, the world's largest NR consumer, was still reeling from the outbreak, which originated in the country. It was also during this period that tire manufacturers in many countries had to suspend their operations for 4-10 weeks as part of government lockdown measures. The average price of TSR20 on SICOM during the period was 112.2 cent/kg. Demand for TSR and RSS picked up when the outbreak started to subside in Asia and tire manufacturers could resume their operations. The strong demand for LTX from glove producers throughout the year also pushed NR prices higher. The average price of TSR20 on SICOM during September-December was 154.5 cent/kg, up 37.7% from the low. According to the latest report by the IRSG\*, global NR demand in 2020 was 12.5 million tons, down by 8.1% from 2019. The average SICOM price of TSR20, which accounted for the highest proportion of overall NR consumption, in 2020 was 131.5 cent/kg, down 6.5% from 2019.

Price Movement of TSR20 and RSS3 at Singapore Commodity Exchange Limited (SICOM) during 2019-2020

(Unit: US Cent/ Kg.)	RSS3			TSR20		
	2020	2019	%Change	2020	2019	%Change
<b>Q1 Average</b>	157.7	164.0	-3.8%	133.5	139.4	-4.2%
<b>Q2 Average</b>	137.3	182.3	-24.7%	110.8	151.3	-20.5%
<b>Q3 Average</b>	174.2	158.8	9.7%	128.1	134.7	-15.4%
<b>Q4 Average</b>	234.5	154.1	52.2%	154.5	137.0	12.8%
<b>Yearly Average</b>	<b>175.6</b>	<b>164.7</b>	<b>6.6%</b>	<b>131.5</b>	<b>140.6</b>	<b>-6.5%</b>
<b>Closing price as at 31 December</b>	222.4	166.3	12.0%	150.3	145.1	-15.0%

### 2. Foreign Exchange Rate



Historical Exchange Rate of Thai Baht against US dollar

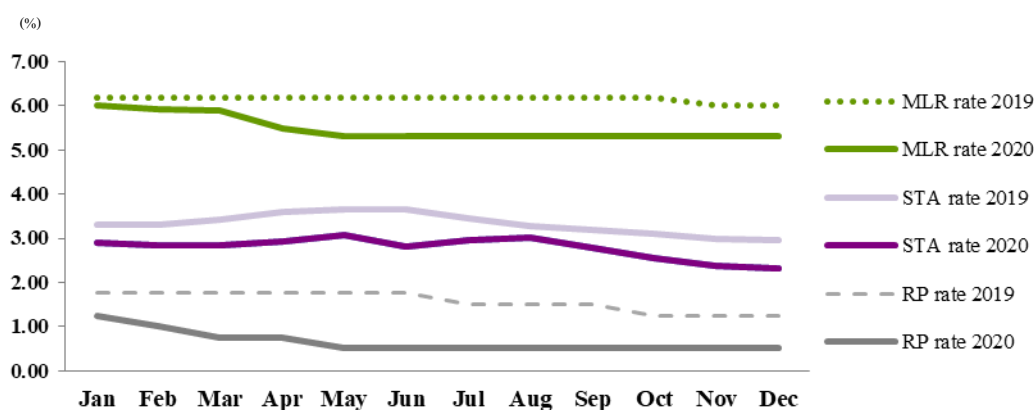
The fluctuations of Thai Baht and US Dollar directly affect our revenue since approximately 83.6% of our total revenue are denominated in US Dollars, while our financial reporting currency is Thai Baht. We therefore utilize financial derivatives to manage our currency risk and their mark-to-market values will be recognized as unrealized foreign exchange gain or loss.

In 2020, Thai Baht depreciated by 1.2% to the average of THB 31.31 to USD 1, compared with the average of THB 30.94 to USD 1 in 2019, with high volatility throughout the year. However, we recorded THB 267.8 million in currency exchange losses in the normal course of business and THB 106.9 million in gains from currency hedging transactions. In total, we recorded THB 160.9 million in currency exchange gains in 2020, a decrease from THB 478.4 million in 2019, because of lower gains from currency hedging transactions as a result of the high volatility.

### 3. Finance Costs

The key factors affecting our finance costs are NR prices, sales volume and long-term loans for capacity expansion. In 2020, our interest expenses went down from 2019 on account of a decrease in short-term borrowings to support raw material purchasing in line with the sales volume and a drop in raw material price in line with the global rubber prices. As a result, our overall finance costs decreased 22.4% from Baht 890.6 million in 2019 to Baht 690.9 million in 2020.

The graph below illustrates that our average interest rate during 2019-2020 was lower than the average Minimum Loan Rate (MLR) of three large commercial banks, Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank.



STA Effective Interest Rate vs. Average MLR Rate

### 4. Government Policy

Policies issued by the governments of Thailand and other major natural rubber-exporting countries may benefit or negatively affect our operations. For instance, in a joint effort to combat low natural rubber prices, the governments of Thailand, Indonesia and Malaysia, the three major natural rubber-producing countries, agreed to implement the Agreed Export Tonnage Scheme (AETS) in 2012, in 2016, then in 2018. The latest implementation, in 2019, the three governments again imposed a quota of 240,000 tons of rubber exports dropped from the reduction quota of 350,000 tons in 2018. For the latest implementation, Indonesia and Malaysia started implement this scheme the period from 1 April 2019 to 31 July 2019 and Thailand implemented the period from 20 May 2019 to 19 August 2019. These policies may cause domestic natural rubber prices to be inconsistent with natural rubber prices on the global markets or cause our sales volume to be inconsistent with global natural rubber demand.

Nevertheless, Thai government has executed various programs to deal with the low natural rubber price and to help rubber farmers with no impact on market mechanism such as the price guarantee offered to rubber farmers, which lasts from October 2019 to March 2020 and August 2020 to December 2020, and whereby the government will compensate rubber farmers the differential between the guaranteed prices and prices on the market. The guaranteed prices are 60 Bath/kg. for good quality unsmoked sheets, 57 Baht/kg. for fresh latex and 23 Baht/kg. for cup lump. Other measures aimed at promoting NR consumption include the interest rate subsidy of no more than 3% offered to businesses that consume natural rubber and the encouragement for rubber plantations to be certified by the Forest Stewardship Council (FSC) in order to increase the value natural rubber products from Thailand and broaden export base.

Our gloves operations are also affected by policies such as the ban issued by the US Food and Drug Administration on the use of powdered medical gloves, which could lead to shifting in demand for latex gloves to powder-free latex gloves or nitrile gloves.

**Business Segmentation Analysis**

Revenue breakdown by product segment (Baht million)

	FY2020	FY2019	%YoY
<b>Technically Specified Rubber (TSR)</b>	<b>37,657.8</b>	<b>39,019.7</b>	<b>-3.5%</b>
%	49.9%	64.7%	
<b>Gloves</b>	<b>30,750.4</b>	<b>12,194.8</b>	<b>152.2%</b>
%	40.7%	20.2%	
<b>Ribbed Smoked Sheet (RSS)</b>	<b>4,336.0</b>	<b>6,117.3</b>	<b>-29.1%</b>
%	5.7%	10.1%	
<b>Concentrated Latex (LTX)</b>	<b>2,684.2</b>	<b>2,906.6</b>	<b>-7.7%</b>
%	3.6%	4.8%	
<b>Others*</b>	<b>50.3</b>	<b>48.0</b>	<b>4.7%</b>
%	0.1%	0.1%	
<b>Total</b>	<b>75,478.7</b>	<b>60,286.4</b>	<b>25.2%</b>

Note:

\* Comprises revenue from (i) the sale of rubber wood and wood packing product (ii) the provision of certain services (such as logistics, research and development and information technology services) to our associates and a joint venture entity as well as other external third parties and (iii) the sale of gloves

**Technically Specified Rubber (TSR)**

Revenue from TSR, which accounted for 49.9% of total revenue, decreased 3.5% YoY as sales volume declined 1.6% YoY because of weakened demand following the outbreak of COVID-19. But the decrease was less than the overall 8.1% YoY drop in global NR consumption. The ASP also went down 1.9% YoY, but was still higher than the average NR price on the global market. With a strategy that emphasizes flexibility and agility and the sharp contrast in NR prices during the first and second half of the year, gross profit for TSR rose 38.9% from FY2019 and gross profit margin significantly improved.

**Gloves**

Revenue from gloves, which accounted for 40.7% of total revenue, rose 152.2% YoY on the back of sales volume that grew 40.8% following our capacity expansion and the outbreak of COVID-19, which led to a surge in demand for medical as well as other uses in daily life. Throughout the year, prices of raw materials, both NR and NRB latex, experienced high volatility and went up 14.1% for NR latex and 11.3% for NBR latex. But the increase in raw material prices was offset by the ASP that went up 79.1% YoY because of strong demand throughout the year. As a result, gross profit rose 883.2% YoY and gross profit margin was among the highest of all the leading glove producers.

**Ribbed Smoked Sheet (RSS)**

Revenue from RSS, which accounted for 5.7% of total revenue, dropped 29.1% YoY in tandem with sales volume that declined 31.6% YoY as demand slowed because RSS has mostly been replaced by TSR in tire manufacturing. The ASP, meanwhile, went up 3.6% YoY. Prices of RSS experienced high volatility during the year as many tire manufacturers had to suspend operations during the peak of the COVID-19 outbreak, and this prompted many rubber farmers to produce more field latex instead during 2Q20, leading to a tight supply of RSS when tire manufacturers resumed operations in 3Q20. As a result, gross profit for RSS dropped 39.1% YoY and gross profit margin went slightly down.

**Concentrated Latex (LTX)**

Revenue from LTX, which accounted for 3.6% of total revenue, decreased 7.7% YoY because sales volume dropped 20.2% YoY as LTX consumption within the Group grew in concert with the glove business. In response to prices field latex that went up sharply from late May through June, we reduced the proportion of LTX sold to customers outside of the Group. (Sales to STGT are deemed connected transactions and cannot be stated in the consolidated financial statements.) The ASP went up 15.7% YoY on the back of demand that rose substantially, particularly from glove producers. Gross profit for LTX rose 406.6% YoY and gross profit margin also increased substantially.

**Consolidated Balance Sheet***Current Assets*

Current assets as of 31 December 2020 amounted to THB 57,375.0 million, representing 61.6% of total assets and up by THB 34,832.2 million or 154.5% from the previous year. The increase in current assets primarily resulted from cash and cash equivalent item in the amount of THB 24,064.9 million which was partly due to receiving THB 14,600 million in IPO proceeds and a strongly increase in the Company's operating result reflecting in an increase in cash and trade accounts receivable.

*Non-Current Assets*

Non-current assets as of 31 December 2020 amounted to THB 35,742.3 million, representing 38.4% of total assets and decreasing by THB 45.8 million or 0.1% from the previous year. The decrease in non-current assets primarily resulted from a drop in property, plant, and equipment as, in 2020, the Company wrote off some buildings and there was an increase depreciation following years of machine usages.

*Current Liabilities*

Current liabilities as of 31 December 2020 amounted to THB 32,402.4 million, representing 81.6% of total assets and increasing by THB 9,948.0 million or 44.3% from the previous year. The increase in non-current assets primarily resulted from an in short-term borrowings from financial institution used for raw material purchasing amounted to THB 5,213.3 million and an increase in trade accounts payable and other payable following the business expansion of the Company amounted to THB 2,107.3 million, as well as there would be matured debenture due in May 2021 amounted to THB 1,455.0 million.

*Non-Current Liabilities*

Non-current liabilities as of 31 December 2020 amounted to THB 7,300.0 million, representing 18.4% of total liabilities and dropped by THB 3,070.1 million or 29.6% from the previous year. This was mainly due to the drop in long-term borrowing from financial institutions (minus current portions) in the amount of THB 1,877.1 million comparing to the previous year together with matured debenture due in May 2021 amounted to THB 1,455.0 million

*Shareholders' Equity*

Shareholders' equity as of 31 December 2020 amounted THB 53,396.9 million, increasing by THB 27,908.5 million or 109.5% from the previous year. The increase in shareholders' equity primarily resulted from an increase in unappropriated retained earnings in the amount of THB 8,382.5 million thanks to the strong earning of the Company together with the premium on ordinary shares from changing in shareholdings in STGT amounted to THB 5,799.4 million.

**Credit Policy**

STA defines the criteria for setting credit and payment terms for customers including the account receivable turnover not over than 40 days. This shall be the guideline for the operation, examination, and credit risk control to be at the acceptable level of the Company together with preserving and enhancing customer relation leading to a sustainable business operation. In 2020, we had the account receivable turnover at 31.71 days which was lower than the Company's policy.

**Research and Development (R&D) Expenditure**

In 2020, we had THB 68.50 million, up 38.1% from the previous year, in expenses associated with research and development in relation to all our products, from TSR, LTX, RSS to Gloves. Such expenses went toward improving the production efficiency and product quality to satisfy customer demand and also toward the sustainable environmental management. Throughout the year 2020, we have developed 52 projects for R&D and 4 projects of that will be continued to conduct in 2021.

**Source of Funds**

In 2020, our capital expenditure was THB 2,593.5 million, up 37.1% from the previous year, which primarily consisted of THB 2,066.6 million in expenditure for gloves facilities accounted around 79.7% of total capital expenditure. Followed by, the maintenance expenditure of our TSR, RSS and LTX facilities THB 335.2 million accounted around 12.9% of total capital expenditure and the investment for rubber plantation business and



others expenditure in the amount of THB 123.7 million, and THB 67.9 million respectively. Our primary sources of funds were cash and long-term borrowings from financial institutions.

### **The Ability to Service Debt and Comply with Loan Covenants**

Short-term and long-term borrowings from financial institutions, debentures and financial leases as of 31 December 2020 amounted to THB 32,058.2 million (Please find details about payment term, interest rate and ending balance in each foreign currency in Note to the Consolidated and Separate Financial Statements under item 25).

Our net debt to equity ratio was at 0.25 times as of 31 December 2020, dropping from 1.20 times in 2019, mainly due to the decrease in cash and cash equivalence in the amount of THB 24,064.9 million and the decrease in long-term loans from financial institution in the amount of THB 2,170.5 million.

### **Financial Ratios**

#### *Current ratio*

Current ratio is calculated by dividing total current assets by total current liabilities. Our current ratio as of 31 December 2019 and 31 December 2020 was 1.00 times and 1.77 times, respectively. The increase in current ratio primarily resulted from an increase in current assets which was cash and cash equivalent as well as an increase in trade accounts receivable and other receivables thanks to our business growth.

#### *Fixed asset turnover ratio*

Fixed asset turnover ratio is calculated by dividing the sales of goods and services by the average value of property, plants and equipment (net). As of 31 December 2019 and 31 December 2020, our fixed asset turnover ratio was 2.06 and 2.53 times, respectively. The increase in fixed asset turnover ratio was mainly due to our strong revenue growth that implied maximizing benefits of the Company's fixed assets.

#### *Return on assets ("ROA")*

ROA is calculated by dividing net profit (of the parent company) for the year by the average value of total assets. As of 31 December 2019 and 31 December 2020, our ROA was -0.25% and 12.59% respectively. The increase in ROA mainly resulted from a jump in profitability of the Company comparing to the previous year.

#### *Return on equity ("ROE")*

ROE is calculated by dividing net profit (of the parent company) for the year by the average total equity. As of 31 December 2019 and 31 December 2020, our ROE was -0.57% and 24.16%, respectively. The increase in ROE resulted from a strong growth of the Company's profitability.

#### *Debt to equity ratio ("D/E")*

D/E is calculated by dividing total debt by total equity. As of 31 December 2019 and 31 December 2020, our D/E was 1.29 and 0.74 times, respectively. The huge decrease in D/E resulted from a drop in long-term borrowings and loan payment before the due date of STGT, as well as an increase in total equity following the growth of retained earnings and premium on ordinary shares, respectively.

### **Business Outlook**

#### **Rubber Industry**

	2020	2021F	2022F
% Global growth (GDP)	-4.4%	5.2%	4.2%
Global total vehicles in use (mil. Unit)	1,482	1,522	1,555
% change	1.3%	2.7%	2.1%
Global vehicle production (mil. Unit)	77	88	95
% change	-16.9%	14.6%	8.4%
Global tire production (mil. Unit)	1,651	1,794	1,905
% change	-12.6%	8.6%	6.2%
Global NR consumption ('000 tons)	12,533	13,409	14,212
% change	-8.1%	7.0%	5.3%

Source: International Rubber Study Group (IRSG), The World Rubber Industry Outlook, Review and Prospects to 2030, December 2020



Since the growth of the global economy and the COVID-19 pandemic reflects a slowdown in a purchasing power of consumers. As for the natural rubber consumption, the key factors affecting natural rubber demand are the vehicle production and tire production over the world because tire manufacturers account around 70% of global natural rubber demand. According to IRSG report, in 2020, demand from tire manufacturers decreased 9.5% from 2019. The COVID-19 lockdown in many countries and the sluggish demand prompted many tire manufacturers to suspend their operations for 4-10 weeks, directly impacting TSR and RSS consumption. Aside from the lower NR consumption from tire manufacturers, demand for synthetic rubber, which needs to be used together with natural rubber for tire production, dropped by 11.0%, a much higher rate than a drop in natural rubber consumption.

## Natural Rubber Demand and Supply

### World Natural Rubber production and consumption during 2020 - 2022

Unit: 000'tons	2020	2021F	2022F
<b>NR production</b>	<b>12,899</b>	<b>13,511</b>	<b>14,183</b>
% change	-5.9%	4.7%	5.0%
<b>NR consumption</b>	<b>12,533</b>	<b>13,409</b>	<b>14,121</b>
% change	-8.1%	7.0%	5.3%
<b>NR Balance</b>	<b>367</b>	<b>102</b>	<b>62</b>

Source: International Rubber Study Group (IRSG), The World Rubber Industry Outlook, Review and Prospects to 2030, December 2020

According to the World Rubber Industry Outlook, Review and Prospects to 2030, published by the International Rubber Study Group (IRSG) in December 2020, global NR demand in 2020 was 12.5 million tons, down 8.1% from 2019, because demand from tire manufacturers, who accounted for about 70% of total NR consumption, dropped by 9.5% from 2019. The COVID-19 lockdown in many countries and the sluggish demand prompted many tire manufacturers to suspend their operations for 4-10 weeks, directly impacting TSR and RSS consumption. At the same time, demand from non-tire consumers decreased by only 4.5% from 2019, buoyed by demand for LTX from glove producers in Thailand and Malaysia, which rose in tandem with demand for gloves following the outbreak of COVID-19.

Global NR supply in 2020 was 12.9 million tons, down 5.9% from 2019 mainly because of demand that slowed as a result of the COVID-19 pandemic. During the height of the outbreak, the price of TSR20 on SICOM dropped to 103.8 cent/kg, the lowest since 2004. The lockdown measures also forced some migrant workers to go back to their countries, leading to a shortage of labor for rubber tapping. The decrease in NR supply mainly came from the Asia-Pacific countries, which accounted for 87.8% of total NR production in 2020.

The IRSG expects another year of NR oversupply in 2021, a result of the rubber trees planted during a period of high NR prices from 2010 to 2012 (the average price TSR20 on SICOM during the period was 368 cent/kg), which saw the area of rubber plantations in the Asia-Pacific region expand by 18.9%. The trees planted during this period have started to provide yield since 2017, leading to a constant oversupply that intensified in 2020, with a surplus of 367,000 tons, as a result of a significant slowdown in consumption following the outbreak of COVID-19 and the suspension of operations by tire manufacturers in many countries. The IRSG anticipates that NR demand will start to pick up in 2021 and the supply surplus will lower to 102,000 tons.

## Rubber Glove Industry

Gloves are products that help to effectively protect against germs, chemicals and other contaminants. As such, they are widely used in industries as diverse as the healthcare industry, the food industry, the electronics industry and the cosmetics industry. Gloves that are consumed nowadays can be broadly categorized into three types, namely, powdered and powder-free latex gloves, nitrile gloves and vinyl gloves.

### Rubber Glove Demand and Supply

In 2020, the COVID-19 outbreak, which originated in China before becoming a global pandemic, led to a paradigm shift in glove consumption. Gloves, which constitute an essential personal protective equipment (PPE), have become a mainstay in daily life and in various different industries.

Prior to the outbreak of COVID-19, the Malaysian Rubber Glove Manufacturers Association (MARGMA) anticipated demand for gloves to grow by 10% to 330 billion pieces in 2020, a figure that has yet to be revised. There was an estimation that, in 2020, demand could grow by as much as 20%-50% to 360-585\* billion pieces as a result of the protracted nature of the outbreak, which is still ongoing. While gloves are widely consumed in countries around the world, glove production is still concentrated in Southeast Asia and China. MARGMA

estimated that in 2019, 63% of the global glove supply came from Malaysia and 18% came from Thailand, while China and Indonesia accounted for 10% and 3% of global production, respectively.

*Source: \*Malaysian Rubber Glove Manufacturers Association "MARGMA" and 2020 Market Report, HIDA Research & Analytics*

## **Our business strategy and progress of expansion plan**

### **Upstream Business – approximately 7,200 hectares of rubber plantations**

As of 31 December 2020, we had approximately 7,200 hectares of rubber plantations in 19 provinces of Thailand, with the majority located in the north and northeast. Some of the rubber trees on our plantations have been providing yields since 2015, facilitating the raw material sourcing in our core midstream operations. We estimate that in 2020, the rubber trees that can be tapped will make up around 25% of total rubber trees, up from 11% in 2019. We have received Forest Management Certification and Chain-of-Custody Certification from the Forest Stewardship Council (FSC), making us the world's first fully integrated NR producer to be recognized by the FSC throughout the supply chain.

### **Midstream Business – maintaining profitability and moving toward "STA 20"**

As of 31 December 2020, we had 2.84 million tons per annum in installed production capacity from 36 production facilities (32 in Thailand, 3 in Indonesia, and 1 in Myanmar). We have introduced more automation to our production process in order to improve efficiency, reduce energy consumption and become more environmentally friendly. We have launched the application "SRITRANG FRIENDS" to facilitate raw material procurement. In the long run, we are focused on maintaining relationships with our existing customers as well as increasing market share amid industry volatility. We intend to eventually achieve "STA 20," or to capture a market share of 20% of "global NR consumption." (In 2020, our market share was 8% of global NR consumption.)

*Note: \*The engineering capacity is derived from the specifications certified by the supplier of the processing machinery. Our engineering capacity includes the engineering capacity of Thaitech Rubber Corporation Limited.*

### **Downstream Business – reaching an annual installed production capacity of 50 billion pieces by 2022 and 80 billion pieces by 2024**

Sri Trang Gloves (Thailand) Public Company Limited ("STGT"), one of Sri Trang Group's flagship companies, engages in the production and distribution of latex and nitrile examination and industrial gloves to customers in over 140 countries around the world. STGT has offices in Thailand, China and USA. With an annual installed production capacity of 33 billion pieces as of 31 December 2021, STGT is Thailand's biggest glove producer and is ranked among the world's leading producers.

STGT completed an initial public offering (IPO) and its shares started trading on the Stock Exchange of Thailand on 2 July 2020. STGT received Baht 14.6 billion in IPO proceeds (net of expenses), which will be used toward the planned capacity expansion to serve the global demand for gloves. STGT intends to achieve an annual production capacity of 50 billion pieces by 2022, and 80 billion pieces by 2024, with new capacity first coming from the new Surat Thani plants (SR)– SR2 in 1Q21 and SR3 in 2Q21. The remainder of the IPO proceeds will be used for the SAP installation to improve efficiency and loan repayment as well as working capital. After the IPO from 3Q20 onwards, STA still remains a major shareholder of STGT with 56.2% in direct and indirect shareholding.