



NEP-AC 001/2561

10 May 2018

Subject : Management Discussion and Analysis for 1<sup>st</sup> Quarter ended March 31, 2018

To : The President

The Stock Exchange of Thailand

### **Operating Result**

NEP Realty and Industry Public company Limited would like to explain the operating result for the 1<sup>st</sup> quarter and three months period ended March 31, 2018 compare with the same period of the previous year as follows

#### **For the three months in Q1/2018 ended March 31, 2018**

The company had the operating result for the three months ended March 31, 2018 show a net loss of Baht 6.28 million, compare to the same period of previous year which a net loss of Baht 14.65 million, the loss decrease Baht 8.37 million or decrease by 57.14% , the main reasons are as follow

#### **1. Revenue from sale , Other income**

The company had revenue from sale for Q1/2018 ended March 31, 2018 of Baht 81.01 million, compare with the same period of previous year amount to Baht 73.98 million which increase Baht 7.02 million or 9.49%, which main result from the company increased its flexible packaging production line since Q2/2017, in Q1/2017 the revenue from flexible packaging had not yet recognized.

For other income, the company had other income for Q1/2018 ended March 31, 2018 of Baht 0.82 million compare with the same period of previous year amount to Baht 0.49 million , increase Baht 0.33 million or 67.21%, due to the interest received from current investment which is cash received from the private placement capital increase in Q1/2018.

#### **2. Cost of sale , Profit margin**

In Q1/2018 the company had cost of sale Baht 78.13 million compare with the same period of previous year amount to Baht 74.95 million, increase Baht 3.17 million or increase 4.23%, which increase by the same direction of sale increased and the profit margin increase by Baht 3.85 million or increase 396.0%, due to production efficiency improvement and gain from sale on flexible packaging

### **3. Selling expenses**

In Q1/2018, the selling expenses was Baht 2.63 million compare with the same period of previous year amount to Baht 2.35 million, increase Baht 0.27 million or increase 11.71%, this is increase by the same direction of sale increase.

### **4. Administrative expenses**

In Q1/2018, the administration expenses was Baht 15.43 million compare with the same period of previous year amount to Baht 13.93 million, increase by Baht 1.50 million or increase 10.75%, due to the company paid for financial advisor and extraordinary general meeting of shareholders. **Management benefit expenses**

In Q1/2018, the management benefit was Baht 4.35 million compare with the same period of previous year amount to Baht 3.29 million, increase Baht 1.05 million or increase 31.93% , because the company added the employee at management level to align with appropriate organizational restructuring since Q2/2017.

### **5. Financial cost**

In Q1/2018, the financial cost was Baht 0.39 million compare with the same period of previous year amount to Baht 0.51 million, decrease Baht 0.12 million or decrease 24.21%, since the company continuously repaid the loan cause this expense reduced.

### **6. Share of profit (loss) from investment in associated company**

In Q1/2018, Share of profit (loss) from investment in associated company was Baht 12.72 million compare with the same period of previous year amount to Baht 5.59 million, increase Baht 7.14 million or increase 127.72%, because in Q1/2018 the associated company had better performance than the same period of previous year.

## **Financial Position**

**1. Total asset**, the company had total asset as at March 31, 2018 of Baht 920.46 million increase from December 31, 2017 by Baht 161.62 or 21.30% , the details of the change are as follow :

**1.1 Current asset** as at March 31, 2018 of Baht 323.41 million increase by Baht 153.06 million or 89.85%, due to cash and cash equivalents increase Baht 7.66 million, current investment increase Baht 146.30 million, because the company received cash from the private placement capital increase and inventory increase by Baht 7.19 million, which was in line with the increase in sale.

**1.2 Non current asset** as at March 31, 2018 amount of Baht 597.06 million increase Baht 8.56 million or 1.46% , an increase in investment in associated company by increase in share of profit amount of Baht 12.72 which is higher than the same period of previous year and property, plant and equipment decrease by Baht 4.96 million, because of the depreciation.

**2. Total liability**, the company had total liability as at March 31, 2018 of Baht 92.16 million increase from December 31, 2016 to Baht 1.60 or 1.77% , the details of the change are as follow :

**2.1 Current liability** as at March 31, 2018 amount of Baht 59.76 million increase Baht 2.11 million or 3.67%, This is an increase in raw material creditor due to the fact that the company has a rising sale trend, so it has to order more raw material, and the current portion of long term loan decrease Baht 2.29 million due to the company had paid continuously.

**2.2 Non current liability** as at March 31, 2018 amount of Baht 32.4 million decrease Baht 0.51 million or 1.56%, as a result of liability repayment under hire purchase agreement.

**3. Shareholder equity** as at March 31, 2018 amount of Baht 828.30 million increase from December 31, 2017 by Baht 160.02 or 23.94% , since the company had private placement capital increased and has operating loss Baht 6.28 million.

### **Trend of year 2 017**

The company has a policy to expand the production line of flexible packaging by purchasing more machines and improve their production efficiency in various area, reduce waste, reduce the use of raw materials and increase product quality. In addition, prepare marketing and sale plan to expand customer base of flexible packaging and plastic sack.

The company expects from the development as mention above, it will help the company can have better performance and will profit in near future.

Please be informed accordingly,

Sincerely yours,

Mr.Vee Worasakyotin

Managing director

