



บริษัท เอ็นอีที อสังหาริมทรัพย์และอุตสาหกรรม จำกัด (มหาชน)  
NEP REALTY AND INDUSTRY PUBLIC COMPANY LIMITED  
Public Company Registration No. 0107537000831



(Translation)

NEP-AC 001/2562

28 February 2019

Subject : Management Discussion and Analysis for year ended 31 December 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 year ended December 31, 2018 compare with the same period of the previous year as follows

#### **For year ended December 31, 2018**

The operating result for 2018 of the company show a net loss of Baht 49.96 million, compare to the same period of previous year which a net loss of Baht 30.13 million, the increased loss of Baht 19.83 million or increased loss percentages of 65.81% , the main reasons are as follow;

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

The company had revenue from sale for 2018 at 389.38 million baht, compare with the same period of previous year with amount of 350.59 million baht which increase by 38.79 million baht or 11.06%, which resulted from the company had increase the revenue from flexible packaging.

Other income for 2018 are 4.65 million baht compare to 3.44 million bath last year, with 1.21 million baht or 35.17% increase compare to the same period of previous year due to an interest received from current investment.

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

For year 2018, the company had cost of sale of 396.52 million baht compare to 333.48 million baht last year with the increasing of 63.04 million baht or 18.90% increased, while sale revenue only increase by 11.06% results in less profit margin compare to the year 2017 at 24.25 million baht, due to the unstable of production cost of new production line, the complexity of products which results in higher production costs with the fluctuation of production cost.

## **3. Selling expenses**

For year 2018, the selling expenses was 11.38 million baht compare to 9.96 million baht last year, increased by 1.42 million baht or 14.25% increased , which increase by the same direction of sale increase.

## **4. Administrative expenses**

For year 2018, the administration expenses was 60.75 million baht compare to 53.24 million baht last year, increased by 7.51 million baht or 14.10% increased. These expenses related to the extraordinary general shareholder's meeting and cost of capital increase in January 2018. With some amount of expenses for the additional from the payment of early retires employee.

## **5. Management benefit expenses**

For year 2018, the management benefit was 15.90 million baht compare to 17.04 million baht, decrease by 1.14 million or 6.69% decreased because the company had adjust the organization to be more compact and more cost saving.

## **6. Financial cost**

For year 2018, the financial cost was 1.38 million baht compare to 1.88 million bath last year, decrease by 0.50 million baht or 26.59% decreased due to decrease in bank loan.

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

For year 2018, Share of profit (loss) from investment in associated company was 44.99 million baht compare to 29.26 million bath last year, increase by 15.73 million baht or 53.76 % increased because the associated company had a better earning than previous year.

## **8. Profit (loss) from Actuarial estimation**

For year 2018, Company using new Actuarial estimation resulting in increased loss of the year 2018 at 3.27 million baht from retired payment following laboring protection laws that increased to 400 days and company have more employees with more than 20 years working services life.

### **Company Financial status**

**1. Total asset**, the company had total asset as at December 31, 2018 with amount of 886.35 million bath increase from December 31, 2017 by 127.51 million baht or 16.80% increased, the details of the change are as follow:

**1.1 Current asset** as of December 31, 2018 with amount of 202.78 million bath increase by 32.43 million bath or 19.04% increased, due to cash and cash equivalents increase by 23.52 million bath as a result of cash from capital increase, trade accounts receivable increase by Baht 9.26 million and inventory increase by Baht 18.42 million, which was in line with the increasing in sale.

**1.2 Non-current asset** as of December 31, 2018 with amount of 683.57 million bath increase by 95.08 million bath or 16.16% increase, is an increasing in bank deposits with a guarantee of 60 million baht, which the company opened a 1-year fixed deposit account for guarantee of plastic resin purchase. The company will have a lower interest rate than buying a credit with the seller. Resulting in lower cost of plastic resin while having a longer credit term. And also increase in an investment of associated companies of 25.32 million baht. From better operating results of associated companies with an increase in property, plant and equipment by 10.35 million bath due to the investment in machinery of new production lines.

**2. Total liability**, the company had total liability as of December 31, 2018 at 101.73 million bath increase from December 31, 2017 at 11.17 million bath or 12.33% increase, the details of the change are as follow :

**2.1 Current liability** as of December 31, 2018 with amount of 90.88 million bath increase by 33.23 million bath or 57.64% increase, is an increasing of short-term loans from financial institutions with the amount of 9.42 million baht, which is part of the purchase of plastic resin by bank payment (As explained in 1.2) with the increase in account payable and other payable by 4.02 million bath due to the fact that the company has a rising sale trend, so it has to order

more raw materials and also increase in long-term loan from foreign countries which going to due in 1 year at 24.62 million baht ( those loan will be due in August 30, 2019).

**2.2 Non-current liability** as of December 31, 2018 with amount of 10.84 million baht decrease by 22.07 million bath or 67.06% increase, as a result of long term loan from foreign countries which reduce by 24.62 million baht (moved into current liability as explained in 2.1) But the employee benefit obligation increased by 4.82 million baht because the company has recalculated the projections effect by the increasing of the retirement benefit according to the Labor Protection Law to 400 days and the company has more employees that have than 20 year-old services life.

**3. Shareholder equity** as of December 31, 2018 with amount of 784.62 million bath increase from December 31, 2017 by 116.34 million bath or 17.40% increase, since the company received the capital increase by 166.30 million bath and loss from operation by 49.96 million bath.

### **Trend of year 2 019**

The company has expand the production line of flexible packaging by purchasing more machines and improve the 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. Including the improvement of after sale services to meet customer satisfaction.

The development of the company as mentioned above, The Company has improved its performance and expected to be profitable in the near future.

Please be informed accordingly,

Sincerely yours,

Mr. Saton Samerpark

Managing Director