



No. NER 003/2022

February 21, 2022

Re: Management Discussion and Analysis ended December 31, 2021

To: The President, The Stock Exchange of Thailand

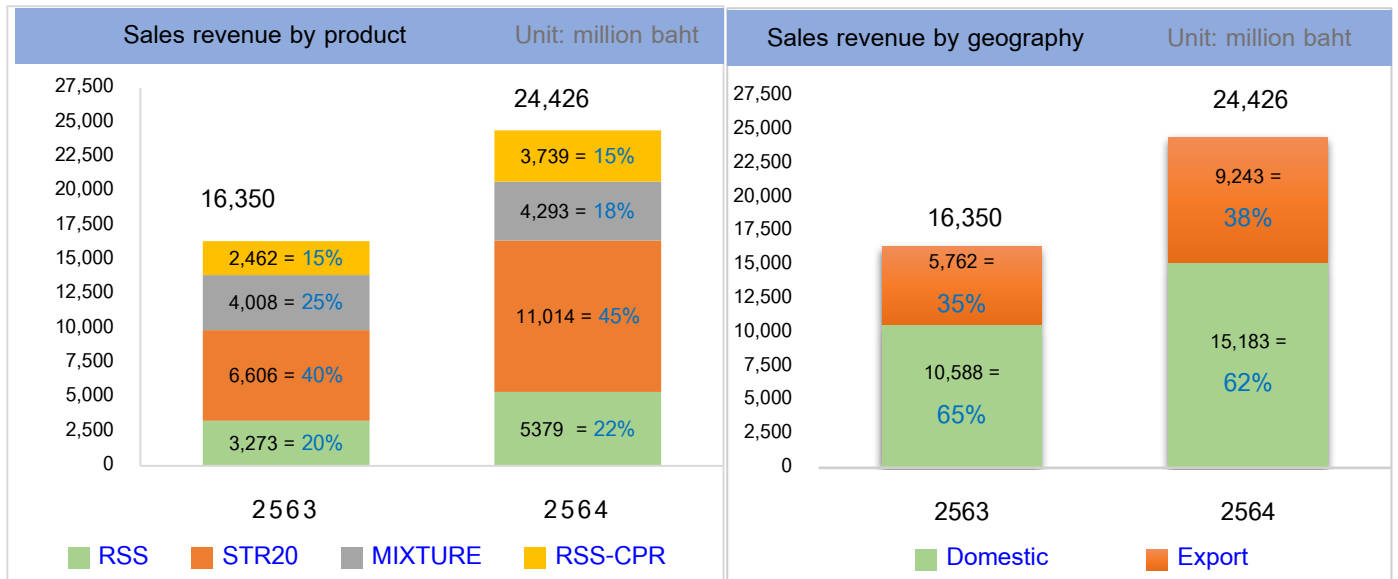
North East Rubber Public Company Limited (“the Company”) would like to submit an explanation and analysis of the Company's management for the year ended December 31, 2021 audited by the auditor and clarified the operating results for the year ended December 31, 2021. The Company results of the operation are as follows.

Comparison performance of the Company for years ended 2021 and 2020

Statement of Comprehensive Income	2021		2020		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales volume (Tons)	452,476		358,820		93,656	26.10%
Total Revenue from Domestic sales	15,182.94	62.16%	10,587.66	64.76%	4,595.28	43.40%
Total Revenue from Export sales	9,242.72	37.84%	5,762.12	35.24%	3,480.60	60.40%
Total Revenue from sales	24,425.66	100.00%	16,349.78	100.00%	8,075.88	49.39%
Cost of sales	21,190.43	86.75%	14,623.68	89.44%	6,566.75	44.90%
Gross profit	3,235.23	13.25%	1,726.10	10.56%	1,509.13	87.43%
Distribution costs	692.89	2.84%	409.3	2.50%	283.59	69.29%
Administrative expenses	134.67	0.55%	130.03	0.80%	4.64	3.57%
Loss (gain) on exchange rate	217.48	0.89%	57.08	0.35%	160.4	281.01%
Unrealized loss (gain) on valuation of fair value of derivatives	3.27	0.01%	1.79	0.01%	1.48	82.68%
Other expenses	-	0.00%	27.08	0.17%	(27.08)	(100.00%)
Operating profit	2,186.92	8.95%	1,100.81	6.73%	1,086.11	98.66%
Finance cost	331.03	1.36%	227.23	1.39%	103.8	45.68%
Profit before other income	1,855.89	7.60%	873.58	5.34%	982.31	112.45%
Other income	30.63	0.13%	14.72	0.09%	15.91	108.08%
Profit before income tax	1,886.52	7.72%	888.3	5.43%	998.22	112.37%
Tax (income)	36.33	0.15%	29.62	0.18%	6.71	22.65%
Profit for the period	1,850.19	7.57%	858.68	5.25%	991.51	115.47%

For the operating result for the year 2021 ended December 31, 2021 compared with the same period of the previous year, revenue from sales was 24,425.56 million baht, increased by 8,075.88 million baht or 49.39% YoY. From Domestic sales of 15,182.94 million baht or 62.16 % of total sales, an increase of 4,595.28 million baht or 43.40% YoY, Export sales revenue 9,242.72 million baht or 37.84 % of total sales, an increase of 3,480.60 million baht or 60.40 % YoY.

Sales revenue comparing 2021 and 2020

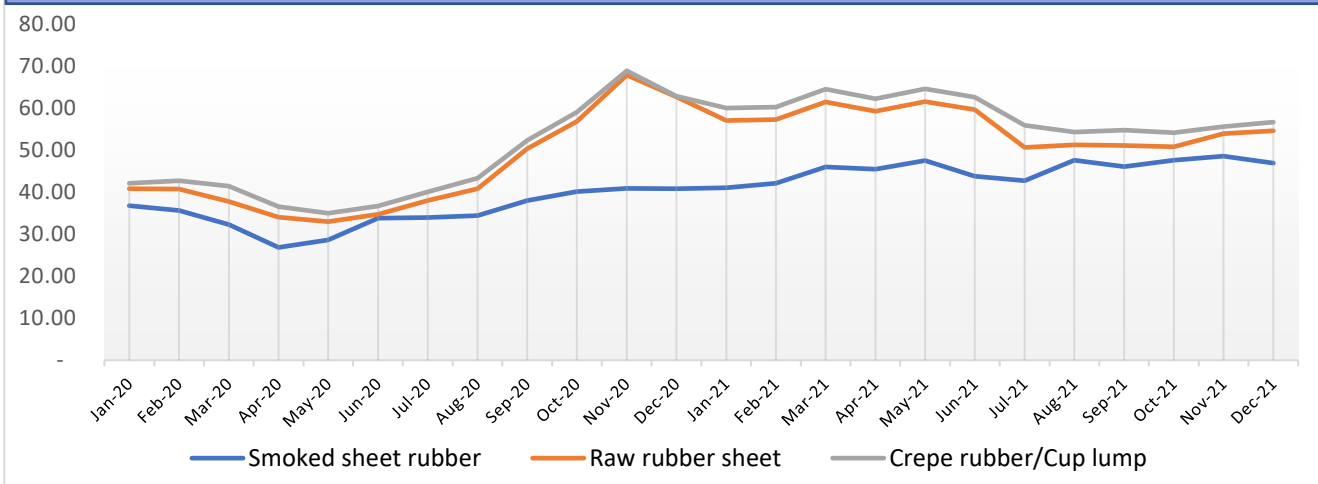


The increase in sales revenue in 2021 is due to the Company's expansion of production capacity, and receiving more customer orders both domestic and international. The increase in revenue was due to factors in terms of sales volume and higher selling prices. Divided into an increase in quantity difference at 4,267.49 million baht and an increase in price difference at 3,808.39 million baht.

In 2021, the company's cost of sales was 21,190.43 million baht, or 86.75% of sales revenue. Divided into the cost of raw materials and consumables used 20,660.87 million baht or 84.59% of sales revenue. Compared to 2020, the cost decreased by 2.36%. The main factor causing the decrease in raw material costs of the Company was the efficient management of the purchase and use of raw materials, and managing the suitability between the purchase price and the selling price is quite good in a situation where the rubber price in 2021 has low volatility compared to last year. the information of raw material purchasing (Rubber) as follows

Compare raw material purchase prices 2020 - 2021

(Baht : kg.)



Salary and labor cost 141.40 million baht or 0.58%, cost decreased by 0.21%, Manufacturing Overhead 223.16 million baht or 0.91% of sales revenue. Costs decreased by 0.14% and depreciation and amortization expenses of 165.00 million baht. Compared to the amount of this expense in 2020, an increase of 58.41 million baht was due to depreciation in the Get additional assets for the second block rubber factory.

When comparing the cost of sales in 2021 with 2020, the company's cost of sales in 2021 decreased from 89.44% to 86.75 percent, or 2.69% of sales revenue. As a result, the company's gross profit margin increased by 1,509.13 million baht, or gross profit increased by 87.43%, representing an increase in gross profit margin from 10.56% in 2020 to 13.25% in 2021.

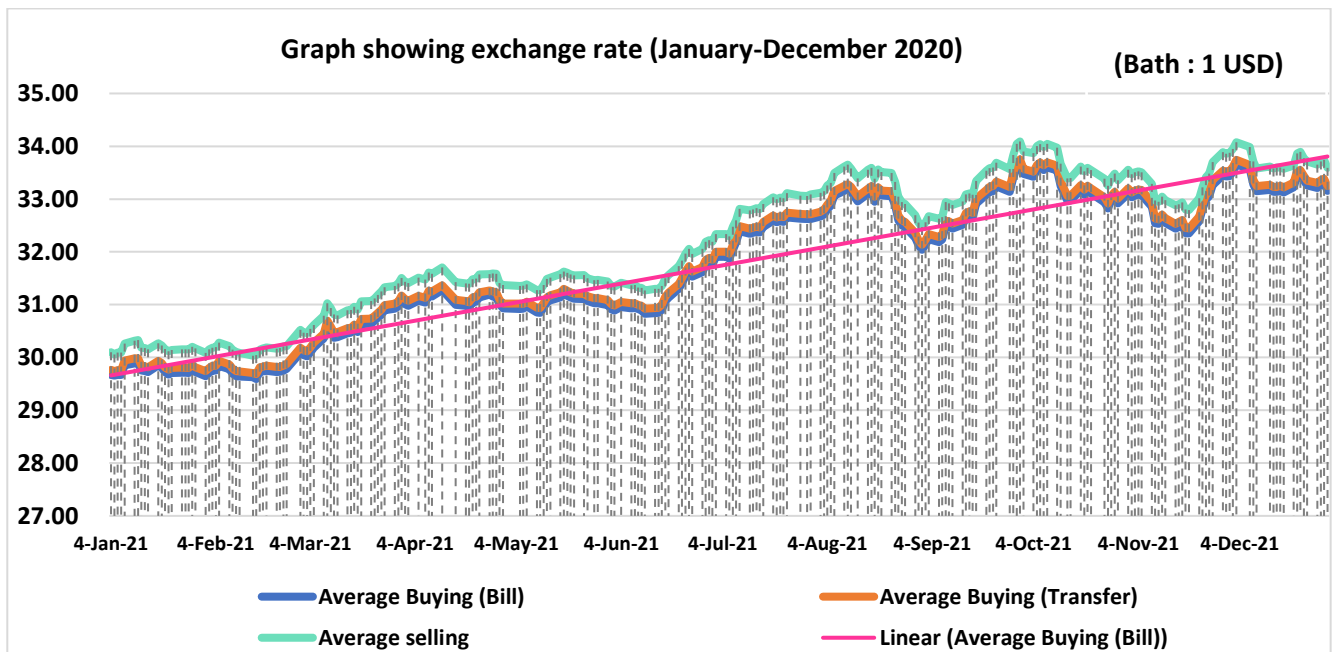
Cost of sales	2021		2020		Increase (Decrease)
	Million Baht	%	Million Baht	%	
Sales volume (Tons)	452,476		358,820		93,656
Total Revenue from sales	24,425.66	100.00%	16,349.78	100.00%	8,075.88
Cost of sales	21,190.43	86.75%	14,623.68	89.44%	(2.69%)
Raw materials and consumables used	20,660.87	84.59%	14,216.53	86.95%	(2.36%)
Salary and labor	141.40	0.58%	128.47	0.79%	(0.21%)
Manufacturing Overhead	223.16	0.91%	172.09	1.05%	(0.14%)
Depreciation & Amortization	165.00	0.68%	106.59	0.65%	0.03%
Gross profit	3,235.23	13.25%	1,726.10	10.56%	2.69%

The cost of distribution was 629.89 million baht or accounted for 2.84 percent of the total sales, compared to the year 2020, the cost increased by 283.59 million baht or 0.34 percent of the total sales, divided into higher rubber plantation aid funds 64.06 million baht, transportation costs increased by 151.47 million baht, and sales-related expenses increased by 68.05 million baht. This higher proportion of cost was in line with increased sales.

Administrative expenses were 134.67 million baht or accounted for 0.55% of total sales. Compared to the year 2020, expenses increase of 4.64 million baht or increase 3.57% of total sales.

Loss on exchange rate was 217.48 million baht or 0.89 percent of total sales. Compared to the year 2020, the amount was 57.08 million baht or 0.35 percent of total sales, an increase of 160.40 million baht or 281.01% caused by Receive payment from foreign trade accounts receivable and repayment of promissory notes (P/C) at the exchange rate from the foreign currency forward contracts with financial institutions.

Loss on valuation of derivatives was 3.27 million baht or 0.01% of total sales, compared to the year 2020 for 1.79 million baht or 0.01% of total sales Factors affecting foreign exchange losses caused by the volatility of the depreciating exchange rate as follows



The financial cost was 331.03 million baht, an increase of 103.80 million baht or 45.68% from the interest paid for additional debentures issued by the company in 2021 for use as working capital. As of December 31, 2021, the company had a total outstanding debentures of 4,000 million baht.

Other income was 30.63 million baht, an increase of 15.91 million baht from receiving compensation from insurance claims for accidental fires in raw material storage in September 2020, amounting to 24.05 million baht.

The net profit for the year 2021 was 1,850.19 million baht or equivalent to a net profit margin of 7.57% of total sales. Compared to the year 2020, the net profit margin was 5.25%. The company has a higher net profit margin increase by 2.32%. Net profit increase of 991.51 million baht or 115.47% compared to 2020. This is calculated as basic earnings per share of 1.130 baht per share.

Financial Position

Statement of Financial Position	31-Dec-2021		31-Dec-2020		Increase (Decrease)	
	Million Bath	%	Million Bath	%	Million Bath	%
Current Assets	12,416.21	87.20%	8,526.35	83.33%	3,889.86	45.62%
Non-Current Assets	1,823.08	12.80%	1,705.64	16.67%	117.44	6.89%
Total Assets	14,239.29	100.00%	10,231.99	100.00%	4,007.30	39.16%
Total Liabilities	8,793.16	61.75%	6,541.41	63.93%	2,251.75	34.42%
Total Shareholders' Equity	5,446.13	38.25%	3,690.58	36.07%	1,755.55	47.57%

Total assets of the Company as of December 31, 2021 amounted to 14,239.29 million baht, an increase of 4,007.30 million baht or 39.16% from December 31, 2020.

Current assets increased by 3,889.86 million baht or 45.62% due to:

- Inventories increased by 4,139.85 million baht or 60% from the rubber auction to ensure that the amount of rubber in stock is sufficient for the purchase orders according to the expansion of the production capacity of the second block rubber factory.
- Cash and cash equivalents decreased by 290.32 million baht or 34.96%. from repaying short-term loans to financial institutions and paying for goods in advance.
- Accounts receivable and other current receivables increased by 73.05 million baht or 10.05% from increased sales.
- Other current assets decreased 32.73 million baht or 78.64% decreased by 33.06 million baht due to VAT refund received from the Revenue Department.

Non-current assets increased by 117.44 million baht or 6.89% due to:

- Deposit at bank pledged as collateral increased by 84.28 million baht or 48.68% from fixed deposits Bangkok Bank Public Company Limited 83.74 million baht
- Land, building and equipment (net) increased by 32.41 million baht or 2.18% from the building and machinery – equipment for second block rubber factory.
- Increased net use right assets by 2.15 million baht or 9.69% from the vehicle rental contract for use in the company's business. (TFRS 16)
- Other non-current assets increased by 8.24 million baht or 279.27%.From the deposit for property purchase.

Total liabilities of the company and its subsidiaries as of December 31, 2021 amounted to 8,793.16 million baht, increased by 2,251.75 million baht or 34.42% from December 31, 2020.

Current liabilities decreased by 473.22 million baht or 8.41% due to:

- Bank overdrafts and short-term loans decreased by 1,220.98 million baht or 21.70% from debt repayment of promissory notes.
- Account payable and others account payable increased by 63.52 million baht or 16.00%. From account payables of 52.14 million baht and accrued interest on debentures of 35.38 million baht from purchases of raw materials and issuance of more debentures.
- Long-term borrowings from financial institutions, the portion due within one year, decreased by 9.60 million baht or 7.92 percent due to loan repayment in full.
- Long-term loans due within 1 year increased by 4.83 million baht or 141.77% from the vehicle rental contract for use in the Company's business.
- Debentures due within 1 year, an increase of 700.00 million baht from the debentures issued No. 1/2020, due on October 30, 2022.
- Corporate income tax accrued decreased by 4.26 million baht from receiving additional privileges under the BOI certificate.

Non-current liabilities increased by 816.84 million baht or 835.75% due to:

- Debentures (net) increased by Baht 2,560.97 million or 371.43% because in 2021 the Company issued debentures, which were named debentures, unsubordinated and unsecured. (Par value 1,000 baht/unit) to institutional investors and high net worth investors No. 1/2021, worth 1,300 million baht, at an interest rate of 5.85% per annum, payable every 3 months and mature on October 9, 2023 and No.2/2021, worth 2,000 million baht, divided into 2 tranches of 1,000 million baht each. The first tranche at an interest rate of 5.25% per annum, payable every 3 months and matures on November 4, 2025. The second tranche at an interest rate of 6.00% per annum, pays the interest every 3 months and matures on November 4, 2026.
- Long-term loans increased by 156.12 million baht or 77.24% from the increase in loans from financial institutions to use as working capital of the Company.
- Liabilities under lease contracts increased by 5.78 million baht or 55.88% from the vehicle rental contract for use in the company's business. (TFRS 16)
- Other liabilities increased by 2.11 million Baht or 16.72% from Employee benefit obligations payable.

Total shareholders' equity of the Company as of December 31, 2021 amounted to 5,446.13 million baht increased 1,755.54 million Baht or 47.57% from December 31, 2020 due to:

- Increase from comprehensive income for the years of 2021 amount of 1,850.19 million baht.
- An increase from the total issued and paid-up capital of 72.98 million baht and an increase in share premium of 189.74 million baht from the exercise of the right to convert warrants to purchase ordinary shares (NER-W1) at the exercise price 1.80 baht per share 2 times in 2021, with the first time on June 15, 2021, there are warrant holders who exercise rights to convert 30,632,040 warrants, amounting to 55.14 million baht, and the second time, on



December 15, 2021, there were 115,324,110 warrants conversion exercises, amounting to 207.58 million baht. There are outstanding 87,364,879 units of warrants that have not been exercised. The last exercise date is May 26, 2022.

- Decrease in dividend payment amounted to 357.40 million baht. (From the shareholders' meeting on 8 April 2021. The shareholders approved the dividend payment for the year 2020 performance at rate of 0.15 baht per share, representing a total amount of 242.20 million baht in total, the company has already paid such dividends to shareholders on May 7, 2021 and from the Board of Directors' meeting on August 9, 2021, it was resolved to approve the interim dividend payment for the six-month period ended June 30, 2021 at rate of 0.07 baht per share, totaling 115.20 million. Baht The Company has already paid such dividends to shareholders on September 6, 2021.

Please be informed accordingly

Yours sincerely,

(Mr. Sakchai Jongstapongpun)

Chief Financial Officer

North East Rubber Public Company Limited