



No. NER 010/2022

May 10, 2022

Re: Management Discussion and Analysis for the 3 months ending 31 March 2022

To: The President, The Stock Exchange of Thailand

The Northeast Rubber Public Company Limited (“NER” or “the company”) would like to submit the Financial Statements for the Quarter 1/2021 ended March 31, 2022. The Company results of the operation are as follows.

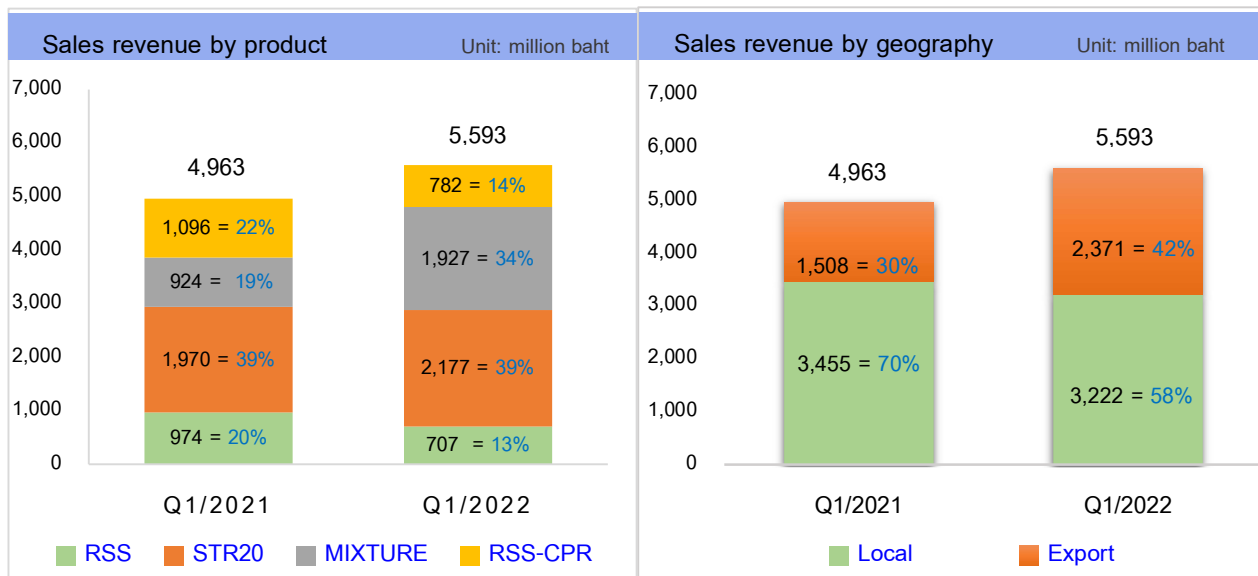
Comparison performance of the Company for the 3 months ended 31 March 2022 and 2021

Statement of Comprehensive Income	Q1/2022		Q1/2021		YoY Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales volume (Tons)	96,350		89,741		6,609	7.36%
Total Revenue from Local sales	3,222.30	57.62%	3,455.06	69.61%	(232.76)	(6.74%)
Total Revenue from Export sales	2,370.31	42.38%	1,508.03	30.39%	862.28	57.18%
Total Revenue from sales	5,592.61	100.00%	4,963.09	100.00%	629.52	12.68%
Cost of sales	4,822.97	86.24%	4,326.68	87.18%	496.29	11.47%
Gross profit	769.64	13.76%	636.41	12.82%	133.23	20.93%
Distribution costs	175.21	3.13%	105.97	2.14%	69.24	65.34%
Administrative expenses	34.43	0.62%	30.54	0.62%	3.89	12.74%
Loss (gain) on exchange rate	(34.62)	-0.62%	9.69	0.20%	(44.31)	-457.05%
Unrealized loss (gain) on valuation of fair value of derivatives	2.97	0.05%	66.46	1.34%	(63.49)	-95.54%
Operating profit	591.65	10.58%	423.75	8.54%	167.90	39.62%
Finance cost	94.07	1.68%	67.27	1.36%	26.80	39.84%
Profit (loss) before other income	497.58	8.90%	356.48	7.18%	141.10	39.58%
Other income	1.30	0.02%	27.41	0.55%	(26.11)	(95.26%)
Profit (loss) before income tax	498.88	8.92%	383.89	7.73%	114.99	29.95%
Tax (income)	29.99	0.54%	17.39	0.35%	12.60	72.44%
Profit (loss) for the period	468.89	8.38%	366.50	7.38%	102.39	27.94%



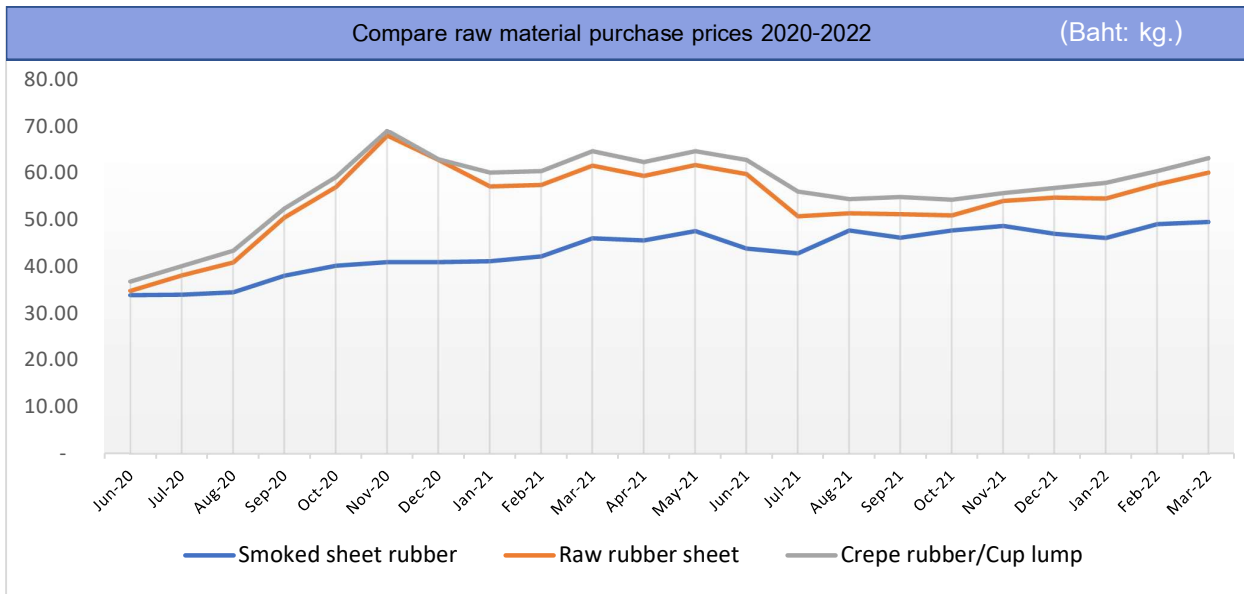
Operating results for the first quarter of 2022 for the three-month period ended March 31, 2022, compared to the same period of the previous year, sales volumes were 96,350 tons, an increase of 6,609 tons or an increase of 7.36%, representing total sales revenue of 5,592.61. million baht, an increase of 629.52 million baht or an increase of 12.68%, divided into domestic sales revenue of 3,222.30 million baht or accounted for 57.62% of total sales. Decreased 232.76 million baht or 6.74%. Revenue from overseas sales was 2,370.31 million baht which accounted for 42.38% of total sales, an increase of 862.28 million baht or an increase of 57.18%.

As for the sales revenue, it can be classified by product comparison between Q1/22 and Q1/21 as follows:



Sales revenue for 1Q22 increased compared to the same period last year. caused by the company receiving more orders from foreign customers The increase in revenue was due to factors in sales volume and higher selling prices. Divided into an increase in quantity difference at 205.91 million baht and an increase in price difference at 423.61 million baht.

In the first quarter of 2022, the company had a cost of sales of 4,822.97 million baht, or 86.24% of sales revenue. The main cost is the cost of raw materials and consumables of 4,665.14 million baht or 83.42% of the sales revenue. compared to the same period last year Costs decreased by 1.01%. The main factor causing the decrease in raw material costs of the Company was efficient management of the purchase and use of raw materials. and the appropriateness management between the purchase price and the selling price is quite good in the situation where the rubber price in 2021 to the 1st quarter of 2022 is less volatile and the adjustment of the para rubber price in the upward direction has a positive effect on the performance company work from the information of purchasing tires from the following companies



For labor costs 34.04 million baht or 0.61%, production expenses 82.69 million baht or 1.48% of sales revenue. Compared to the same period last year, the cost incurred had a difference of 0.10% of the sales revenue., Depreciation and amortization expenses were 41.11 million baht compared to the same period last year, an increase of 3.21 million baht.

When comparing the cost of sales in Q1/22 with Q1/21, the Company's cost of sales in Q1/22 decreased from 87.18% to 86.24%, or 0.94% of sales revenue. As a result, the company has a gross profit margin of 133.22 million baht or a gross profit increase of 20.93%, representing a gross profit margin increased from 12.82% in Q1/21 to 13.76% in Q1/22

Cost of sales	Q1/2022		Q1/2021		DIFF
	Million Baht	%	Million Baht	%	Increase (Decrease)
Sales volume (Tons)	96,350		89,741		6,609
Total Revenue from sales	5,592.61	100.00%	4,963.09	100.00%	629.51
Cost of sales	4,822.97	86.24%	4,326.68	87.18%	-0.94%
Raw materials and consumables used	4,665.14	83.42%	4,190.23	84.43%	-1.01%
Salary and labor	34.04	0.61%	29.30	0.59%	0.02%
Manufacturing Overhead	82.69	1.48%	69.24	1.40%	0.08%
Depreciation & Amortization	41.11	0.74%	37.90	0.76%	-0.03%
Gross profit	769.64	13.76%	636.42	12.82%	0.94%

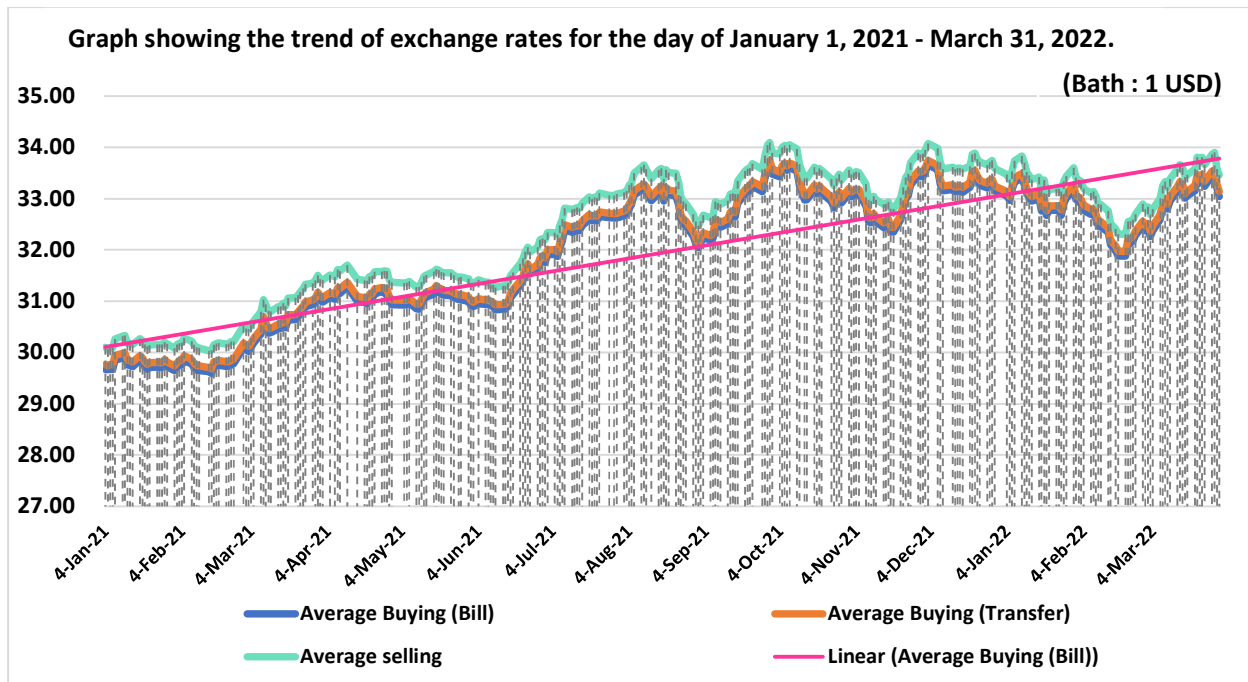


Distribution costs were 175.21 million baht or 3.13 percent of total sales compared to the same period last year. Distribution costs increased by 69.24 million baht or accounted for 0.99% of total sales. This was divided into a rubber plantation subsidy fund which was increased by 20.54 million baht and the transportation cost was 47.11 million baht higher. The proportion of foreign sales increased.

Administrative expenses were 34.43 million baht or 0.62% of total sales revenue. compared to the same period last year Expenses increased by 3.89 million baht.

In the first quarter of 2022, the Company had a foreign exchange gain of 34.62 million baht or 0.62% of the total sales compared to the same period of the previous year. In the first quarter of 2021, which had a loss on foreign exchange of 9.69 million baht, the company had an increase of 44.31 million baht from foreign exchange gains from better management of foreign exchange risk. both accepting 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 the valuation of derivatives was 2.97 million baht or 0.05% of total sales compared to the same period last year. In the amount of 66.46 million baht or 1.34% of total sales, The Company had a loss from the valuation of derivatives decreased by 63.49 million baht, factors affecting the loss on foreign exchange decreased. caused by the situation of the volatility of exchange rates as follows:





Finance cost was 94.07 million baht compared to the same period of the previous year, an increase of 26.80 million baht or 39.84 percent from the interest paid for debentures issued by the company twice in 2021 on April 9, 2021, worth 1,300.00 million baht, and in On November 4, 2021, the value of Baht 2,000.00 million will be used as working capital. As of March 31, 2022, the Company has a total outstanding debenture of Baht 4,000.00 million.

Other income was 1.30 million baht, a decrease of 26.10 million baht because, in the first quarter of 2021, the company received compensation from insurance claims against accidents from raw material storage fires in September 2020 in the amount of 24.05 million baht.

For the first three months of 2022, the company had a net profit of 468.89 million baht, or a net profit margin of 8.38% of total sales. Compared to the first three months of 2021, the net profit margin was 7.38%. Net profit increased by 102.39 million baht or an increase of 27.94% because the company was able to manage the cost of sales and expenses effectively. For the first 3 months of 2022, the company has basic earnings per share of 0.266 baht per share.

Financial Position

Statement of Financial Position	31-Mar-2022		31-Dec-2021		Increase (Decrease)	
	Million Bath	%	Million Bath	%	Million Bath	%
Current Assets	11,048.97	85.88	12,416.21	87.20	(1,367.24)	(11.01)
Non-Current Assets	1,817.12	14.12	1,823.08	12.80	(5.96)	(0.33)
Total Assets	12,866.09	100.00	14,239.29	100.00	(1,373.20)	(9.64)
Total Liabilities	6,951.07	54.03	8,793.16	61.75	(1,842.09)	(20.95)
Total Shareholders' Equity	5,915.02	45.97	5,446.13	38.25	468.89	8.61

The total assets of the Company as of March 31, 2022, amounted to 12,866.09 million baht, a decrease of 1,373.20 million baht or 9.64% from as of December 31, 2021, summarized as follows:

Current assets decreased by 1,367.24 million baht or 11.01% from the following items:

- inventories decreased by 1,090.13 million baht, or 9.85 percent because in February-April of each year it is the period when rubber farmers cover the tire, making the amount of rubber entering the market less. The company, therefore, has less quantity to buy tires in stock as well.
- Cash and cash equivalents decreased by 352.29 million baht or 65.23% from payment of short-term loans to financial institutions.
- Trade accounts receivable and other current receivables increased by 75.96 million baht or 9.50%.



Non-current assets decreased by 5.96 million baht or 0.33%, an increase of 4.39 million baht from deposits and insurance for purchases.

The Company's total liabilities as of March 31, 2022, amounted to 6,951.07 million baht, a decrease of 1,842.09 million baht or 20.95% from 31 December 2021, mainly due to

Current liabilities decreased by 1,825.57 million baht or 35.42% from the following items:

- Bank overdrafts and short-term loans from financial institutions decreased by 1,676.94 million baht or 43.58% from debt repayment of promissory notes. as a result of the use of working capital in reducing inventories
- Trade and other payables, a decrease of 158.83 million baht or 34.49% from product payables of 91.77 million baht and a decrease in advance income of 54.72 million baht, a decrease of 14.89 million baht in accrued bonuses due to the purchase of raw materials and volume. Long-term contract orders decreased compared to 4Q21.
- Long-term borrowings from financial institutions, due within one year, decreased by 27.45 million baht or 24.59% due to loan repayment due.
- Corporate income tax payable increased by 29.92 million baht from corporate income tax for operating results in Q122

Non-current liabilities decreased by 16.52 million baht or 0.45% from the following items:

- Long-term borrowings decreased by 21.18 million baht or 5.91% due to the repayment of loans that were due.
- Debentures-Net The value increased by 6.31 million baht or 0.19% from the recognition of expenses in issuing debentures amortized.

Shareholders' equity as of March 31, 2022, amounted to 5,915.02 million baht, an increase of 468.89 million baht or 8.61%.

From December 31, 2021, resulting from net profit in Q1/22, amount equal to 468.89 million baht.

Please be informed accordingly

Yours sincerely,

(Mr. Sakchai Jongstapongpun)

Chief Financial Officer

North East Rubber Public Company Limited