



No. NER 012/2022

August 9, 2022

Re: Management Discussion and Analysis for the 6 months ending 30 June 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 Quarter 2/2022 ended June 30, 2022. The Company results of the operation are as follows.

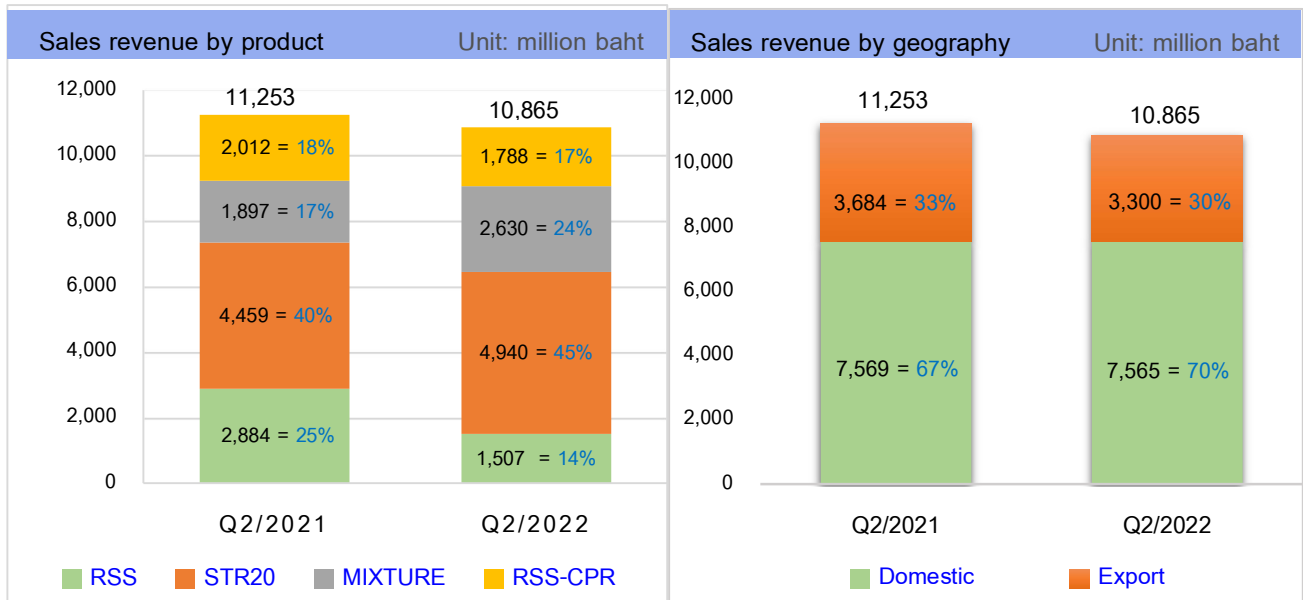
Comparison performance of the Company for the 6 months ended June 30, 2022, and 2021

Statement of Comprehensive Income	Quarter 2 (6 months)				YoY	
	2022		2021		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales volume (Tons)	184,748		205,954		(21,206)	(10.30%)
Total Revenue from Domestic sales	7,565.19	69.63%	7,568.87	67.26%	(3.68)	(0.05%)
Total Revenue from Export sales	3,299.63	30.37%	3,683.77	32.74%	(384.14)	(10.43%)
Total Revenue from sales	10,864.82	100.00%	11,252.65	100.00%	(387.83)	(3.45%)
Cost of sales	9,479.06	87.25%	9,826.69	87.33%	(347.63)	(3.54%)
Gross profit	1,385.76	12.75%	1,425.96	12.67%	(40.20)	(2.82%)
Distribution costs	236.68	2.18%	320.92	2.85%	(84.24)	(26.25%)
Administrative expenses	72.63	0.67%	60.48	0.54%	12.15	20.09%
Loss (gain) on exchange rate	(14.34)	-0.13%	48.36	0.43%	(62.69)	(129.65%)
Unrealized loss (gain) on valuation of fair value of derivatives	45.80	0.42%	59.93	0.53%	(14.13)	(23.57%)
Operating profit	1,044.98	9.62%	936.27	8.32%	108.71	11.61%
Finance cost	188.12	1.73%	148.20	1.32%	39.92	26.94%
Profit (loss) before other income	856.86	7.89%	788.08	7.00%	68.78	8.73%
Other income	3.30	0.03%	28.61	0.25%	(25.31)	(88.46%)
Profit (loss) before income tax	860.16	7.92%	816.68	7.26%	43.48	5.32%
Tax (income)	9.07	0.08%	11.34	0.10%	(2.28)	(20.06%)
Profit (loss) for the period	851.09	7.83%	805.34	7.16%	45.75	5.68%



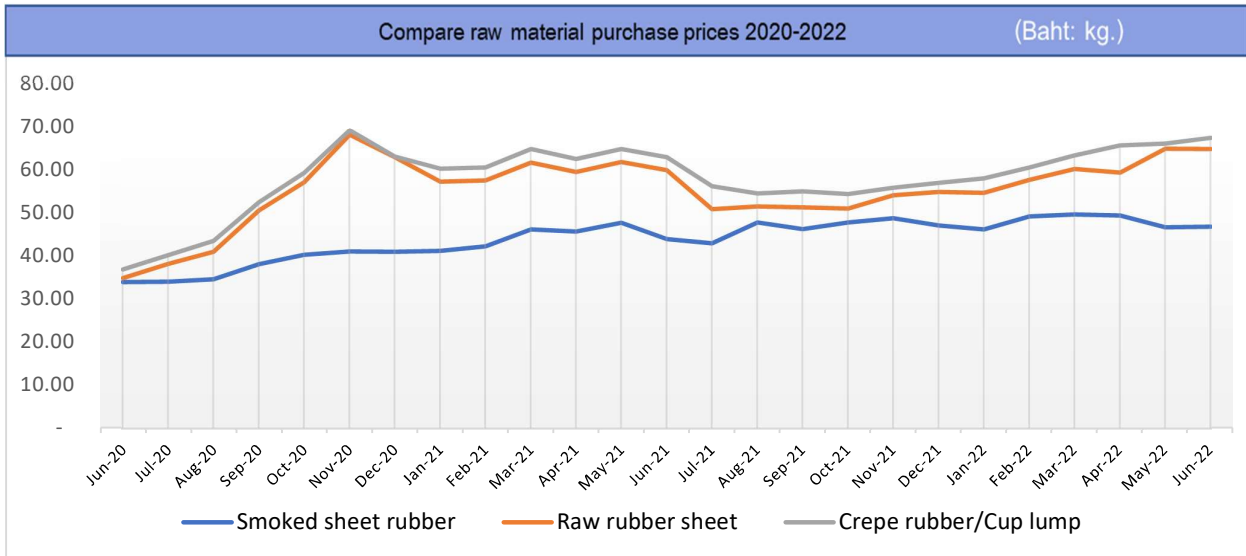
Operating results for the second quarter of 2022 for the six-month period ended June 30, 2022, compared to the same period of the previous year, sales volume was 184,748 tons, a decrease of 21,206 tons or a decrease of 10.30 percent, representing total sales revenue of 10,864.82 million. baht, a decrease of 387.82 million baht or a decrease of 3.45 percent, divided into domestic sales revenue of 7,565.19 million baht or accounted for 69.63% of total sales, a decrease of 3.68 million baht or a 0.05% decrease. Overseas sales were 3,299.63 million baht or accounted for 30.37 percent of total sales, a decrease of 384.14 million baht or a decrease of 10.43 percent.

As for the sales revenue, it can be classified by product comparison for the second quarter of the 6-month period 2022 and 2021 as follows:



Sales revenue for Q2/22 compared to the same period last year decreased. related to the COVID-19 outbreak situation in China and rising freight costs. The company, therefore, adjusts the proportion of sales to suit the current situation. by reducing the proportion of foreign sales and increasing the proportion of domestic sales more to maintain profitability. The decrease in sales was a decrease in the volume difference of 1,315.38 million baht, and the difference in price increased from a higher rubber price of 927.55 million baht. Overall sales revenue fell 387.82 million baht. baht, or a decrease of 3.45 percent compared to the same period last year.

In Q2/22, the Company had a cost of sales of 9,479.06 million baht or 87.25% of sales revenue. Compared to the same period of the year 2021, the Company had a cost of sales of 87.33% of sales revenue. As for the purchase price of rubber in the second quarter of 2022, there was a slight increase compared to the previous quarter. The information on the purchase of rubber from the company is as follows:

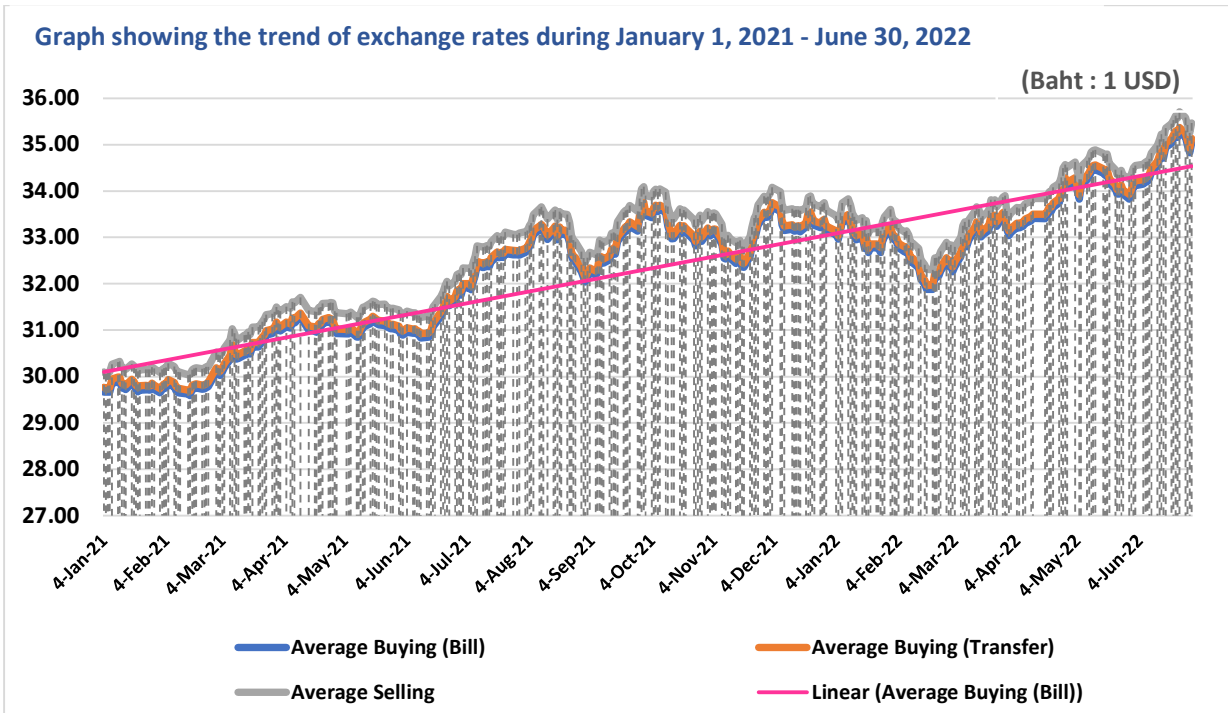


Distribution costs were 236.68 million baht or 2.18% of total sales compared to the same period last year. Distribution costs decreased by 84.24 million baht or decreased by 26.25%, divided into rubber plantation aid fund, a decrease of 29.22 million baht, transportation expenses, and export expenses decreased by 55.02 million baht. The proportion of expenses decreased in line with the decrease in foreign sales volume.

Administrative expenses were 72.63 million baht or 0.67% of total sales revenue. compared to the same period last year Expenses increased by 12.15 million baht, divided into salaries and benefits increased by 9.41 million baht. Securities depository fees increased by 1.87 million baht.

For the six-month period of 2022, the Company had a gain on foreign exchange equal to 14.34 million baht or 0.13 percent of total sales compared to the same period of the previous year. which had a foreign exchange loss of 48.36 million baht. The company's gain on foreign exchange increased by 62.69 million baht from the situation of the US dollar exchange rate that has continuously increased. As a result, the payment of a debt from foreign trade accounts receivable has a profit from the exchange rate.

Loss on the valuation of derivatives was 45.80 million baht or 0.42% of total sales compared to the same period last year. In the amount of 59.93 million baht or 0.53 percent of total sales, the company had a loss of 14.13 million baht or a 23.57 percent decrease in the exchange rate. But the exchange rate trend has an upward direction. The Company has recognized the loss that may be incurred on foreign exchange. The statistics of the exchange rate trend during the years 2021-2022 are as follows:



Finance cost was 188.12 million baht compared to the same period of the previous year, an increase of 39.93 million baht or 26.94% from the interest paid on 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 June 30, 2022, the Company has outstanding debentures totaling Baht 4,000.00 million.

Other income was 3.30 million baht, a decrease of 25.31 million baht because, in the first quarter of 2021, the company received compensation from insurance claims for accidental fires at raw material storage in September 2020 in the amount of 24.05 million baht.

For the 6-month period of 2022, the company had a net profit of 851.09 million baht or a net profit margin of 7.83% of total sales. Compared to the 6-month period of 2021, the net profit margin was 7.16%. The company had a net profit. An increase of 45.75 million baht or an increase of 5.68% due to the rubber price situation in Q2/22 has a good direction. The company can manage the cost of sales well. as well as manage distribution costs and better hedging against foreign exchange risk. As a result, the net profit margin increased. For the six-month period of 2022, the company had basic earnings per share of 0.479 baht per share.



Financial Position

Statement of Financial Position	30-June-2022		31-Dec-2021		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Assets	12,515.43	86.26	12,416.21	87.20	99.22	0.80
Non-Current Assets	1,994.26	13.74	1,823.08	12.80	171.18	9.39
Total Assets	14,509.69	100.00	14,239.29	100.00	270.40	1.90
Total Liabilities	8,689.42	59.89	8,793.16	61.75	(103.74)	(1.18)
Total Shareholders' Equity	5,820.27	40.11	5,446.13	38.25	374.14	6.87

Total assets of the Company as of June 30, 2022, amounted to 14,509.69 million baht, an increase of 270.40 million baht or 1.90% from as of December 31, 2021, summarized as follows:

Current assets increased by 99.22 million baht or 0.80% from the following items:

- Trade accounts receivable and other current receivables increased by 719.15 million baht or 90.60% due to the increase in domestic sales in Q2/22. which the payment terms are longer compared to foreign sales
- Inventories decreased by 259.12 million baht or 2.34 percent due to a decrease in the number of rubber purchases in Q2/22 compared to the same period last year. according to the decrease in sales volume.
- Cash and cash equivalents, a decrease of 358.23 million baht or 66.33% due to repayment of short-term loans to financial institutions.

Non-current assets increased by 171.18 million baht or 9.39% from the following items:

- Property, plant, and equipment net, an increase of 121.44 million baht or 7.99 percent from work in progress of installing machinery for finished goods projects.
- Bank deposits pledged as collateral increased by 53.14 million baht due to deposits deposited into fixed deposit accounts to guarantee credit facilities with financial institutions.

The Company's total liabilities as of June 30, 2022, amounted to 8,689.42 million baht, a decrease of 103.74 million baht or 1.18% from 31 December 2021, mainly due to

Current liabilities decreased by 70.92 million baht or 1.38% from the following items:

- Bank overdrafts and short-term loans from financial institutions decreased by 271.92 million baht or 7.07 percent from debt repayment of promissory notes.



- Trade and other payables increased by 194.87 million baht or 42.32% due to the company's purchase of rubber from major raw material suppliers. which has payment terms after the delivery of raw materials is complete according to the contract.
- Long-term loans from financial institutions, due within one year, decreased by 27.22 million baht or 24.39% due to loan repayment due.
- Corporate income tax accrued decreased by 13.84 million baht from the payment of corporate income tax payment for the fiscal year 2021.
- Other current liabilities increased by 46.67 million baht from derivative liabilities. In entering into forwarding foreign exchange contracts with financial institutions.

Non-current liabilities decreased by 32.82 million baht or 0.90% from the following items:

- Long-term borrowings decreased by 42.32 million baht or 11.82 percent due to the repayment of loans that were due.
- Debentures-Net The value increased by 12.68 million baht or 0.39% from the recognition of expenses in issuing debentures amortized.

Shareholders' equity of the Company as of June 30, 2022, amounted to 5,820.27 million baht, an increase of 374.14 million baht or 6.87%. As of December 31, 2021, from the following items :

- Issued and Paid Capital and a premium on the share capital of 156.88 million baht from receiving 87,154,692 shares of the last installment of the capital increase exercised at the rate of 1.80 baht per share.
- Retained earnings increased by 217.26 million baht or 7.23% of net profit for the 6-month period, an amount equal to 851.09 million baht, and decreased from dividend payment from 2021 operating results according to the resolution of the Annual General Meeting of Shareholders on 7 April 2022 in the amount of 633.83 million baht on May 6, 2022

Please be informed accordingly

Yours sincerely,

(Mr. Sakchai Jongstapongpun)

Chief Financial Officer

North East Rubber Public Company Limited