



No. NER-SET 002/2023

February 17, 2023

Re: Management Discussion and Analysis ended December 31, 2022

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, 2022 audited by the auditor and clarified the operating results for the year ended December 31, 2022. The Company results of the operation are as follows.

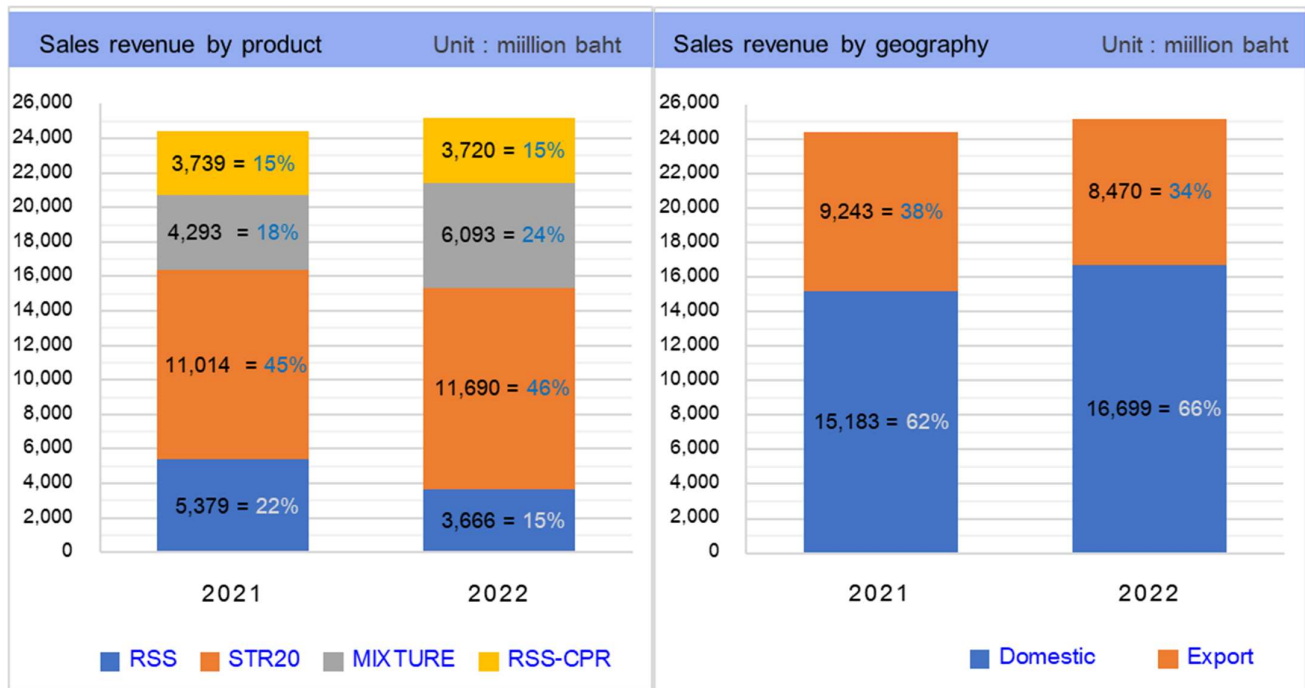
Comparison performance of the Company for years ended 2022 and 2021

Statement of Comprehensive Income	2022		2021		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales volume (Tons)	446,090		452,476		(6,386)	(1.41%)
Total Revenue from Local sales	16,702.15	66.35%	15,182.94	62.16%	1,519.21	10.01%
Total Revenue from Export sales	8,469.91	33.65%	9,242.72	37.84%	(772.81)	(8.36%)
Total Revenue from sales	25,172.06	100.00%	24,425.66	100.00%	746.40	3.06%
Cost of sales	22,116.16	87.86%	21,190.43	86.75%	925.73	4.37%
Gross profit	3,055.90	12.14%	3,235.23	13.25%	(179.33)	(5.54%)
Distribution costs	601.46	2.39%	692.89	2.84%	(91.43)	(13.20%)
Administrative expenses	164.33	0.65%	134.67	0.55%	29.66	22.03%
Loss (gain) on exchange rate	103.36	0.41%	217.48	0.89%	(114.12)	(52.47%)
Unrealized loss (gain) on valuation of fair value of derivatives	(5.53)	(0.02%)	3.27	0.01%	(8.80)	(269.07%)
Operating profit	2,192.27	8.71%	2,186.92	8.95%	5.35	0.24%
Finance cost	421.07	1.67%	331.03	1.36%	90.04	27.20%
Profit before other income	1,771.20	7.04%	1,855.89	7.60%	(84.69)	(4.56%)
Other income	30.64	0.12%	30.63	0.13%	0.01	0.04%
Profit before income tax	1,801.85	7.16%	1,886.52	7.72%	(84.67)	(4.49%)
Tax expense	53.85	0.21%	36.33	0.15%	17.52	48.21%
Profit for the period	1,748.00	6.94%	1,850.19	7.57%	(102.19)	(5.52%)



Performance for the year 2022 ended December 31, 2022 compared to the year 2021 with sales volume of 446,090 tons, a decrease of 6,386 tons or a decrease of 1.41 percent, representing a total sales revenue of 25,172.06 million baht, an increase of 746.40 million baht or an increase 3.06% divided into revenue from domestic sales 16,702.15 million baht or 66.35% of total sales, an increase of 1,519.21 million baht or an increase of 10.01% revenue from foreign sales 8,469.91 million baht or equivalent to The proportion was 33.65 percent of total sales, a decrease of 772.81 million baht or a decrease of 8.36 percent.

for sales revenue Can be separated by product comparison between 2022 and 2021 as follows

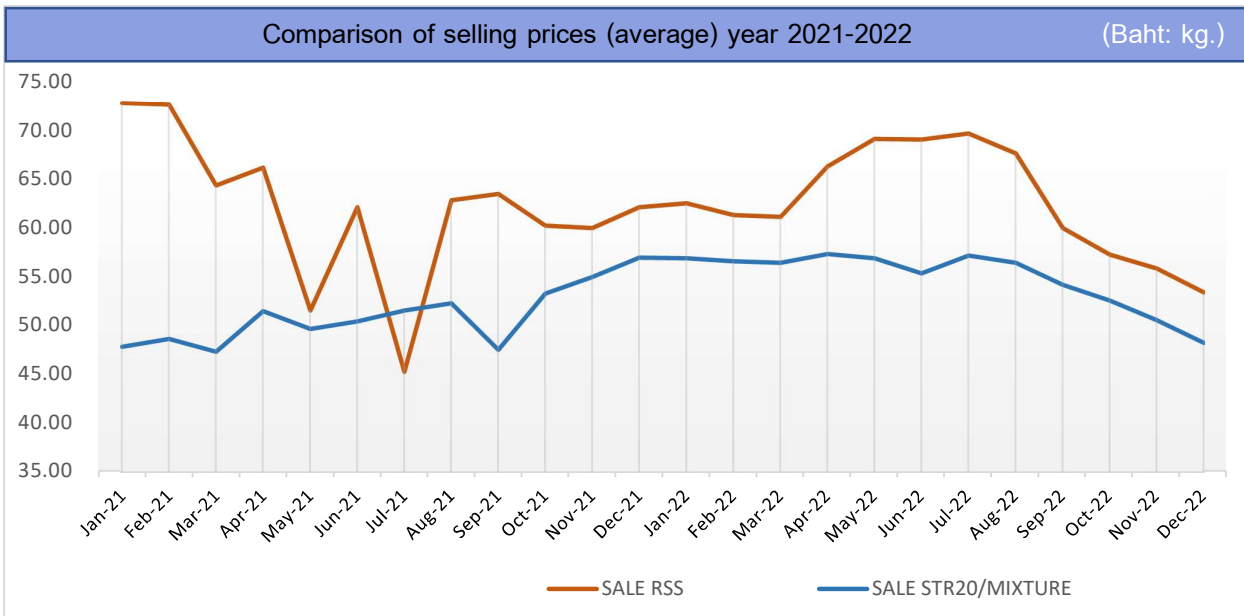
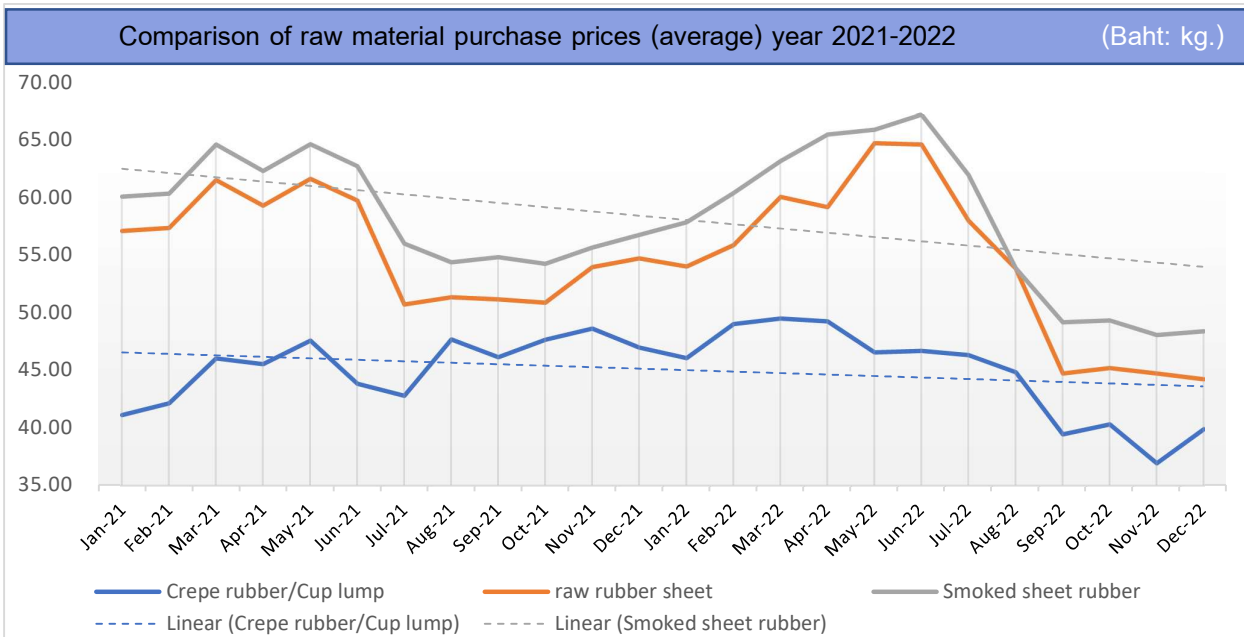


The increase in sales revenue in 2022 was due to the situation in rubber prices that rose in the first half of the year. Compared to 2021, the average selling price of rubber products in 2022 increased by 4.52 percent with increased income. Divided into the difference in price that has moved up to 1,046.63 million baht and divided into the difference in quantity that has decreased at 303.00 million baht.

In 2022, the company had a cost of sales of 22,116.16 million baht or 87.86 percent of sales revenue. Divided into the cost of raw materials and consumables spent 21,425.34 million baht, representing 85.12% of sales revenue. Compared to 2021, the cost increased by 0.77 percent, the main factor that increased the company's raw material costs was the volatility of rubber prices in 2022, which increased in the first half of the year and decreased in the second half. Directly affecting the



proportion of rubber raw material cost compared to revenue, there is a higher cost. because the company recorded inventory by weighted average method. By calculating the total cost of goods divided by the inventories. does not fluctuate drastically according to the direction of the market price of rubber Therefore, the tendency of rubber prices to decline sharply in the second half of the year resulted in a higher proportion of cost of goods compared to selling prices. By considering the data of buying tires and the average selling price of the company as follows.





For the labor cost in 2022, it was 155.33 million baht, representing 0.62 percent, the cost increased by 0.04 percent, production costs 366.49 million baht, representing 1.46 percent of sales revenue. The cost increased by 0.31% caused by the increase in energy prices during September - December 2022, affecting production costs in LPG, fuel and electricity costs, and depreciation and amortization expenses of 169.01 million. baht compared to the amount of costs in 2021, an amount increased by 4.01 million baht.

When comparing the cost of sales for the year 2022 with the year 2021, the company's proportion of cost of sales in the year 2022 increased from 86.75% to 87.86% or an increase of 1.11% of sales revenue. As a result, the company's gross profit decreased by 179.33 million baht, or gross profit decreased by 1.11 percent, representing a decrease in gross profit margin from 13.25 percent in 2021 to 12.14 percent in 2022.

Cost of sales	2022		2021		YoY
	Million Baht	%	Million Baht	%	Increase (Decrease)
Sales volume (Tons)	446,090		452,476		(6,386)
Total Revenue from sales	25,172.06	100.00%	24,425.66	100.00%	746.40
Cost of sales	22,116.16	87.86%	21,190.43	86.75%	1.11%
Raw materials and consumables used	21,425.34	85.12%	20,603.08	84.35%	0.77%
Salary and labor	155.33	0.62%	141.40	0.58%	0.04%
Manufacturing Overhead	366.49	1.46%	280.95	1.15%	0.31%
Depreciation & Amortization	169.01	0.67%	165.00	0.68%	0.00%
Gross profit	3,055.90	12.14%	3,235.23	13.25%	(1.11%)

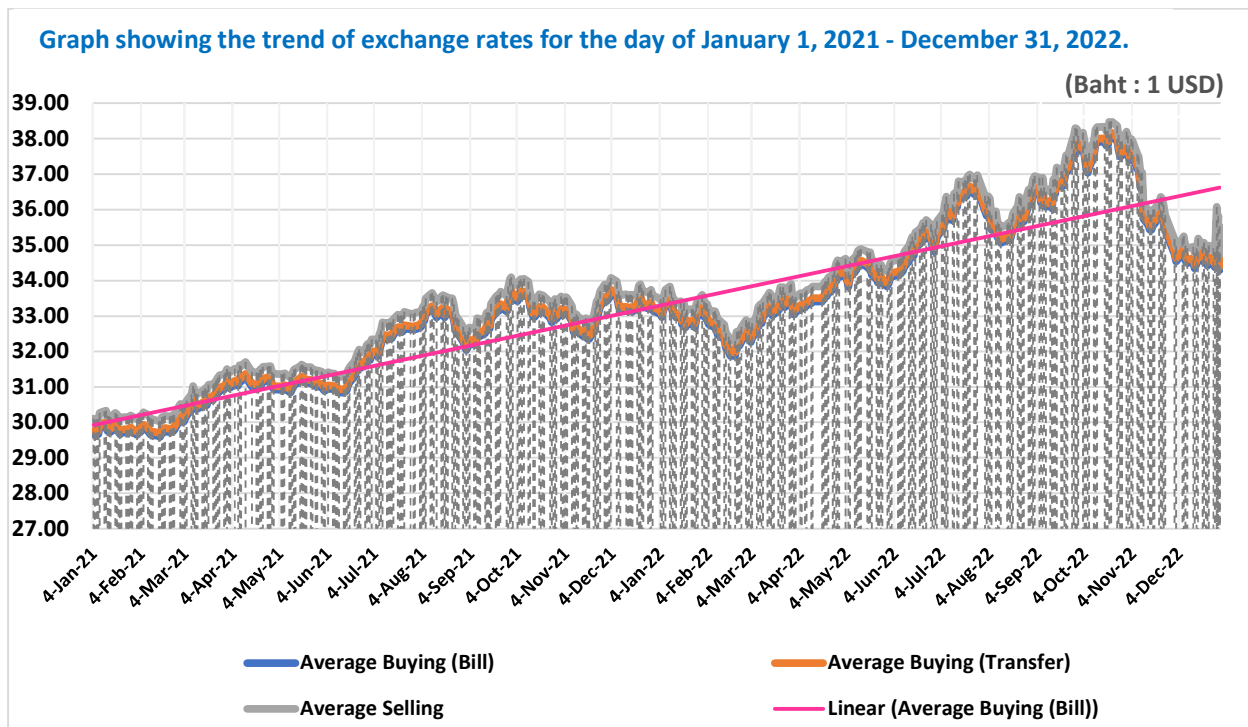
Distribution costs were 601.46 million baht or 2.39% of total sales compared to 2021. The cost decreased by 91.43 million baht or 13.20%, divided into the rubber plantation aid fund, which decreased by 40.85 million. baht, transportation costs increased by 19.61 million baht and expenses related to sales decreased by 70.18 million baht. This reduction in cost was due to a decrease in freight costs during the fourth quarter of 2022 and in line with sales volumes.

Administrative expenses were 164.33 million baht or 0.65% of total sales compared to the year 2021. Expenses increased by 29.66 million baht or 22.03% due to the recognition of losses from obligations. Committed under the purchase contract according to accounting standards No. 37, which is a contract to buy tires that the company Made with raw material suppliers in December 2022, compared to the price of rubber in the local market, according to the report of the Thai Rubber Association, there was a loss of 20.91 million baht and salary and welfare expenses increased by 10.32 million baht.



Loss on exchange was 103.36 million baht or 0.41 percent of total sales compared to 2021 in the amount of 217.48 million baht or 0.89 percent of total sales, a decrease of 114.12 million baht or 52.47 percent. This arises from the receipt of payment from foreign trade receivables. With the exchange rate under the foreign currency forward contracts with financial institutions to reduce the risk.

Loss (gain) from valuation of derivatives in 2022 has a profit of 5.53 million baht compared to the year 2021, where the company has a loss of 3.27 million baht, indicating that the company can better manage risks in this area. compared to the previous year The factors that affect loss (gain) from exchange rates arise from the situation of exchange rate volatility that has strengthened during the fourth quarter of 2022 as follows:



Finance costs were 421.07 million baht, an increase of 90.04 million baht or 27.20 percent from interest paid on additional bonds that the company issued in 2022 for working capital. As of December 31, 2022, the total outstanding debenture value was 6,114.30 million baht.

Other income is equal to 30.64 million baht from interest compensation items that the company has participated in the project to support working capital. from the Rubber Authority of Thailand 22.35 million baht, income from scrap sales 2.84 million baht, income from energy crop projects 2.26 million baht, interest income from fixed deposits 1.87 million baht.

Corporate income tax expenses for the year 2022 were 53.85 million baht, an increase from the year 2021 by 17.51 million baht, caused by the company adjusting the deferred tax liabilities of 9.37 million baht.



Net profit for the year 2022 is 1,748.00 million baht or a net profit margin of 6.94% of total sales revenue. When compared to the year 2021, the net profit margin was 7.57 percent, the company's net profit margin decreased by 0.63 percent. The amount decreased by 102.19 million baht or decreased by 5.52 percent compared to the year 2021.

#### Financial Position

Statement of Financial Position	31-Dec-2022		31-Dec-2021		Increase (Decrease)	
	Million Baht	%	Million Baht	ร้อยละ	Million Baht	%
Current Assets	14,232.31	87.28%	12,416.21	87.20%	1,816.10	14.63%
Non-Current Assets	2,074.23	12.72%	1,823.08	12.80%	251.15	13.78%
Total Assets	16,306.54	100.00%	14,239.29	100.00%	2,067.25	14.52%
Total Liabilities	9,718.71	59.60%	8,793.16	61.75%	925.55	10.53%
Total Shareholders' Equity	6,587.83	40.40%	5,446.13	38.25%	1,141.70	20.96%

The Company's total assets as of 31 December 2022 amounted to 16,306.54 million baht, an increase of 2,067.25 million baht or 14.52% from 31 December 2021, summarized as follows:

Current assets increased by 1,816.10 million baht or 14.63 percent from the following items:

- Inventories increased by 754.33 million baht or 6.82% from the purchase of rubber to ensure that the amount of rubber in stock was sufficient to meet the purchase order according to the expansion of block rubber production capacity. for the second factory.
- Cash and cash equivalents increased by 855.78 million baht or 158.46% from the issuance of additional debentures in 2022 on September 8, 2022.
- Trade accounts receivable and other current receivables increased by 190.56 million baht or 23.80 percent from the increase in sales.
- Other current assets increased by 15.32 million baht or 172.31% due to an increase in receivables from the Revenue Department of 10.63 million baht. As of December 31, 2022, the Company had outstanding VAT refunds of 17.58 million baht. Derivatives value increased by 4.60 million baht.

Non-current assets increased by 251.16 million baht or 13.78 percent from the following items:

- Restricted bank deposits increased by 97.78 million baht or 37.98 percent from fixed deposits to secure short-term loans from banks.
- Property, plant and equipment (net) increased by 167.81 million baht or 11.03% from items of work in progress for new office construction 42.93 million baht, installation of solar energy systems 67.21 million baht, machinery



under installation for rubber product processing projects 141.91 million baht. Project to add rubber oven to block rubber factory 51.76 million baht Project to produce electricity from biogas 53.61 million baht

The Company's total liabilities as of 31 December 2022 amounted to 9,718.71 million baht, an increase of 925.55 million baht or 10.53 percent from 31 December 2021, mainly due to:

Current liabilities decreased by 648.47 million baht or 12.58 percent from the following items:

- Bank overdrafts and short-term loans from financial institutions decreased by 1,152.87 million baht or 29.96 percent from the decrease in the use of credit facilities from financial institutions.
- Debentures due within 1 year, an increase of 600.00 million baht from the debentures issued No. 1/2021 in the amount of 1,300 million baht, which will be redeemed on October 9, 2023 and the repayment of matured debentures (No. 1/2020) in the amount of 700 million baht on October 30, 2022.
- Trade accounts payable and other payables decreased by 177.45 million baht or 38.53 percent from product payables 74.81 million baht and deposits received/advanced income decreased by 92.38 million baht.
- Long-term loans from financial institutions due within 1 year increased by 42.92 million baht or 38.47 percent from loans from financial institutions for rubber product processing projects.
- Accrued corporate income tax increased by 16.98 million baht from the expiration of privileges under the Board of Investment Promotion (BOI) on smoked rubber briquette products.

Non-current liabilities increased by 1,574.01 million baht or 43.25 percent from the following items:

- Debentures (net) increased by 1,514.16 million baht or 46.58% because in 2022 the company issued additional debentures No. 1/2022 in the total amount of 2,814.30 million baht on September 8, 2022, divided into series 1, 5 years. worth 1,161.50 million baht, the second set, 7 years old, worth 1,652.80 million baht
- Long-term loans increased by 60.00 million baht or 16.75 percent from loans for rubber product processing projects of 143.28 million baht and from loan payments due for payment of 83.28 million baht.

The shareholders' equity of the Company as of 31 December 2022 amounted to 6,587.83 million baht, an increase of 1,141.70 million baht or 20.96 percent compared to as of December 31, 2021 caused by the following items:

- Issued and paid-up capital and premium on share capital of 156.88 million baht from the receipt of capital increase for the final exercise of 87,154,692 ordinary shares at the rate of 1.80 baht per share.
- Retained earnings increased by 984.83 million baht or 32.75 percent from the net profit for the year 2022 equal to 1,748.00 million baht and decreased from the dividend payment twice, the first time from the operating results of the year 2021 according to the resolution of the general meeting of shareholders when On April 7, 2022 at the rate of 0.36 baht per share, totaling 633.83 million baht on May 6, 2022 and the second time, the company paid



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interim dividends from the operating results of the first 6 months of 2022 at the rate of 0.07 baht per share. on September 7, 2022 in the total amount of 129.34 million baht.

Please be informed accordingly

Yours sincerely,

(Mr. Sakchai Jongstapongpun)

Chief Financial Officer

North East Rubber Public Company Limited