



No. NER-SET 008/2023

May 11, 2023

Re: Management Discussion and Analysis for the first 3 months of 2023 ending March 31, 2023

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 1/2023 ended March 31, 2023. The Company results of the operation are as follows.

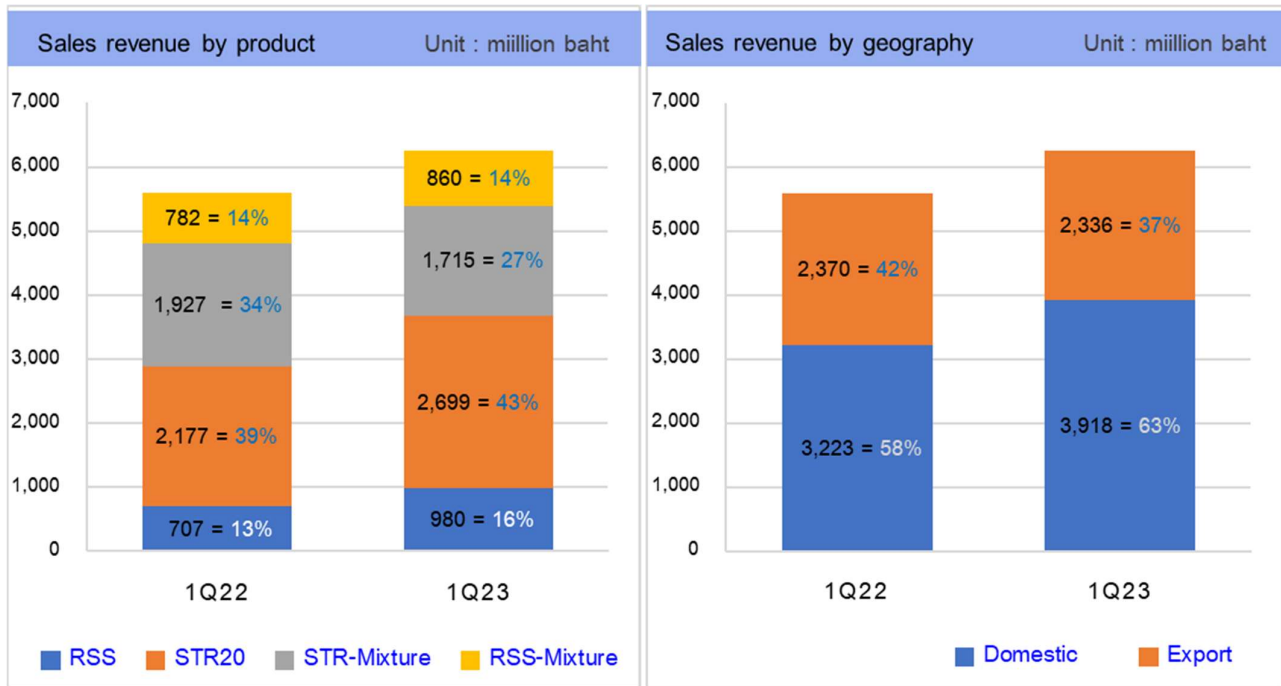
Comparison performance of the Company for the 3 months ended 31 March 2023 and 2022

Statement of Comprehensive Income	Q1/2023		Q1/2022		YoY Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales volume (Tons)	127,574		96,350		31,224	32.41%
Total Revenue from Local sales	3,918.08	62.65%	3,222.30	57.62%	695.78	21.59%
Total Revenue from Export sales	2,336.32	37.35%	2,370.31	42.38%	(33.99)	(1.43%)
Total Revenue from sales	6,254.40	100.00%	5,592.61	100.00%	661.79	11.83%
Cost of sales	5,646.82	90.29%	4,822.97	86.24%	823.84	17.08%
Gross profit	607.58	9.71%	769.64	13.76%	(162.05)	(21.06%)
Distribution costs	152.87	2.44%	175.21	3.13%	(22.34)	(12.75%)
Administrative expenses	26.70	0.43%	34.43	0.62%	(7.74)	(22.47%)
Loss (gain) on exchange rate	(30.37)	(0.49%)	(34.62)	(0.62%)	4.25	(12.27%)
Unrealized loss (gain) on valuation of fair value of derivatives	19.48	0.31%	2.97	0.05%	16.51	556.95%
Operating profit	438.92	7.02%	591.65	10.58%	(152.73)	(25.81%)
Finance cost	112.63	1.80%	94.07	1.68%	18.56	19.73%
Profit before other income	326.29	5.22%	497.58	8.90%	(171.29)	(34.42%)
Other income	3.71	0.06%	1.30	0.02%	2.41	184.97%
Profit before income tax	330.00	5.28%	498.88	8.92%	(168.88)	(33.85%)
Tax expenses	15.62	0.25%	29.99	0.54%	(14.37)	(47.91%)
Profit for the period	314.38	5.03%	468.89	8.38%	(154.51)	(32.95%)



Performance for the first quarter of 2023 ended March 31, 2023, compared to the same period last year, sales volume was 127,574 tons, an increase of 31,224 tons or an increase of 32.41%, representing a total sales revenue of 6,254.40 million baht, an increase 661.79 million baht or an increase of 11.83 percent, divided into revenue from domestic sales of 3,918.08 million baht or 62.65 percent of total sales increase of 695.78 million baht or an increase of 21.59 percent and revenue from foreign sales of 2,336.32 million baht or 37.35 percent of total sales, a decrease of 33.99 million baht or a decrease of 1.43 percent

Sales revenue can be separated by product compared between quarter 1/2023 and quarter 1/2022 as follows:

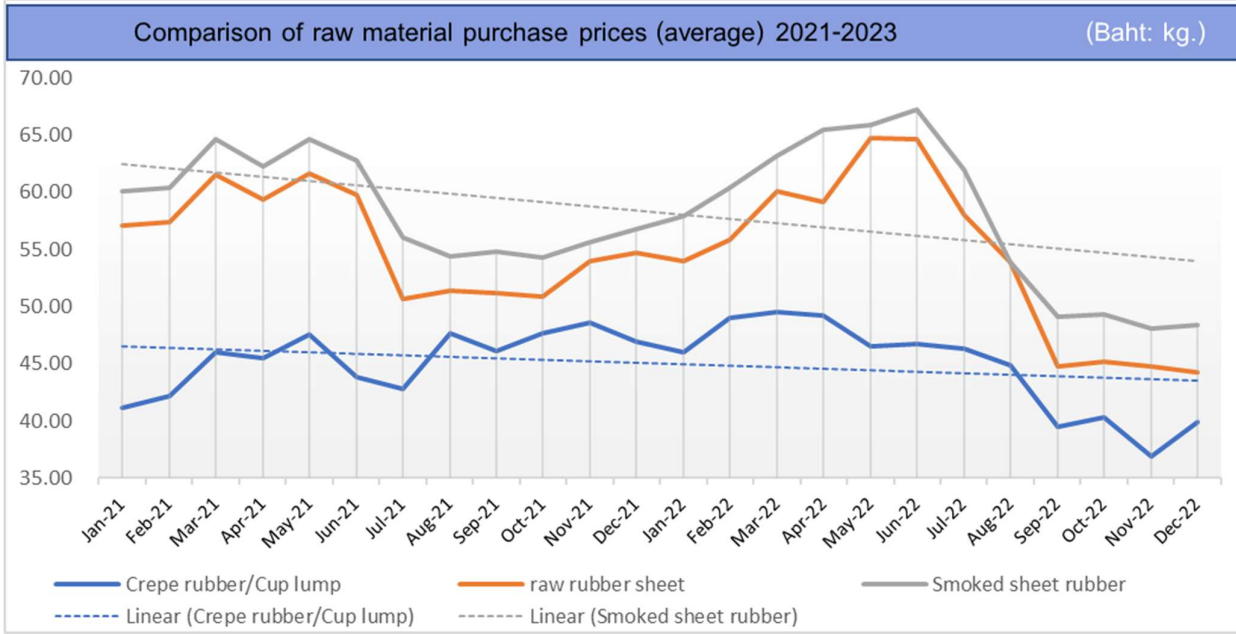


The increase in sales revenue for the first quarter of 2023 compared to the same period last year is an increase in sales volume. It was caused by the Company receiving more orders from both domestic and foreign customers. which accounted for an increase in volume difference at 1,801.48 million baht and a decrease in price difference at 1,141.32 million baht due to the difference in average selling price decreased from the same period of the previous year by 15.56 percent.

In the quarter 1/2023, the company had cost of sales of 5,646.82 million baht or 90.29% of sales revenue. Divided into cost of raw materials and consumables spent 5,468.06 million baht, representing 87.43% of sales revenue. compared to the same period last year The cost increased by 4.01 percent. The main factor that caused the company's raw material costs to increase caused by a decrease in the price of rubber in the market from July to December 2022 and slightly increased in the 1st quarter of 2023, but when comparing the average selling price of the 1st quarter of 2023 with the same period



of 2022, the average selling price in Quarter 1/2023 is lower than the average selling price in Quarter 1/2022 which directly affects the ratio of raw material costs compared to revenue from sales cause the proportion of cost of sales to be higher by considering the data of buying tires and the average selling price of the company as follows:



As for labor costs, it was 44.08 million baht or 0.70 percent compared to the same period last year. The cost increased by 10.04 million baht or 0.09 percent of sales revenue. arising from paying wages according to increased production volumes and from higher employee compensation. And for production expenses, 93.20 million baht or 1.49 percent of the sales



revenue. Compared to the same period last year, the cost incurred increased by 0.01% of sales revenue. It was caused by an increase in the price of electricity, which adjusted the FT according to the ERC announcement, effective from January to April 2023, and depreciation and amortization expenses of 41.48 million baht compared to the same period of the previous year increased slightly.

When comparing the cost of sales in the 1/2023 quarter with the 1/2022 quarter, the 1/2023 cost of sales increased by 823.84 million baht, resulting in the company's gross profit margin decreasing by 162.06 million baht or gross profit decreased by 21.06%. which represents a gross profit margin, decreased from 13.76 percent in the first quarter of 2022 to 9.71 percent in the first quarter of 2023.

Cost of sales (Million Baht)	Q1/2023		Q1/2022		Difference
	Million Baht	%	Million Baht	%	Increase (Decrease)
Sales volume (Tons)	127,574		96,350		31,224
Total Revenue from sales	6,254.40	100.00%	5,592.61	100.00%	661.79
Cost of sales	5,646.82	90.29%	4,822.97	86.24%	4.05%
Raw materials and consumables used	5,468.06	87.43%	4,665.14	83.42%	4.01%
Salary and labor	44.08	0.70%	34.04	0.61%	0.09%
Manufacturing Overhead	93.20	1.49%	82.69	1.48%	0.01%
Depreciation & Amortization	41.48	0.66%	41.11	0.74%	(0.08%)
Gross profit	607.58	9.71%	769.64	13.76%	(4.05%)

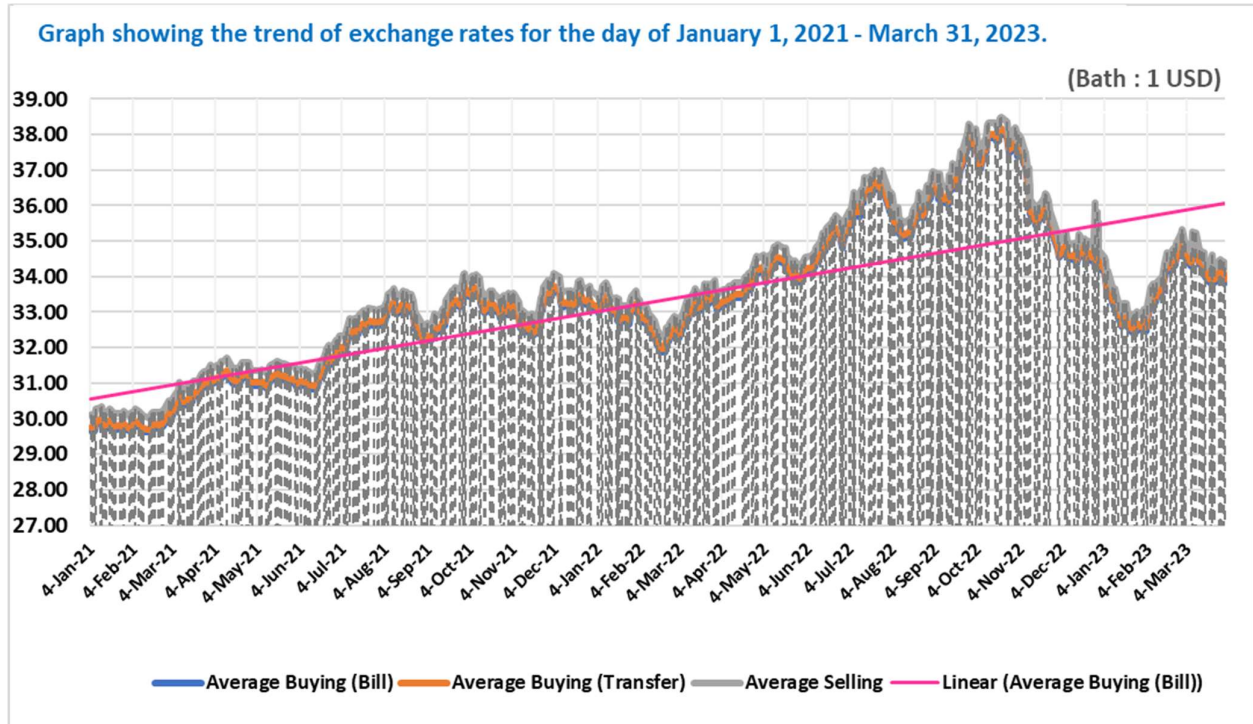
Distribution costs were 152.87 million baht or 2.44% of total sales compared to the same period last year. The cost of distribution decreased by 22.34 million baht or equivalent to 0.69 percent of total sales cost of distribution, divided into the rubber plantation aid fund fee increased by 20.31 million baht, the outbound freight cost decreased by 44.63 million baht. The decrease in the proportion of expenses is due to the fact that the cost of transportation has decreased considerably compared to the same period of the previous year.

Administrative expenses are 26.70 million baht or 0.43% of total sales revenue, compared to the same period last year Expenses decreased by 7.74 million baht or decreased by 22.47 percent.

In the quarter 1/2023, the company had a profit from exchange rates equal to 30.37 million baht or 0.49% of total sales compared to the same period last year which was 34.62 million baht or 0.62%, decreased by 4.25 million baht and there was a loss on valuation of derivatives equal to 19.48 million baht or 0.31% of total sales compared to the same period last year amounting to 2.97 million baht or 0.05 percent of total sales. The company had a loss on valuation of derivatives



increased by 16.51 million baht, which was a recognition of an accounting loss from forward foreign exchange contracts with a financial institution for risk management. The situation of exchange rate volatility is as follows:



Financial costs were 112.63 million baht, compared to the same period last year, an increase of 18.56 million baht or 19.73 percent from the interest paid on 2 sets of additional debentures that the company issued in 2022 for use as working capital on September 8, 2022 total amount of 2,814.30 million baht. As of March 31, 2023, the total value of outstanding debentures was 6,114.30 million baht.

Corporate income tax expense was 15.62 million baht or 0.25% of sales revenue. Compared to the same period last year, it decreased by 14.37 million baht, a decrease in proportion to the decrease in profit before tax.

For the first 3 months of 2023, the company has a net profit of 314.38 million baht, or a net profit margin of 5.03 percent of total sales. Compared to the same period of 2022, the net profit margin was 8.38 percent. The company had a net profit decreased by 154.51 million baht according to the decrease in gross profit.

Financial Position

Statement of Financial Position	31-Mar-2023		31-Dec-2022		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Assets	13,077.20	86.23%	14,232.31	87.28%	(1,155.10)	(8.12%)
Non-Current Assets	2,087.70	13.77%	2,074.23	12.72%	13.47	0.65%



Statement of Financial Position	31-Mar-2023		31-Dec-2022		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Total Assets	15,164.91	100.00%	16,306.54	100.00%	(1,141.64)	(7.00%)
Total Liabilities	8,262.33	54.48%	9,718.71	59.60%	(1,456.38)	(14.99%)
Total Shareholders' Equity	6,902.58	45.52%	6,587.83	40.40%	314.74	4.78%

Total assets of the Company as of 31 March 2023 amounted to 15,164.91 million baht, a decrease of 1,141.64 million baht or 7.00 percent from 31 December 2022, summarized as follows:

Current assets decreased by 1,155.10 million baht or 8.12 percent from the following items:

- Cash and cash equivalents decreased by 752.07 million baht or 53.88 percent from repayment of short-term loans to financial.
- Inventories decreased by 486.41 million baht or 4.11% because in February-April of every year, which is the time when rubber farmers closed the rubber face, causing the amount of rubber entering the market to be less.
- Trade accounts receivable and other current receivables increased by 82.58 million baht or 8.34 percent in line with the increase in sales revenue.

Non-current assets increased by 13.47 million baht or 0.65% change from fixed deposits that the company used as collateral increased by 25.29 million baht, net property, plant and equipment decreased by 8.99 million baht, net leasehold rights decreased by 2.76 million baht.

The Company's total liabilities as of 31 March 2023 amounted to 8,262.33 million baht, a decrease of 1,456.38 million baht or 14.99 percent from 31 December 2022, mainly due to

Current liabilities decreased by 1,430.13 million baht or 31.74 percent from the following items:

- Bank overdrafts and short-term loans from financial institutions decreased by 1,574.52 million baht or 58.43 percent from the repayment of promissory notes. From the use of working capital in the inventory decreased.
- Trade and other payables increased by 138.05 million baht or 48.77 percent from the deposit received in advance for the purchase of goods by customers according to the increasing purchase order.
- Accrued corporate income tax increased by 14.95 million baht from corporate income tax for the operating results in the 1st quarter of 2023.

Non-current liabilities decreased by 26.25 million baht or 0.50 percent due to a decrease in long-term loans by 31.07 million baht or 7.43 percent from loan payments that were due.



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The shareholders' equity of the company as of 31 March 2023 amounted to 6,902.58 million baht, an increase of 314.74 million baht or 4.78% from as of 31 December 2022 from the net profit in the first quarter of 2023.

Please be informed accordingly

Yours sincerely,

(Mr. Sakchai Jongstapongpun)

Chief Financial Officer

North East Rubber Public Company Limited