

Financial Overview

NR business under pressure with challenges on both supply and demand sides but financial position still strong with A Stable rating by TRIS

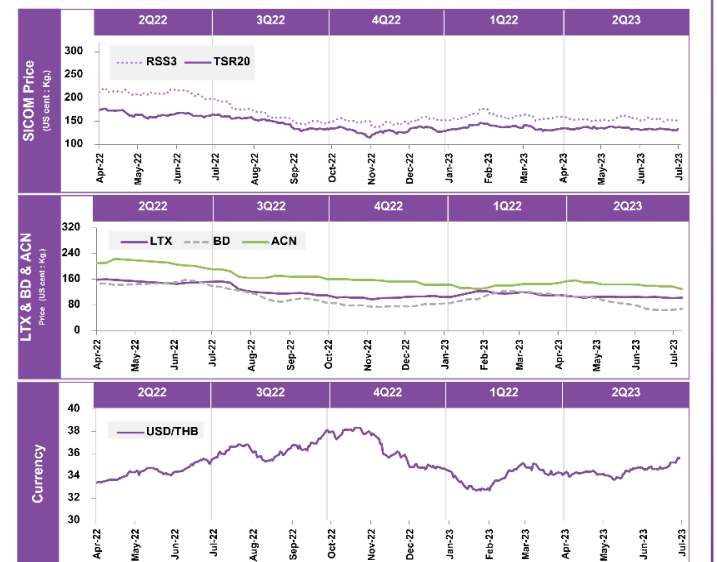
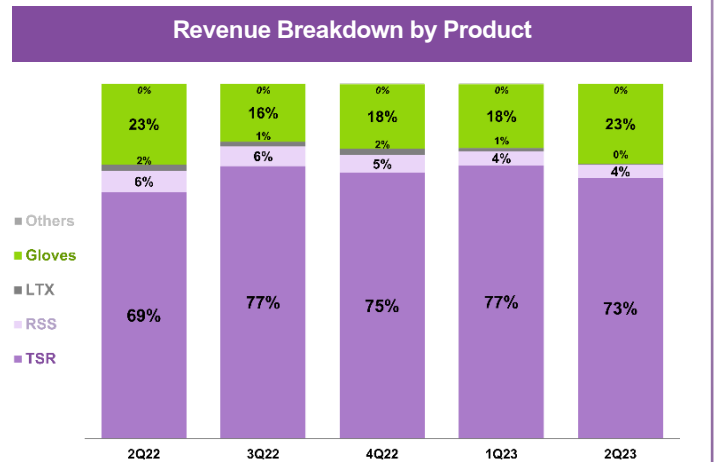
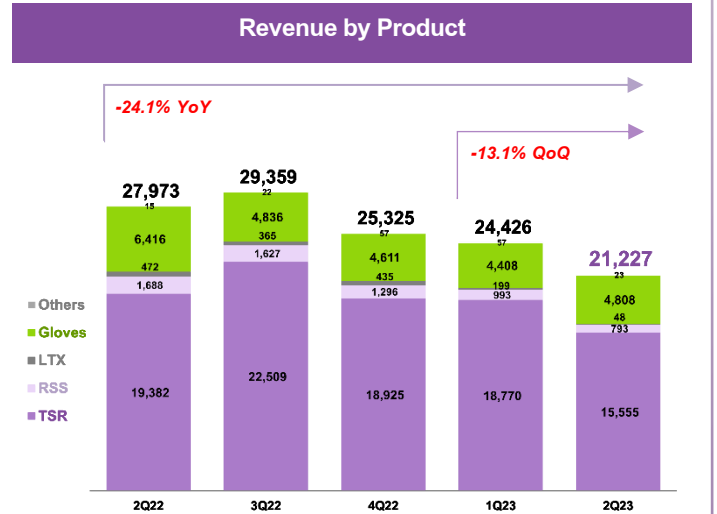
- In Q2/2023, STA recorded net profit of THB 110.0 million, down 61.8% QoQ and 90.4% YoY, or THB 0.07 per share, with a net profit margin of 0.5%
- Total revenue in Q2/2023 stood at THB 21,227.0 million, decreasing 13.1% QoQ and 24.1% YoY.
- The QoQ decrease in total revenue resulted from revenue from NR that declined 17.9% while revenue from gloves increased 10.4%
- The YoY decrease in total revenue resulted from revenue from NR that declined 23.9% and revenue from gloves that declined 25.2%.

Key Financial Ratios

	2Q23	2Q22	1Q23	FY22
Gross Profit Margin	9.3%	15.2%	11.2%	14.3%
Adjusted Gross Profit Margin**	10.6%	15.9%	11.2%	15.6%
EBITDA Margin	5.7%	9.7%	6.3%	9.4%
Net Profit Margin	0.5%	4.1%	1.2%	4.3%
Current Ratio (Times)	4.86	3.08	4.42	4.09
Net D/E Ratio (Times)	0.31	0.40	0.35	0.37
Fixed Asset Turnover (Times)*	1.77	2.63	1.90	2.45
Inventory Turnover (Days)*	89	115	98	110
Collection Period (Days)*	24	27	25	25
Payment Period (Days)*	5	5	5	5

Note: *Annualised

** Adjusting for (reversal) allowance of inventory cost and realized items from hedging



ABBREVIATIONS
PSR: Fitted product sheet
LTX: Concentrated Latex
TSR: Technically specified rubber, which includes SBR and NBR
BD: Blendline
ACN: Acrylonitrile



Statement of Comprehensive Income

Statement of Comprehensive Income (Unit: THB million)	2Q23	2Q22	%YoY	1Q23	%QoQ	6M23	6M22	%YoY
Revenues from sales of goods and services	21,227.0	27,973.1	-24.1%	24,426.3	-13.1%	45,653.3	55,973.0	-18.4%
Cost of sales and services	(19,257.6)	(23,731.1)	-18.9%	(21,694.5)	-11.2%	(40,952.1)	(47,204.7)	-13.2%
Gross Profit	1,969.5	4,242.0	-53.6%	2,731.8	-27.9%	4,701.3	8,768.2	-46.4%
SG&A	(1,952.8)	(2,595.3)	-24.8%	(2,122.5)	-8.0%	(4,075.2)	(4,981.7)	-18.2%
Other income and dividend income	111.8	96.5	15.9%	102.5	9.1%	214.3	140.4	52.6%
Gain (loss) on exchange rates	82.3	85.7	-3.9%	(182.9)	-145.0%	(100.6)	134.9	-174.6%
Other gain	120.1	29.7	304.8%	205.7	-41.6%	325.8	139.2	134.1%
Profit from operating activities	330.9	1,858.6	-82.2%	734.7	-55.0%	1,065.6	4,200.9	-74.6%
Share of profit (loss) from investments in associate and JV	(14.6)	81.4	-117.9%	(36.6)	-60.1%	(51.2)	135.3	-137.9%
EBITDA	1,214.1	2,713.7	-55.3%	1,547.8	-21.6%	2,761.9	5,862.2	-52.9%
EBIT	316.3	1,940.0	-83.7%	698.1	-54.7%	1,014.4	4,336.2	-76.6%
Finance income	133.3	28.5	367.4%	84.3	58.1%	217.6	58.8	270.1%
Finance cost	(347.8)	(298.3)	16.6%	(380.3)	-8.5%	(728.1)	(520.5)	39.9%
Income tax (expense)	(0.4)	(261.0)	-99.8%	(54.8)	-99.2%	(55.2)	(486.3)	-88.6%
Net profit for the period	101.3	1,409.2	-92.8%	347.3	-70.8%	448.6	3,388.2	-86.8%
Attributed to equities holders of the Company	110.0	1,142.1	-90.4%	287.9	-61.8%	397.9	2,561.1	-52.5%
Attributed to non-controlling interests of the subsidiaries	(8.7)	267.1	-103.2%	59.4	-114.6%	50.7	737.0	-39.2%

Revenue by Product (THB million)

Products	2Q23	2Q22	%YoY	1Q23	%QoQ
TSR*	15,554.8	19,381.9	-19.7%	18,769.8	-17.1%
%	73.3%	69.3%		76.8%	
Gloves	4,808.4	6,416.0	-25.1%	4,408.1	9.1%
%	22.7%	22.9%		18.0%	
RSS	793.4	1,688.0	-53.0%	992.6	-20.1%
%	3.7%	6.0%		4.1%	
LTX	47.9	472.1	-89.9%	199.0	-75.9%
%	0.2%	1.7%		0.8%	
Other**	22.5	15.0	50.4%	56.8	-60.4%
%	0.1%	0.1%		0.2%	
Total Revenue	21,227.0	27,973.1	-24.1%	24,426.3	-13.1%

Note:

* Revenue from TSR is net from hedge accounting.

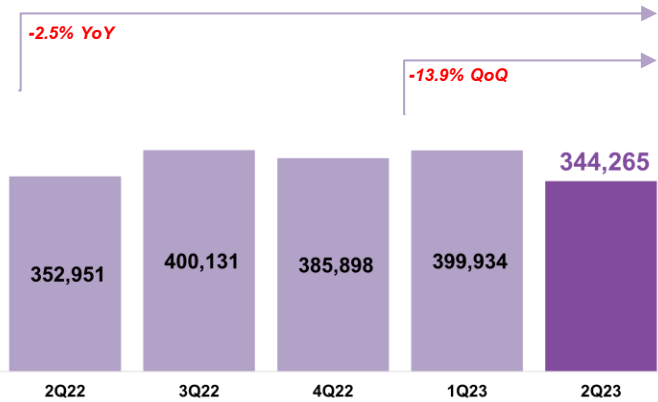
** Comprised revenue from (i) the sale of rubber wood and wood packing product and (ii) the provision of certain services (such as logistics research and development and information technology services) to our associates and a joint venture entity as well as other third parties.



Natural Rubber

- **Revenue from NR**, which accounted for 77.2% of total revenue, totaled THB 16,396.1 million, decreasing 17.9% QoQ and 23.9% YoY.
- The QoQ decline in revenue resulted from sales volume that dropped 13.9% because we faced difficulty in sourcing raw materials as a result of El Niño, which caused a prolonged wintering period in all regions of Thailand. The ASP, meanwhile, went up 2.2%
- The YoY decline in revenue primarily resulted from the ASP that dropped 22.9% because of subdued demand as both Chinese and Non-Chinese tire producers are still left with a high level of inventory. Sales volume also dropped 2.5%.

Sales Volume of NR (tons)

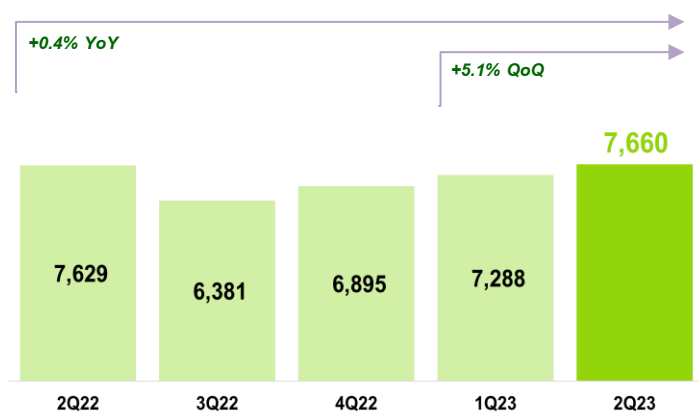


- **Sales volume for NR** totaled 344,265 tons, decreasing 13.9% QoQ and 2.5% YoY.
- The QoQ decrease in sales volume can be attributed to the difficulty we had in sourcing raw materials throughout the prolonged wintering period, which was brought about by El Niño. We were compelled as a result to carefully manage our raw material usage to ensure there are sufficient raw materials for production in both Q2/2023 and Q3/2023.
- Utilization rate in Q2/2023 stood at 56.7%. But our TSR facilities in Thailand had a higher utilization rate of 71.7%.
- Geographically, China accounted for the largest portion of sales volume at 72.4%, followed by Thailand at 11.2%. Other countries in Asia made up 9.2% of total sales volume while Europe and the Americas accounted for 2.8% and 4.1% of total sales volume, respectively.

Gloves

- **Revenue from gloves**, which accounted for 22.6% of total revenue, totaled THB 4,801.1 million, increasing 10.4% QoQ but decreasing 25.2% YoY.
- The QoQ increase in revenue came on the back of the ASP that rose 5.0%, the first increase in ASP in 2 years, and sales volume that grew 5.1%.
- The YoY decrease in revenue resulted from the ASP that dropped 25.5% while sales volume slightly grew 0.4%.

Sales Volume of Glove (million pieces)



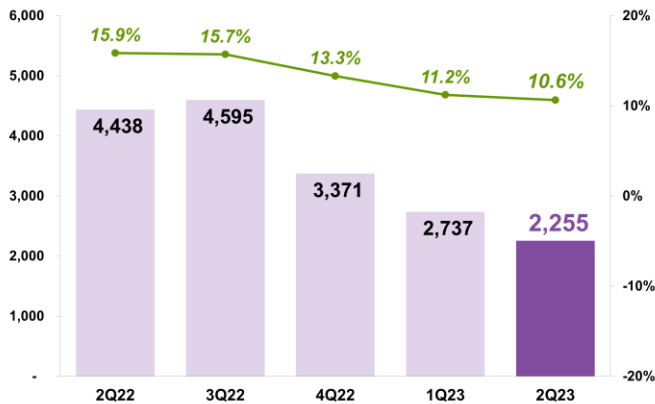
- **Sales volume for gloves** totaled 7,660 million pieces, increasing 5.1% QoQ and 0.4% YoY.
- Utilization rate in Q2/2023 stood at 58.9%.
- The proportion of sales revenue between NR and NBR gloves in Q2/2323 was 78:22 as it is our strategy to focus on NR gloves, for which we have competitive advantage in our access to the raw material.
- Geographically, Asia accounted for the largest portion of sales volume at 32.4%, followed by Europe at 21.3%. South America, North America, the Middle East and Africa made up 18.4%, 18.1%, 5.5% and 3.6% of sales volume, respectively. Other regions accounted for 0.8% of sales volume.



Gross Profit

- Gross profit in Q2/2023 totaled THB 1,965.5 million, down 27.9% QoQ and 53.6% YoY.
- The QoQ decline in gross profit primarily resulted from lower profit margin of the NR business as prices of raw materials increased because of the prolonged wintering brought about by El Niño while selling prices remained virtually unchanged.
- The YoY decline in gross profit is attributable to the lower ASPs of both the NR business and the glove business. The NR business also had to contend with high prices of raw materials because of the scarcity.
- Gross profit margin in Q2/2023 stood at 9.3%, down from 11.2% in Q1/2023 and 15.2% in Q2/2022.
- Taking account of the reversal of the net realizable of inventory in the amount of THB 9 million and realized gains from hedging transactions of THB 276.2 million, adjusted gross profit in Q2/2023 would be 10.6%, down from 11.2% in Q1/2023 and 15.9% in Q2/2022.

Adjusted GP (THB million) and GPM* (%)



Selling and Administrative Expenses

- SG&A in Q2/2023 totaled THB 1,952.8 million, decreasing 8.0% QoQ and 24.8% YoY mainly because of lower freight rates while administrative expenses increased.
- At the end of Q2/2023, we had THB 320.5 million in gains from the net realizable value of inventory.

**Note: Inventory of TSR, RSS and LTX is stated at lower of cost or net realizable value. Under the Thai Financial Reporting Standards, inventory gains or losses cannot be recognized until the time of actual sale. The value of inventory varies over time, until it is stated at the actual selling price at the time of sale.*

Operating Profit

- Operating profit in Q2/2023 totaled THB 330.9 million with operating profit margin of 1.6%, a decrease from THB 734.7 million in Q1/2023 and THB 1,858.6 million in Q2/2022 because of lower operating profits of both the NR business and the glove business.
- We recorded THB 82.3 million in gains from exchange rates and THB 120.1 million in gains from hedging transactions.
- We recorded THB 105.6 million in other income, mainly from insurance proceeds.

Associates and Joint Ventures

- Share of loss of associates and joint ventures totaled THB 14.6 million, narrowing by 60.1% QoQ but a reversal from share of net profit in Q2/2022 because of lower profit of the NR joint venture.

Net Profit

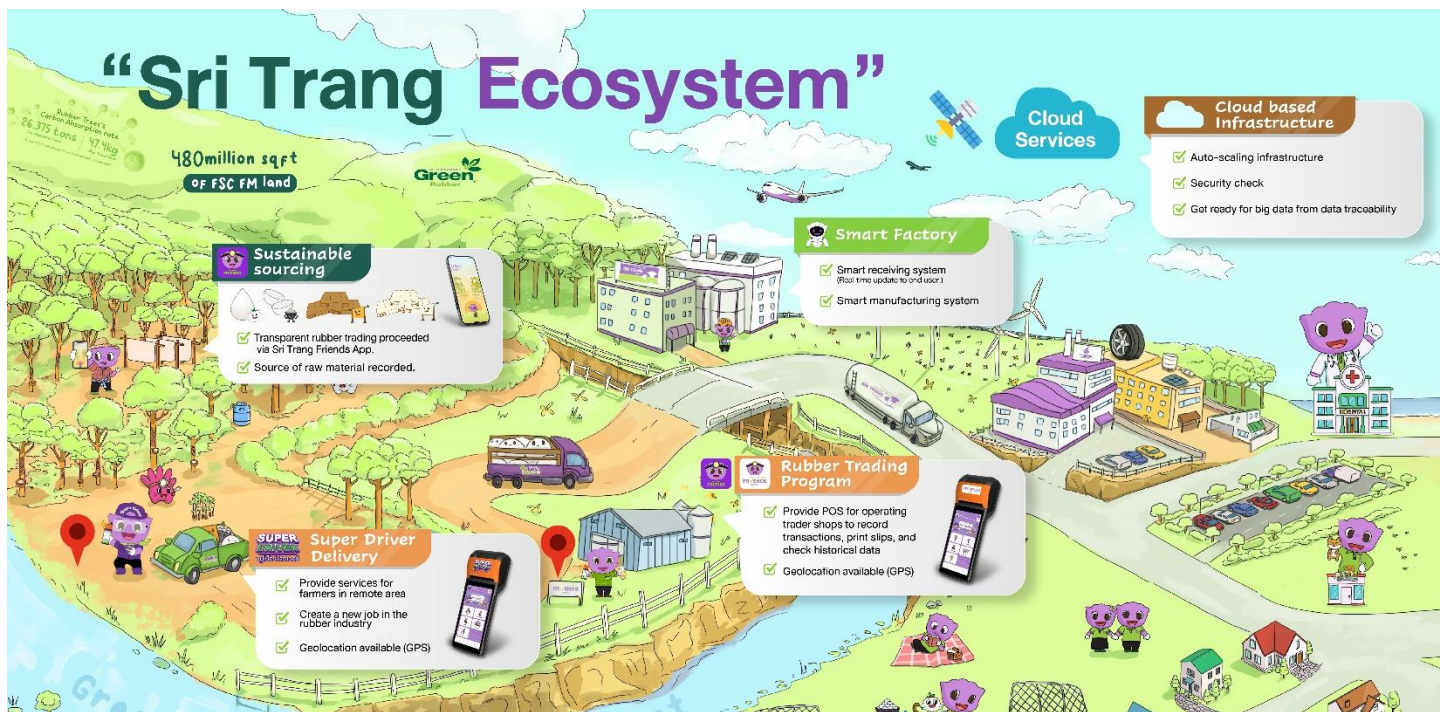
- Finance costs total THB 347.8 million, decreasing 8.5% QoQ but increasing 16.6% YoY because of the issuance of debenture for the purchase of raw materials and capacity expansion.
- Net profit in Q2/2023 totaled of THB 110.0 million, down 61.8% QoQ and 90.4% YoY, with a net profit margin of 0.5%. The decrease in net profit result from lower profitability of both the NR and the glove business.

Inventory

- Our inventory at the end of Q2/2023 totaled THB 15,465.0 million. NR inventory stood at THB 11,000 million, decreasing 50.0% from THB 22,000 million at the end of FY2022 as the prolonged wintering period brought about by El Niño led to reduced NR supply.



Sri Trang Ecosystem: Revolutionizing the Global Rubber Industry



"The company has incorporated technology into every operational process, embracing Digital Transformation, and integrated sustainable development in all dimensions. This is a crucial element in fostering the sustainable growth of the Sri Trang Group. It underscores our leadership by creating distinctiveness and pioneering the global rubber industry revolution."

❖ Digital Transformation & Sustainability

The company has developed and implemented Digitalization and Digital Transformation, seamlessly incorporating the essence of the Green Rubber Company, which serves as the DNA of our organization, with a legacy spanning over a decade. This integration encompasses every facet and process across the entire supply chain, culminating in the formation of an ecosystem known as the 'Sri Trang Ecosystem.' This heralds the inception of a revolution in the global natural rubber industry at the present. Our enduring efforts throughout this journey exemplify Sri Trang's steadfast commitment to sustainable growth, aligned with the current megatrend of global sustainability.

❖ Certification of Sustainable Forest Management Standards (FSC)

The company has been certified by the Forest Stewardship Council (FSC), an internationally recognized standard for sustainable forest management since 2019. We have consistently upheld this certification, having been granted FSC-FM certification for sustainable timber management in our rubber plantation business. Furthermore, we have also achieved FSC-COC certification for the sustainable management of our product supply chain, covering our block rubber manufacturing facility at Phitsanulok branch, as well as our concentrated latex factory at Hat Yai branch.

❖ #Sri Trang Ready for EUDR

The company has taken proactive steps to prepare for compliance with the European Union Deforestation-Free Regulation (EUDR), which focuses on the traceability of various agricultural products, included natural rubber, to ensure they are free from deforestation before entering the EU. This regulation is set to be enforced in alignment with business requirements by the end of the year 2024. To achieve this, the company has developed the Sri Trang Friends Application, integrated SAP systems, and other solutions, creating a comprehensive network that facilitates full traceability across all processes. These initiatives are fully geared towards accommodating the EUDR stipulations. **The company views EUDR as a business opportunity for Sri Trang, a company well-prepared to meet its requirements.**

❖ Registration of Greenhouse Gas Emission Reduction Project under T-VER

The company is committed to becoming a low-carbon enterprise and has set targets for reducing greenhouse gas emissions from production processes per unit of product. Additionally, the company has initiated projects to generate solar power with a capacity of 1 megawatt on floating platforms at its latex factory branch in Mukdahan. Furthermore, the company has undertaken greenhouse gas capture and reduction projects in its rubber plantations, specifically in the Pua District of Nan Province and the Chiang Mai Province rubber plantation. These initiatives have been registered as voluntary projects under the Thailand Voluntary Emission Reduction Program (T-VER), aiming to attain certification for the achieved reduction in greenhouse gas emissions or carbon credits through project implementation.



ESG Activities in Q2/2023



Environmental

- The company successfully registered a project under the Thailand Voluntary Emission Reduction Program (T-VER) in April 2023. This project focuses on the capture and reduction of greenhouse gas emissions in the rubber plantation of Sri Trang Anh and Planter Co., Ltd. The project spans an area of 6,307 rai in Chiang Mai Province.
- The company extended its efforts by filing for T-VER registration in June 2023 for a similar project in rubber plantations located in Chiang Rai, Phayao, Lamphun, Phrae, and Sukhothai provinces. This initiative encompasses a total area of 14,808 rai.
- The company diligently monitored the progress of a 1-megawatt solar energy generation project on floating platforms at its block rubber factory branch in Mukdahan. This project not only involves electricity production but also the reduction of greenhouse gas emissions. Additionally, the company is actively expanding its solar energy production projects, reaching the rubber factory branches in Thung Song, Huai Nang, and Udorn Thani.
- The company is currently in the process of developing Carbon Footprint of Products (CFPs) assessments for its rubber sheet, latex, and block rubber products. Multiple factory branches, including Sikao, Trang, Phitsanulok, Bung Kan, and Thung Song, are participating in this assessment, with data validation scheduled for July 2023.
- The company has been certified under the Low Emission Support Scheme (LESS) for its waste segregation and recycling activities at the Ubon Ratchathani, Sa Kaeo, Buriram, Sikao, and Sakon Nakhon rubber factory branches. This certification is granted by the Thailand Greenhouse Gas Management Organization (TGO) as of May 31, 2023.

Social

- The company spearheads the "Bun Tuk Yang Tid Rang Srang Roi Yim" project, focusing on the rail transportation of cup lump rubber. This initiative emphasizes the transportation of cup lump rubber using vehicles that adhere to the company's standards. Measures such as proper covering, container installation, and water collection systems are applied to each transport vehicle, ensuring prevention of water leakage from cup lump rubber onto roadways. This project has been consistently implemented for the past seven years.
- The company organizes the "Good Quality Cup Lump Creates Happiness" project, aimed at imparting knowledge to rubber farmers and trading partners about producing pristine and uncontaminated cup lump rubber. The event's objective is to elevate the standards of Thai natural rubber production.
- The company initiates the "Women's Power" project in Amphoe Yi-ngo, Narathiwat Province. The project focuses on teaching women's groups to create brooms from discarded plastic bottles through upcycling. Plastic bottle waste is meticulously sorted and processed using upcycling methods in line with the Circular Economy concept, aiming to generate sustainable employment opportunities for women within the community.

Governance & Economic

- During the months of April to May 2023, the company engaged in the THSI Sustainability Assessment conducted by the Stock Exchange of Thailand. The purpose of this assessment was to evaluate the company's sustainability performance, benchmarked against the operations of other registered entities. The participation aimed at driving continuous improvement in the company's sustainability practices and enhancing its alignment with sustainable investment trends. Additionally, the company joined the selection process for inclusion in the list of sustainable stocks under THSI and the consideration for SET Awards, aligning with the ongoing trajectory of sustainable investment growth.
- The company participated for the first time in the 2023 Corporate Sustainability Assessment (CSA) by S&P Global, spanning from June to July 2023. This comprehensive assessment evaluated the company's sustainability performance in comparison to other global entities within the same industry. The objective was to foster continuous development and improvement of the company's sustainability practices. This endeavor also aimed to address the interests of stakeholders with regards to the company's ESG ratings, aligning with the growing importance of environmental, social, and governance considerations.



SRI TRANG FRIENDS APPLICATION

One stop service Application for all farmers and friends, promoting transparency, trust and traceability in our ecosystem.

SCAN NOW



FAIR TRADE & TRANSPARENCY

BIG DATA & INTEGRATION

DISINTERMEDIATION



Stakeholder Well-Being

- 1 More convenient and easier to sell rubber.
- 2 Improving the quality of life.
- 3 Easier to access news and information.
- 4 Mitigating risks in the natural rubber supply chain.
- 5 Upgrading the natural rubber industry standards.

For All Stakeholder Trader and Farmer sell rubber to STA via this Platform



Business Segmentation Analysis



Technically Specified Rubber (TSR)

- Revenue from TSR accounted for 73.3% of total revenue and decreased 17.1% QoQ and 19.7% YoY.
- The QoQ decrease in revenue resulted from sales volume that declined 12.7% as the difficulty in sourcing raw material in both Thailand and Indonesia compelled us to reduce production. At the same time, the ASP remained unchanged, only slightly increasing 2.0% as demand remained subdued.
- The YoY decrease in revenue resulted from the ASP that dropped 22.9% as tire producers are still left with a high level of inventory. Sales volume, meanwhile, slightly grew by 2.6%.
- Gross profit margin of TSR in Q2/2023 is lower than in Q1/2023 and Q2/2022.



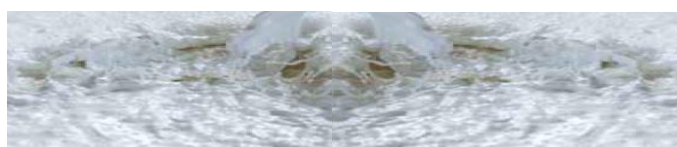
Ribbed Smoked Sheet (RSS)

- Revenue from RSS accounted for 3.7% of total revenue and decreased 20.1% QoQ and 53.0% YoY.
- The QoQ decrease in revenue resulted from sales volume that dropped 20.7% as we faced difficulty in sourcing the raw material. The ASP, meanwhile, increased slightly by 0.8%.
- The YoY decrease in revenue resulted from sales volume that dropped 37.7% and the ASP that dropped 24.6%.
- Gross profit margin of RSS in Q2/2023 from Q1/2023 but is lower than in Q2/2022.



Gloves

- Revenue from gloves accounted for 22.7% of total revenue and grew 9.1% QoQ but declined 25.1% YoY.
- The QoQ growth in revenue is attributed to the ASP that rose 5.0%, and sales volume that grew 5.1% as we tried to pass off increasing raw material costs.
- The YoY decrease in revenue resulted from the ASP that dropped 25.5% as a result of an oversupply after Covid-19 had been brought under control. Sales volume, meanwhile, slightly increased by 0.4%.
- Gross profit margin of gloves in Q2/2023 remains unchanged from Q1/2023 but is lower than in Q2/2022.



Concentrated Latex (LTX)

- Revenue from LTX accounted for 0.2% of total revenue and declined 75.9% QoQ and 89.9% YoY.
- The QoQ decrease in revenue resulted from sales volume that dropped 77.7% QoQ as a result of the difficulty in sourcing the raw material. The ASP, meanwhile, rose 8.1%.
- The YoY decrease in revenue resulted from sales volume that dropped 87.4% and the ASP that went down 19.4%.
- Gross profit margin of LTX in Q2/2023 is higher than in Q1/2023 and Q2/2022.



NR Industry Overview

- In Q2/2023, the NR industry continued to be weighed down by a slowdown in demand as both Chinese and Non-Chinese tire producers are still left with a high level of inventory, while the El Niño phenomenon had a major impact on NR supply.
- NR prices** went down slightly from Q1/2023 as demand remained subdued with the average price of TSR20 on SICOM at 134.4 cent/kg, down 2.1% QoQ and 18.7% YoY.
- NR supply** was heavily affected by El Niño, which prolonged the wintering period in Thailand as the country recorded less-than-average rainfall. In 2023, the wintering period, which normally lasts from the end of February until May, lasted for 4 months in the north and northeastern and for 3.5 months in the south. This situation is the opposite of 2022, when the La Niña phenomenon led to higher-than-average rainfall in Thailand and the north and northeastern did not go through any wintering at all. As for the south, although the high rainfall led to reduced tapping as rubber farmers voluntarily refrained from tapping during rainy days because of the belief that tapping can cause damage to the rubber trees, latex in 2022 had higher concentration because of high rainfall.
- NR Supply in Indonesia, the world's second largest NR producer, continued to reduce and the situation is unlikely to improve as farmers in the country have long since turned to palm oil and mining.
- NR Supply in the Ivory Coast has grown 30% over the past 3 years and the country is poised to become the world's third largest NR producer in place of Vietnam. In June 2023, we successfully set up the first center to purchase raw materials in the country and have plans for further expansion in the future.
- NR Demand** remains subdued as both Non-Chinese tire producers are still left with a high level of inventory after having stock up in the first half of 2022 while Chinese tire producers likewise have to contend with the same situation after stocking up during Q4/2022 and Q1/2023 when NR prices were trending down.
- NR prices in the second half of 2023** will be heavily influenced by demand from the tire producers and their level of inventory as well as concerns about the economic slowdown in the US, Europe and China. As for NR supply, Thailand saw the end of wintering period in July and rubber farmers were able to resume tapping. We will continue to closely monitor developments in the tire industry as it accounts for 90% of global NR consumption.

