



No. NER-SET 009/2023

August 11, 2023

Re: Management Discussion and Analysis for the first 6 months of 2023 ending June 30, 2023

To: The President, The Stock Exchange of Thailand

The North East Rubber Public Company Limited (“NER” or “the Company”) would like to submit the Financial Statements for the 2nd quarter of 2023, for the 3-month period ended June 30, 2023. The Company results of the operation are as follows.

Statement of Comprehensive Income for Quarter 2/2023 (3-month period)

Unit : Million baht	2Q23	%	2Q22	%	Diff	%YoY
<b>Sales volume (Tons)</b>	<b>129,479</b>		<b>88,398</b>		<b>41,080</b>	<b>46.47%</b>
Total Revenue from Local sales	3,995.63	60.93%	4,342.89	82.37%	(347.26)	(8.00%)
Total Revenue from Export sales	2,561.95	39.07%	929.33	17.63%	1,632.62	175.68%
<b>Total Revenue from sales</b>	<b>6,557.58</b>	<b>100.00%</b>	<b>5,272.22</b>	<b>100.00%</b>	<b>1,285.36</b>	<b>24.38%</b>
Cost of sales	5,711.55	87.10%	4,656.09	88.31%	1,055.46	22.67%
<b>Gross profit</b>	<b>846.03</b>	<b>12.90%</b>	<b>616.13</b>	<b>11.69%</b>	<b>229.90</b>	<b>37.31%</b>
Distribution costs	163.94	2.50%	61.47	1.17%	102.47	166.70%
Administrative expenses	46.97	0.72%	38.20	0.72%	8.78	22.98%
Loss (gain) on exchange rate	10.81	0.16%	20.29	0.38%	(9.47)	(46.70%)
Unrealized loss (gain) on valuation of fair value of derivatives	41.04	0.63%	42.84	0.81%	(1.80)	(4.20%)
<b>Operating profit</b>	<b>583.26</b>	<b>8.89%</b>	<b>453.34</b>	<b>8.60%</b>	<b>129.92</b>	<b>28.66%</b>
Finance cost	105.21	1.60%	94.06	1.78%	11.15	11.85%
<b>Profit before other income</b>	<b>478.05</b>	<b>7.29%</b>	<b>359.28</b>	<b>6.81%</b>	<b>118.77</b>	<b>33.06%</b>
Other income	2.48	0.04%	2.00	0.04%	0.49	24.34%
<b>Profit before income tax</b>	<b>480.54</b>	<b>7.33%</b>	<b>361.28</b>	<b>6.85%</b>	<b>119.26</b>	<b>33.01%</b>
Tax (income)	23.33	0.36%	(20.92)	(0.40%)	44.25	211.48%
<b>Profit for the period</b>	<b>457.21</b>	<b>6.97%</b>	<b>382.20</b>	<b>7.25%</b>	<b>75.01</b>	<b>19.63%</b>

Performance for the 2nd quarter of 2023, for the 3-month period ended June 30, 2023, there was a total sales volume of 129,479 tons compared to the same period last year, an increase of 41,080 tons or an increase of 46.47 percent, representing total sales revenue of 6,557.58. million baht, an increase of 1,285.36 million baht or



an increase of 24.38 percent. Divided into revenue from domestic sales of 3,995.63 million baht or 60.93 percent of total sales, a decrease of 347.26 million baht or a decrease of 8.00 percent and revenue from foreign sales 2,561.95 million baht or 39.07 percent of total sales, an increase of 1,632.62 million baht or an increase of 175.68 percent, with the increase in sales revenue being an increase in volume at 2,514.26 million baht and a decrease in price at 1,228.90 million baht.

Cost of sales for the 2nd quarter of 2023 is 5,711.55 million baht or 87.10% of total sales revenue. compared to the same period last year The proportion of cost of sales compared to total sales revenue decreased by 1.21 percent due to the increase in the proportion of foreign sales.

Distribution costs are 163.94 million baht or 2.50 percent of total sales revenue. Compared to the same period of the previous year, it increased by 102.47 million baht or 166.70 percent, which was an increase in the rubber plantation fund fee of 74.65-million-baht, transportation expenses of 34.51 million baht by increasing distribution costs. This increase was related to the increase in foreign sales.

Administrative expenses in the 2nd quarter of 2023, for the 3-month period were 46.97 million baht compared to the 2nd quarter of 2022, an increase of 8.78 million baht or 22.98%. It was an increase in salary and employee benefits of 4.16-million-baht, loss from contract to purchase raw materials 1.06 million baht.

Loss from exchange rate occurred 10.81 million baht, decreased by 9.47 million baht or 46.70% Loss from valuation of derivatives 41.04 million baht, compared to the same period last year, decreased by 1.80 million baht. The direction is similar to the same period last year.

Financial costs for the 2nd quarter of 2023 (3-month period) were 105.21 million baht, compared to the same period of the previous year, increased by 11.15 million baht or 11.85% increased from interest paid on additional debentures that the company issued in 2022 to use. As working capital, 2 sets on September 8, 2022, totaling 2,814.30 million baht. As of June 30, 2023, the company has a total outstanding debenture value of 6,114.30 million baht.

Expenses for corporate income tax were 23.33 million baht, compared to the same period last year, an increase of 44.25 million baht or 211.48 percent due to the current promotion certificates for RSS and compounded rubber. (STR-Mixture) of the Block Rubber Factory No. 1 has been exhausted.

Net profit for the 2nd quarter of 2023 (3-month period) is 457.21 million baht or 6.97% of total sales revenue. compared to the same period last year Net profit increased by 75.01 million baht or 19.63 percent.

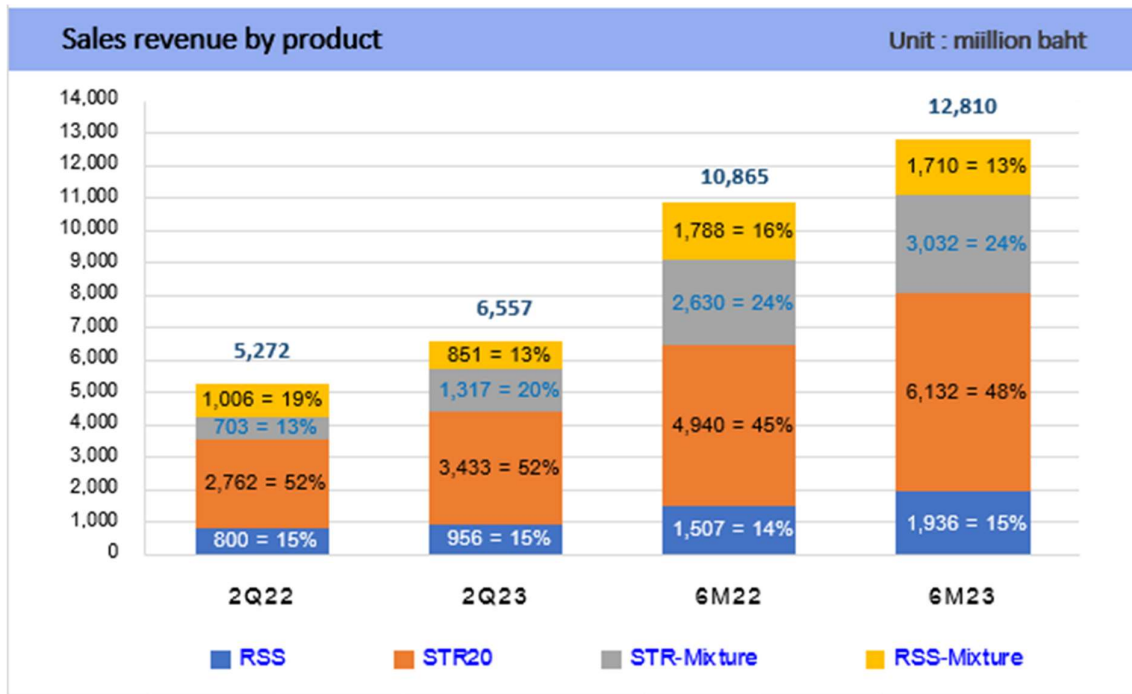


Statement of Comprehensive Income for Quarter 2/2023 (6-month period)

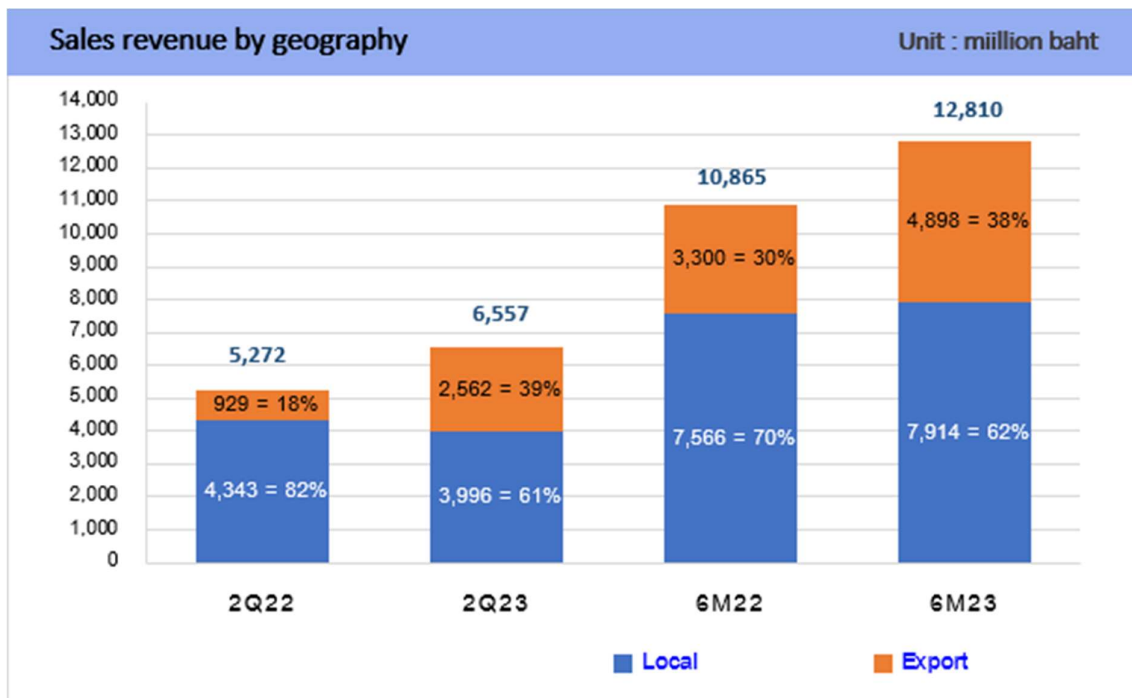
Unit : Million baht	6M23	%	6M22	%	Diff	%YoY
<b>Sales volume (Tons)</b>	<b>257,052</b>		<b>184,748</b>		<b>72,304</b>	<b>39.14%</b>
Total Revenue from Local sales	7,913.71	61.77%	7,565.19	69.63%	348.52	4.61%
Total Revenue from Export sales	4,898.26	38.23%	3,299.63	30.37%	1,598.63	48.45%
<b>Total Revenue from sales</b>	<b>12,811.98</b>	<b>100.00%</b>	<b>10,864.82</b>	<b>100.00%</b>	<b>1,947.15</b>	<b>17.92%</b>
Cost of sales	11,358.37	88.65%	9,479.06	87.25%	1,879.30	19.83%
<b>Gross profit</b>	<b>1,453.61</b>	<b>11.35%</b>	<b>1,385.76</b>	<b>12.75%</b>	<b>67.85</b>	<b>4.90%</b>
Distribution costs	316.81	2.47%	236.68	2.18%	80.13	33.85%
Administrative expenses	73.67	0.58%	72.63	0.67%	1.04	1.43%
Loss (gain) on exchange rate	(19.56)	(0.15%)	(14.34)	(0.13%)	(5.23)	(36.46%)
Unrealized loss (gain) on valuation of fair value of derivatives	60.52	0.47%	45.80	0.42%	14.71	32.13%
<b>Operating profit</b>	<b>1,022.18</b>	<b>7.98%</b>	<b>1,044.98</b>	<b>9.62%</b>	<b>(22.81)</b>	<b>(2.18%)</b>
Finance cost	217.83	1.70%	188.12	1.73%	29.71	15.79%
<b>Profit before other income</b>	<b>804.34</b>	<b>6.28%</b>	<b>856.86</b>	<b>7.89%</b>	<b>(52.52)</b>	<b>(6.13%)</b>
Other income	6.20	0.05%	3.30	0.03%	2.90	87.76%
<b>Profit before income tax</b>	<b>810.54</b>	<b>6.33%</b>	<b>860.16</b>	<b>7.92%</b>	<b>(49.62)</b>	<b>(5.77%)</b>
Tax (income)	38.95	0.30%	9.07	0.08%	29.88	329.51%
<b>Profit for the period</b>	<b>771.59</b>	<b>6.02%</b>	<b>851.09</b>	<b>7.83%</b>	<b>(79.50)</b>	<b>(9.34%)</b>

Performance for the 2nd quarter of 2023 (for the six-month period) ended June 30, 2023, compared to the same period last year, sales volume was 257,052 tons, an increase of 72,304 tons or an increase of 39.14%, representing sales revenue. Total 12,811.98 million baht, an increase of 1,947.15 million baht or an increase of 17.92 percent, divided into revenue from domestic sales 7,913.71 million baht or representing 61.77 percent of total sales, an increase of 348.52 million baht or an increase of 4.61 percent and revenue from foreign sales of 4,898.26 million baht or 38.23 percent of total sales, an increase of 1,598.63 million baht or an increase of 48.45 percent.

Sales revenue can be separated by product compared between the 2nd quarter of 2023 and the 2nd quarter of 2022 as follows:

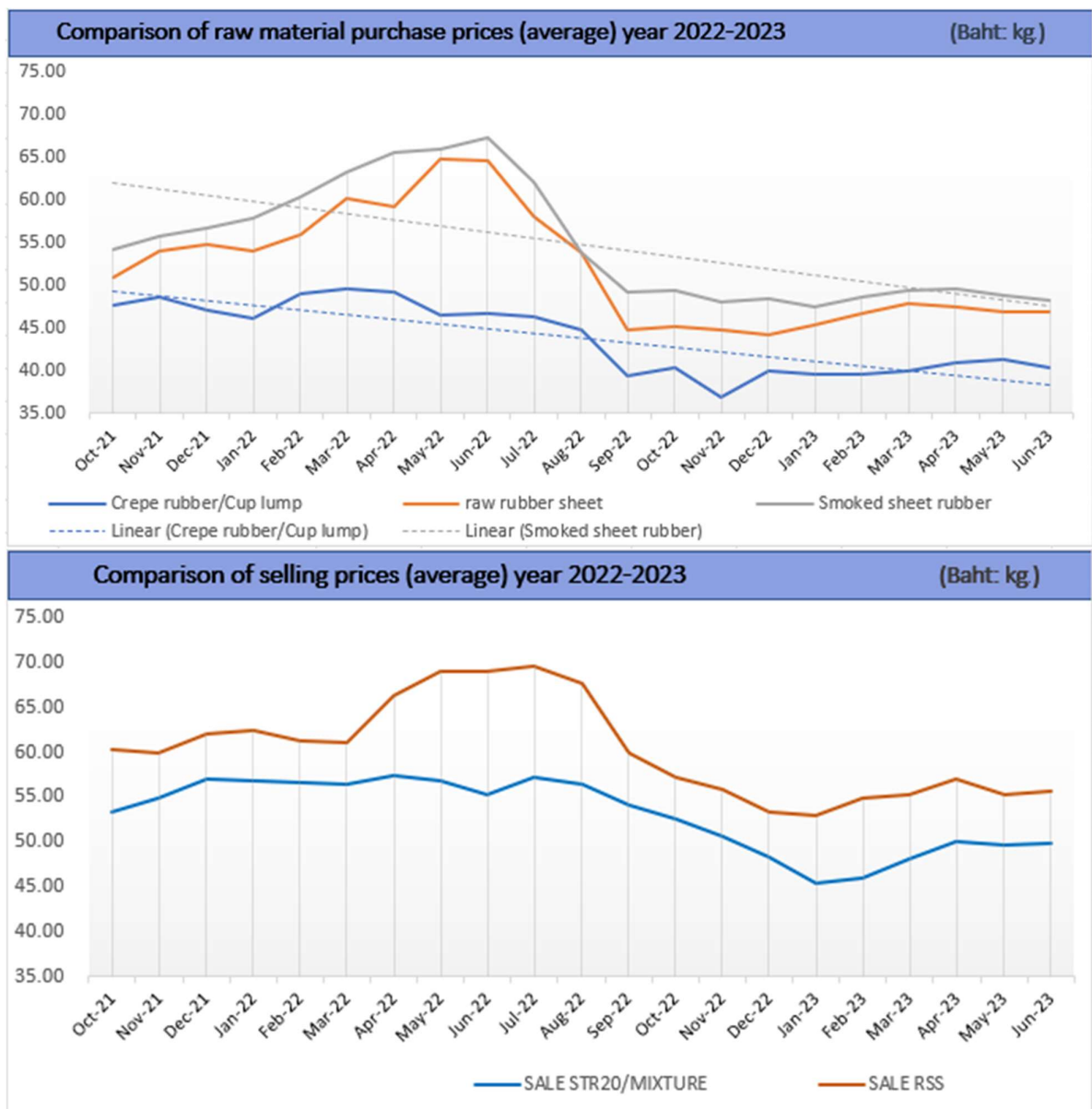


Sales revenue for the first 6 months of 2023 compared to the same period last year Sales increased by 17.92 percent, which was an increase in sales volume of 4,377.85 million baht in STR products (STR20, STR-Mixture) that the company received orders from foreign customers mainly. Causing the proportion of foreign sales to increase from 30% in 2022 to 38% in 2023, and the difference in price decreased to 2,430.70 million baht.





The company has total cost of sales for the first 6 months of 2023 at 11,358.37 million baht or 88.65% of sales revenue. Divided into cost of raw materials and consumables spent 11,033.28 million baht, representing 85.88% of sales revenue. compared to the same period last year The cost increased by 1.51%, the main factor that caused the company's raw material cost to increase. Caused by the decline in rubber prices in the market from July to December 2022 and slightly increased during January 2023, continuing until June 2023, but when comparing the average selling price during the first 6 months of 2023 with the period same price in 2022, the average selling price in 2023 is lower than the average selling price in 2022 by 15.25 percent, which directly affects the ratio of raw material costs compared to sales revenue. 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 in the first 6 months of 2023, it was 88.29 million baht or 0.69 percent compared to the same period last year. The cost increased by 18.46 million baht or 0.05 percent of sales revenue. arising from paying wages according to increased production volumes for production expenses, 181.19 million baht or 1.41 percent of sales revenue. Compared to the same period last year, the cost increased by 22.19 million baht. When compared to the sales revenue of the same period last year, the difference decreased by 0.05 percent of the sales revenue. This is a result of increased sales revenue.

Production expenses for the first 6 months of 2023 were 181.19 million baht, compared to the same period last year, an increase of 22.19 million baht, an increase in variable costs associated with higher production volumes. In addition, it was affected by the cost of energy in the electricity price from the FT adjustment according to the announcement of the Energy Regulatory Commission, effective from January – April 2023, and depreciation and amortization expenses of 85.61 million baht. Compared to the same period last year increased slightly.

From the increase in sales revenue in foreign sales revenue for the first 6 months of 2023, resulting in a gross profit compared to the same period last year increased by 67.85 million baht or an increase 4.90 percent

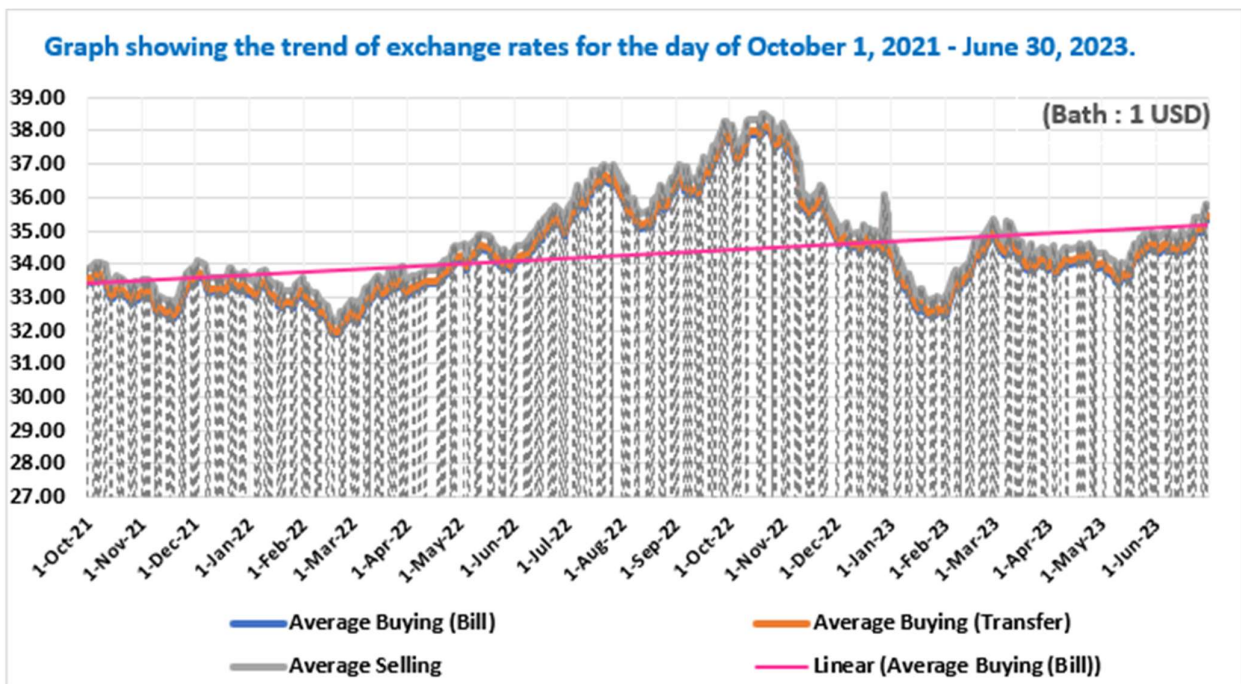
Cost of sale (Million Baht)	6M23	%	6M22	%	YoY
<b>Sales volume (Tons)</b>	<b>257,052</b>		<b>184,748</b>		<b>72,304</b>
<b>Total Revenue from sales</b>	<b>12,811.98</b>	<b>100.00%</b>	<b>10,864.82</b>	<b>100.00%</b>	<b>1,947.15</b>
<b>Cost of sales</b>	<b>11,358.37</b>	<b>88.65%</b>	<b>9,479.06</b>	<b>87.25%</b>	<b>1.41%</b>
Raw materials and consumables used	11,003.28	85.88%	9,167.31	84.38%	1.51%
Salary and labor	88.29	0.69%	69.83	0.64%	0.05%
Manufacturing Overhead	181.19	1.41%	159.00	1.46%	(0.05%)
Depreciation & Amortization	85.61	0.67%	82.92	0.76%	(0.10%)
<b>Gross profit</b>	<b>1,453.61</b>	<b>11.35%</b>	<b>1,385.76</b>	<b>12.75%</b>	<b>(1.41%)</b>

Distribution costs were 316.81 million baht or 2.47% of total sales compared to the same period last year. The cost of distribution increased by 80.13 million baht, divided into the rubber plantation aid fund increased by 94.36 million baht, the freight cost increased by 18.05 million baht, and the outbound freight decreased by 35.42 million baht. of distribution expenses is related to revenue from foreign sales.

Administrative expenses are 73.67 million baht or 0.58% of total sales revenue. compared to the same period last year Expenses increased by 1.04 million baht or 1.43 percent.



For the first 6 months of 2023, the company had a gain from exchange rate equal to 19.56 million baht or 0.15% of total sales compared to the same period last year which was 14.34 million baht or 0.13%. Gain from foreign exchange increased by 5.23 million baht and there was a loss on valuation of derivatives equal to 60.52 million baht or 0.47% of total sales compared to the same period last year. In the amount of 45.80 million baht or 0.42 percent of total sales. The Company's loss on valuation of derivatives increased by 14.71 million baht, which was a recognition of an accounting loss from foreign exchange forward contracts which the Company has made with financial institutions for risk reduction The situation of exchange rate volatility is as follows:



Financial costs were 217.83 million baht, compared to the same period last year, an increase of 29.71 million baht or 15.79 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 June 30, 2023, the total value of outstanding debentures was 6,114.30 million baht.

Corporate income tax expenses equal to 38.95 million baht or 0.30% of sales revenue. Compared to the same period of the previous year, it increased by 29.88 million baht due to the expiration of investment promotion privileges for rubber smoked sheets (RSS) and mixed rubber products (STR-Mixture) of the 1st factory.



For the first 6 months of 2023, the company had a net profit of 771.59 million baht or a net profit margin of 6.02% of total sales revenue. Compared to the same period of 2022, the company's net profit decreased by 79.50 million baht or 9.34 percent.

#### Financial Position

Statement of Financial Position	30-Jun-2023		31-Dec-2022		DIFF Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Assets	13,225.35	86.38%	14,232.31	87.28%	(1,006.96)	(7.08%)
Non-Current Assets	2,085.14	13.62%	2,074.23	12.72%	10.91	0.53%
<b>Total Assets</b>	<b>15,310.49</b>	<b>100.00%</b>	<b>16,306.54</b>	<b>100.00%</b>	<b>(996.05)</b>	<b>(6.11%)</b>
<b>Total Liabilities</b>	<b>8,523.51</b>	<b>55.67%</b>	<b>9,718.71</b>	<b>59.60%</b>	<b>(1,195.20)</b>	<b>(12.30%)</b>
<b>Total Shareholders' Equity</b>	<b>6,786.97</b>	<b>44.33%</b>	<b>6,587.83</b>	<b>40.40%</b>	<b>199.14</b>	<b>3.02%</b>

The Company's total assets as of 30 June 2023 amounted to 15,310.49 million baht, a decrease of 996.05 million baht or 6.11 percent from 31 December 2022, summarized as follows:

Current assets decreased by 1,006.96 million baht or 7.08 percent from the following items:

- Cash and cash equivalents decreased by 910.56 million baht or 65.23 percent due to repayment of short-term loans to financial institutions.
- Trade accounts receivable decreased by 155.66 million baht or 15.72% because the company was able to collect debt faster. In addition, the increased proportion of foreign sales is on the condition of 100% D/P at sight.

Non-current assets increased by 10.91 million baht or 0.53%, changing from fixed deposits that the company used as collateral for credit lines increased by 25.44-million-baht, property, plant and equipment net decreased by 15.46 million baht.

The Company's total liabilities as of 30 June 2023 amounted to 8,523.51 million baht, a decrease of 1,195.20 million baht or 12.30 percent from 31 December 2022, mainly due to

Current liabilities decreased by 1,134.76 million baht or 25.19 percent from the following items:

- Bank overdrafts and short-term loans from financial institutions decreased by 1,400.67 million baht or 51.98 percent from the repayment of promissory notes to financial institutions.





- Trade accounts payable increased by 125.86 million baht or 207.81 percent due to the Company having made more contracts to purchase rubber raw materials. Which has payment terms upon receiving complete according to the agreed amount.
- Advance deposit received increased by 145.03 million baht or 398.10 percent from the deposit for goods from customers according to the increasing order volume.

Non-current liabilities decreased by 60.44 million baht or 1.16 percent from long-term loans decreased by 66.58 million baht or 15.92 percent from loan repayments that were due.

The shareholders' equity of the company as of 30 June 2023 amounted to 6,786.97 million baht, an increase of 199.14 million baht or an increase of 3.02% from as of 31 December 2022, an increase from net profit for the first six months of 771.59 million baht and Decreased from the dividend that the company paid from the operating results of the year 2022 to shareholders at the rate of 0.31 baht per share, totaling 572.81 million baht on May 9, 2023 according to the resolution of the general meeting of shareholders on April 10, 2023

Please be informed accordingly

Yours sincerely,

(Mr. Sakchai Jongstapongpun)

Chief Financial Officer

North East Rubber Public Company Limited