



No. NER-SET 003/2024

February 27, 2024

Re: Management Discussion and Analysis ended December 31, 2023

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, 2023 audited by the auditor and clarified the operating results for the year ended December 31, 2023. The Company results of the operation are as follows.

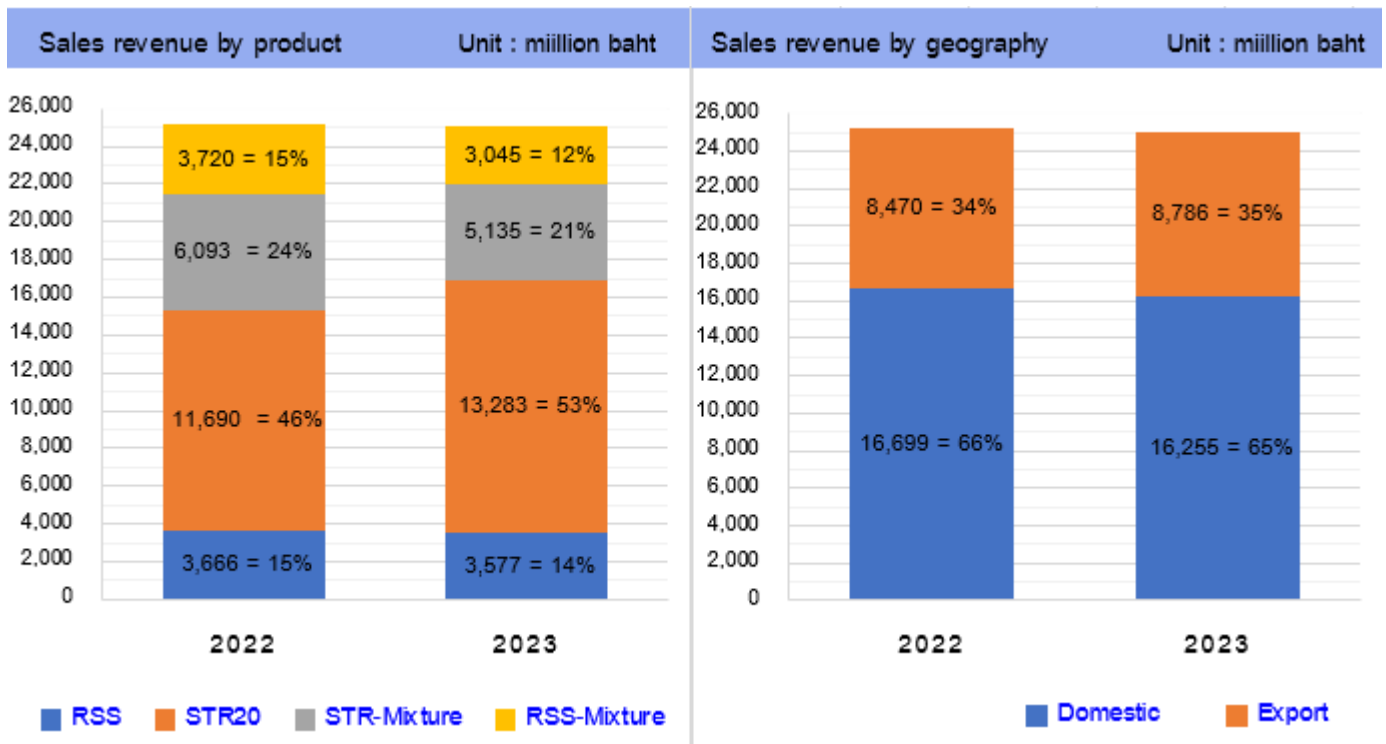
Comparison performance of the Company for years ended 2023 and 2022

Statement of Comprehensive Income	2023		2022		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales volume (Tons)	497,053		446,090		50,963	11.42%
Total Revenue from Local sales	16,259.49	64.92%	16,702.15	66.35%	(442.66)	(2.65%)
Total Revenue from Export sales	8,785.68	35.08%	8,469.91	33.65%	315.77	3.73%
Total Revenue from sales	25,045.17	100.00 %	25,172.06	100.00%	(126.89)	(0.50%)
Cost of sales	22,231.93	88.77%	22,116.16	87.86%	115.77	0.52%
Gross profit	2,813.24	11.23%	3,055.90	12.14%	(242.66)	(7.94%)
Distribution costs	566.39	2.26%	601.46	2.39%	(35.07)	(5.83%)
Administrative expenses	152.16	0.61%	164.33	0.65%	(12.18)	(7.41%)
Loss (gain) on exchange rate	45.42	0.18%	103.36	0.41%	(57.95)	(56.06%)
Operating profit	2,049.28	8.18%	2,186.74	8.69%	(137.47)	(6.29%)
Finance cost	439.83	1.76%	421.07	1.67%	18.76	4.46%
Profit (loss) before other income	1,609.45	6.43%	1,765.67	7.01%	(156.22)	(8.85%)
Other income	11.93	0.05%	30.64	0.12%	(18.71)	(61.05%)
Unrealized loss (gain) on valuation of fair value of derivatives	8.61	0.03%	5.53	0.02%	3.08	55.69%
Profit (loss) before income tax	1,629.99	6.51%	1,801.85	7.16%	(171.85)	(9.54%)
Tax (income)	84.39	0.34%	53.85	0.21%	30.54	56.72%
Profit (loss) for the period	1,545.60	6.17%	1,748.00	6.94%	(202.40)	(11.58%)



Operating results for 2023 ending December 31, 2023 compared to 2022 had a sales volume of 497,053 tons, an increase of 50,963 tons or 11.42 percent. Representing a total sales income of 25,045.17 million baht, a decrease of 126.89 million baht or a decrease of 0.50 percent, divided into domestic sales revenue of 16,259.49 million baht or a proportion of 64.92 percent of total sales, a decrease of 442.66 million baht. or decreased by 2.65 percent. Revenue from foreign sales was 8,785.68 million baht, or accounting for 35.08 percent of total sales, an increase of 315.77 million baht or an increase of 3.73 percent.

for sales revenue Can be separated by product comparison between 2023 and 2022 as follows

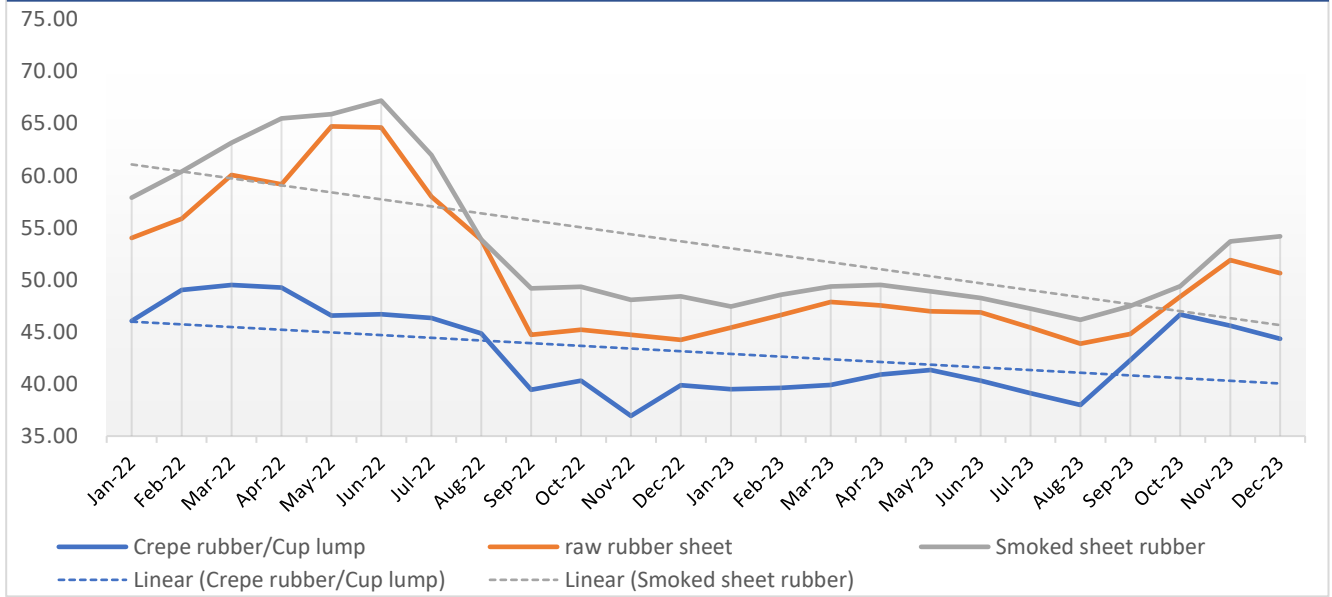


The decrease in sales income in 2023 is due to the rubber price situation that has decreased. Compared to 2022, the average selling price of rubber products in 2023 decreased by 10.71 percent, with lower income. Divided into a decrease in price difference of 3,003.90 million baht and divided into an increase in volume difference of 2,875.43 million baht.

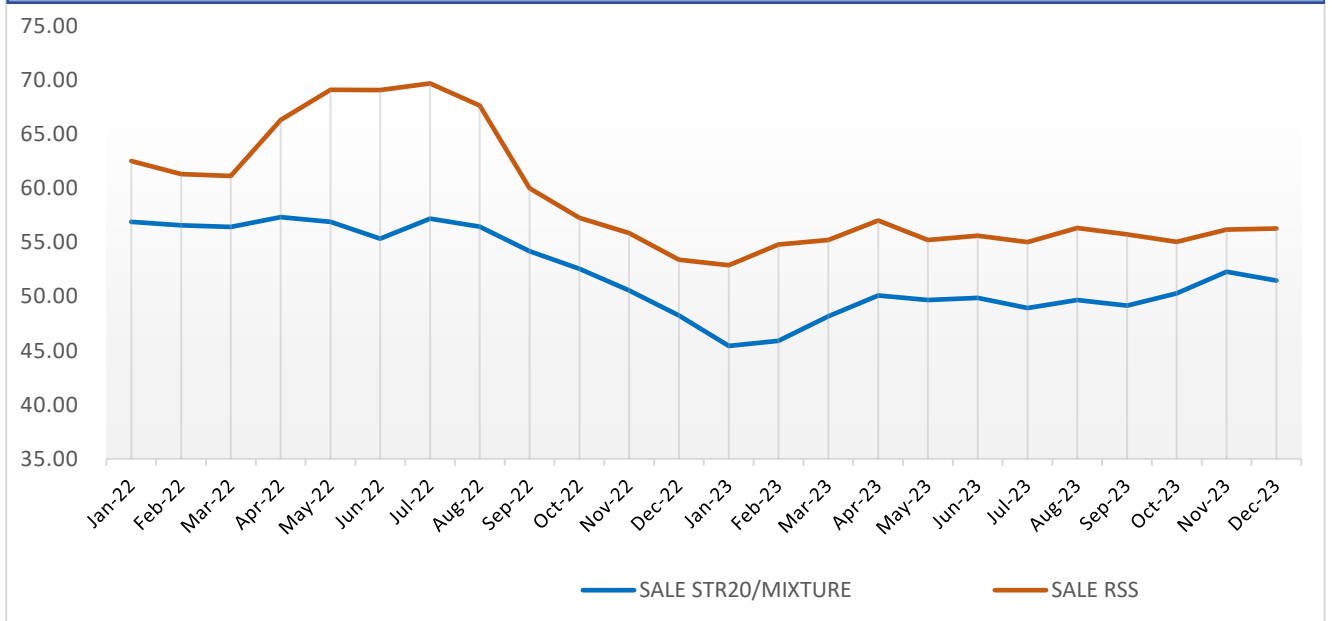
In 2023, the company had cost of sales of 22,231.93 million baht or 88.77 percent of sales revenue. The cost of raw materials and consumables, It was 21,410.11 million baht, accounting for 85.49 percent of sales revenue. Compared to 2022, costs increased by 0.91 percent, with the company's raw material costs increasing due to fluctuations in rubber prices in 2023, directly affecting the proportion of rubber raw material costs compared to income with higher costs. Considering the Company's tire purchasing data and average tire selling prices as follows:



Comparison of raw material purchase prices (average) year 2022-2023 (Baht: kg.)



Comparison of selling prices (average) year 2022-2023 (Baht: kg.)



For labor costs in 2023 equal to 177.76 million baht, representing 0.71 percent compared to 2022. Costs increased by 22.43 million baht or 0.09 percent of sales revenue. It is caused by paying wages according to the increased production volume.



For production expenses of 460.59 million baht, accounting for 1.84 percent of sales revenue. Compared to 2022 Production costs increased by 94.10 million baht or an increase of 0.38 percent due to rising energy prices affecting production costs in LPG gas. Fuel and electricity costs It is an increase in costs related to increased production volume. When comparing the cost of sales for 2023 with 2022, the Company's proportion of sales costs in 2023 increased from 87.86 percent to 88.77 percent, or an increase of 0.91 percent of sales revenue. As a result, the company's gross profit decreased by 242.66 million baht, or a decrease in gross profit of 0.91 percent, which represents a decrease in gross profit from 12.14 percent in 2022 to 11.23 percent in 2023.

Cost of sale	2023		2022		YoY
	Million Baht	%	Million Baht	%	Increase (Decrease)
Sales volume (Tons)	497,053		446,090		50,963
Total Revenue from sales	25,045.17	100.00%	25,172.06	100.00%	(126.89)
Cost of sales	22,231.93	88.77%	22,116.16	87.86%	0.91%
Raw materials and consumables used	21,410.11	85.49%	21,425.34	85.12%	0.37%
Salary and labor	177.76	0.71%	155.33	0.62%	0.09%
Manufacturing Overhead	460.59	1.84%	366.49	1.46%	0.38%
Depreciation & Amortization	183.46	0.73%	169.01	0.67%	0.06%
Gross profit	2,813.24	11.23%	3,055.90	12.14%	(0.91%)

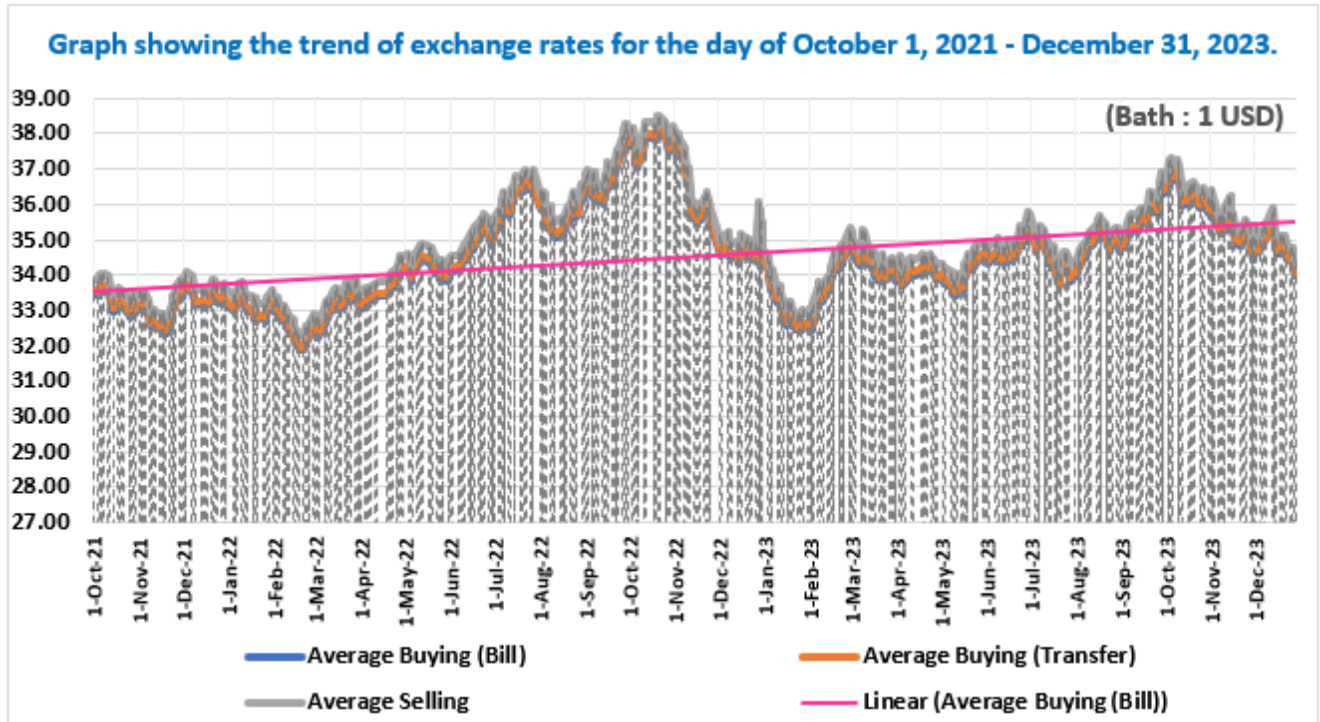
Distribution costs were 566.39 million baht, or 2.26 percent of total sales. Compared to 2022, distribution costs decreased by 35.07 million baht, or 5.83 percent, divided into rubber plantation relief fund costs. increased by 66.40 million baht, transportation costs decreased by 83.31 million baht or 31.56 percent, and other expenses related to sales decreased by 18.16 million baht. The proportion of distribution costs that decreased was due to adjustments. reduction of ship tonnage

Administrative expenses were 152.16 million baht or 0.61 percent of total sales. Compared to 2022, expenses decreased by 12.18 million baht or 7.41 percent, which was caused by reversing the recording of the recognition of the value of the results. Loss from purchase contract obligations according to Accounting Standard No. 37, valued at 16.69 million baht, CSR activity expenses increased by 1.10 million baht, bank fees increased by 1.08 million baht, and product research and development expenses increased by 2.28 million baht. Salary expenses and Welfare increased by 12.70 million baht.

Loss from foreign exchange in 2023 was 45.42 million baht or 0.18 percent of total sales revenue, compared to 2022 in the amount of 103.36 million baht or 0.41 percent of total sales revenue, a decrease of 57.95 million baht. or decreased by 56.06 percent. This decrease occurred from the receipt of debt payments from foreign trade debtors. With the exchange rate according to the contract for selling foreign currency in advance with financial institutions in order to reduce risk management.



The factor affecting the loss (profit) from exchange rates is due to the exchange rate fluctuation situation. This is due to the company having better management of exchange rate risk. The statistics on exchange rate fluctuations are as follows.



Financial costs were 439.83 million baht, an increase of 18.76 million baht or 4.46 percent from interest paid on additional bonds that the company issued in September 2022 for use as working capital. As of December 31, 2023, the company had a total value of outstanding bonds. Total 4,814.30 million baht.

Other income was 11.93 million baht, coming from scrap sales of 3.89 million baht, energy crop project income of 3.27 million baht, interest income from fixed deposits of 3.50 million baht.

Corporate income tax expenses for 2023 are at 84.39 million baht or 0.34 percent of sales revenue. This is an increase from 2022 of 30.54 million baht due to the loss of investment promotion certificate benefits for rubber smoked sheet products (RSS) and mixed rubber pellets (STR-Mixture) from Factory No. 1.

Net profit for 2023 is equal to 1,545.60 million baht, or a net profit margin of 6.17 percent of total sales revenue. Compared to 2022, the company's net profit rate decreased by 202.40 million baht or decreased by 11.58 percent.



Financial Position

Statement of Financial Position	31-Dec-2023		31-Dec-2022		DIFF Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Assets	14,626.88	86.86%	14,232.31	87.28%	0.00	2.77%
Non-Current Assets	2,212.24	13.14%	2,074.23	12.72%	138.01	6.65%
Total Assets	16,839.12	100.00%	16,306.54	100.00%	0.00	3.27%
Total Liabilities	9,370.52	55.65%	9,718.71	59.60%	(348.19)	(3.58%)
Total Shareholders' Equity	7,468.60	44.35%	6,587.83	40.40%	880.77	13.37%

The Company's total assets as of December 31, 2023 amounted to 16,839.12 million baht, an increase of 532.58 million baht or an increase of 3.27 percent from December 31, 2022, summarized as follows.

Current assets increased by 394.57 million baht or 2.77 percent from the following items:

- Inventories increased by 2,020.49 million baht or 17.09 percent from the purchase of rubber so that the quantity of rubber in stock was sufficient to meet orders in line with the expansion of block rubber production capacity for the second factory.
- Cash and cash equivalents decreased by 1,334.64 million baht or 95.62 percent from the repayment of bonds issued No. 1/2021 worth 1,300 million baht, due for redemption on October 9, 2023.
- Trade and other current receivables decreased by 299.93 million baht or 30.29 percent due to faster receipt of payment for goods from trade receivables.

Non-current assets increased by 138.01 million baht or 6.65 percent, a change from bank deposits with collateral obligations increasing by 68.91 million baht or 19.40 percent from fixed deposits used to guarantee short-term loans with banks. Land, buildings, and equipment (net) increased by 75.58 million baht from the installation of an additional solar power generation system of 36.94 million baht and a project to improve production lines to increase efficiency in the rubber block factory of 23.70 million baht and interior decoration work of a new office building of 13.34 million baht.



The Company's total liabilities as of December 31, 2023 amounted to 9,370.52 million baht, a decrease of 348.19 million baht or a decrease of 3.58 percent from December 31, 2022, mainly due to.

Current liabilities decreased by 224.54 million baht or 4.98 percent from the following items:

- Debentures due within 1 year decreased by 1,300.00 million baht from the repayment of bonds due from bonds issued No. 1/2021 valued at 1,300 million baht, which will be due for redemption on October 9, 2023.
- Bank overdrafts and short-term loans from financial institutions increased by 1,165.63 million baht or 43.26 percent from the use of financial institution loan lines.
- Trade and other payables decreased by 69.23 million baht or 24.46 percent from merchandise payables of 20.43 million baht and deposits received/revenue received in advance decreased by 35.52 million baht.

Non-current liabilities decreased by 123.65 million baht or 2.37 percent from long-term loans decreasing by 138.17 million baht or 33.04 percent from payments on loans that were due.

The Company's shareholders' equity as of December 31, 2023 amounted to 7,468.60 million baht, an increase of 880.77 million baht or 13.37 percent from December 31, 2022, resulting from the following items.

- Increased from net profit for 2023 equal to 1,545.60 million baht.
- Decreased from paying dividends 2 times, with the 1st time from the operating results for the year 2022 according to the resolution of the general meeting of shareholders on 10 April 2023 at the rate of 0.31 baht per share, totaling 572.81 million baht on the 9th. May 2023 and the second time, the company paid interim dividends from the operating results for the first 6 months of 2023 at the rate of 0.05 baht per share on 8 September 2023, totaling 92.40 million baht.

Please be informed accordingly

Yours sincerely,

(Mr. Sakchai Jongstapongpun)

Chief Financial Officer

North East Rubber Public Company Limited