



No. NER 007/2020

May 12, 2020

Re: Management Discussion and Analysis for the Quarter 1/2020 ended March 31, 2020

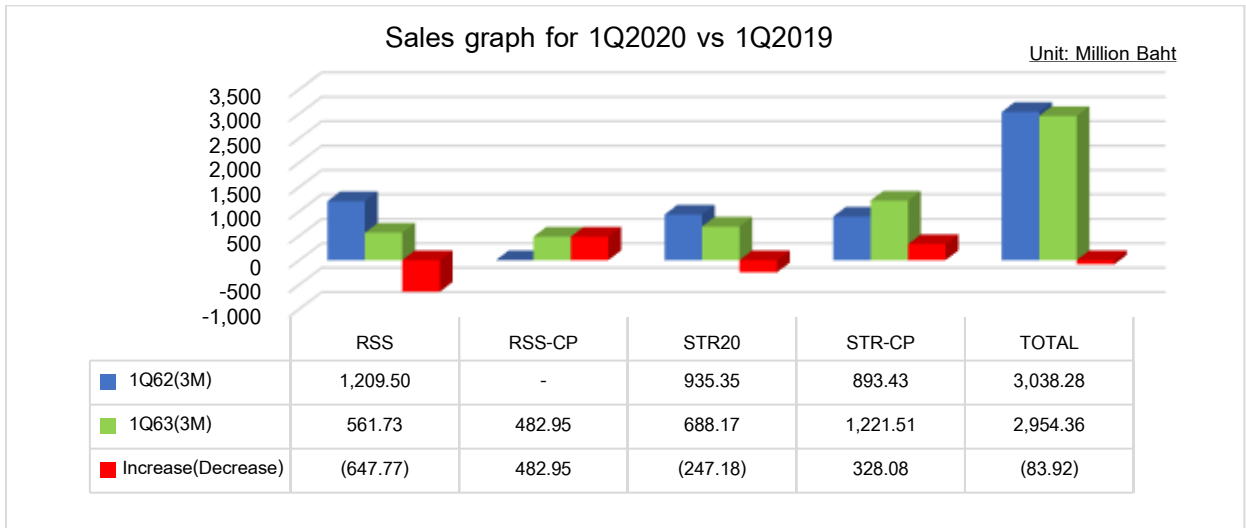
To: The President, The Stock Exchange of Thailand

The Northeast Rubber Public Company Limited (“NER” or “the company”) would like to submit the Financial Statements for the Quarter 1/2020 ended March 31, 2020. The Company results of the operation are as follows.

### Operating results of the consolidated financial statements

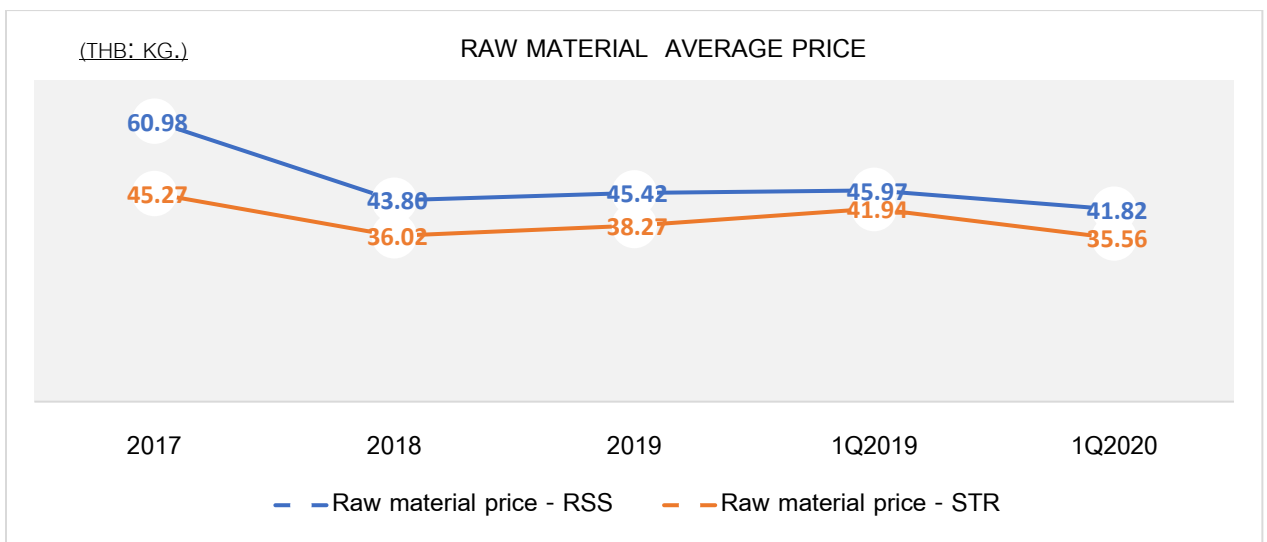
Statement of Comprehensive Income	Q1/2020(3Month)		Q1/2019(3Month)		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Total Revenue from Local sales	1,466.34	49.63%	1,841.79	60.62%	(375.45)	(20.39%)
Total Revenue from Export sales	1,488.02	50.37%	1,196.49	39.38%	291.53	24.37%
<b>Total Revenue from sales</b>	<b>2,954.36</b>	<b>100.00%</b>	<b>3,038.28</b>	<b>100.00%</b>	<b>(83.92)</b>	<b>(2.76%)</b>
Cost of sales	2,554.37	86.46%	2,789.47	91.81%	(235.10)	(8.43%)
<b>Gross profit</b>	<b>399.99</b>	<b>13.54%</b>	<b>248.81</b>	<b>8.19%</b>	<b>151.18</b>	<b>60.76%</b>
Distribution costs	95.70	3.24%	87.58	2.88%	8.12	9.27%
Administrative expenses	39.49	1.34%	22.18	0.73%	17.31	78.04%
Loss (gain) on exchange rate	79.54	2.69%	(19.03)	(0.63%)	98.57	(517.97%)
Unrealized loss (gain) on valuation of fair value of derivatives	77.04	2.61%	5.99	0.20%	71.05	1,186.14%
<b>Operating profit</b>	<b>108.22</b>	<b>3.66%</b>	<b>152.09</b>	<b>5.01%</b>	<b>(43.87)</b>	<b>(28.84%)</b>
Finance cost	59.53	2.01%	51.92	1.71%	7.61	14.66%
<b>Profit (loss) before other income</b>	<b>48.69</b>	<b>1.65%</b>	<b>100.17</b>	<b>3.30%</b>	<b>(51.48)</b>	<b>(51.39%)</b>
Other income	8.66	0.29%	0.84	0.03%	7.82	930.95%
<b>Profit (loss) before income tax</b>	<b>57.35</b>	<b>1.94%</b>	<b>101.01</b>	<b>3.32%</b>	<b>(43.66)</b>	<b>(43.22%)</b>
Tax (income)	(2.54)	(0.09%)	0.08	0.00%	(2.62)	(3,275.00%)
<b>Profit (loss) for the period</b>	<b>59.89</b>	<b>2.03%</b>	<b>100.93</b>	<b>3.32%</b>	<b>(41.04)</b>	<b>(40.66%)</b>

For the operating result for the Quarter 1/2020 ended March 31, 2020 compared with the same period of the previous year, revenue from sales was 2,954.36 million baht, decreased by 83.92 million baht or 2.76% YoY. From Domestic sales of 1,466.34 million baht or 49.63 % of total sales, decreased of 375.45 million baht or 20.39 % YoY, Export sales revenue 1,488.02 million baht or 50.37 % of total sales, an increase of 291.53 million baht or 24.37 % YoY. By showing the proportion of increase, decrease, requesting sales revenue. By showing the proportion of increase and decrease of sales revenue by product as follows.



Cost of sales is 2,554.37 million baht, decrease of 235.10 million baht or 8.43 % YoY, in line with decrease sales due to:

The cost of rubber sold is 2,530.02 million baht or 85.64% of the total sales revenue when compared to the same period last year, amount of baht 2,773.39 million or 91.28% of total sales revenue decrease 5.64%. From cost of raw materials, consumables used decreased at the rate of 4.65% mainly. Due to the trend of rubber prices that fall according to the market price.

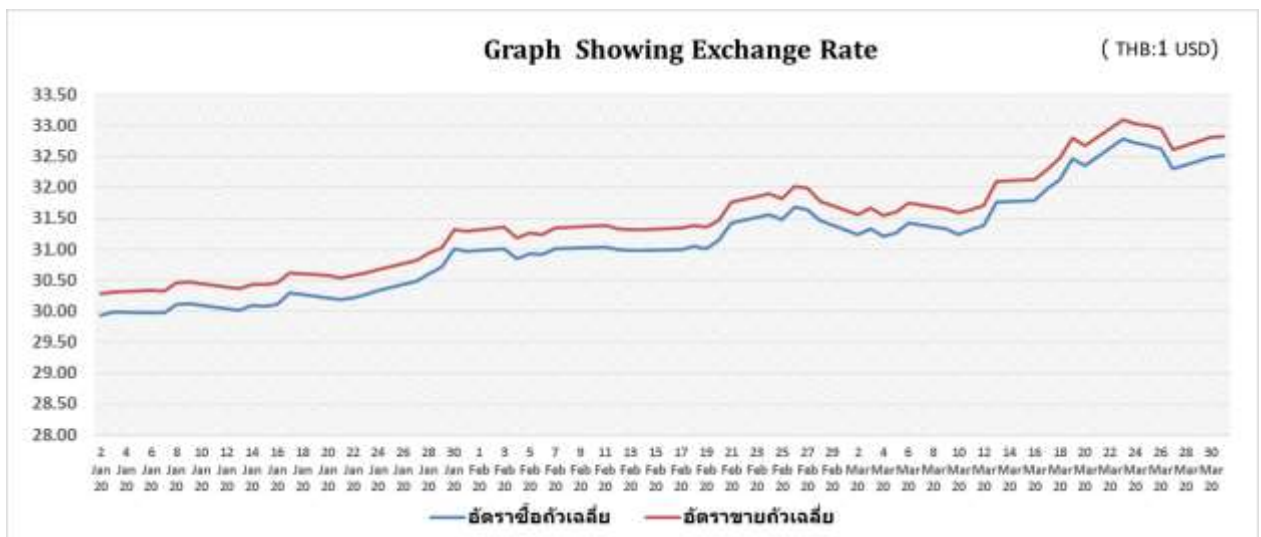


Direct labor and production expenses decreased in proportion to sales which decreased by 1.22% of total sales revenue. Combined with the reduction of renewable energy expenses by bringing solar energy Used to replace electrical energy, and using lower-priced compressed biodiesel (CBG) to replace liquefied petroleum gas (LPG)

Distribution costs is 95.70 million baht or 3.24% of total sales. When compared to the same period last year Which amounts to 87.58 million baht or 2.88% of total sales. Increased 8.12 million baht or 9.27 % from the rubber plantation aid fund 7.48 million baht, expenses on exports and freight are 2.24 million baht. increased in proportion of increasing in export volume.

Administrative expenses increased by 17.31 million baht or 78.04% From a salary of 1.73 million-baht, financial advisory fees 1.27 million baht. Tax fines 7.36 million baht. **Advertising** expense 0.82 million baht. Loss from obligation under the rubber purchase agreement from The Rubber Authority of Thailand 6.18 million baht.

Loss on exchange rate increased by 98.57 million baht. From debt repayment from foreign trade receivables and repayment of promissory notes (P / C) 50.17 million baht. Unrealized loss on exchange rates, short-term loans from promissory notes (P / C) 48.40 million. Loss from the measurement of derivatives increased 71.05 million baht. From making foreign currency forward contracts with financial institutions During January 2020. But since the current economic situation affects the weakening baht as follows.



Finance costs increased by 7.61 million baht or 14.66% From interest on short-term loans from promissory notes (P / N, P / C) and money exchangers (B / E) with financial institutions. To use as working capital.

Other income increased by 7.82 million baht. From Value Added Tax 2014-2017, cut to loss, recover 7.26 million baht.

As a result, the profit (loss) for the period was 59.89 million baht or 2.03% of sales, decreased by 41.04 million baht or 40.66% YoY. Earnings per share (EPS) was 0.04 baht per share.

## Financial Position

Statement of Financial Position	31 March 2020		31 December 2019		Increase (Decrease)	
	Million Bah	%	Million Bah	%	Million Bah	%
Total Assets	8,235.41	100.00%	7,989.13	100.00%	246.28	3.08%
Total Liabilities	5,164.38	62.71%	4,977.99	62.31%	186.39	3.74%
Total Shareholders' Equity	3,071.03	37.29%	3,011.14	37.69%	59.89	1.99%

Total assets of the Company and its subsidiaries as of March 31, 2020 amounted 8,235.41 million baht, increased 246.28 million baht or 3.08% from December 31, 2019.

Current assets increased by 5.22 million baht or 0.08% due to:

- Cash and cash equivalents decreased by 138.26 million baht or 86.33%. From repayment of short-term loans to financial institutions and accounts payable.
- Accounts receivable and other current receivables increased by 19.77 million baht or 3.88%
- Inventories increased by 150.66 million baht or 2.51% from the amount of rubber in stock in order to be sufficient for the order quantity.
- Other current assets decreased by 26.95 million baht or 47.39% from Revenue department receivables decreased from VAT refund.

Non-current assets increased by 241.06 million baht or 19.00% due to:

- Deposit at bank pledged as collateral increased by 0.49 million baht or 0.35%. From fixed deposit interest
- Land, building and equipment (net) increased by 266.33 million baht or 24.83% from the work construction in the of the system to support the Bio Gas Project 2 and work in progress in the construction of the STR factory building Project 2
- Leasehold assets increased by 9.09 million baht or 100%(TFRS16)
- Deferred income tax assets increased 9.87 million baht or 340.01% from liabilities from valuation of fair value of derivatives.
- Other non-current assets decreased by 44.72 million baht or 81.05%. From deposits for machinery during installation of Project 2

Total liabilities of the company and its subsidiaries as of March 31, 2020 amounted 5,164.38 million baht, increased by 186.39 million baht or 3.74% from December 31, 2019.

Current liabilities increased by 202.42 million baht or 4.15% due to:

- Bank overdrafts and short-term loans increased by 59.45 million baht or 1.35% from short-term loans. from issuing promissory Packing Credit Notes and Bills of exchange to support company working capital due to increasing in sale volume.
- Account payable and others account payable increased by 53.58 million baht or 15.71% from account payable assets.
- Long-term loans due within 1 year decreased by 1.39 million baht or 9.75% from repayment under the contract
- Other current liabilities increased by 90.79 million baht or 225.40%. From income tax payable increased by 7.09 million baht. Derivative liabilities increased by 75.41 million baht. Liabilities under purchase commitments 6.18 million baht.

Non-current liabilities decreased by 16.03 million baht or 16.40% due to:

- Long-term loans decreased by 23.12 million baht or 26.38% from loan repayment as determined by the Krung Thai Bank.
- Liabilities under leases increased by 6.72 million baht or 723.37% From the obligation of the Bangkok Office Lease Agreement and the land lease agreement for use in planting Napier grass.

Total shareholders' equity of the Company and its subsidiaries as of March 31, 2020 amounted to 3,071.03 million baht increased 59.89 million Baht or 1.99% from December 31, 2019 due to:

- Increase from profit for the first 3 months of 2020 amount of 59.89 million baht.

Together with this analysis, the Company also submitted the reviewed financial statements for the Quarter 1/2020 ended March 31, 2020 through the electronic media of the SET.

Please be informed accordingly

Yours sincerely,

(Mr. Sakchai Jongstapongpun)

Chief Financial Officer

North East Rubber Public Company Limited