



No. NER 009/2020

August 13, 2020

Re: Management Discussion and Analysis for the six-month ending 30 June 2020

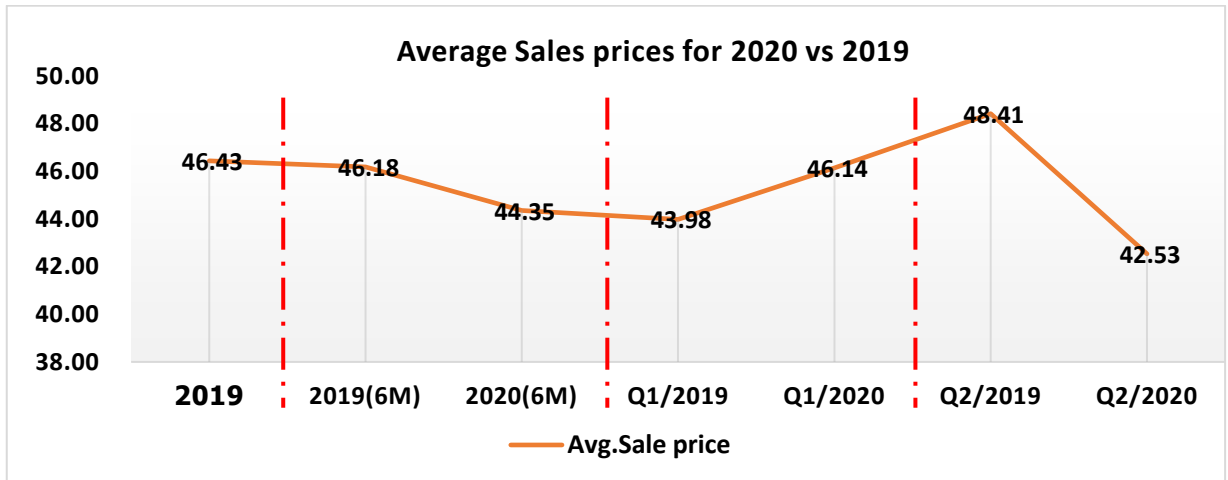
To: The President, The Stock Exchange of Thailand

The Northeast Rubber Public Company Limited (“NER” or “the company”) would like to submit the Financial Statements for the Quarter 2/2020 ended June 30, 2020. The Company results of the operation are as follows.

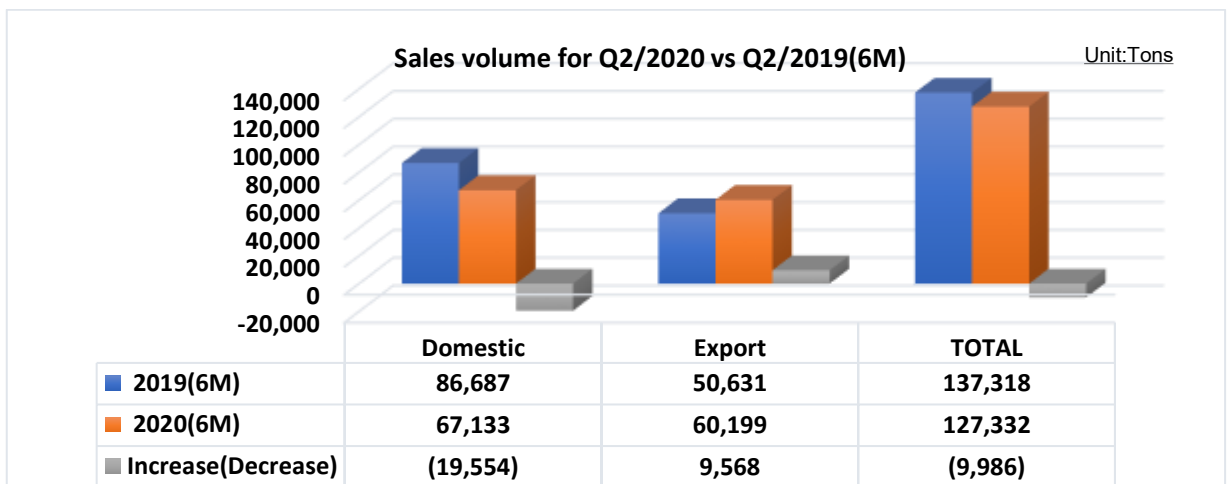
**Comparison performance of the Company for the six-months ended 30 June 2020 and 2019**

| Statement of comprehensive income                                | Q2/2020(6Month) |                | Q2/2019(6Month) |                | Increase (Decrease) |                 |
|--|-----------------|----------------|-----------------|----------------|---------------------|-----------------|
|  | Million Baht    | %              | Million Baht    | %              | Million Baht        | %               |
| Sales volume (Ton)   | 127,332         |                | 137,318         |                | (9,986)             | (7.27)          |
| Total Revenue from Local sales                                   | 3,110.96        | 55.09%         | 4,089.09        | 64.48%         | (978.13)            | (23.92%)        |
| Total Revenue from Export sales                                  | 2,535.80        | 44.91%         | 2,252.71        | 35.52%         | 283.09              | 12.57%          |
| <b>Total Revenue from sales</b>                                  | <b>5,646.76</b> | <b>100.00%</b> | <b>6,341.80</b> | <b>100.00%</b> | <b>(695.04)</b>     | <b>(10.96%)</b> |
| Cost of sales  | 4,915.55        | 87.05%         | 5,813.99        | 91.68%         | (898.44)            | (15.45%)        |
| <b>Gross profit</b>  | <b>731.21</b>   | <b>12.95%</b>  | <b>527.81</b>   | <b>8.32%</b>   | <b>203.40</b>       | <b>38.54%</b>   |
| Distribution costs   | 177.63          | 3.15%          | 154.71          | 2.44%          | 22.92               | 14.81%          |
| Administrative expenses  | 64.44           | 1.14%          | 54.69           | 0.86%          | 9.75                | 17.83%          |
| Loss (gain) on exchange rate                                     | 86.86           | 1.54%          | (39.56)         | (0.62%)        | 126.42              | 319.51%         |
| Unrealized loss (gain) on valuation of fair value of derivatives | 4.52            | 0.08%          | (11.35)         | (0.18%)        | 15.87               | 139.82%         |
| <b>Operating profit</b>  | <b>397.76</b>   | <b>7.04%</b>   | <b>369.32</b>   | <b>5.82%</b>   | <b>28.44</b>        | <b>7.70%</b>    |
| Finance cost   | 113.15          | 2.00%          | 103.65          | 1.63%          | 9.50                | 9.17%           |
| <b>Profit (loss) before other income</b>                         | <b>284.61</b>   | <b>5.04%</b>   | <b>265.67</b>   | <b>4.19%</b>   | <b>18.94</b>        | <b>7.12%</b>    |
| Other income   | 9.85            | 0.17%          | 2.06            | 0.03%          | 7.79                | 380.49%         |
| <b>Profit (loss) before income tax</b>                           | <b>294.46</b>   | <b>5.21%</b>   | <b>267.73</b>   | <b>4.22%</b>   | <b>26.73</b>        | <b>9.98%</b>    |
| Tax (income)   | 9.67            | 0.17%          | 0.50            | 0.01%          | 9.17                | 1,834.00%       |
| <b>Profit (loss) for the period</b>                              | <b>284.79</b>   | <b>5.04%</b>   | <b>267.23</b>   | <b>4.21%</b>   | <b>17.56</b>        | <b>6.57%</b>    |

For the operating result for the Quarter 2/2020 ended June 30, 2020 compared with the same period of the previous year, the sales volume was 127,332 tons, a decrease of 9,986 tons or 7.27%, revenue from sales was 5,646.76 million baht, decreased by 695.04 million baht or 10.96% YoY. From Domestic sales of 3,110.96 million baht or 55.09 % of total sales, decreased of 978.13 million baht or 23.92 % YoY, Export sales revenue 2,535.80 million baht or 44.91% of total sales, an increase of 283.09 million baht or 12.57 % YoY. From the average selling price decreased when compared to the same period of the previous year as follows:

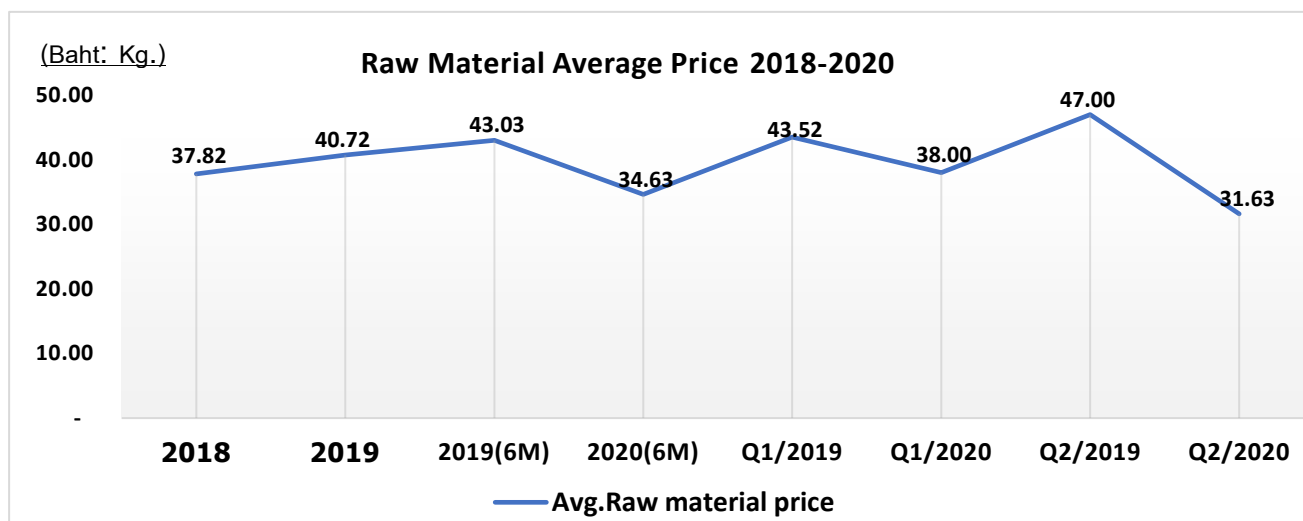


The proportion of sales revenue decreased as a result of the decrease in domestic purchase orders for rubber sheets and block rubber. However, due to the increase in orders from customers in China, the compound rubber has increased. As a result, the sales volume increased and decreased in proportion as follows:



Cost of sales is 4,915.55 million baht, decrease of 898.44 million baht or 15.45 % YoY, in line with decrease sales due to:

The cost of rubber sold is 4,869.95 million baht or 86.24% of the total sales revenue when compared to the same period last year, amount of baht 5,781.03 million or 91.16% of total sales revenue decrease 4.92%. From cost of raw materials, From the trend of rubber price declining in line with the market price situation.



Direct labor and manufacturing expenses vary in proportion to sales. Reduce energy costs from using solar energy to replace electric energy. And using compressed bio-methane (CBG) at a lower cost to replace liquefied petroleum gas (LPG).

Distribution costs is 177.63 million baht or 3.15% of total sales. When compared to the same period last year Which amounts to 154.71 million baht or 2.44% of total sales. Increased 22.92 million baht or 14.81% from the rubber plantation aid fund 16.77 million baht, expenses on exports and freight are 6.15 million baht. increased in proportion of increasing in export volume.

Administrative expenses increased by 9.75 million baht or 17.83% From tax fines 7.36 million baht. Loss from obligation under the rubber purchase agreement from The Rubber Authority of Thailand 4.44 million baht.

Loss on exchange rate increased by 126.43 million baht. From debt repayment from foreign trade receivables and repayment of promissory notes (P / C) 101.20 million baht. Unrealized loss on exchange rates, short-term loans from promissory notes (P / C) 25.23 million baht. Loss from the measurement of derivatives increased 15.87 million baht. From making foreign currency forward contracts with financial institutions During January 2020. Due to the depreciation of the baht from the situation of the COVID-2019 epidemic Which affects the global economy from the end of 2019 to the present.

Finance costs increased by 9.50 million baht or 9.17% 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 7.80 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 284.79 million baht or 5.04% of sales, increased by 17.56 million baht or 6.57% YoY. Earnings per share (EPS) was 0.185 baht per share.

## Financial Position as at 30 June 2020 and 31 December 2019

| Statement of Financial Position | 30 June 2020 |         | 31 December 2019 |         | Increase (Decrease) |       |
|---------------------------------|--------------|---------|------------------|---------|---------------------|-------|
|                                 | Million Bah  | %       | Million Bah      | %       | Million Bah         | %     |
| Total Assets                    | 8,416.82     | 100.00% | 7,989.13         | 100.00% | 427.69              | 5.35% |
| Total Liabilities               | 5,337.67     | 63.42%  | 4,977.99         | 62.31%  | 359.68              | 7.23% |
| Total Shareholders' Equity      | 3,079.15     | 36.58%  | 3,011.14         | 37.69%  | 68.01               | 2.26% |

Total assets of the Company and its subsidiaries as of June 30, 2020 amounted 8,416.82 million baht, increased 427.69 million baht or 5.35% from December 31, 2019.

Current assets increased by 61.20 million baht or 0.91% due to:

- Cash and cash equivalents decreased by 130.97 million baht or 81.77%. From repayment of short-term loans to financial institutions and accounts payable.
- Accounts receivable and other current receivables decreased by 88.77 million baht or 17.41%
- Inventories increased by 302.77 million baht or 5.05% from the amount of rubber in stock in order to be sufficient for the order quantity.
- Other current assets decreased by 21.83 million baht or 38.41% from Revenue department receivables decreased from VAT refund.

Non-current assets increased by 366.50 million baht or 28.88% due to:

- Deposit at bank pledged as collateral increased by 0.74 million baht or 0.53%. From fixed deposit interest
- Land, building and equipment (net) increased by 391.27 million baht or 36.47% from the work construction in the of the system to support the Bio Gas Project 2 Increased by 40.32 million baht and work in progress in the construction of the STR factory building Project 2 Increased by 391.00 million baht
- Leasehold assets increased by 21.54 million baht or 100%(TFRS16)
- Deferred income tax assets increased 1.12 million baht or 38.57%
- Other non-current assets decreased by 48.13 million baht or 88.07%. From deposits for machinery during installation of Project 2

Total liabilities of the company and its subsidiaries as of June 30, 2020 amounted 5,337.67 million baht, increased by 359.69 million baht or 7.23% from December 31, 2019.

Current liabilities increased by 388.26 million baht or 7.96% due to:

- Bank overdrafts and short-term loans increased by 219.97.45 million baht or 4.98% 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 175.61 million baht or 51.50% from account payable assets.
- Long-term loans due within 1 year decreased by 1.65 million baht or 2.38% from repayment under the contract
- Other current liabilities decreased by 1.21 million baht or 3.01%. From income tax payable decreased by 10.10million baht. Advance receipt of goods for goods increased by 4.26 million baht, obligation on purchases of goods increased by 4.44 million baht.

Non-current liabilities decreased by 28.57 million baht or 29.24% due to:

- Long-term loans decreased by 38.81 million baht or 44.29% from loan repayment as determined by the Bank.
- Liabilities under leases increased by 7.74 million baht or 833.04% From the obligation of the Bangkok Office Lease Agreement and the land lease agreement for use in planting Napier grass.
- Employment benefit liabilities increased by Baht 2.49 million or 27.17%.

Total shareholders' equity of the Company and its subsidiaries as of June 30, 2020 amounted to 3,079.15 million baht increased 68.01 million Baht or 2.26% from December 31, 2019 due to:

- Decrease in dividend payment 215.60 million baht.( From the shareholders' meeting on 20 April 2020. The shareholders approved the dividend payment for the year 2019 performance. In the amount of 0.14 baht per share. Total amount of 215.60 million baht .By paying from the profit that has been promoted (BOI) all on 11 May 2020.)
- Increased from net comprehensive income for the 6 month period of the year 2020 amounting to 283.61 million baht.

Please be informed accordingly

Yours sincerely,

(Mr. Sakchai Jongstapongpun)

Chief Financial Officer

North East Rubber Public Company Limited