



No. NER 015/2022

November 8, 2022

Re: Management Discussion and Analysis for the 9 months ending 30 September 2022

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 Quarter 3/2022 ending September 30, 2022. The Company results of the operation are as follows.

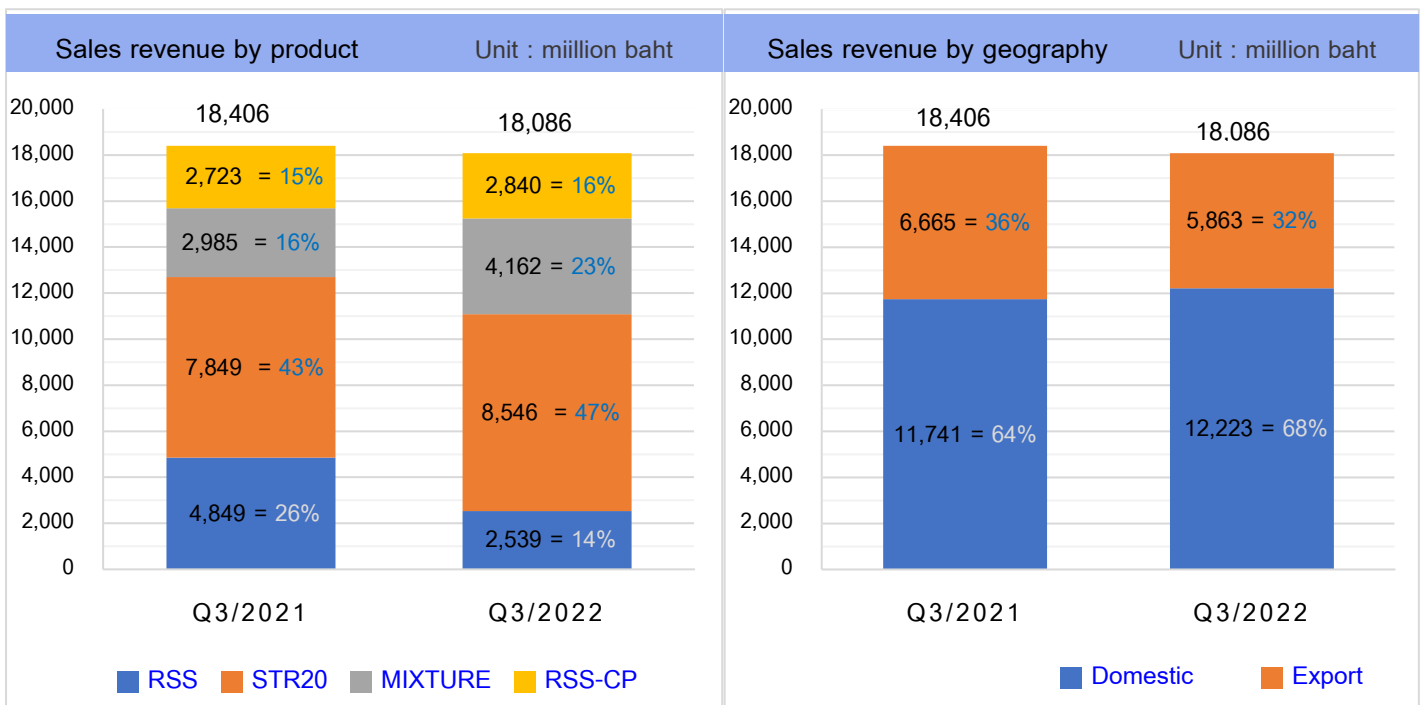
Comparison performance of the Company for the 9 months ended September 30, 2022, and 2021

| Statement of Comprehensive Income | Quarter 3 (9 months) | | | | Increase (Decrease) | |
|--|----------------------|---------|--------------|---------|---------------------|----------|
| | 2022 | | 2021 | | Million Baht | % |
| | Million Baht | % | Million Baht | % | | |
| Sales volume (Tons) | 308,611 | | 345,474 | | (36,864) | (10.67%) |
| Total Revenue from Local sales | 12,222.89 | 67.58% | 11,741.07 | 63.79% | 481.82 | 4.10% |
| Total Revenue from Export sales | 5,863.46 | 32.42% | 6,664.64 | 36.21% | (801.18) | (12.02%) |
| Total Revenue from sales | 18,086.35 | 100.00% | 18,405.71 | 100.00% | (319.36) | (1.74%) |
| Cost of sales | 15,735.78 | 87.00% | 16,038.55 | 87.14% | (302.76) | (1.89%) |
| Gross profit | 2,350.57 | 13.00% | 2,367.17 | 12.86% | (16.60) | (0.70%) |
| Distribution costs | 421.96 | 2.33% | 512.09 | 2.78% | (90.13) | (17.60%) |
| Administrative expenses | 107.95 | 0.60% | 96.86 | 0.53% | 11.10 | 11.46% |
| Loss (gain) on the exchange rate | 50.44 | 0.28% | 200.98 | 1.09% | (150.54) | (74.90%) |
| Unrealized loss (gain) on the valuation of the fair value of derivatives | 71.14 | 0.39% | 77.03 | 0.42% | (5.89) | (7.65%) |
| Operating profit | 1,699.08 | 9.39% | 1,480.21 | 8.04% | 218.87 | 14.79% |
| Finance cost | 300.19 | 1.66% | 236.48 | 1.28% | 63.71 | 26.94% |
| Profit (loss) before other income | 1,398.89 | 7.73% | 1,243.73 | 6.76% | 155.16 | 12.48% |
| Other income | 6.65 | 0.04% | 29.60 | 0.16% | (22.95) | (77.55%) |
| Profit (loss) before income tax | 1,405.54 | 7.77% | 1,273.33 | 6.92% | 132.21 | 10.38% |
| Tax (income) | 25.57 | 0.14% | 27.68 | 0.15% | (2.12) | (7.65%) |
| Profit (loss) for the period | 1,379.97 | 7.63% | 1,245.64 | 6.77% | 134.33 | 10.78% |



Operating results for the 3rd quarter of 2022 for the 9-month period ended September 30, 2022, compared to the same period of the previous year, sales volume was 308,611 tons, a decrease of 36,864 tons or a decrease of 10.67 percent, representing total sales revenue of 18,086.35 million. baht, a decrease of 319.36 million baht or a decrease of 1.74%, divided into domestic sales revenue of 12,222.89 million baht or 67.58% of total sales, an increase of 481.82 million baht or a 4.10% increase. Overseas sales of 5,863.46 million baht or 32.42% of total sales, a decrease of 801.18 million baht or a decrease of 12.02%.

Sales revenue can be classified by product for the 9-month period of 2022 and the 9-month period of 2021 as follows:



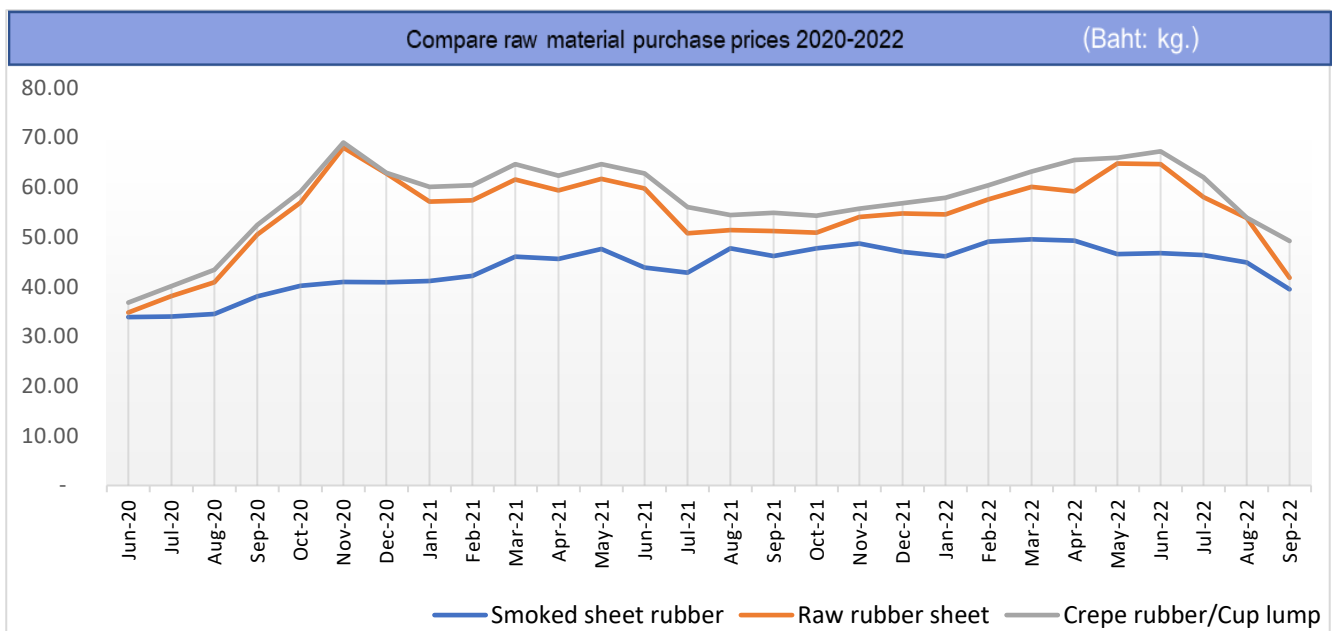
Sales revenue for the 9-month period 2022 compared to the same period of the previous year decreased from the rubber smoked sheet (RSS) products due to the decrease in demand and price of smoked rubber sheet in the market. As a result, the overall order volume decreased compared to the same period last year. The decrease in total sales revenue was due to a decrease in volume difference of 1,875.91 million baht and an increase in price difference from a higher rubber price of 1,556.55 million baht. Decreased by 319.36 million baht or 1.74% compared to the same period last year.

In the nine-month period of 2022, the Company had a cost of sales of 15,735.78 million baht or 87.00% of sales revenue. Compared to the same period of the year 2021, where the Company had a cost of sales of 87.14% of sales revenue, therefore, the Company's cost of sales decreased by 0.14% of total sales revenue.



| Cost of sales | Q3/2022 | | Q3/2021 | | DIFF |
|------------------------------------|--------------|---------|--------------|---------|---------------------|
| | Million Baht | % | Million Baht | % | Increase (Decrease) |
| Sales volume (Tons) | 308,611 | | 345,474 | | (36,864) |
| Total Revenue from sales | 18,086.35 | 100.00% | 18,405.71 | 100.00% | (319.36) |
| Cost of sales | 15,735.78 | 87.00% | 16,038.55 | 87.14% | (0.14%) |
| Raw materials and consumables used | 15,196.98 | 84.02% | 15,543.78 | 84.45% | (0.43%) |
| Salary and labor | 112.29 | 0.62% | 98.80 | 0.54% | 0.08% |
| Manufacturing Overhead | 284.63 | 1.57% | 257.14 | 1.40% | 0.18% |
| Depreciation & Amortization | 141.88 | 0.78% | 138.84 | 0.75% | 0.03% |
| Gross profit | 2,350.57 | 13.00% | 2,367.17 | 12.86% | 0.14% |

The main cost is the cost of raw materials and consumables used at 15,196.98 million baht, or 84.02% of the sales revenue. compared to the same period last year The cost decreased by 0.43% due to a decrease in the direction of raw material prices in the 3rd quarter of 2022. However, the Company still uses the appropriateness management principle between the purchase price and the selling price to manage the risk of volatility in rubber prices. As for the purchase price of rubber in the 3rd quarter of 2022, there was a downward trend compared to the previous quarter. The information on the purchase of rubber by the company is as follows:



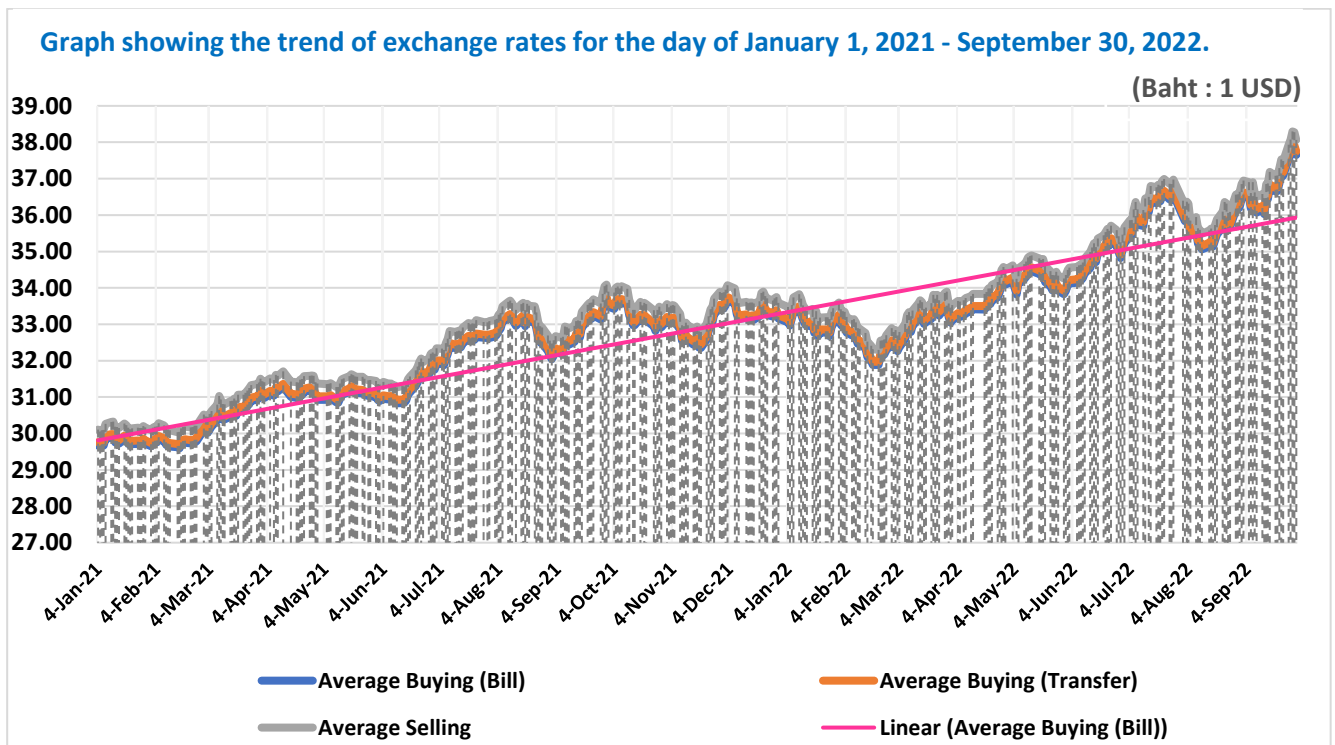


Distribution costs were 421.96 million baht or 2.33 percent of total sales compared to the same period last year. The cost of distribution decreased by 90.13 million baht or decreased by 17.60%, divided into rubber plantation aid fund, a decrease of 50.02 million baht, transportation expenses, and export expenses decreased by 40.11 million baht. The proportion of expenses decreased in line with the decrease in export sales volume.

Administrative expenses were 107.95 million baht or 0.60% of total sales revenue. compared to the same period last year Expenses increased by 11.10 million baht from increased salary and welfare items.

For the first nine months of 2022, the Company had a loss on foreign exchange equal to 50.44 million baht or 0.28% of total sales when compared to the same period of the previous year. which had a foreign exchange loss of 200.98 million baht. The company had a loss on exchange rates of 150.54 million baht from the situation of the US dollar rate that has continuously increased, causing the company to have a loss from using foreign exchange contracts. in advance in exchanging money for repayment from foreign trade accounts receivable.

Loss from the valuation of derivatives was 71.14 million baht or 0.39 percent of total sales, compared to the same period last year which had a loss of 77.03 million baht or 0.42 percent of total sales. A decrease of 5.89 million baht or a decrease of 7.65%. This loss was caused by a forward foreign exchange contract with a financial institution to hedge foreign exchange risk. But for the exchange rate trend that has an upward direction. The Company recorded a loss on valuation of derivatives. The statistics of the exchange rate trend during the years 2021 to 30 September 2022 are as follows:





Finance cost was 300.19 million baht compared to the same period of the previous year, an increase of 63.71 million baht or 26.94% from the interest paid on debentures issued by the company twice in 2021 on April 9, 2021, worth 1,300.00 million baht, on the day On November 4, 2021, valued at 2,000 million baht, and in 2022, the Company issued 2 additional bonds on September 8, 2022, with a total value of 2,814.30 million baht to use as working capital. As of September 30, 2022, the company had a total outstanding debenture amounting to 6,814.30 million baht.

Other income was 6.65 million baht, a decrease of 22.95 million baht because in the first quarter of 2021 the company received compensation from insurance claims against accidents from a raw material warehouse fire in September 2020 in the amount of 24.05 million baht and in the 9th period. In the month of 2022, the Company has revenue from sales of finished products of 2.65 million baht.

For the 9-month period of 2022, the company had a net profit of 1,379.97 million baht or a net profit margin of 7.63 percent of total sales. Compared to the 9-month period of 2021, the net profit margin was 6.77%. The company had a net profit. An increase of 134.33 million baht or 10.78 percent. This was due to the direction of para rubber prices that continued to increase in 2022 and the company was able to manage the cost of sales well. Including management of distribution costs and better hedging against foreign exchange risk. As a result, the net profit margin increased. For the 9-month period of 2022, the Company had basic earnings per share at 0.766 baht per share.

Financial Position

| Statement of Financial Position | 30-Sep-2022 | | 31-Dec-2021 | | Increase (Decrease) | |
|---------------------------------|--------------|--------|--------------|--------|---------------------|-------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Current Assets | 14,862.79 | 87.82 | 12,416.21 | 87.20 | 2,446.58 | 19.70 |
| Non-Current Assets | 2,061.93 | 12.18 | 1,823.08 | 12.80 | 238.85 | 13.10 |
| Total Assets | 16,924.73 | 100.00 | 14,239.29 | 100.00 | 2,685.44 | 18.86 |
| Total Liabilities | 10,704.92 | 63.25 | 8,793.16 | 61.75 | 1,911.76 | 21.74 |
| Total Shareholders' Equity | 6,219.81 | 36.75 | 5,446.13 | 38.25 | 773.68 | 14.21 |

The total assets of the Company as of September 30, 2022, amounted to 16,924.73 million baht, an increase of 2,685.44 million baht or 18.86 percent from as of December 31, 2021, summarized as follows:

Current assets increased by 2,446.58 million baht or 19.70% from the following items:



- Cash and cash equivalents increased by 1,550.98 million baht or 287% due to the company increased cash balance in bank accounts which is received from debentures issued by the Company in the year 2022 in the amount of 2 sets on September 8, 2022.
- Inventories increased by 704.32 million baht or 6.36% due to the company's stock of more raw materials, cup lumps to support the plan to increase the production capacity of block rubber.
- Trade accounts receivable and other current receivables increased by 185.24 million baht or 23.16 percent due to the increased proportion of domestic sales in the 3rd quarter of 2022. which the payment terms are longer compared to foreign sales.

Non-current assets increased by 238.86 million baht or 13.10 percent from the following items:

- Land, plant, and equipment, net, increased by 143.96 million baht or 9.47% from work in progress of installing machinery for finished product production projects.
- Bank deposits pledged as collateral increased by 92.50 million baht due to deposits deposited into fixed deposit accounts to guarantee credit lines with financial institutions.

The total liabilities of the Company as of September 30, 2022, amounted to 10,704.92 million baht, a decrease of 1,911.76 million baht or 21.74 percent from 31 December 2021, mainly due to

Current liabilities decreased by 1,001.86 million baht or 19.44% from the following items:

- Bank overdrafts and short-term loans from financial institutions decreased by 1,150.02 million baht or 29.89% from debt repayment of promissory notes.
- Trade and other payables increased by 64.28 million baht or 14.03% due to the Company's proportion of purchasing rubber from major raw material suppliers. which has payment terms after the delivery of raw materials is complete according to the contract.
- Other current liabilities increased by 72.87 million baht from derivative liabilities. In entering into forward foreign exchange contracts with financial institutions.

Non-current liabilities increased by Baht 2,913.62 million or 80.05 percent from the following items:

- Debentures-Net The value increased by 2,807.55 million baht or 86.37 percent from 2 sets of additional debentures issued by the company No. 1/2022, totaling 2,814.30 million baht on September 8, 2022, divided into the 1st set, tenor 5 years, worth 1,161.50 million baht. 2, tenor 7 years, worth 1,652.80 million baht.
- Long-term borrowings increased by 107.88 million baht or 30.11% from 210 million baht borrowing for finished product projects and 102.12 million baht from repayment of loans due.



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Shareholders' equity of the Company as of September 30, 2022, amounted to 6,219.81 million baht, an increase of 773.68 million baht or 14.21%. As of December 31, 2021, from the following:

- Issued and Paid Capital and a premium on the share capital of 156.88 million baht from receiving 87,154,692 shares of the last installment of the capital increase exercised at the rate of 1.80 baht per share.
- Retained earnings increased by 616.80 million baht or 20.51 percent from net profit for the 9-month period, amounting to 1,379.97 million baht, and decreased from 2 dividend payments. Holding shares on April 7, 2022, at the rate of 0.36 baht per share, totaling 633.83 million baht on May 6, 2022. The 2nd time, the Company paid interim dividends from the operating results of the first 6 months of 2022 at the rate per share 0.07 baht on September 7, 2022, totaling 129.34 million baht.

Please be informed accordingly

Yours sincerely,

(Mr. Sakchai Jongstapongpun)

Chief Financial Officer

North East Rubber Public Company Limited

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