



No. NER002/2019

12 February 2019

Subject : Management Discussion and Analysis for the year ended 31 December 2018

To President

The Stock Exchange of Thailand

Northeast Rubber Public Company Limited (“the company”) would like to submit the management Discussion and Analysis for the year ended of 31 December 2018, with details as follows.

Revenue

In 2017 and 2018, Company total income was 9,872.70 and 10,084.01 million Baht respectively. Divided into income from sale 9,805.07 and 10,056.20 million Baht or 99.31% and 99.72% respectively.

Income by geography

In 2018 company income was from Domestic sale 6,647.49 million Baht or 65.92% and 3,408.71 million Baht or 33.80% of total revenue.

In 2018 Revenue increase 253.13 million Baht or 2.56% compare with 2017 the increase amount cause from Domestic sale 12.80% but revenue from Export decrease 12.86% because of limited on Export from government policy.

Income by Products

Company products divided into 3 categories Ribbed Smoked Sheet (RSS), Standard Thai Rubber (STR) and Mixed Rubber details of income are as following

1. Ribbed Smoked Sheet (RSS)

In 2018 income from (RSS) was 3,483.31 million Baht decrease 121.58 million Baht or 3.37% from 2017. Even though sale volume 17.41 million kgs. or 33.01% but average selling price lower than 2017 due to market price direction.

2. Standard Thai Rubber (STR)

In 2018 income from (STR) was 3,201.52 million Baht increase 39.63 million Baht or 1.25% compare with 2017 the increase amount was from Domestic sale especially in October – December. Sale volume increase 14.31 million kgs. or 429.80 million Baht. However average selling price are lower than 2017 due to

Market price direction. For export sale volume increase a little from 2017 but average selling price decrease cause sale revenue decrease 142.23 million Baht or 12.29% due to market price direction.

3. Mixture Rubber

In 2018 revenue from (mixture rubber) was 3,371.34 million Baht increase 333.04 million Baht or 10.96% compare with 2017 mainly are from export sale increase significance compare with 2017 and from changing the production process from Dry process to Wet process can shorten production time and increase production volume served sale volume increase 14.88 million kgs. as amount as 421.37 million Baht however selling price in 2018 lower than 2017 due to market price direction.

Others income

In 2018 others income was 18.18 million Baht or 0.18% of total revenue. Mainly income was from rental fee 4.28 million, carrying charge 8.34 million Baht, interest income 0.88 million Baht and others income 4.68 million Baht.

Cost of sale

Cost of goods sold in 2018 was 9,016.31 million Baht or 89.41% of total income compose of raw material (Rubber) 8,910.80 million Baht or 98.83% of total cost of goods sold. For cost of Energy crop and Biogas there was 74.97 and 30.55 million Baht or 0.83% and 0.34% of total cost of goods sold respectively because of Biogas project is on test run process.

In 2018 cost of rubber was 8,910.80 million Baht or 88.61% of sale revenue decrease 188.97 million Baht or 2.08% from 2017 but if consider in details of cost of raw material and other supplies were increase 80.84% to 85.89% as compare with 2017 due to quarter 2 and quarter 4 of 2018 higher cost of raw material from the Auction-Rubber bough from the Government (Rubber Authority of Thailand) and direct labor cost increase 11.45 million Baht or 31.63% compare with 2017 due to increase in production volume, others expenses was increase 35.42 million Baht or 25.41% mainly are from electricity, repair maintenance, and depreciation. However cost of goods sold was 89.66% of sale in 2018 lower than 92.98% in 2017 due to revenue from sale was increase more than cost of goods sold.

Marketing and administrative expenses

Marketing expenses

In 2018 marketing expenses was 237.22 million Baht or 2.35% of total income increase 44.71 million Baht or 23.22% compare with 2017 mainly expenses are increase from export fee (CESS) 10.45 million Baht



or 7.98% also included freight and transportation, export expenses and container charge was increase 18.99 and 13.91 million Baht or 132.59% and 37.76% respectively, due to increasing of exportation.

Administrative expenses

Administrative expenses in 2018 was 95.03 million Baht increase 14.23 million Baht or 17.61% compare with 2017 mainly are from admin and support officer salary was increase 10.36 million Baht 60.92% due to increase in number of employees and salary increase and also increasing of rubber warehouse rental fee (warehouse charge) around 10.11 million Baht .

Gain (Loss) on exchange rate

In 2018 gain from exchange was 8.77 million Baht or 0.09% of total revenue from export sale.

Cost of fund

In 2018 cost of fund was 237.38 million Baht decrease 11.07 million Baht or 4.70% mainly from interest expenses 8.62 million Baht and bank charge 3.08 million Baht or 3.54% and 58.05% compare with 2017. For interest was decrease from promissory note 5 million Baht, Long term loan 3.19 million Baht or 2.17% and 36.20% respectively compare with 2017.

Gross profit and net profit

In 2018 company gross profit was 1,039.89 million Baht increase 351.39 million Baht or 51.04% from 2017 by gross profit in 2018 was 11.56% compare with 5.17% from 2017 increase according to sale volume in 2018. For cost of raw material decrease more than selling price cause gross profit margin higher than 2017 and from changing production process from Dry process to Wet process can make more volume of product by shorten production time can saving in production expenses for Mixture rubber.

For 2018 company net profit was 486.46 million Baht increase 262.34 million Baht or 117.05% compare 2017 that was 224.12 million Baht due to better efficient management and cost of raw material decrease by due to market direction cause cost per unit of cost of goods sold decrease more than of selling price per unit. Besides interest expenses was decrease from promissory note and long term loan.

Your Sincerel

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Chief Finance Officer