



บริษัท เอ็นอีที อสังหาริมทรัพย์และอุตสาหกรรม จำกัด (มหาชน)
NEP REALTY AND INDUSTRY PUBLIC COMPANY LIMITED
Public Company Registration No. 0107537000831



(Translation)

NEP-AC 004/2562

14 Nov 2019

Subject: Management Discussion and Analysis for Q3 year ended 30 Sep 2019

To : The President

The Stock Exchange of Thailand

Operating Result

NEP Realty and Industry Public company Limited would like to explain the operating result for Quarter 3 ended September 30, 2019 compare with the same period of the previous year as follows

For the past 3 months of Quarter 2 ended of September 30, 2019

The operating result for the past 3 months of Quarter 3 for the year of 2019 of the company show a net loss of 5.49 million baht, compare to the same period of previous year which a net loss of 12.88 million baht, the decreased loss of 6.94 million baht, the main reasons are as follow;

1. Revenue from sale , Other income

The company had sale revenue at the end of Quarter 3 ended of September 30, 2019 at 103.94 million baht, compare with the same period of previous year with amount of 109.52 million baht which decrease by 5.58 million baht or 5.09% decrease, which resulted from revenue decrease from the sale of plastic woven bag from the effects of the recessions of economic circumstance since the beginning of the year, combine with the drought condition which affected the agricultural sectors which is the main customer of the company. Anyhow, the company still have higher revenue from the sale of Flexible packaging (new production line) compared with the same period of previous year.

Other income for Q3, 2019 are 0.80 million baht with no significantly transaction changes.

2. Cost of sale , Profit margin

For Quarter3 of the year 2019, the company had cost of sale of 97.53 million bath compare to 112.03 million baht last year with the decreasing of 14.50 million bath or 12.94% decreased, while sale revenue decrease by 5.09% results in better profit margin compare to Quarter 3 of the year 2018 which is increase by 8.92 million baht due to the company has more capability to control waste thus, the increasing in production capacity.

3. Selling expenses

For Quarter 3 of the year 2019, the selling expenses were 3.11 million baht or 2.99% from sale revenue compare to 3.07 million baht or 2.80% with no significantly transaction changes.

4. Administrative expenses

For Quarter3 of the year 2019, the administration expenses was 15.75 million baht or 15.15% from revenue compare to 13.31 million baht or 12.15% last year, increased by 2.44 million baht or 18.33% increased. This increase is the result from compensation and early retirement of employee during the woven bag production base relocation. The management benefit for Quarter3 of the year 2019 was 3.79 million baht compare to 3.87 million baht, decrease by 0.08 million or 2.07% decreased which is not significant changes compare to last year.

5. Financial cost

For Quarter3 of the year 2019, the financial cost was 0.39 million baht compare to 0.32 million bath last year, increase by 0.07million baht or 21.87% increased due to the payment through banking of plastic resin purchased (TR) .

6. Share of profit (loss) from investment in associated company

For Quarter3 of the year 2019, Share of profit from investment in associated company was 10.32 million baht compare to 8.14 million bath last year, increase by 2.18 million baht or 26.78 % increased because the associated company had better earning than previous year.

For the past 9 months ended of September 30, 2019

The operating result for the past 9 months for the year 2019 ended of September 30,2019 of the company show a net loss of 35.98 million baht, compare to the same period of previous year which a net loss of 27.62 million baht, the increased loss of 8.36 million baht, the main reasons are as follow;

1. Revenue from sale , Other income

The company had sale revenue for the past 9 months ended of September 30, 2019 at 304.77 million baht compare with the same period of previous year with amount of 283.73 million baht which is increased by 21.04 million baht or 8.47% increase, which resulted from higher revenue from the sale of Flexible packaging (new production line) compared with the same period of previous year.

Other income for the past 9 months of 2019 are 2.42 million baht which comparable to 3.51 million bath last year with no significantly transaction changes.

2. Cost of sale , Profit margin

For the past 9 months of 2019, the company had cost of sale of 301.10 million bath compare to 282.56 million baht last year with the increasing of 18.54 million bath or 6.56% increased, which is increased in the lower rate than the increased sale. Results in more profit margin compare to the past 9 months of the year 2018 at 2.50 million baht due to more controllable waste thus, more productive in production volume of Flexible packaging product.

3. Selling expenses

For the past 9 months of 2019, the selling expenses was 9.52 million baht or 3.12% from sale revenue compare to 8.08 million baht or 2.85% from sale revenue of last year, increased by 1.44 million baht or 17.82% increased, which is in line with the increasing revenue and from Sale department support to continuously increase new target customer.

4. Administrative expenses

For the past 9 month of 2019, the administration expenses was 42.09 million baht or 13.81% from revenue compare to 43.37 million baht or 15.28% last year, Reduced by 1.28 million baht

or 2.95% decreased. This decrease is the came from better management to compact the organization structure and continuous focus on reduction of expense of the company. Even though there was a compensation and early retirement payment in 3rd quarter, the company still has lower expenses compare to 2018.

5. Management benefit expenses

For the past 9 months of 2019, the management benefit was 10.88 million baht compare to 11.91 million baht, decrease by 1.03 million or 8.65% decreased which came from better management to compact the organization structure and continuous focus on reduction of expense of the company.

6. Financial cost

For the past 9 months of 2019, the financial cost was 1.31 million baht compare to 1.07 million bath last year, increase by 0.24 million baht or 22.43% increased due to the interest rate of the payment through banking of plastic resin purchased (TR) .

7. Share of profit (loss) from investment in associated company

For the past 9 months of 2019, Share of profit from investment in associated company was 22.03 million baht compared to 31.62 million baht last year, decreased by 9.59 million baht or 30.33 % decreased because the associated company had a less earning than previous year.

Company Financial status

1. Total asset, the company had total asset as at September 30, 2019 with amount of 837.32 million bath decrease from December 31, 2018 by 49.02 million baht or 5.53% decreased, the details of the change are as follows:

1.1 Current asset as of September 30, 2019 with amount of 170.96 million bath decreased by 31.82 million bath or 15.69% decreased due to the main reason that the company has completely paid off foreign debt on September 20, 2019 with the amount of 24.62 million baht. Result in reserve cash decreased and inventories decreased by 8.34 million baht, which is

corresponding to sales proportion. This transaction also shows that the company has ability to faster the collectable payment periods from customer and faster turnover rate of inventory.

1.2 Non-current asset as of September 30, 2019 with amount of 666.36 million bath decrease by 17.20 million bath or 2.49% decrease, is reduced in property, plant and equipment at 16.77 million baht due to the annual depreciation calculation.

2. Total liability, the company had total liability as of September 30, 2019 at 88.68 million bath decrease from December 31, 2018 at 13.04 million bath or 12.82% decrease, the details of the change are as follows:

2.1 Current liability as of September 30, 2019 with amount of 79.13 million bath decrease by 11.76 million bath or 12.94% decrease, is an decreasing from the completely paid off foreign debt on September 20, 2019 with the amount of 24.62 million baht. Although the short-term loans from financial institutions increase with the amount of 15.71 million baht, which is part of the purchase of plastic resin by bank payment (TR). Overall short-term loans has increased following the fact that the company has a rising sale trend, so it has to order more raw materials.

2.2 Non-current liability as of September 30, 2019 with amount of 9.56 million baht decrease by 1.29 million bath or 11.90% decrease, as a result of reduction in the payment of hire-purchase payable with the amount of 0.80 million baht and the decreased in employee benefit obligation payment at 0.50 million baht.

3. Shareholder equity as of September 30, 2019 with amount of 748.64 million bath decrease from December 31, 2018 by 35.98 million bath or 4.58% decrease, since the company loss from operation.

Future Trends

From the problem of making gross profit in accordance to the business plan, The company will continues to focus on solving production problems follows the below details

- Recruiting, adjusting and developing personnel to be ready at all levels.
- Prepare manual work process for each department to control quality and reduce losses
- Create motivation by rewarding, if able to produce and control waste according to the target
- Improved data storage system and production reports for monitoring and controlling

For the direction of sales in 2019, it will continue to focus on expanding Flexible Packaging customers into the Rice industry, Pet food industry, because it is a group that the company has the opportunity to receive an order of sacks, printed sacks or gravure sacks as well, and is a product that is not very complicated. This type of products are regularly produces by the factory which will help in waste controls and effectively manage the raw materials.

Please be informed accordingly,

Sincerely yours,

Sathon Samerpark

Managing director