



(Translation)

NEP-AC 002/2561

9 August 2018

Subject : Management Discussion and Analysis for 2nd Quarter ended 30 June 2018

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 the 2nd quarter and six months period ended June 30,2018 compare with the same period of the previous year as follows

For the three months in Q2/2018 ended June 30, 2018

The company had the operating result for the three months ended June 30, 2018 show a net loss of Baht 8.46 million, compare to the same period of previous year which a net loss of Baht 9.99 million, the loss decrease Baht 1.54 million or decrease by 15.36% , the main reasons are as follow

1. Revenue from sale , Other income

The company had revenue from sale for Q2/2018 ended June 30, 2018 of Baht 93.21 million, compare with the same period of previous year amount to Baht 85.15 million which increase Baht 8.06 million or 9.46%, which main result from the company had increased the revenue from flexible packaging.

For other income, the company had other income for Q2/2018 ended June 30, 2018 of Baht 0.84 million a little decrease when compare with the same period of previous year due to decreased in interest received from current investment.

2. Cost of sale , Profit margin

In Q2/2018 the company had cost of sale Baht 92.40 million compare with the same period of previous year amount to Baht 82.97 million, increase Baht 9.43 million or increase 11.36%, which increase by the same direction of sale increased but the profit margin decrease by Baht 1.37 million or decrease 62.97%, due to the production cost of new production line still not stable and there are some fluctuation.

3. Selling expenses

In Q2/2018, the selling expenses was Baht 2.47 million compare with the same period of previous year amount to Baht 2.15 million, increase Baht 0.32 million or increase 14.86%, which is increase by the same direction of sale increase.

4. Administrative expenses

In Q2/2018, the administration expenses was Baht 14.56 million compare with the same period of previous year amount to Baht 12.88 million, increase by Baht 1.67 million or increase 12.99% . Part of the increase was paid by consultants to improve the production process and paid for goods damage compensation.

5. Management benefit expenses

In Q2/2018, the management benefit expenses was Baht 3.69 million compare with the same period of previous year amount to Baht 4.64 million, decrease Baht 0.95 million or decrease 20.45% , because In Q2/2018 the company had adjust their organization to be more compact and more cost saving.

6. Financial cost

In Q2/2018, the financial cost was Baht 0.36 million compare with the same period of previous year amount to Baht 0.46 million, decrease Baht 0.10 million or decrease 21.54%, due to decrease in bank loan.

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

In Q2/2018, Share of profit (loss) from investment in associated company was Baht 10.75 million compare with the same period of previous year amount to Baht 5.93 million, increase Baht 4.82 million or increase 81.17%, because the associated company had a better earning than previous year.

For the six months ended June 30, 2018

The company had the operating result for the six months ended June 30, 2018 show a net loss of Baht 14.74 million, compare to the same period of previous year which a net loss of Baht 24.65 million, the loss decrease Baht 9.91 million or decrease by 40.20% , the main reasons are as follows

1. Revenue from sale , Other income

The company had revenue from sale ended June 30, 2018 of Baht 174.21 million, compare with the same period of previous year amount to Baht 159.13 million which increase Baht 15.08 million or 9.48%, which result from the company increase the revenue from flexible packaging.

Other income, for six months ended June 30, 2018 the company had other income of Baht 1.66 million compare with the same period of previous year amount to Baht 1.40 million , increase Baht

0.25 million or 18.10%, because in six months of 2018, there is decrease of interest received from current investment.

2. Cost of sale , Profit margin

For six months ended June 30, 2018 the company had cost of sale Baht 170.53 million compare with the same period of previous year amount to Baht 157.93 million, increase Baht 12.60 million or increase 7.98%, and profit margin higher than previous year because in first quarter of the year could made a cost control better than the same period of last year.

3. Selling expenses

For six months ended June 30, 2018 the selling expenses was Baht 5.02 million compare with the same period of previous year amount to Baht 4.5 million, increase Baht 0.52 million or increase 11.49%, which is increase by the same direction of sale increase.

4. Administrative expenses

For six months ended June 30, 2018 the administration expenses was Baht 30.06 million compare with the same period of previous year amount to Baht 26.61 million, increase by Baht 3.46 million or increase 13.00%, because there are expenses related to the extraordinary general shareholder meeting and cost of capital increase.

5. Management benefit expenses

For six months ended June 30, 2018 the management benefit expenses was Baht 8.04 million compare with the same period of previous year amount to Baht 7.94 million, increase Baht 0.10 million or increase 1.30% , which is similar.

6. Financial cost

For six months ended June 30, 2018 the financial cost was Baht 0.74 million compare with the same period of previous year amount to Baht 0.96 million, decrease Baht 0.22 million or decrease 23.01%, due to decrease in bank loan.

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

For six months ended June 30, 2018 Share of profit (loss) from investment in associated company was Baht 23.48 million compare with the same period of previous year amount to Baht 11.52 million, increase Baht 11.96 million or 103.74%, because the associated company had better earning than previous year.

Financial Position

1. **Total asset**, the company had total asset as at June 30, 2018 of Baht 938.59 million increase from December 31, 2017 by Baht 179.75 or 23.69% , the details of the change are as follow :
 - 1.1 **Current asset** as at June 30, 2017 of Baht 328.82 million increase by Baht 158.46 million or 93.02%, due to cash and cash equivalents increase by Baht 150.27 million, As a result of cash from capital increase by Baht 166.30 million , trade accounts receivable increase by Baht 10.69 million and inventory increase by Baht 13.45 million, which was in line with the increase in sale.
 - 1.2 **Non current asset** as at June 30, 2018 amount of Baht 609.78 million increase Baht 21.29 million or 3.62% , an increase in property, plant and equipment by Baht 16.11 million, due to the investment in machinery of new production lines.
2. **Total liability**, the company had total liability as at June 30, 2018 of Baht 118.76 million increase from December 31, 2017 to Baht 28.19 or 31.13% , the details of the change are as follow :
 - 2.1 **Current liability** as at June 30, 2018 amount of Baht 86.94 million increase Baht 29.28 million or 50.80%, This is an increase in raw material creditor by Baht 33.10 million due to the fact that the company has a rising sale trend, so it has to order more raw material and there is a part of creditor to improve product system and machine purchase amount of Baht 15.54 million, and decrease in current portion of long term loan by Baht 3.21 million since the company has long term loan repayment.
 - 2.2 **Non current liability** as at June 30, 2018 amount of Baht 31.82 million decrease Baht 1.09 million or 3.32%, as a result of liability under hire purchase agreement decrease amount of Baht 0.91 million.
3. **Shareholder equity** as at June 30, 2018 amount of Baht 819.84 million increase from December 31, 2017 by Baht 151.56 or 22.68% , since the company received the capital increase by Baht 166.30 million and loss from operation by Baht 14.74 million.

Trend of year 2018

The company has expand the production line of flexible packaging by purchasing more machines and improve their production efficiency in various area, reduce waste, reduce the use of raw materials and increase product quality. In addition, prepare marketing and sale plan to expand customer base of flexible packaging and plastic woven bag.

All the time, Development as mentioned above, The company has improved its performance. It is expected to be profitable in the near future.

Please be informed accordingly,

Sincerely yours,

Mr.Vee Worasakyotin

Managing director