



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



(Translation)

NEP-AC 004/2563

12 November 2020

Subject: Management Discussion and Analysis for Q3 end of 30 September 2020

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 of September 30, 2020 compare with the same period of the previous year as follows

For the past 3 months of Quarter 3 ended of September 30, 2020

The operating result for the past 3 months of quarter 3 ends of September 30, 2020 of the company show a net loss of 1.78 million baht, compare to the same period of previous year which a net loss of 5.49 million baht, the decreased loss of 3.71 million or decreased loss percentages of 67.68% , 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, 2020 at 79.30 million baht, compare with the same period of previous year with amount of 103.94 million baht which decrease by 24.64 million baht or 23.70% decreased, due to the decreased sale of woven bag packaging compared to last year.

Other income for Q3, 2020 are 1.11 million baht compare to 0.80 million bath last year, with 0.31 million baht increase with no significantly transaction changes.

2. Cost of sale , Profit margin

For Quarter 3 of the year 2020, the company had cost of sale of 79.09 million baht compare to 97.53 million baht last year with the decreasing of 18.44 million baht or 18.90 % decreased, while sale revenue decrease by 23.70% results in decreasing gross profit margin compare to Quarter 2. Those effected reduced in gross profit margin for Quarter 3 of the year 2020 by 6.20 million baht due to a significant decline in sales and productivity, Due to the outbreak of Covid-19 plus the economic recession, customers who use large packaging sizes for delivery to restaurants or hotels have to reduce their orders. On the other hand, flexible packaging products with wide ranges of customers and consumer products have small impact. Therefore, company is able to sustain sales to the same period last year.

3. Selling expenses (Distribution cost)

For Quarter 3 of the year 2020, the selling expenses was 2.66 million baht or 3.31% from sale revenue compare to 3.11 million baht or 2.97% from sale revenue with is 0.46 million baht or 14.79% decreased which is in line with the sale reduction of the period.

4. Administrative expenses

For Quarter 3 of the year 2020, the administration expenses was 10.54 million baht or 13.11% from sale revenue compared to the same period last year at 15.75 million baht or 15.04% from sale revenue , decreased by 5.21 million baht or 33.08% decreased. This decrease is the result from a better control of expense thus the compact of the restructuring of the organization structure.

5. Management benefit expenses

For Quarter 3 of the year 2020, the management benefit was 3.16 million baht compare to 3.79 million baht, decrease by 0.63 million or 16.62% decreased because the company had adjust the organization to be more compact and more cost saving.

6. Financial cost

For Quarter 3 of the year 2020, the financial cost was 0.17 million baht compare to 0.40 million bath last year, decrease by 0.23 million baht or 56.25 % decreased. Due to In the year 2019 the company has the interest payment from the payment through banking of plastic resin purchased (TR) but after the Company decided to canceled the production of tape and weaving process following the new business model to reduce the cost the purchasing of plastic resin through banking (TR) has been canceled, results in the financial cost also reduced.

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

For Quarter 3 of the year 2020, share of profit from investment in associated company was 13.42 million baht compare to 10.32 million bath last year, increased by 3.10 million baht or 30.04% increased because the associated company had better earning than previous year.

For the past 9 months ended of September 30, 2020

The operating result for the past 9 months for the year 2020 of the company show a net loss of 14.54 million baht, compare to the same period of previous year which a net loss of 35.68 million baht, the decreased loss of 21.14 million baht, or 59.25% decreased loss, the main reasons are as follow;

1. Revenue from sale , Other income

The company had sale revenue for the past 9 month ended of September 30, 2020 at 277.28 million baht compare with the same period of previous year with amount of 304.77 million baht which is decreased by 27.49 million baht or 9.02% decrease, which resulted from less revenue from the sale of plastic woven bags from the pandemic of Covid-19 , the economic regression plus Thai baht appreciation with also the flooding situation in North Eastern Thailand results in less ordered from our main customer in Agricultural products group including Tapioca starch (export), Large packing size (15-49 kg) Rice manufacturers and Fertilizers manufacturers are reduced their ordered , The Company try to solve the problem by increased the order from Feed Products manufacturer customers to maintain the sales for the company.

On the contrary, sales of Flexible packaging still continue growing compared to last year, due to the market size increased of the company in the past few months, plus the company have more varieties of customers group based on consumer products compare to plastic packaging. The results of the expanding production line into flexible packaging group help reducing impact from uncontrollable external environmental risks for the company. Allowing the company to sustain the sale from dramatically fall in the economic crisis.

Other income for the past 9 months of 2020 are 2.91 million baht which comparable to 2.42 million bath last year with no significantly transaction changes.

2. Cost of sale , Profit margin

For the past 9 month of 2020, the company had cost of sale of 276.18 million bath compare to 301.10 million baht last year with the decreasing of 24.92 million bath or 8.28% decreased, results in less profit margin compare to the past 9 months of the year 2019 by 2.57 million baht as a results of reduction in sale and goods as explain earlier results in sale revenue didn't cover fixed expenses. However even the sale and gross profit margin of 2020 is less than the same periods of last year, the company still has a less negative loss compare to 2019 due to better cost control and improvement of production efficiency.

3. Selling expenses

For the past 9 month of 2020, the selling expenses was 8.31 million baht or 2.96% from sale revenue compare to 9.52 million baht or 3.10% from sale revenue of last year, decreased by 1.21 million baht or 12.71% decreased, This decrease is the result from a better control of delivery expense thus the compact of the restructuring of the organization structure.

4. Administrative expenses

For the past 9month of 2020, the administration expenses was 34.29 million baht or 12.24% from revenue compare to 42.09 million baht or 13.70% last year, Reduced by 7.80 million baht or 18.53% decreased. This decrease is the came from better management to

compact the organization structure and continuous focus on reduction of expense of the company.

5. Management benefit expenses

For the past 9 months of 2020, the management benefit was 9.37 million baht compare to 10.88 million baht, decrease by 1.51 million or 13.88% 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 2020, the financial cost was 0.57 million baht compare to 1.31 million bath last year, decrease by 0.74 million baht or 56.49% decreased because of In the year 2019 the company has the interest payment from the payment through banking of plastic resin purchased (TR) but after the Company decided to canceled the production of tape and weaving process following the new business model to reduce the cost the purchasing of plastic resin through banking (TR) has been canceled too results in the financial cost also reduced.

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

For the past 9 months of 2020, Share of profit from investment in associated company was 34.00 million baht compared to 22.03 million baht last year, increased by 11.97 million baht or 54.33 % increased because the associated company had a better earning than previous year.

Company Financial status

- 1. Total asset**, the company had total asset as of September 30, 2020 with amount of 793.96 million bath decrease from December 31, 2019 by 16.95 million baht or 2.09% decreased, the details of the change are as follows:

- 1.1 Current asset** as of September 30, 2020 with amount of 164.72 million bath decreased from December 31, 2019 by 31.44 million bath or 16.03% decreased due to the main reason of the decreasing of cash and cash equivalents of 22.82 million bath due to the loss of company operating results and the company use cash to invested in buying shares of associated

companies. The trade accounts receivable decreased by 20.62 million baht, which was in line with the sale.

1.2 Non-current asset as of September 30, 2020 with amount of 629.24 million bath increase by 14.50 million bath or 2.36% increase due to the increasing in investment in associated company of 23.24 million baht from better earning of associated company and the increasing investment in associated company. of Right-of-use assets increased by 6.05 million baht upon initial application of TFRS 16 that was announced in 2020. With the decreasing in land properties and equipment of 14.13 million baht due to the annual depreciation calculation.

2. Total liability, the company had total liability as of September 30, 2020 at 82.10 million bath increase from December 31, 2019 at 2.33 million bath or 2.92% increase, the details of the change are as follows:

2.1 Current liability as of September 30, 2020 with amount of 69.89 million bath decrease by 0.97 million bath or 1.37% decrease, is a decreasing in short-term loans from financial institutions used for purchase of raw materials with the amount of 7.59 million Baht and increasing in lease liability which is deal within 1 year at 2.28 million baht following the application of TFRS 16 that was announced in 2020.

2.2 Non-current liability as of September 30, 2020 with amount of 12.12 million baht increase by 3.30 million bath or 37.41% increase, as a result of increasing of liability under lease agreements that has been recalculate following the application of TFRS 16 that was announced in 2020.

3. Shareholder equity as of September 30, 2020 with amount of 711.95 million bath decrease from December 31, 2019 by 19.28 million bath or 2.64% decreased, since the company loss from operation by 14.54 million baht. And from the adoption of the financial reporting standards regarding Financial tools for accounting, hedging and derivative accounting with the amount of 4.62 million baht and allowance for loss of trade and other current receivables with the amount of 0.12 million baht.

Future Trends

For the direction of sales in 2020 in the Economic regression of Thailand and all over the world from the Pandemic of Covid-19 situation, the company will try to maintain the sale and financial results , and will continue to focus on expanding Flexible Packaging customers into the Rice manufacturers, Pet food (Feed) manufacturer , because it is a group that the company has the opportunity to receive an order of woven bag, 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. Apart from maintain the sales and revenue, the company also working on continuously reducing the management and executive expenses which results in better performance (less loss of the company) even the company has less revenue.

For the year 2021, the Company will focus on improving new products for Flexible packaging line to increase varieties of products to expands into new customers group and also to elevate production line to reach top-level customers' needs by the End of Quarter 1 for the year 2021.

Please be informed accordingly,

Sincerely yours,

Mr. Weerachart Lohsiri

Managing director