



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



(Translation)

NEP-AC 001/2560

10 August 2017

Subject : Management Discussion and Analysis for 2nd Quarter ended 30 June 2017

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, 2017 compare with the same period of the previous year as follows

For the three months in Q2/2017 ended June 30, 2017

The company had the operating result for the three months ended June 30, 2017 show a net loss of Baht 9.99 million, compare to the same period of previous year which a net loss of Baht 6.39 million, the loss increase Baht 3.6 million or increase by 56.34% , the main reasons are as follow

1. Revenue from sale , Other income

The company had revenue from sale for Q2/2017 ended June 30, 2017 of Baht 85.15 million, compare with the same period of previous year amount to Baht 69.40 million which increase Baht 15.75 million or 22.69%, which main result from the company increased its flexible packaging production line, in Q2/2017 the revenue from flexible packaging was recognized and the sale on plastic sack also increased.

For other income, the company had other income for Q2/2017 ended June 30, 2017 of Baht 0.91 million compare with the same period of previous year amount to Baht 0.55 million , increase Baht 0.37 million or 67.22%, due to the interest received from current investment.

2. Cost of sale , Profit margin

In Q2/2017 the company had cost of sale Baht 82.97 million compare with the same period of previous year amount to Baht 68.01 million, increase Baht 14.96 million or increase 22.0%, which increase by the same direction of sale increased and the profit margin increase by Baht 0.78 million or increase 56.32%, due to the company has improved its production efficiency.

3. Selling expenses

In Q2/2017, the selling expenses was Baht 2.15 million compare with the same period of previous year amount to Baht 2.77 million, decrease Baht 0.63 million or decrease 22.57%, this is due to the company set measures to control appropriate spending.

4. Administrative expenses

In Q2/2017, the administration expenses was Baht 12.88 million compare with the same period of previous year amount to Baht 12.84 million, increase by Baht 0.40 million or increase 0.31%, the number is similar, because the company has strict control in spending .

5. Management benefit expenses

In Q2/2017, the management benefit was Baht 4.64 million compare with the same period of previous year amount to Baht 3.78 million, increase Baht 0.86 million or increase 22.65% , because the company added the employee at management level to align with appropriate organizational restructuring .

6. Financial cost

In Q2/2017, the financial cost was Baht 0.46 million compare with the same period of previous year amount to Baht 1.35 million, decrease Baht 0.89 million or decrease 66.21%, since the company repaid the loan cause this expense has been reduced.

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

In Q2/2017, Share of profit (loss) from investment in associated company was Baht 5.94 million compare with the same period of previous year amount to Baht 12.34 million, decrease Baht 6.41 million or decrease 51.91%, because in previous year the company sold some of its investment in associates company cause to reduce the profit sharing.

For the six months ended June 30, 2017

The company had the operating result for the six months ended June 30, 2017 show a net loss of Baht 24.65 million, compare to the same period of previous year which a net loss of Baht 27.48 million, the loss decrease Baht 2.8 million or decrease by 10.31% , the main reasons are as follows

1. Revenue from sale , Other income

The company had revenue from sale ended June 30, 2017 of Baht 159.13 million, compare with the same period of previous year amount to Baht 156.51 million which increase Baht 2.6 million or 1.68%, which result from the revenue of flexible packaging was recognized and the sale on plastic sack also increased.

Other income, for six months ended June 30, 2017 the company had other income of Baht 1.40 million compare with the same period of previous year amount to Baht 0.97 million , increase Baht 0.43 million or 44.21%, because in six months of 2017 there is an the interest income from current investment.

2. Cost of sale , Profit margin

For six months ended June 30, 2017 the company had cost of sale Baht 157.93 million compare with the same period of previous year amount to Baht 152.35 million, increase Baht 5.58 million or increase 3.66%, because cost of material higher than previous year , resulting in a decrease in gross profit.

3. Selling expenses

For six months ended June 30, 2017 the selling expenses was Baht 4.50 million compare with the same period of previous year amount to Baht 5.33 million, decrease Baht 0.83 million or decrease 15.54%, this is due to the company set measures to control appropriate spending.

4. Administrative expenses

For six months ended June 30, 2017 the administration expenses was Baht 26.61 million compare with the same period of previous year amount to Baht 24.13 million, increase by Baht 2.48 million or increase 10.24%, because in early 2017 the company pay for employment termination.

5. Management benefit expenses

For six months ended June 30, 2017 the management benefit expenses was Baht 7.94 million compare with the same period of previous year amount to Baht 8.63 million, decrease Baht 0.69 million or decrease 8.01% , cause by the restructuring of the organization in early 2017 resulting in reduce cost

6. Financial cost

For six months ended June 30, 2017 the financial cost was Baht 0.97 million compare with the same period of previous year amount to Baht 2.19 million, decrease Baht 1.23 million or decrease 56.04%, since the company repaid the loan cause this expense has been reduced.

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

For six months ended June 30, 2017 Share of profit (loss) from investment in associated company was Baht 11.52 million compare with the same period of previous year amount to Baht 11.30 million, increase Baht 0.22 million or 1.97%, because the associates had better earning than previous year.

Financial Position

1. **Total asset**, the company had total asset as at June 30, 2017 of Baht 763.25 million decrease from December 31, 2016 by Baht 6.23 or 0.81% , the details of the change are as follow :
 - 1.1 **Current asset** as at June 30, 2017 of Baht 185.96 million decrease by Baht 35.16 million or 15.90%, due to cash and cash equivalents decrease Baht 38.99 million, current investment decrease Baht 20 million, since the company spent money on new production lines and repay loans. In addition trade accounts receivable increase by Baht 11.86 million, which was in line with the increase in sale.
 - 1.2 **Non current asset** as at June 30, 2017 amount of Baht 577.29 million increase Baht 28.93 million or 5.28% , an increase in property, plant and equipment by Baht 26.87 million, due to the investment in machinery of new production lines.
2. **Total liability**, the company had total liability as at June 30, 2017 of Baht 109.48 million increase from December 31, 2016 to Baht 18.24 or 20.23% , the details of the change are as follow :
 - 2.1 **Current liability** as at June 30, 2017 amount of Baht 75.72 million increase Baht 25.06 million or 49.46%, This is an increase in raw material creditor due to the fact that the company has a rising sale trend, so it has to order more raw material.
 - 2.2 **Non current liability** as at June 30, 2017 amount of Baht 33.76 million decrease Baht 6.64 million or 16.43%, as a result of repayment of long-term loans from financial institutions, and increase in liability under hire purchase agreement amount of Baht 3.41 million.
3. **Shareholder equity** as at June 30, 2017 amount of Baht 653.76 million decrease from December 31, 2016 by Baht 24.65 or 3.63% , since the company still has operating loss, however the loss likely to decrease gradually.

Trend of year 2 017

The company is focus on increasing the efficiency of the manufacturing process, control cost and expanding its customer base for new production lines, as well as maintaining its existing customers to enable the company to make a profit from the operation.

Please be informed accordingly,

Sincerely yours,

Vee Worasakyotin

Managing director