



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



(Translation)

NEP-AC 004/2564

11 November 2021

Subject: Management Discussion and Analysis for Q3 year ended 30 Sep 2021

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, 2021 compare with the same period of the previous year as follows

For the past 3 months of Quarter 2 ended of September 30, 2021

The operating result for the past 3 months of Quarter 3 for the year of 2021 of the company show a net loss of 8.76 million baht, compare to the same period of previous year which a net loss of 1.78 million baht, the increased loss of 6.98 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, 2021 at 108.08 million baht, compare with the same period of previous year with amount of 79.31 million baht which increase by 28.78 million baht or 36.28% increase, which resulted from revenue increase from the sale of plastic sacks follow the economic recovery, combine with the company was able to win the auction from large customer in quarter 3. Apart from that, 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, 2021 are 0.62 million baht compare with the same quarter with last year at 1.11 million bath or decreased by 0.49 million baht because the deposit interest from the company short term investment in the year 2020.

2. Cost of sale , Profit margin

For Quarter3 of the year 2021, the company had cost of sale of 113.72 million bath compare to 79.09 million baht last year with the increasing of 34.63 million bath or 43.79% increased, while sale revenue decrease by 36.28% which show a higher cost /unit results in negative lost in profit margin at 5.22%.

Main reasons of the negative profit lost is the sale revenue that still below target as a results, the production capacity can't covered fixed cost, plus the wasted controlled also cannot reach the standard target. Another important effected is the increasing cost of raw materials such as Plastic granules, films, printing colors also increasing their cost starting from quarter 4 of 2020 by 15-20% and still tendency to increase continuously following the higher oil prices.

3. Selling expenses

For Quarter 3 of the year 2021, the selling expenses was 2.95 million baht or 2.72% from sale revenue compare to 2.66 million baht or 3.30% from last year. The selling expenses slightly increase with the same tendency with the sale revenue but if compared as a proportion of sales, it can be seen that the company has better controlled in selling expenses compared to last year.

4. Administrative expenses

For Quarter3 of the year 2021, the administration expenses was 10.33 million baht or 9.50% from revenue compare to 10.51 million baht or 13.11% last year, which is closed to administration expenses from last year. Due to the reconstruction of the Organizational restructuring to be more compact with continuing reduce the unnecessary expenses shows a better control in administrative expenses.

5. Management benefit expenses

For Quarter3 of the year 2021, the Management benefit expenses was 3.58 million baht compare to 3.16 million baht or 0.42 million bath increase or 13.42% increase compared to last year, due to the company has hired new personnel in management level in marketing and sale and product development to focus on new market customers.

6. Financial cost

For Quarter3 of the year 2021, the financial cost was 0.19 million baht compare to 0.17 million bath last year, which is almost the same as last year. The financial cost of the company mainly come from the interest of hire purchase contract and the interest from the raw materials purchased through Banking (TR) without long term debt from financial institution.

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

For Quarter3 of the year 2021, Share of profit from investment in associated company was 13.32 million baht compare to 13.52 million bath last year, with slightly decreased.

For the past 9 months ended of September 30, 2021

The operating result for the past 9 months for the year 2021 ended of September 30,2021 of the company show a net loss of 21.31 million baht, compare to the same period of previous year which a net loss of 14.54 million baht, the increased loss of 6.76 million baht or 46.51% decreased , 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, 2021 at 300.89 million baht compare with the same period of previous year with amount of 277.28 million baht which is increased by 23.61 million baht or 8.52% increase, which resulted from revenue increase from the sale of plastic sacks follow the economic recovery, combine with the company was able to win the auction from large customer in quarter 3. Apart from that, the company still have higher revenue from the sale of Flexible packaging (new production line) compared with the

same period of previous year. 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 2021 are 1.81 million baht which comparable to 2.91 million bath last year decreased by 1.10 million baht as in the year 2020, the company has other revenue from interest on deposits that the company short-term investment.

2. Cost of sale , Profit margin

For the past 9 months of 2021, the company had cost of sale of 317.84 million bath compare to 276.18 million baht last year with the increasing of 41.66 million bath or 15.08% increased, while the sale revenue increased by 8.52% results show higher cost/unit. Results in negative lost profit margin for the past 9 months of the year 2020 at 5.63%.

Main factors that results the company negative lost are the less sale revenue, Production capacity does not covered fixed cost, plus the wasted controlled also under the standard setting.

3. Selling expenses

For the past 9 months of 2021, the selling expenses was 8.38 million baht or 2.77% from sale revenue compare to 8.31 million baht or 2.97% from sale revenue of last year, the selling expenses is slightly increased which is in line with the increasing revenue but if compared as a proportion of sales, it can be seen that the company has better controlled in selling expenses compared to last year. .

4. Administrative expenses

For the past 9 month of 2021, the administration expenses was 33.46 million baht compare to 34.30 million baht last year, Reduced by 0.84 million baht or 2.43% decreased. This decrease showed that the company still be able to control administrative expenses.

5. Management benefit expenses

For the past 9 months of 2021, the management benefit was 10.48 million baht compare to 9.37 million baht, increase by 1.11 million or 11.85% increased which came from the new hired personnel in management levels in marketing and sale and Product development of packaging to

focus on quality development, reduce waste, improve and create new products to reach business target.

6. Financial cost

For the past 9 months of 2021, the financial cost was 0.55 million baht compare to 0.57 million bath last year, decrease by 0.02 million baht or 2.83% decreased due to the interest of hire purchase contract and the interest rate of the payment through banking of plastic granule purchased (TR), The company has no long term debt from financial institute.

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

For the past 9 months of 2021, Share of profit from investment in associated company was 46.71 million baht compared to 34.00 million baht last year, increased by 12.71 million baht or 37.37 % increased because the associated company had better earning than previous year.

Company Financial status

1. Total asset, the company had total asset as at September 30, 2021 with amount of 806.29 million bath increase from December 31, 2020 by 16.61 million baht or 2.10% increased, the details of the change are as follows:

1.1 Current asset as of September 30, 2021 with amount of 145.52 million bath increased by 0.51 million bath or 0.35% increased due to the company has higher value in account receivables which is corresponding to higher sales value compare to last year.

1.2 Non-current asset as of September 30, 2021 with amount of 660.77 million bath increase by 16.11 million bath or 2.50% increase, the main increasing came from the increasing investment in associated company at 22.48 million baht, with the better earning of associated company.

2. Total liability, the company had total liability as of September 30, 2021 at 125.50 million bath decrease from December 31, 2020 at 37.93 million bath or 43.31% increase, the details of the change are as follows:

2.1 Current liability as of September 30, 2021 with amount of 115.41 million bath increase by 39.19 million bath or 51.42% increase, is an increasing from the short term loan for purchasing

raw material (TR) and account payable followed the company requested to extended the payment periods to be longer (45-90 days). Another reasons of these increased is the cost of raw materials that company has stocked were purchased during rising costs period.

2.2 Non-current liability as of September 30, 2021 with amount of 10.09 million baht decrease by 1.26 million bath or 11.10% decrease, as a result of the payment of hire-purchase payable as usual.

3. Shareholder equity as of September 30, 2021 with amount of 680.79 million bath decrease from December 31, 2020 by 21.31 million bath or 3.04 % decrease, since the company loss from operation in the 9 months periods at the amount of 21.31 million baht.

Future Trends

For the direction of sales in 2021, under the recessions of the economic worldwide still not recovered from the impacted of Covid-19 epidemic, the company will try to maintain sale and operating results to not lower than previous year, and 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. In addition, the company has a direction to add new type of products in Flexible packaging category to be more varieties and cover all needs of customer group, and also upgrade the production level to reach high-end customer groups together with to be able to increase order to reach the maximum capacity of production line in order to reduce cost / unit of production.

Another important factors that the company focus in quarter 4 /2021 is the cost of raw materials that continue rising in line with the oil price, the company has planned to purchase raw materials in advance, together with order receiving plan with customers, confirming the selling price with the customers in accordance with the raw materials purchase plan.

Please be informed accordingly,

Sincerely yours,

Mr. Weerachart Lohsiri

Managing director