



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



(Translation)

NEP-AC 001/2565

24 February 2022

Subject: Management Discussion and Analysis for Year end 2021 at the end of 31 December 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 year ended of 2021 compare with the same period of the previous year as follows

The operating result for the year end of 2021of the show a net loss of 40.07 million baht, compare to the same period of previous year which a net loss of 24.39 million baht, the increased loss of 15.69 million baht, the main reasons are as follow;

1. Revenue from sale , Other income

The company had sale revenue for year end of 2021 at the ended of 31 December 2021 at 363.83 million baht, which increase by 45.62 million baht or 12.54 % increase, which resulted from revenue increased from the sale of Plastic woven sack due to better situation of economic circumstance, combine with the results that the company was able to win back the auction from large customers in 3rd quarter. Apart from that, sale trends of Flexible packaging is increased by opening the market with new released products.

Other income for 2021 at 2.49 million baht compare to 3.43 million baht last year, decreased by 0.94 million baht due to the year 2021, the company has income from interest on deposits that the company short-term investment.

2. Cost of sale , Profit margin

For year end of 2021, the company had cost of sale at 433.33 million baht compare to 365.86 million baht last year with the increasing of 67.47 million baht or 18.44% increased, while sale revenue increase by 12.54% shows that the company has higher cost per unit sale results in gross loss of margin at 5.83% in the year 2021

The main reasons of gross loss in margin due to lower sales of plastic woven sacks, the production capacity is not covered the fixed cost. Another factor is the waste control in production line still not reach the target , another factor which also the has main effected are the cost of raw materials such as plastic granules, films, colors that continually rising since quarter 4 of the year 2020, the cost of raw materials raised by 15-20% and tends to increase steadily according to the oil prices.

3. Selling expenses

For year end of 2021, the selling expenses was 11.34 million baht or 2.77% from sale revenue compare to 11.12 million baht or 3.06% from sale revenue with is in line with the same proportion of sale revenue but if considered as a proportion to the sale revenue, shows the better controlled selling expenses compared to last year.

4. Administrative expenses

For year end of 2021, the administration expenses was 52.33 million baht or 12.78% from sale revenue compared to 44.80 million baht or 12.31% from sale revenue. This increase is the result from a the restructuring of the organization structure with early retirement program and compensate on some employees in order to tighten the organization.

5. Management benefit expenses

For year end of 2021, the management benefit was 14.11 million baht compare to 12.77 million baht, increase by 1.34 million or 10.51 % increased because 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 year end of 2021, the financial cost was 0.73 million baht compare to 0.74 million bath last year, which is almost the same with the previous year due to the interest from hire purchase contract and the interest of the payment through banking of plastic granule purchased (TR) without long-term liabilities from financial institutions.

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

For year end of 2021, Share of profit from investment in associated company was 55.48 million baht compare to 43.64 million bath last year, increase by 11.84 million baht or 27.13 % increased because the associated company had better earning than previous year.

Company Financial status

1. Total asset, the company had total asset as at December 31, 2021 with amount of 784.79 million bath decrease from December 31, 2020 by 4.87 million baht or 0.62% decreased, the details of the change are as follows:

1.1 Current asset as of December 31, 2021 with amount of 136.04 million bath decreased by 8.97 million bath or 6.19% decreased due to the decreasing of the reduction of cash and cash equivalents from the loss of operation.

1.2 Non-current asset as of December 31, 2021 with amount of 648.76 million bath increase by 4.10 million bath or 0.64% increase due to the increasing of investment in associated company at 15.77 million baht from the better performances of associated company and more investment in associated company.

2. Total liability, the company had total liability as of December 31, 2021 at 122.77 million bath increase from December 31, 2020 at 35.20 million bath or 40.20% increase, the details of the change are as follows:

2.1 Current liability as of December 31, 2021 with amount of 114.52 million bath increase by 38.31 million bath or 50.26% increase, is an increasing from short-term loans for purchasing raw materials (TR) plus the increased of Account payable because the company has requested

to extended the payment periods (45-90 days) and also the effected from the company's orders for raw materials to reserve during the rising prices periods follow the higher sales.

2.2 Non-current liability as of December 31, 2021 with amount of 8.25 million baht decrease by 3.10 million bath or 27.35% decrease, as a result of increasing of lease liabilities follow the IFRS 16 on lease agreements announced in the year 2020.

3. Shareholder equity as of December 31, 2021 with amount of 662.02 million bath decrease from December 31, 2020 by 40.07 million bath or 5.71 % decrease, since the company loss from operation at 40.07 million baht.

Future Trends

For the direction of sales in 2022, in the state of economic regression in the country and all over the world that still not recover from the impact of Covid-19 pandemic, it is important that the company will sustain the sale and operating results by 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. Apart from that, The Company projected to increase new products for Flexible packaging line to add varieties for selection which will help company to increase target customers to be wider and also improved production capacity to reach higher target customer groups including the ability to increase the order to fulfill production capacity to reduce the cost per unit.

Another important factors that the company projected to focus is the cost of raw materials that continually rise follow the oil price trend, the company has early purchase planned , and order receiving plan to confirm the selling price with customers to be in accordance with raw material's purchase plan.

Please be informed accordingly,

Sincerely yours,

Mr. Weerachart Lohsiri

Managing director