



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



(Translation)

NEP-AC 001/2564

25 February 2021

Subject: Management Discussion and Analysis for Year end 2020 at the end of 31 December 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 year ended of 2020 compare with the same period of the previous year as follows

The operating result for the year end of 2020 of the company as of 31 December 2020 show a net loss of 24.39 million baht, compare to the same period of previous year which a net loss of 53.40 million baht, the decreased loss of 29.01 million baht, the main reasons are as follow;

1. Revenue from sale , Other income

The company had sale revenue for year end of 2020 at 363.83 million baht, compare with the same period of previous year with amount of 406.64 million baht which decrease by 42.81 million baht or 10.53 % decrease, which resulted from revenue decreased from the sale of Plastic woven sack which decreased by 48.15 million baht from the effects of the recessions of economic circumstance throughout the 2020 year from Covid-19 pandemic in the country results in usage reduction of larger size packaging customers who supply their products to restaurants and hotels, combine with the which affected by Thai baht strengthened also slowdown the exporter of agricultural sectors such as flours and rice as well.

The revenue of flexible packaging line is increased by 5.36 million baht or 3.79% increase compared to the same period of the year 2019 although it has been affected by the economic recession from the pandemic situations of Covid-19 but the sale of Flexible packaging still performed great due to

flexible packaging has wider, bigger consumable customer groups which mainly in consumable and required in daily used compared to plastic woven sacks. In addition, the announcement from Government to lock down various services throughout the country results in more ordered from the smaller packing sizes of rice producers follow consumer behaviors to cook more in their own household, as a results, the company is able to maintain higher sales compared to last year even has not meet the expected goal yet.

Other income for 2020 at 3.43 million baht compare to 2.86 million baht last year, increased by 0.57 million baht or 19.93 % increased with no significantly transaction changes. Major revenue of other income came from the sale of waste generated from production line, general waste and other unused materials.

2. Cost of sale , Profit margin

For year end of 2020, the company had cost of sale at 365.86 million bath compare to 409.50 million baht last year with the decreasing of 37.05 million bath or 9.2% decreased, while sale revenue decrease by 10.53% the rate was lower than the sale decreased or the company has higher cost of sale results in gross loss of margin at 0.56% while in 2020 the company has gross profit margin at 0.92%

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, due to the intermittent production, the lower number to produce of each sale order result in higher waste during production line. In 2020, plastic woven bag has gross loss margin of 3.3% while gross profit margin of 4.7 for Flexible packaging.

3. Selling expenses

For year end of 2020, the selling expenses was 11.12 million baht or 3.06% from sale revenue compare to 13.28 million baht with is in line with the same proportion of sale revenue.

4. Administrative expenses

For year end of 2020, the administration expenses was 44.80 million baht compared to 56.34 million baht or 11.54 million baht reduction or 20.48% decreased. This decrease is the result from a better control of expense thus the compact of the restructuring of the organization structure which can be seen

that the administrative expenses of 2018-2020 are continue reducing (60.75, 56.34, and 44.80 million baht).

5. Management benefit expenses

For year end of 2020, the management benefit was 12.77 million baht compare to 14.38 million baht, decrease by 1.61 million or 11.20 % decreased because the company had adjust the organization to be more compact and more cost saving which can be seen that the management benefit expenses of 2018-2020 are continue reducing (15.90 , 14.38, and 12.77 million baht).

6. Financial cost

For year end of 2020, the financial cost was 0.74 million baht compare to 1.50 million bath last year, decrease by 0.76 million baht or 50.67 % decreased due to in the year 2019 the interest of the payment through banking of plastic granule purchased (TR) but in 2020 the company has discontinued the weaving and tape production from the business model adjustment for cost reduction then the cost of plastic granule purchased through banking (TR) is also canceled .

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

For year end of 2020, Share of profit from investment in associated company was 43.64 million baht compare to 30.69 million bath last year, increase by 12.95 million baht or 42.20 % 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, 2020 with amount of 789.67 million bath decrease from December 31, 2019 by 21.25 million baht or 2.62% decreased, the details of the change are as follows:

- 1.1 Current asset** as of December 31, 2020 with amount of 149.02 million bath decreased by 47.14 million bath or 24.03% decreased due to the main reason of the decreasing is the reduction of temporary investment that was due plus the reduction of Trade and other receivable at 25.76 million baht which is in line with the reduction of sale.

- 1.2 Non-current asset** as of December 31, 2020 with amount of 640.65 million bath increase by 25.90 million bath or 4.21% increase due to the increasing of investment in associated company at 33.95 million baht from the better performances of associated company and more investment in associated company. Right to use assets increased by 9.9 million baht from TFRS 16 on lease agreements announced in the year 2020 and the reduction in annual calculation of depreciation of Property, plants and equipment at 17.15 million baht.
- 2. Total liability**, the company had total liability as of December 31, 2020 at 87.57 million bath increase from December 31, 2019 at 7.89 million bath or 9.90% increase, the details of the change are as follows:
- 2.1 Current liability** as of December 31, 2020 with amount of 76.22 million bath increase by 5.36 million bath or 7.56% increase, is an increasing from the increased of Account payable with the amount of 5.02 million baht . Because the company has requested to extended the payment periods (45-90 days) and the increasing in short-term lease liabilities that was due in 1 year by 2.27 million baht follow the TFRS 16 on lease agreements announced in the year 2020.
- 2.2 Non-current liability** as of December 31, 2020 with amount of 11.35 million baht increase by 2.53 million bath or 28.66% increase, as a result of increasing of lease liabilities follow the TFRS 16 on lease agreements announced in the year 2020.
- 3. Shareholder equity** as of December 31, 2020 with amount of 702.10 million bath decrease from December 31, 2019 by 29.13 million bath or 3.98 % decrease, since the company loss from operation at 24.39 million baht and with the new adoption of the new financial reporting standards in financial instrument about hedge and derivative contract at the amount of 4.62 million baht and the allowance for loss of trade and other current receivables in the amount of 0.12 million baht.

Future Trends

For the direction of sales in 2021, 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 should 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 the sale maintaining, the company still work on reducing the cost of operation and other expenses which can be seen from the reduction of loss in operation even the company has less sales compared to last year.

In 2021, 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. This project will be complete by the end of Quarter 1, 2021.

Please be informed accordingly,

Sincerely yours,

Mr. Weerachart Lohsiri

Deputy Managing director