

February 27, 2020

Re : Management Explanation and Analysis of Operating Results for Fiscal Year 2019

To : The President of the Stock Exchange of Thailand

The company and its subsidiaries ("the Group Company") reported that for the financial statements for fiscal year 2019, the Group Company's loss before tax was Baht 443.54 million and corporate tax expenses was Baht 30.14 million. As a result, the net loss was Baht 473.68 million. The comprehensive loss only the part of the parent company was 351.72 million or 74.25% of the total loss. It was because of the effect from ongoing US-China trade war causing economic depression, and the unstable rubber market, affecting the fluctuation of field latex price. Comparing the average price of field latex of 2018 and 2019, the price was Baht 42.74 per kilogram in 2018 and went up slightly to Baht 43.69 per kilogram in 2019, the increase of 2.22% (Source: Rubber Research Institute of Thailand). The price was still at low level. Moreover, Thai Baht's strength had continually risen since 2018.

The Group Company had sales and service income Baht 6,827.45 million comparing to the same period last year which was Baht 7,513.34 million, the decrease of 9.13% or Baht 685.89 million. The effect from trade war was causing the world demand for rubber lower and the fluctuation of field latex price resulting the company's income lower. Cost of sales and service in 2019 comparing to 2018 was Baht 6,320.99 million and Baht 6,645.12 million, the decrease of 4.88% or Baht 324.13 million due to a drop in sales income. However, the Company still has improving of rubber production which caused greater output and higher quality of rubber products. However, the price of chemical materials increased, causing the higher cost of production.

The company had its subsidiary companies and associated company with financial results as follows:

1. Latex and pre-vulcanized latex group had loss before tax Baht 172 million due to the low-level of rubber price causing sale income of skim rubber lower, the effect from ongoing US-China trade war since 2018 and the appreciation of the Thai Baht, which was at Baht 32 to the US Dollar in the beginning of 2019 and reached Baht 30 to the US Dollar in the end of the year, the decrease of 6.25%. Moreover, the world rubber market has been more competitive. Because the Group Company invested in the new plants and tanks for producing and containing more products since the late 2016, it could contain more materials in order to produce more products for demand in the future.
2. Finished product group had loss before tax Baht 258 million due to the effect from trade war causing decrease in rubber product demand, which has the effect to customers in China directly. However, the group's consumers were mainly from China and Europe and would continue to expand more because of the group's products have good qualities to meet demand.
3. Rubber plantation group had Baht 14 million in loss before tax, the decrease in loss of Baht 27 million comparing to the same period of the last year. The group had the better result because it had improved its management. Although there were many factors affecting business such as the high volatility of field latex price and the latex price was at the low level, the group had fixed cost which was why the company had the net loss.

Please be informed accordingly,

Yours faithfully,

Mr.Vorathep Wongsasuthikul

Chairman