

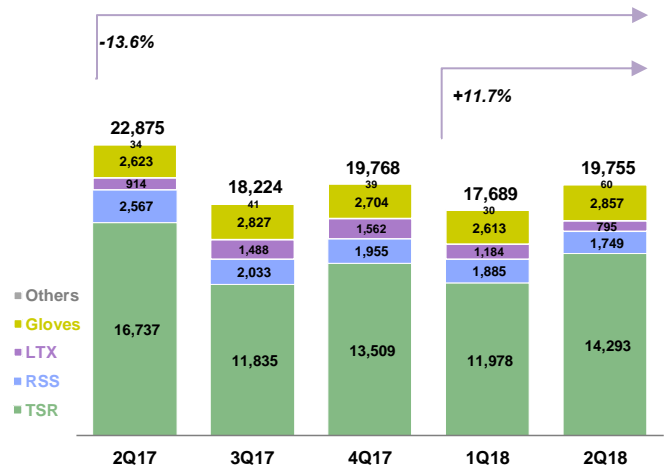
*STA : The World's Leading Fully Integrated Natural Rubber Company*

**Financial Result Overview**

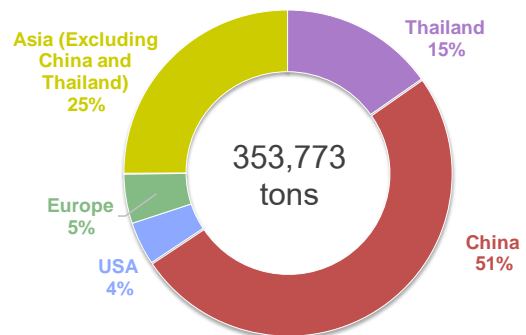
In 2Q18, the natural rubber (NR) industry had to contend with geopolitical uncertainties, the sudden weakening of currencies of the ASEAN countries following the interest rate increase by the Federal Reserve (FED), and the expiry of the Agreed Export Tonnage Scheme (AETS) at the end of March 2018. Moreover, the resumption of tapping at the end of May 2018 also following the wintering season the perpetuated excess NR supply that lingered from 1Q18 and continued to exert downward pressure on NR prices, which remained steady from 1Q18. Prices of TSR20 on SICOM moved in the range between 135-145 cent/kg. and the average price for 2Q18 was 140.0 cent/kg., down 4.4% from 1Q18. Owing to the imposition of the export quota during 1Q18, our export volume in 2Q18 grew by 20.8% YoY and 16.3% QoQ, respectively.

With relatively stable NR prices and thanks to our selective selling strategy, improved raw material management in our NR business and the continued profitability of our gloves business, our total revenue for 2Q18 was Baht 19,754.8 million and net profit came in at Baht 591.9 million, with a gross profit margin of 11.4% and a net profit margin 3.0%.

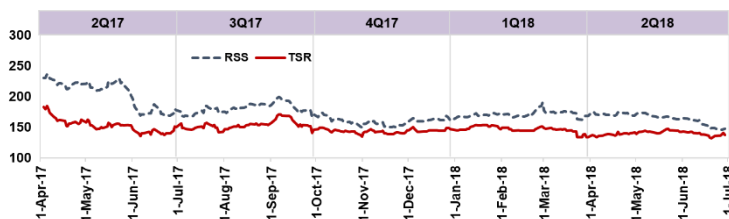
**Revenues by Product (THB million)**



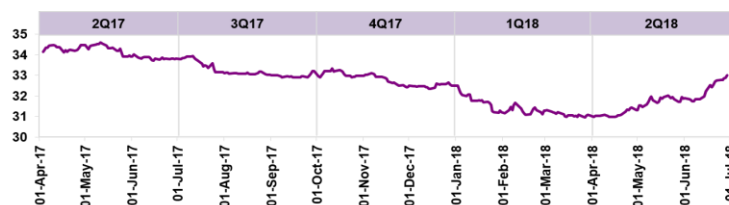
**Sales Volume by Country (2Q18)**



**TSR20 and RSS3 Price Movement (US cent : Kg.)**



**Exchange rate of Thai Baht against US dollar**



**Key Financial Ratios**

	2Q18	2Q17	1Q18	FY 2017
Gross profit margin	11.4%	-3.5%	8.5%	4.2%
Adjusted gross profit margin**	13.4%	5.4%	12.4%	4.8%
EBITDA margin	8.0%	-7.1%	10.2%	1.8%
Net profit margin	3.0%	-9.1%	4.7%	-1.6%
Current ratio (times)	1.18	0.91	1.14	1.10
Net D/E ratio (times)	1.07	2.11	1.33	1.47
Fixed asset turnover (times)*	2.85	5.25	2.71	4.12
Inventory Turnover (days)*	77.16	71.06	93.09	80.01
Collection Period (days)*	29.18	25.56	30.57	28.27
Payment Period (days)*	6.99	4.98	7.13	6.33

Note:

\* Annualised

\*\* Adjusting for (reversal) allowance of inventory cost and realised items from hedging activities



## Statements of Comprehensive Income

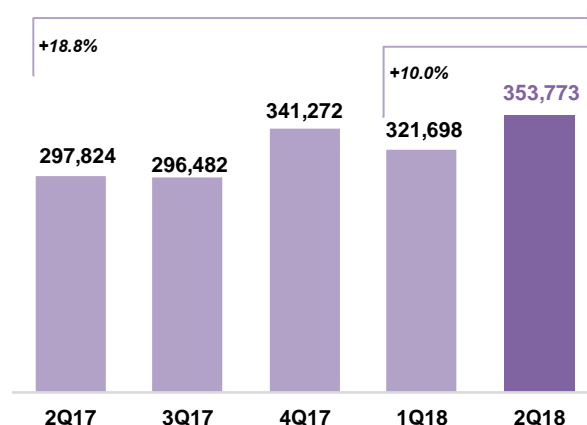
(Unit : THB million)	2Q18	2Q17	%YoY	1Q17	%QOQ
Revenue from sales of goods and services	19,754.8	22,875.3	-13.6%	17,689.1	11.7%
Cost of sales and services	(17,494.2)	(23,686.0)	-26.1%	(16,178.6)	8.1%
Gross profit (loss)	2,260.6	(810.7)	N/A	1,510.4	49.7%
SG&A	(1,338.1)	(1,319.6)	1.4%	(1,227.3)	9.0%
Other income	43.0	28.0	53.5%	95.9	-55.1%
Gains (loss) on exchange rate, net	(312.6)	42.8	N/A	303.4	N/A
Other gains, net	289.2	33.9	754.0%	501.4	-42.3%
Operating profit (loss)	943.4	(2,025.6)	N/A	1,183.8	-20.3%
Share of profit (loss) from investments in JV	57.0	(57.3)	N/A	80.1	-28.9%
EBITDA	1,581.0	(1,626.7)	N/A	1,811.2	-12.7%
EBIT	1,000.4	(2,082.9)	N/A	1,264.0	-20.9%
Finance costs (net)	(355.6)	(310.3)	14.6%	(283.6)	25.4%
Income tax (expense)	(37.9)	307.0	N/A	(118.0)	-67.9%
Net Profit (loss) for the periods	607.0	(2,086.2)	N/A	862.4	-29.6%
Attributed to Owners of the parent	591.9	(2,080.1)	N/A	831.8	-28.8%
Attributed to non-controlling interests	15.0	(6.1)	N/A	30.5	-50.8%

Total revenue from products and services in 2Q18 was Baht 19,754.8 million, decreasing 13.6% YoY but growing 11.7% QoQ. Revenue from NR products fell 16.7% YoY to Baht 16,837.2 million as a result of a decline in average selling price, which dropped 29.9% YoY, in line with NR prices on the global markets. But revenue from NR products rose 11.9% QoQ on the back of a 10.0% increase in sales volume, while average selling price slightly went up 1.8%. Revenue from gloves was Baht 2,857.1 million, growing 8.9% YoY and 9.3% QoQ. Compared with YoY, the revenue growth was mainly driven by an 11.6% increase in sales volume despite a 2.4% decrease in average selling price. The QoQ growth in revenue mainly resulted from a 7.2% increase in average selling price in line with the global market prices of concentrated latex and nitrile rubber, the primary raw materials in glove production, while sales volume slightly rose by 2.0%. Revenue from other products and services came in Baht 60.4 million.

Sales volume for NR products was 353,773 tons, up 18.8% YoY and 10.0% QoQ. Following the expiry of the AETS at the end of March 2018, our export volume rose 20.8% YoY and 16.3% QoQ on the back of increased demand from China and Europe. China remained our largest market, representing 50.4% of our total sales volume, while other Asian markets accounted for 25.1% of total sales volume, followed by the European and US markets a 4.9% and 4.3% of total

sales volume, respectively. Sales volume for the domestic market, counted as 15.3% of total sales volume, went up 8.9% YoY driven by demand for TSR and concentrated latex. However, the sales volume QoQ dropped by 15.7% in all NR products as a result of our selective selling strategy and the delay purchases of domestic customers during a period low NR prices as an inventory management strategy of the customers.

### Sales Volume (Tons)



## Revenues by Product (THB million)

	2Q18	2Q17	% YoY	1Q18	% QoQ
TSR	14,293.2	16,737.0	-14.6%	11,977.7	19.3%
%	72.3%	73.2%		67.7%	
Gloves	2,857.1	2,623.3	8.9%	2,612.9	9.3%
%	14.5%	11.5%		14.8%	
RSS	1,749.5	2,567.0	-31.8%	1,884.9	-7.2%
%	8.9%	11.2%		10.7%	
LTX	794.5	914.0	-13.1%	1,183.9	-32.9%
%	4.0%	4.0%		6.7%	
Other*	60.4	34.0	77.8%	29.6	104.2%
%	0.3%	0.1%		0.2%	
<b>Total</b>	<b>19,754.8</b>	<b>22,875.3</b>	<b>-13.6%</b>	<b>17,689.1</b>	<b>11.7%</b>

Note\*: Comprised revenue from (i) the sale of rubber wood and wood packing product and (ii) the provision of certain services (such as logistics, research and development and information technology services) to our associates and a joint venture entity as well as other third parties.

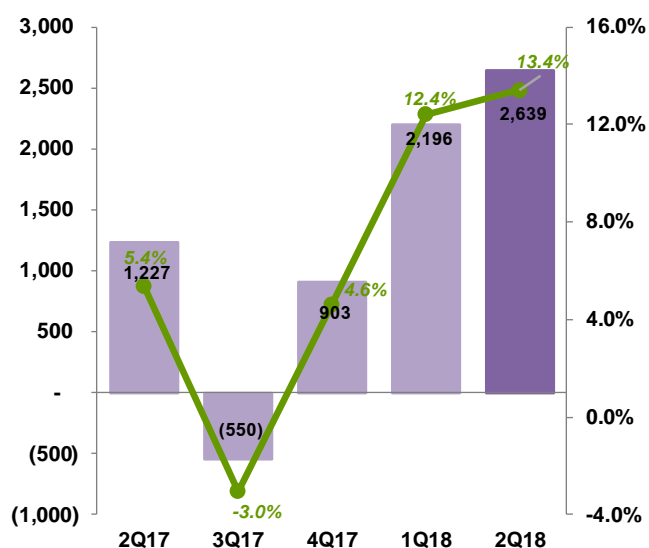
**Gross profit** for 2Q18 was Baht 2,260.6 million, increasing Baht 750.2 million or 49.7% from 1Q18 and a considerable improvement over a loss of Baht 810.7 million in 2Q17. Gross profit margin continued its steady growth to 11.4%. Taking account of the reversal of inventory allowance in the amount of Baht 216.2 million and realised gains from hedging transactions of Baht 594.4 million, our adjusted gross profit margin for 2Q18 would have climbed from 12.4% in 1Q18 and 5.4% in 2Q17 to 13.4% thanks to stable NR prices and our selective selling strategy.

**Operating profit** for 2Q18 was Baht 943.4 million, an improvement over an operating loss of Baht 2,025.6 million in 2Q17, but declining Baht 240.4 million from 1Q18. The QoQ decrease in operating profit resulted from a drop of Baht 212.2 million in gains from hedging transactions. The Company also recorded Baht 312.6 million in currency exchange loss in 2Q18, which resulted from the sudden movements of Thai Baht against US Dollar (USD) and was still unrealised, while realised gains from currency exchange were Baht 171.3 million. Administrative and selling expenses remained unchanged from 2Q17 but were up 9.0% from 1Q18. The QoQ increase in administrative and selling expenses resulted from higher selling expenses, including cess, shipping and logistic costs that rose in tandem with higher sales volume, while administrative expenses decreased as a result of corporat restructuring. The Company also recorded Baht 43.0 million in other incomes, including a non-recurring item of Baht 11.4 million insurance claims.

Share of profits from investments in associates and joint ventures in 2Q18 was Baht 57.0 million, compared with a loss of Baht 57.3 million in 2Q17. But the share of profits dropped 28.9% from 1Q18 as a result of increasing in expenses. However, our NR and high-pressure hydraulic hoses joint ventures continued their steady growth.

**Net profit** 2Q18 was Baht 591.9 million, compared with a loss of Baht 2,080.1 million in 2Q17. The net profit was driven by our selective selling strategy and improved raw material management in our NR business. Our gloves business also hit its stride after contending with teething problems in 2Q17 following the demerger. However, net profit fell 28.8% QoQ as a result of a drop in operating profit due to unrealised losses on foreign exchange. Financial costs went up 14.6% YoY and 25.4% QoQ as a result of Baht 131.3 million in currency exchange loss associated with USD-denominated loans of our subsidiaries in Indonesia due to the rapid devaluation of Indonesia Rupiah (IDR) against USD. However, interest xpenses were down 29.1% YoY and 3.9% QoQ to Baht 227.5 million as a result of a decrease in short-term loans because of reduced production capacity and lower NR price.

## Adjusted GP and GPM\* (Unit : THB million)



Note:

\* Adjusting for (reversal) allowance of inventory cost and realised items from hedging activities



## Business Segmentation Analysis



### Technically Specified Rubber (TSR)

Revenue from TSR, which accounted for 72.3% of total revenue, fell 14.6% YoY but rose 19.3% QoQ.

The YoY drop in revenue primarily resulted from a 29.2% decrease in average selling price, in line with NR prices on the global markets, while sales volume grew 20.5% on the strength domestic sales and export volume. The 19.3% QoQ growth in revenue was driven by an 18.9% increase in sales volume while average selling price remained unchanged from 1Q18.

With relatively stable NR prices, gross profit margin for TSR continued its steady growth from 2Q17 and 1Q18.



### Gloves

Revenue from gloves, which accounted for 14.5% of total revenue, rose 8.9% YoY and 9.3% QoQ.

The YoY growth in revenue was driven by an 11.6% increase in sales volume on the strength of higher demand despite a 2.4% decrease in average selling price. The QoQ growth in revenue mainly resulted from a 7.2% increase in average selling price because prices of synthetic rubber, the primary raw material in the production of nitrile gloves, rose in tandem with oil prices on the global markets, despite a decrease in prices of concentrated latex, the primary raw material in the production of latex gloves, while sales volume slightly rose by 2.0%.

Gross profit margin for gloves grew significantly compared with 2Q17 and continued its steady growth from 1Q18.

*Note: Because synthetic rubber is derived from crude oil, its prices tend to move in the same direction as oil prices.*



### Ribbed Smoked Sheet (RSS)

Revenue from RSS, which accounted for 8.9% of total revenue, fell 31.8% YoY and 7.2% QoQ.

The YoY decrease in revenue was caused by a 34.1% decline in average selling price, in line with NR prices on the global markets, while sales volume slightly rose 3.4% on the back of increased export volume, despite a drop in domestic sales volume. The QoQ decrease in revenue mainly resulted from a 9.3% decline in both export and domestic sales volume despite a 2.4% increase in average selling price. The drop in sales volume can be attributed to our strategy to prioritise profitability over sales volume as a result of higher raw material costs.

Gross profit margin for RSS was slightly down from 2Q17 but remained stable compared with 1Q18.



### Concentrated Latex (LTX)

Revenue from LTX, which accounted for 4.0% of total revenue, dropped 13.1% YoY and 32.9% QoQ.

The YoY fall in revenue resulted from a 28.1% decline in average selling price, which went down in tandem with NR prices on the global markets, while sales volume increased 21.0%. The QoQ drop in revenue resulted from a 35.3% decline in sales volume, which could be partly attributed to the scarcity of LTX supply following the wintering season, while average selling price increased 3.7%.

Gross profit margin for LTX rose slightly compared with 2Q17 and 1Q18.



## Industry Outlook

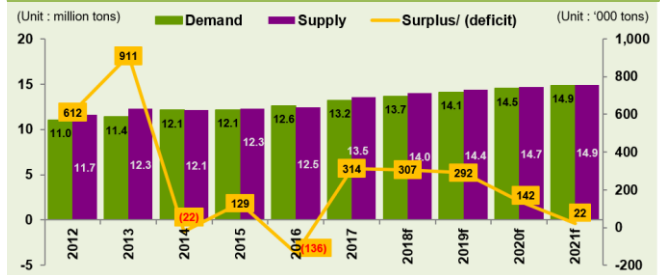
In 2Q18, following the expiry of the Agreed Export Tonnage Scheme (AETS) at the end of March 2018, NR prices moved down slightly compared with 1Q18. The average price of TSR 20 on SICOM in 2Q18 was 140.0 cent/kg, down 4.4% from 1Q18. NR prices continued to be under pressure from the lingering oversupply, a result of the proliferation of rubber tree planting from 2010 to 2012, a period when NR prices were at high levels (The average price of TSR20 on SICOM period was during this 368.0 cent/kg.) and the area of rubber plantations in the Asia-Pacific region grew 19.3%. Rubber trees planted during this period have started to provide yields since 2017. The latest report from IRSG\* has revised up the forecast for both NR supply and NR demand. NR supply is expected to be 14.0 million tons in 2018, up from the previously forecast 13.5 million tons and increasing 3.3% from 2017. NR demand is expected to be 13.7 million tons, up from the previously forecast 13.3 million tons growing 3.5% from 2017. The main factors driving NR demand are the growth of tire industry driven by strong demand from both original equipment manufacturer (OEM) and replacement equipment manufacturer (REM); moreover, the approximately 5.2% growth in demand from non-tire consumers, on the back of increased consumption of concentrated latex from the glove industry, also contributed to the overall growth in NR demand.

NR prices in 3Q18 continue to be supported by the sustained economic growth continued to be in the US, China and Europe. NR prices tend to move in the same direction as prices of oil and other commodities, although NR prices do not increase at the same rate. Since the resumption of tapping at the end of May 2018, NR supply has remained at normal levels. However, the increase in NR and compound rubber (CR) inventory in Qingdao, China, at the end of July by 6,500 tons from 77,000 tons at the end of 2Q18 could exert downward pressure on NR prices. What remains to be seen is whether the government policy to cut down NR supply and area if rubber plantations by providing subsidy to farmers who cut down rubber trees would have an effect on NR supply in the long term. The escalating trade war between China and the US is also cause for concern as China, the world's largest NR consumer that accounts for 39.7% of global NR consumption, is delaying NR consumption.

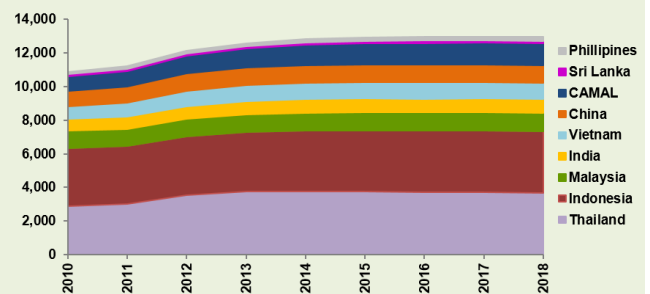
Note :

\*source The World Rubber Industry Outlook, Review and Prospects to 2027 by International Rubber Study Group (IRSG)

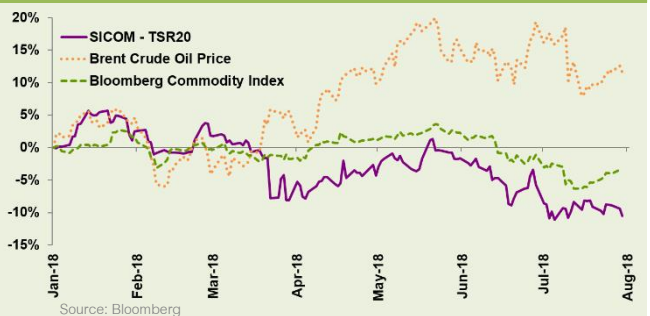
### Demand and Supply of NR



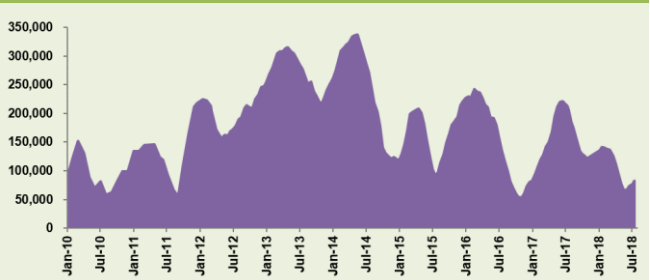
### NR Plantation Area in Asia-Pacific



### Commodity Price Movement



### NR and CR Stocks at Qingdao, China (tons)



## Progress of Our Business Growth Plan throughout the Supply Chain



### Upstream Business – approximately 50,000 rai of rubber plantations

As of 30 June 2018, we owned approximately 50,000 rai of rubber plantations in 19 provinces of Thailand, with the majority in the north and northeast. Rubber trees have been planted in 89% of the plantations and some portions have been providing yields since 2015. We estimate that, in 2018, rubber trees that are ready to be tapped will account for 3% of total rubber trees, a development that would benefit our core business in the midstream.

### Midstream Business – moving toward “STA 20”

As of 30 June 2018, we had a production capacity of 2.82 million tons per annum, increasing 200,000 tons from 1Q18. The additional capacity came from the two production facilities in Chiang Rai and Sakonnakorn that were built last year and from the expansion of production capacity in relation to LTX at the existing facilities in order to support the expansion of our glove business.

In the long term, we remain committed to achieving “STA 20”, i.e. gaining a market share of 20% of “global NR consumption” (In 2017, our market share was 10% of global NR consumption.). To that end, we have focused on customer relations and broadening our customer base while continuing to expand our production capacity. We aim have a production capacity of 2.86 million tons per annum by the end of 2018.

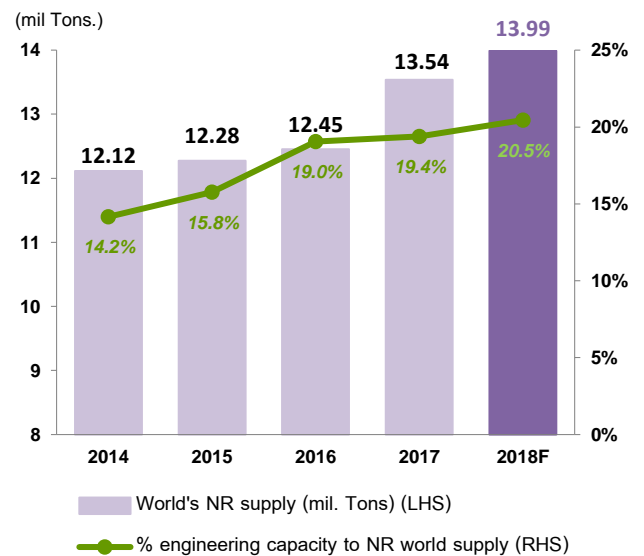
### Downstream Business – aiming to be among the world’s top three examination and industrial glove producers

We intend to capitalize on our competitive advantage over competitors to produce latex gloves, which is access to quality concentrated latex, the primary raw material in glove production. We will continue to produce nitrile gloves to satisfy a variety of customer demand from around the world. In 2017, we had a market share of 8% of global glove consumption.

As of 30 June 2018, our production capacity was 15.7 billion pieces of gloves per annum. We aim to increase our production capacity to 17 billion pieces of gloves per annum within 2018 to keep up with global demand for gloves, which is growing 8-10%\* per annum. Our eventual aim is to rank among the world’s top three examination and industrial glove producers.

Note: \*source MARGMA Industry Brief 2018 on the Rubber Glove Industry

### Proportion of Sri Trang Group Capacity to NR Global Supply



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