

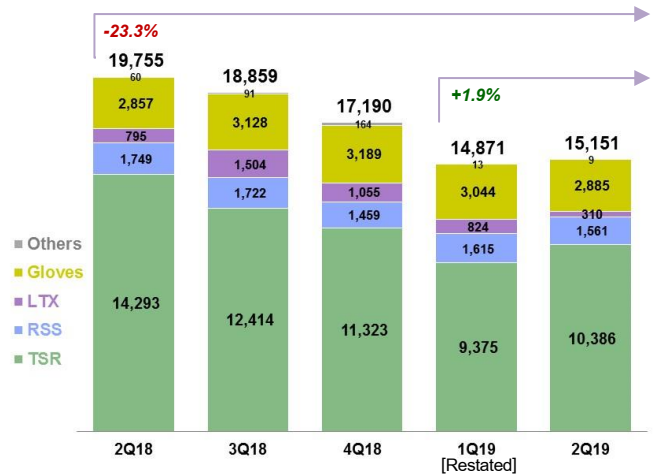
*STA : The World's Leading Fully Integrated Natural Rubber Company*

**Financial Result Overview**

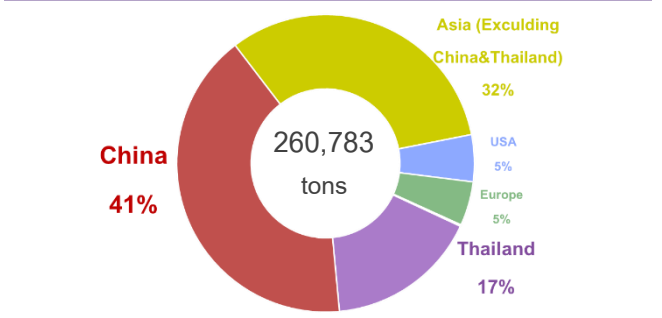
In 2Q19, natural rubber (NR) prices continued to move higher from 1Q19 alongside prices of other commodities, with prices of RSS3 and TSR20 on SICOM reaching nearly two-year highs at 203.5 cent/kg and 157.0 cent/kg, respectively. The average price of TSR20 in 2Q19 was 151.3 cent/kg, up 8.6% from 1Q19, despite a cooling demand amid the trade war between the US and China and the weak global economy. As a result, our sales volume for NR products in 2Q19 fell 26.3% YoY and 8.6% QoQ to 260,783 tons, which when coupled with the considerable appreciation of Thai Baht, caused our total revenue to drop 23.3% YoY. But compared with 1Q19, our revenue went up 1.9% to Baht 15,151.1 million.

Nevertheless, thanks to the relative stability of NR prices, effective raw material costs management and our decision to implement the selective selling strategy for some products, coupled with the improved profitability of our glove operations, we were able to record a gross profit margin of 9.6% and a net profit of Baht 270.0 million in 2Q19.

**Revenues by Product (THB million)**



**NR Sales Volume by Country (2Q19)**



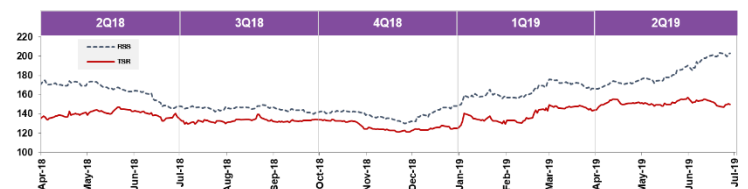
**Key Financial Ratios**

	2Q19	2Q18	1Q19 (Restated)	FY18 (Restated)
<b>Gross profit margin</b>	9.6%	11.4%	7.1%	9.7%
<b>Adjusted gross profit margin**</b>	8.6%	13.3%	4.2%	11.2%
<b>EBITDA margin</b>	8.2%	7.3%	1.2%	7.7%
<b>Net profit margin</b>	1.8%	3.0%	-4.2%	2.8%
<b>Current ratio (times)</b>	1.06	1.18	1.09	1.15
<b>Net D/E ratio (times)</b>	1.08	1.07	1.12	1.05
<b>Fixed asset turnover (times)*</b>	2.08	2.85	2.80	2.80
<b>Inventory Turnover (days)*</b>	75.86	77.16	78.00	79.98
<b>Collection Period (days)*</b>	29.12	28.18	29.00	28.10
<b>Payment Period (days)*</b>	8.40	7.13	8.00	7.58

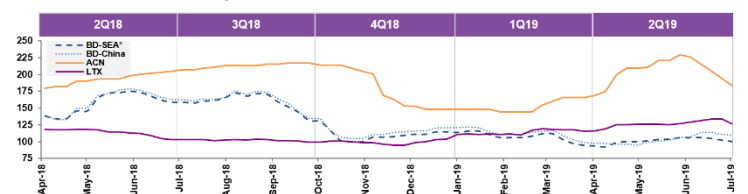
Note: \*Annualised

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

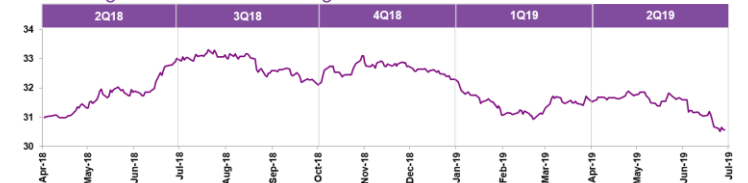
**TSR20 and RSS3 Price Movement (US cent : Kg.)**



**Butadiene (BD), Acrylonitrile (ACN) and Concentrated Latex (LTX) (US cent : Kg.)**



**Exchange Rate of Thai Baht against US Dollar**



## Statements of Comprehensive Income

(Unit : THB million)	2Q19	2Q18	%YoY	1Q19 (Restated)	%QoQ
<b>Revenue from sales of goods and services</b>	<b>15,151.1</b>	<b>19,754.8</b>	<b>-23.3%</b>	<b>14,870.7</b>	<b>1.9%</b>
Cost of sales and services	(13,698.0)	(17,494.2)	-21.7%	13,817.9	-199.1%
<b>Gross profit (loss)</b>	<b>1,453.1</b>	<b>2,260.6</b>	<b>-35.7%</b>	<b>1,052.9</b>	<b>38.0%</b>
SG&A	(1,120.1)	(1,338.1)	-16.3%	(1,164.9)	-3.8%
Other income	106.9	43.0	148.6%	29.2	266.1%
Gains (loss) on exchange rate, net	175.5	(443.8)	N/A	97.8	N/A
Other gains, net	(64.9)	289.2	N/A	(448.7)	N/A
<b>Operating profit (loss)</b>	<b>551.8</b>	<b>812.1</b>	<b>-32.1%</b>	<b>(433.8)</b>	<b>N/A</b>
Share of profit (loss) from investments in JV	36.4	57.0	-36.1%	37.0	-1.5%
<b>EBITDA</b>	<b>1,239.3</b>	<b>1,449.7</b>	<b>-14.5%</b>	<b>179.8</b>	<b>589.3%</b>
<b>EBIT</b>	<b>588.2</b>	<b>869.2</b>	<b>-32.3%</b>	<b>(396.6)</b>	<b>-248.3%</b>
Finance costs, net	(235.3)	(224.4)	4.9%	(227.7)	3.3%
Income tax (expense)	(54.0)	(37.9)	42.6%	10.5	-614.0%
<b>Net Profit (loss) for the periods</b>	<b>298.9</b>	<b>607.0</b>	<b>-50.7%</b>	<b>(613.8)</b>	<b>N/A</b>
Attributed to Owners of the parent	270.0	591.9	-54.4%	(627.7)	N/A
Attributed to non-controlling interests	28.9	15.0	92.3%	13.9	107.9%

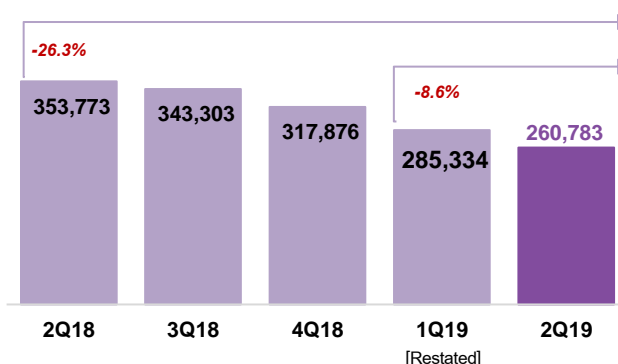
Total revenue from products and services in 2Q19 was Baht 15,151.1 million, down 23.3% YoY but up 1.9% QoQ. Revenue from NR products fell 27.2% YoY to Baht 12,256.8 million as a result of average selling prices that went down for all NR products. But revenue from NR products went up 3.7% QoQ because of average selling prices that were higher in tandem with NR prices on the global markets even though sales volume was down QoQ. Revenue from gloves was Baht 2,885.3 million, up 1.0% YoY but down 5.2% QoQ. The muted YoY growth in revenue resulted from the average selling price that went down 12.8% because of a drop in prices of concentrated latex and synthetic rubber, the primary raw materials together with the stronger of Thai Baht against US Dollar, even though sales volume was up 15.8% YoY following our capacity expansion and volume from new markets. The QoQ drop in revenue resulted from higher prices of concentrated latex and rising trend of Thai Baht which moves in opposite directions with currencies of other producing countries, which led to a 6.4% drop in sales volume QoQ, even though the average selling price for gloves in 2Q19 went up 1.3% QoQ. Revenue from other products and services came in at Baht 9.1 million.

Sales volume for NR for NR products fell 26.3% YoY and 8.6% QoQ to 260,783 tons. The YoY drop in sales volume resulted from lower sales volume for all NR products amid a slowdown in the auto industry and the tire industry, particularly in China and Europe. The QoQ decline in sales volume partly resulted from the seasonality of rubber trees, which affected concentrated

latex in particular, as supply of field latex was limited and prices were high during the wintering season (which lasts from late February until May). At the same time, speculative activities in the futures markets also caused prices of unsmoked rubber sheets in the physical market to shoot up. In response, we decided to implement our selective selling strategy and delay accepting purchase orders for RSS. But the profitability for TSR continued to sustain.

Geographically, China still accounted for 40.8% of our total sales volume, unchanged from 1Q19. Other markets in Asia accounted for 31.4% of total sales volume. The Americas and Europe accounted for 4.8% and 4.5% of total sales volume, respectively. The domestic market accounted for 18.4% of total sales volume and was the bright spot amid the challenging industry landscape.

### NR Sales Volume (tons)



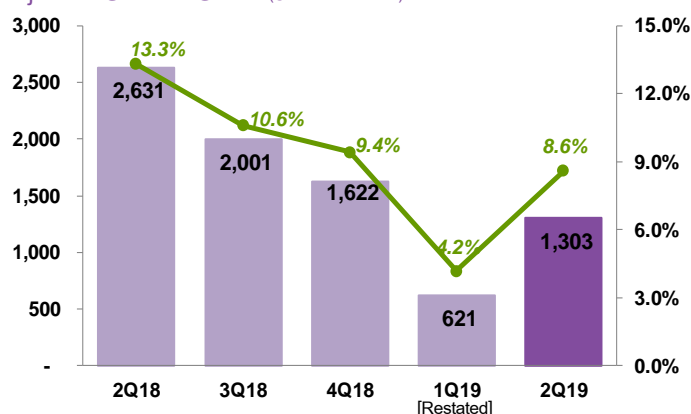
## Revenue by Product (THB million)

	2Q19	2Q18	% YoY	1Q19 (Restated)	% QoQ
<b>TSR</b>	<b>10,385.8</b>	<b>14,293.2</b>	<b>-27.3%</b>	<b>9,374.6</b>	<b>10.8%</b>
%	68.5%	72.3%		63.0%	
<b>Gloves</b>	<b>2,885.3</b>	<b>2,857.1</b>	<b>1.0%</b>	<b>3,043.9</b>	<b>-5.2%</b>
%	19.0%	14.5%		20.5%	
<b>RSS</b>	<b>1,561.5</b>	<b>1,749.5</b>	<b>-10.7%</b>	<b>824.4</b>	<b>89.4%</b>
%	10.3%	8.9%		5.5%	
<b>LTX</b>	<b>309.5</b>	<b>794.5</b>	<b>-61.0%</b>	<b>824.4</b>	<b>-62.5%</b>
%	2.0%	4.0%		5.5%	
<b>Other*</b>	<b>9.1</b>	<b>60.4</b>	<b>-85.0%</b>	<b>12.9</b>	<b>-29.7%</b>
%	0.1%	0.3%		0.1%	
<b>Total</b>	<b>15,151.1</b>	<b>19,754.8</b>	<b>-23.3%</b>	<b>14,870.7</b>	<b>1.9%</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 in 2Q19 was Baht 1,453.1 million, up Baht 400.2 million or 38.0% QoQ. The QoQ improvement in gross profit can be attributed to our business strategy during 2Q19 such as the delay in purchasing raw materials that had unfavorable prices and the adjustment of selling prices for gloves to reflect raw material costs in order to maintain profitability. As a result, gross profit margin in 2Q19 was 9.6%, up from 7.1% in 1Q19. However, gross profit dropped 35.7% compared with 2Q18, as during that time the external factors, such as the trade war between the US and China and the exchange rate of Thai Baht against US Dollar, were more favorable. Taking account of the reversal of inventory allowance in the amount of Baht 93.7 million and realized losses from hedging transactions of Baht 166.0 million, our adjusted gross profit margin in 2Q19 would have been 8.6%, down from 13.3% in 2Q18 but higher than 4.2% in 1Q19.

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



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

Operating profit in 2Q19 was Baht 551.8 million, an improvement over an operating loss of Baht 433.8 million in 1Q19. Our improved operating profit can be attributed to more effective raw material costs management, the improved profitability of our glove operations as well as currency exchange

gains and gains from hedging transactions in the amount of Baht 110.6 million. Administrative and selling expenses in 2Q19 went down Baht 44.8 million or 3.8% QoQ as a result of selling expenses that dropped in tandem with sales volume. But administrative expenses were higher QoQ because of a non-recurring item of Baht 44.4 million in connection with employee benefits in compliance with new labor legislation and expenses associated with the amalgamation of STGT and Thaikong Public Company Limited ("TK"), which was completed on April 1, 2019, in the amount of Baht 12.7 million. In comparison with 2Q18, even though our gross profit in 2Q19 dropped by Baht 807.5 million, our operating profit went down by only Baht 260.8 million because we had gains from currency exchange and hedging transactions. Excluding non-recurring items, administrative and selling expenses in 2Q19 accounted for 7.1% of total revenue for products and services, remained at the same level from 2Q18. Other incomes in 2Q19 came in at Baht 98.2 million, including a non-recurring item of insurance proceeds from the fire accident at the TK facility in February 2018 as well as other insurance proceeds in the amount of Baht 59.0 million. At the end of 2Q19, we also had Baht 276.7 million in surplus\* from inventory at lower of cost or net realizable value. Note: \*Inventory balance of the Company at net realizable value (NRV), for only RSS, LTX and TSR, is at lower of cost or net realizable value. Under the Thai Financial Reporting Standards, such surplus from inventories is not allowed to be recognized in the profit and loss until the inventories are actually sold. The amount of such difference changes over time depending on the actual price at the time of sale.

Share of profits from investments in associates and joint ventures in 2Q19 was Baht 36.4 million, down 36.1% YoY and 2.1% QoQ. The YoY drop resulted from higher costs in our NR operations compared with 2Q18. The slight QoQ decrease stemmed from lower profits in our NR operations while our high-pressure hydraulic hose operation fared better in 2Q19.

Net profit in 2Q19 was Baht 270.0 million, an improvement over a net loss of Baht 627.7 million in 1Q19. The improved result for 2Q19 can be attributed to the adjustment of our business strategy in response to circumstances in the market for NR, a key raw material for both our NR and glove businesses. For our glove operations, we adjusted our selling prices to reflect our raw material costs, which led to more effective cost management and a level of profitability that was close to our target. Our earnings before interest and taxes (EBIT) in 2Q19 was Baht 588.2 million. Net financing costs for 2Q19 went up 3.3% QoQ to Baht 235.3 million, as a result of interest rate that increased in tandem with the benchmark rates. Nevertheless, our interest rate still remained lower than the average rate. Compared with 2Q18, our net profit declined 54.4% as a result of gross profit that dropped amid our lower utilization rate and a slowdown the NR industry.



## Business Segmentation Analysis



### Technically Specified Rubber (TSR)

Revenue from TSR accounted for 68.5% of total revenue and fell 27.3% YoY but rose 10.8% QoQ.

The YoY drop in revenue resulted from sales volume that went down 25.6% because of lower domestic and export sales volume while the average selling price was slightly down by 2.4%.

The QoQ growth in revenue resulted from the average selling price that went up 10.1% alongside NR prices on the global markets. Sales volume was also up slightly by 0.6% despite the overall slowdown in the NR industry.

Gross profit margin was down slightly compared with 2Q18 but improved from 1Q19.

### Gloves

Revenue from gloves accounted for 19.0% of total revenue and was up 1.0% YoY but dropped 5.2% QoQ.

The YoY increase in revenue resulted from sales volume that increased 15.8% on the back of our capacity expansion and a growth in demand, even though the average selling price went down 12.8% because prices of concentrated latex and synthetic rubber, the primary raw materials, went down in tandem with oil prices on the global markets\* together with the stronger of Thai Baht against US Dollar.

The QoQ drop in revenue mainly resulted from sales volume that was down 6.4%, higher prices of concentrated latex and rising trend of Thai Baht which moves in opposite directions with currencies of other producing countries while the average selling price was up 1.3% QoQ.

Gross profit margin was down from 2Q18 but improved from 1Q19.

*\*Synthetic rubber is derived from crude oil.*

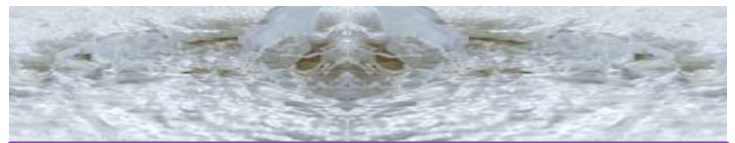


### Ribbed Smoked Sheet (RSS)

Revenue from RSS accounted for 10.3% of total revenue and dropped 10.7% YoY and 3.3% QoQ.

The YoY and QoQ fall in revenue resulted from sales volume that went down 10.3% and 14.1%, respectively, in line with our expectation as we implemented our selective selling strategy to maintain profitability at the expense of sales volume. Because prices of raw materials for RSS in the physical market in 2Q19 shot up alongside RSS prices in the futures markets, which were affected by speculative activities, we decided to delay accepting purchase orders for RSS. At the same time, the average selling price was down 0.5% QoQ, which illustrated our limited ability to pass through the costs to customers and validated our implementing the selective selling strategy.

Gross profit margin went up compared with 2Q18 and remained stable from 1Q19.



### Concentrated Latex (LTX)

Revenue from LTX accounted for 2.0% of total revenue and fell 61.0% YoY and 62.5% QoQ.

The YoY and QoQ drop in revenue resulted from sales volume that went down 58.6% and 69.6%, respectively, as we also had to implement our selective selling strategy for LTX because prices of field latex went up as a result of limited supply during the wintering season (from late February until May). At the same time, the average selling price was down 5.8% YoY but went up 23.6% QoQ. Because of the limited supply of field latex, gross profit margin for LTX was down compared with 1Q19 and 2Q18.



## Industry Outlook

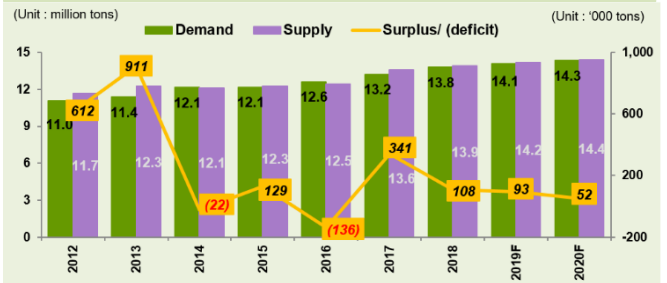
In 2Q19 NR prices continued to move up steadily from 1Q19 alongside prices of other commodities like crude oil, copper and iron. Speculative activities in the futures markets, particularly as they relate to RSS, also helped to push up NR prices. Prices of RSS3 on SICOM went up 35.2% during the first 6 months of 2019 and reached a high of 203.5 cent/kg in July. At the same time, prices of TSR20 on SICOM also went up 16.5% and the average price of TSR20 in 2Q19 was 151.3 cent/kg, up 8.6% from 1Q19. The decision by the International Tripartite Rubber Council (ITRC) to once again implement the Agreed Export Tonnage Scheme (AETS) and the fungal disease that affected rubber trees on the Sumatra island of Indonesia, the second largest NR-producing country, also caused NR prices to move higher in 2Q19. Indonesia's agricultural ministry estimated that over 2.4 million rai of rubber plantations have been affected by the disease, which could reduce the global NR supply by 500,000 tons or 3.5% of the global NR supply in 2019 as estimated by the International Rubber Study Group (IRSG).

In the latest report, the IRSG\* revised down its estimate of global NR supply in 2019 by 80,000 tons, to 14.18 million tons, increasing 2.2% from 2018. Meanwhile, the IRSG forecasted that global NR demand in 2019 will be down by 140,000 tons, to 14.09 million tons, increasing 2.3% from 2018. The expected slight growth in NR demand is attributed to demand by non-tire consumers, which is expected to grow by 4.9% on the back of increased consumption of concentrated latex alongside the expansion of the glove industry. At the same time, consumption by tire consumers is expected to grow by only 1.3% amid the slowdown in the auto industry. The IRSG still predicted an oversupply of 93,000 tons in 2019, up from the previous estimate of 31,000 tons.

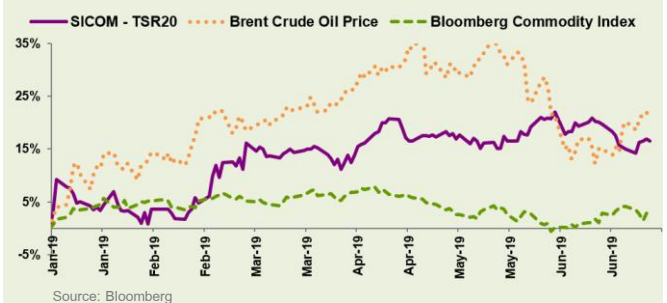
NR prices are expected to move downward in 3Q19 due to the trade war between the US and China, which has had the effect of substantially cutting down consumption by China, the world's largest NR-consuming country. The weak global economy and the NR inventory of the Shanghai Futures Exchange (SHFE) that increased by 20,000 tons to 438,000 at the end of July 2019 are also expected to exert downward pressure NR prices. (Note: There has not been any report on Qingdao's natural rubber and compound rubber inventory since November 2018.) What remains to be seen are the policy of Thailand's new government, the ongoing trade war between the US and China as well as the weather conditions.

\*Source: The World Rubber Industry Outlook, Review and Prospects to 2028 by International Rubber Study Group (IRSG), July 2019

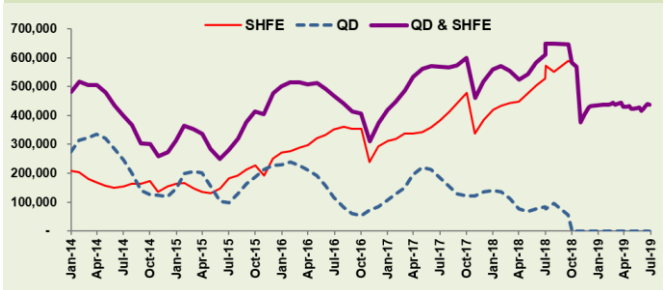
## Global Demand and Supply of NR



## Commodity Price Movement



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





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

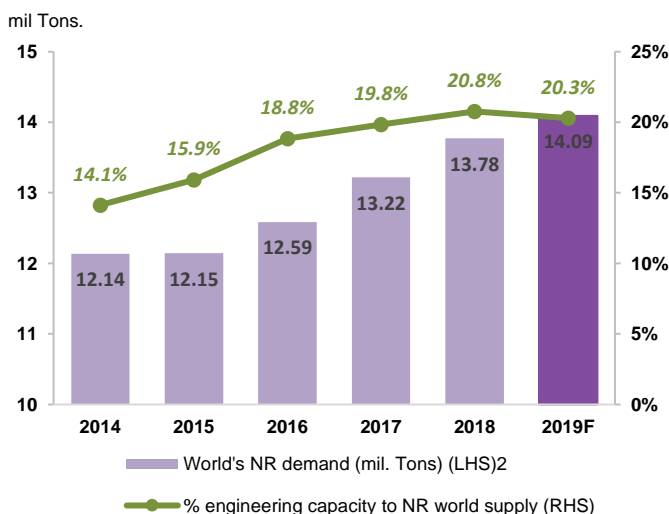
### Upstream Business – approximately 7,200 hectares of rubber plantations

As of 30 June 2019, we had approximately 7,200 hectares of rubber plantations in 19 provinces of Thailand, with the majority located in the north and northeast. We have planted rubber trees in 89% of the total area and some lots have been providing yields since 2015, facilitating the raw material sourcing for our midstream operations. We estimate that in 2019, the rubber trees that can be tapped would account for 11% of total rubber trees, up from 3% in 2018, a development that would benefit our core business in the midstream.

### Midstream Business – maintaining profitability and moving toward “STA 20”

As of 30 June 2019, we had 36 production facilities, of which 32 are located in Thailand, three in Indonesia, and one is in Myanmar. Together they provide a total of 2.86 million tons per annum in production capacity. For this year, we plan to utilize more automation in our facilities to improve efficiency, reduce energy consumption and become more environmentally friendly. In the long run, we are focused on maintaining relationships with our existing customers as well as cultivating new ones like tire manufacturers from overseas who have set up production base in Thailand and consumers of concentrated latex worldwide. We intend to eventually achieve “STA 20,” that is, to capture *a market share of 20% of “global NR consumption.”* (In 2018, our market share was 10% of global NR consumption.)

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



### Downstream Business – aiming to rank among the world’s top three glove producers

We intend to capitalize on our competitive advantage over competitors in latex glove production, which is our ready access to quality concentrated latex at favorable prices. We will also continue to produce nitrile gloves to satisfy customer demand from all over the world for both medical and lifestyle uses. In 2018, our market share was 6% of global glove consumption.

On 1 April 2019, we completed the amalgamation of Sri Trang Gloves (Thailand) Ltd. (“STGT”) and Thaikong Public Company Limited (“TK”), which was a glove producer based in Trang with 4 billion pieces of gloves per annum in production capacity. As a result of the amalgamation, our production capacity has been increased to 21.2 billion pieces of gloves per annum. We intend to continue expanding our production capacity to keep pace with the global demand for gloves, which is growing 8-10% annually\*. We aim to eventually rank among the world’s top three glove producers in the foreseeable future.

On July 8, 2019 the Board of Directors of STA resolved to approve the issuance and initial public offering (IPO) of shares of STGT. The number of newly-issued shares to be offered will not exceed 31.00% of the paid-up capital of STGT after the IPO, which is expected to take place in 3Q20. STA is expected to receive the following benefits from the IPO: 1. Lessening STA’s burden in providing financial support to STGT; 2. Lowering STA’s overall financial costs in the long run; 3. The business structure of STA will be clearly delineated; and 4. The value of STGT’s shares will be reflected in STA’s share prices.

Source: \*MARGMA Industry Brief 2018 on the Rubber Glove Industry



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