

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

#### Financial Result Overview

In 3Q19, NR prices moved sharply down due to the outflow of funds in the futures markets. The average price of TSR20 in 3Q19 was 134.7 cent/kg, down 11.0% from 151.3 cent/kg in 2Q19. The lower NR prices led some customers to resume purchasing after a delay during the first 6 months of the year. As a result, our sales volume for NR products went up by 4.4% QoQ to 272,223 tons. However, the figure still represents a drop of 20.2% YoY because of the weakening global economy. Sales volume for both latex and nitrile gloves continued to experience robust growth following our capacity expansion and marketing efforts. Our total revenue came in at Baht 15,383.7 million, up 1.5% QoQ but down 18.0% YoY.

The volatility of NR prices during this quarter posed a challenge. Yet we were able to minimize the impact of lower NR prices thanks to effective raw material management. And because around 74% of our revenue came from exports, we were also affected by the continued appreciation of Thai Baht against US Dollar. But we successfully implemented a risk management strategy and managed to record a net profit of Baht 135.1 million.

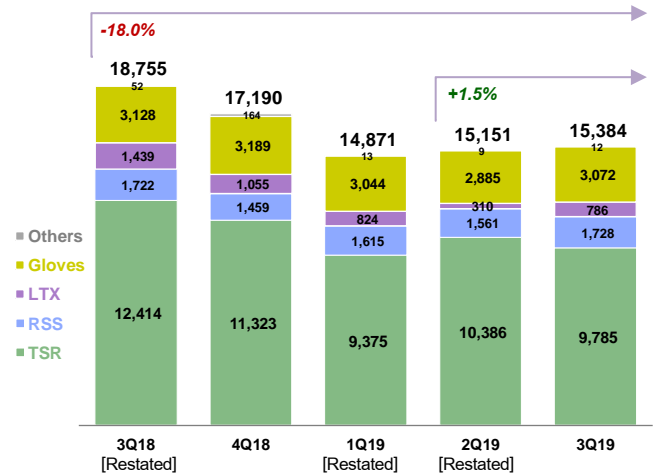
#### Key Financial Ratios

	3Q19	3Q18 (Restated)	2Q19 (Restated)	FY18
Gross profit margin	6.3%	10.6%	9.6%	9.7%
Adjusted gross profit margin	9.1%	10.8%	8.6%	11.2%
EBITDA margin	6.5%	8.0%	8.2%	7.7%
Net profit margin	0.9%	2.7%	1.8%	2.8%
Current ratio (times)	1.04	1.17	1.06	1.15
Net D/E ratio (times)	1.07	1.06	1.08	1.05
Fixed asset turnover (times)*	2.08	2.85	2.08	2.80
Inventory Turnover (days)*	72.18	76.86	75.86	79.98
Collection Period (days)*	30.95	28.38	29.12	28.10
Payment Period (days)*	7.93	8.04	8.40	7.58

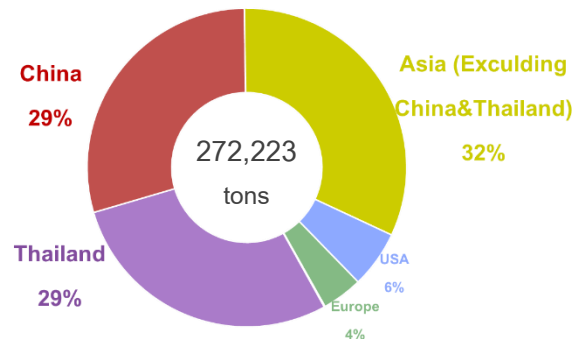
Note: \*Annualised

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

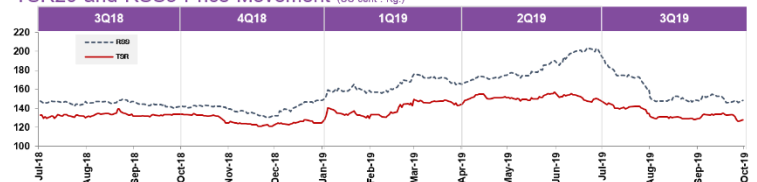
#### Revenues by Product (THB million)



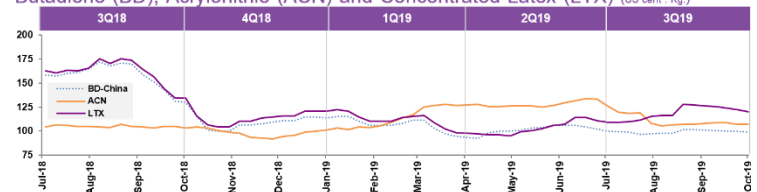
#### NR Sales Volume by Country (3Q19)



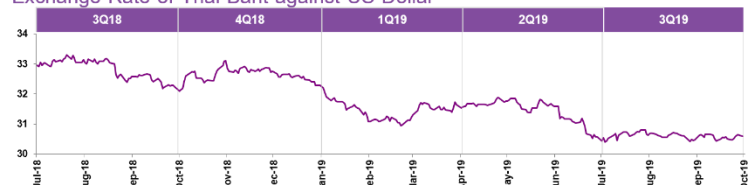
#### TSR20 and RSS3 Price Movement (US cent : Kg.)



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



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



## Statements of Comprehensive Income

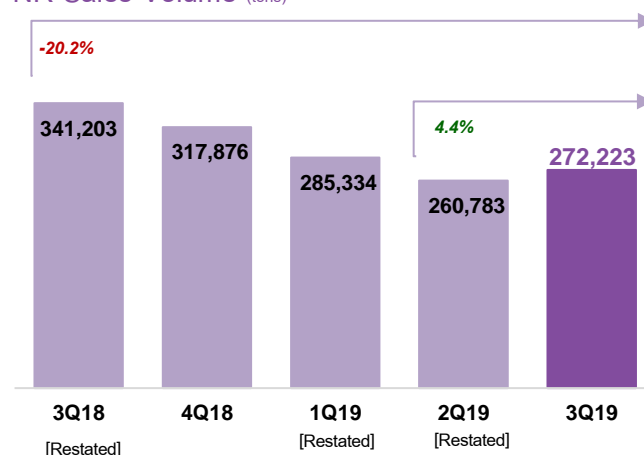
(Unit : THB million)	3Q19	3Q18 (Restated)	%YoY	2Q19 (Restated)	%QoQ
<b>Revenue from sales of goods and services</b>	<b>15,383.7</b>	<b>18,755.0</b>	<b>-18.0%</b>	<b>15,151.1</b>	<b>1.5%</b>
Cost of sales and services	(14,414.0)	(16,761.8)	-14.0%	(13,698.0)	5.2%
<b>Gross profit (loss)</b>	<b>969.7</b>	<b>1,993.1</b>	<b>-51.3%</b>	<b>1,453.1</b>	<b>-33.3%</b>
SG&A	(1,081.0)	(1,338.8)	-19.3%	(1,120.1)	-3.5%
Other income	48.0	36.2	32.4%	106.9	-55.1%
Gains (loss) on exchange rate, net	106.9	(103.4)	N/A	177.8	-39.9%
Other gains, net	308.5	256.6	20.2%	(67.2)	N/A
<b>Operating profit (loss)</b>	<b>352.3</b>	<b>844.1</b>	<b>-58.3%</b>	<b>551.8</b>	<b>-36.2%</b>
Share of profit (loss) from investments in JV	22.0	60.0	-63.4%	36.4	-39.6%
<b>EBITDA</b>	<b>997.7</b>	<b>1,492.6</b>	<b>-33.2%</b>	<b>1,239.3</b>	<b>-19.5%</b>
<b>EBIT</b>	<b>374.3</b>	<b>904.1</b>	<b>-58.6%</b>	<b>588.2</b>	<b>-36.4%</b>
Finance costs, net	(204.1)	(223.3)	-8.6%	(235.3)	-13.3%
Income tax (expense)	(16.9)	(140.6)	-88.0%	(54.0)	-68.8%
<b>Net Profit (loss) for the periods</b>	<b>153.3</b>	<b>540.2</b>	<b>-71.6%</b>	<b>298.9</b>	<b>-48.7%</b>
Attributed to Owners of the parent	135.1	501.6	-73.1%	270.0	-50.0%
Attributed to non-controlling interests	18.2	24.0	-24.4%	28.9	-37.1%

Total revenue from products and services in 3Q19 was Baht 15,383.7 million, down 18.0% YoY but up 1.5% QoQ. Revenue from NR products fell 21.0% YoY to Baht 12,299.2 million as a result of decreased sales volume for all NR products. But revenue from NR products was up slightly by 0.3% QoQ because of higher sales volume for RSS and LTX while the average selling price dropped slightly. However, our average selling price was still higher than NR prices on the global markets in 3Q19. Revenue from gloves was Baht 3,072.1 million, down 1.8% YoY but up 6.5% QoQ. Sales volume continued to climb, growing by 13.7% YoY and 10.6% QoQ, following our capacity expansion and marketing efforts. But the average selling price was 13.6% lower YoY and 3.7% lower QoQ because of a drop in prices of concentrated latex and synthetic rubber, the primary raw materials in glove production. The lower average selling price also resulted from the continued appreciation of Thai Baht against US Dollar. Revenue from other products and services came in at Baht 12.4 million.

Sales volume for NR products was 272,223 tons, down 20.2% YoY but up 4.4% QoQ. The slight increase in sales volume QoQ was driven by higher domestic and export sales volume for RSS and LTX. Geographically, markets in Asia excluding Thailand and China became our biggest market for NR products, accounting for 32.2% of our total sales volume, with major demand coming from India, Japan, Taiwan and South Korea, driven by increased consumption from tire manufacturers. China now accounted for 29.3% of total

sales volume, down from around 40-45% in the past. The domestic market accounted for 28.5% of total sales volume and saw increased consumption for all NR products because some Chinese tire manufacturers moved production to Thailand and some domestic tire manufacturers benefited from the ongoing trade war between China and USA. The Americas and Europe accounted for 5.8% and 4.1% of total sales volume respectively.

NR Sales Volume (tons)



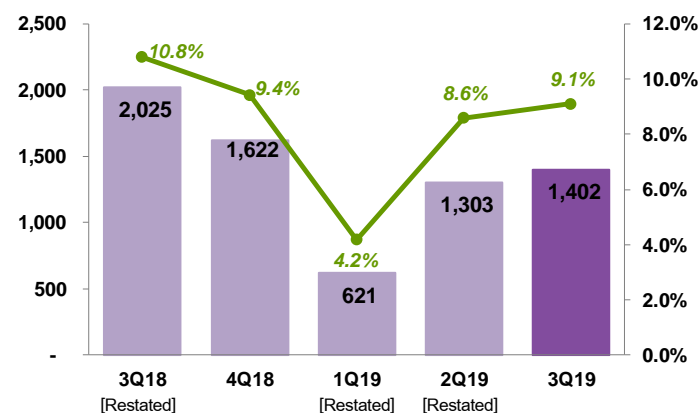
## Revenue by Product (THB million)

	3Q19	3Q18 (Restated)	% YoY	2Q19 (Restated)	% QoQ
<b>TSR</b>	<b>9,785.2</b>	<b>12,413.9</b>	<b>-21.2%</b>	<b>10,385.8</b>	<b>-5.8%</b>
%	63.6%	66.2%		68.5%	
<b>Gloves</b>	<b>3,072.1</b>	<b>3,127.7</b>	<b>-1.8%</b>	<b>2,885.3</b>	<b>6.5%</b>
%	20.0%	16.7%		19.0%	
<b>RSS</b>	<b>1,728.3</b>	<b>1,722.4</b>	<b>0.3%</b>	<b>1,561.5</b>	<b>10.7%</b>
%	11.2%	9.2%		10.3%	
<b>LTX</b>	<b>785.8</b>	<b>1,439.1</b>	<b>-45.4%</b>	<b>309.5</b>	<b>153.9%</b>
%	5.1%	7.7%		2.0%	
<b>Other*</b>	<b>12.4</b>	<b>51.9</b>	<b>-76.2%</b>	<b>9.1</b>	<b>36.8%</b>
%	0.1%	0.3%		0.1%	
<b>Total</b>	<b>15,383.7</b>	<b>18,755.0</b>	<b>-18.0%</b>	<b>15,151.1</b>	<b>1.5%</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 3Q19 was Baht 969.7 million, down 51.3% YoY and 33.3% QoQ. The drop of gross profit in our glove operations can be attributed to the appreciation of Thai Baht against US dollar, while the drop of gross profit for our NR operations resulted from the allowance of inventory to net realizable value (NRV) in accordance with the accounting principles. Under the principles, inventory is stated at the lower of cost or net realizable value. Our NR inventory is valued against NR prices on SICOM or the contract prices, and the write-down is then added to the costs of goods sold. Because the price of TSR20 on SICOM dropped from 143.7 cent/kg at the start of 3Q19 to 127.9 cent/kg at the end of 3Q19, the net realizable value of our inventory was affected. This caused our gross profit margin to drop from 10.6% in 3Q18 and 9.6% in 2Q19 to 6.3% in 3Q19. Taking account of the reversal of inventory allowance in the amount of Baht 88.0 million and realized gains from hedging transactions of Baht 344.0 million, our adjusted gross profit margin in 3Q19 would have been 9.1%, down from 10.8% in 3Q18 but still higher than 8.6% in 2Q19.

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



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

Operating profit in 3Q19 was Baht 352.3 million, down 58.3% YoY and 36.2% QoQ, as a result of lower gross profit. However, we recorded currency

exchange gains of Baht 106.9 million, which helped to partially offset the effect of the stronger Thai Baht. We also recorded gains from hedging transactions in the amount of Baht 308.5 million, which helped to offset the effect of the allowance of inventory to net realizable value. Administrative and selling expenses in 3Q19 went down Baht 257.8 million or 19.3% YoY and Baht 39.1 million or 3.5% QoQ as a result of selling expenses that dropped in tandem with sales volume. Freight expenses also went down alongside oil prices on the global markets. Other income in 3Q19 came in at Baht 48.0 million, including a non-recurring item of insurance proceeds of Baht 17.8 million. Gains from the net realizable value of our inventory at the end of 3Q19 was Baht 86.4 million, down from Baht 276.7 million in 2Q19.

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 3Q19 was Baht 22.0 million, down 63.4% YoY and 39.6% QoQ because of decreased profits from our NR and high-pressure hydraulic hose operations as a result of the weakening global economy and the appreciation of Thai Baht against US Dollar.

Net profit in 3Q19 was Baht 135.1 million, down from 3Q18 and 2Q19, as a result of the appreciation of Thai Baht, which affected the profitability of our glove operations, and the allowance of inventory to net realizable value. Because of the substantial drop in NR prices (from 143.7 cent/kg at the start of 3Q19 to 127.9 cent/kg at the end of 3Q19), our inventory was stated at the net realizable value and the write-down was then added to the costs of goods sold in accordance with the accounting principles. This portion of the costs of goods sold would vary along with the NR prices. The effect from the allowance of inventory to net realizable value was therefore short-term and we remain committed to the selective selling strategy and the utilization of spot contracts rather than long-term contract. As for our glove operations, the appreciation of Thai Baht against US dollar posed a challenge but raw materials costs have come down and demand still keeps growing. Financing costs for 3Q19 was down 8.6% YoY and 13.3% QoQ to Baht 204.1 million, as a result of decreased short-term borrowing for the purchase of raw materials following lower NR prices on the global markets and also because of lower interest rate on loans from domestic and international financial institutions.



## Business Segmentation Analysis



### Technically Specified Rubber (TSR)

Revenue from TSR accounted for 63.6% of total revenue and fell 21.2% YoY and 5.8% QoQ.

The YoY and QoQ decline in revenue stemmed from sales volume that dropped 17.9% and 2.6% respectively because we had to employ the selective selling strategy, which prioritizes profitability rather than sales volume, particularly in China, where there was intense price competition. The average selling price was down 4.0% YoY and 3.3% QoQ, while the average price of TSR20 on SICOM went down 11.0% QoQ.

Gross profit margin was down compared with 3Q18 and 2Q19 as a result of the allowance to reduce inventory to net realizable value in accordance with the accounting principles.

### Gloves

Revenue from gloves accounted for 20.0% of total revenue and was slightly down 1.8% YoY but up 6.5% QoQ.

Sales volume grew 13.7% YoY and 10.6% QoQ on the back of our capacity expansion and increased exports. However, the average selling price was 13.6% lower YoY and 3.7% lower QoQ because prices of concentrated latex, the primary raw material for latex glove production, and of synthetic rubber, the primary raw material raw material for nitrile glove production, went down in tandem with oil prices on the global markets\*. The lower average selling price was also attributable to the appreciation of Thai Baht against US Dollar.

Gross profit margin for gloves was down from 3Q18 and 2Q19 because of the lower average selling price that resulted from the stronger Thai Baht.

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



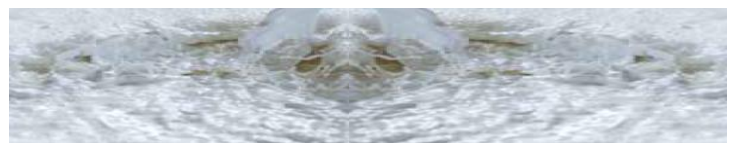
### Ribbed Smoked Sheet (RSS)

Revenue from RSS accounted for 11.2% of total revenue and rose 0.3% YoY and 10.7% QoQ.

The slight increase in revenue YoY resulted from the average selling price that went up 6.3%, even though sales volume was down 5.6%.

The substantial increase in revenue QoQ was driven by increased exports to countries in Asia, including Japan and Taiwan, as well as by increased demand from some customers in China. The average selling price went up slightly by 0.1% QoQ, while the average price of RSS3 on SICOM was down 3.2%.

Gross profit margin improved compared with 3Q18 and remained stable from 2Q19.



### Concentrated Latex (LTX)

Revenue from LTX accounted for 5.1% of total revenue and dropped 45.4% YoY but rose 153.9% QoQ.

The YoY decline in revenue resulted from sales volume that fell 49.5% because of decreased sales volume to customers outside of Sri Trang Group, despite increased consumption within our Group.

The considerable growth in revenue QoQ was driven by sales volume that started to normalize following the impact from the wintering season and intense competition for raw material in 2Q19, growing by 152.3% QoQ. The average selling price remained stable, slightly up by 0.6% QoQ.

Gross profit margin for LTX dropped from 3Q18 but improved from 2Q19.



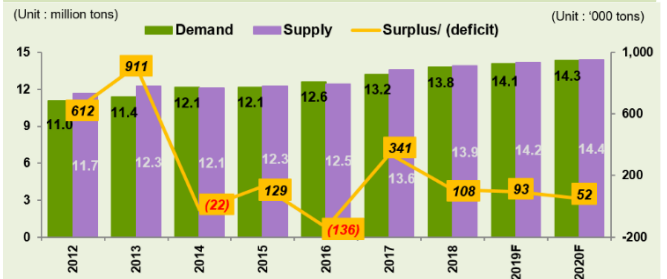
## Industry Outlook

3Q19 saw a substantial decline in NR prices, starting with SICOM prices in late June 2019. At that time, prices of nearby contracts for TSR20 were the highest, while prices of distant contracts were lower, signaling that NR prices were inclined to go down in the future. Because of the outflow of funds, the average price of TRS20 on SICOM dropped from 140 cent/kg in July to 130-135 cent/kg since August till now. The average price of TSR20 in 3Q19 was 134.7 cent/kg, down 11.0% from 2Q19.

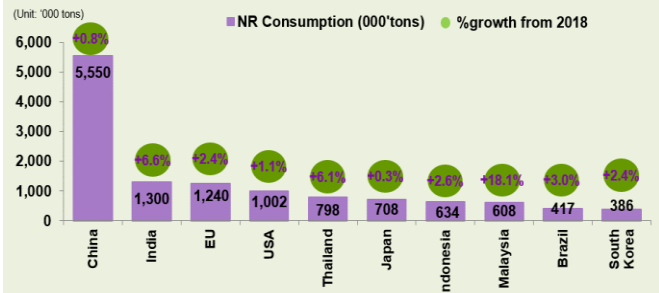
IRSG forecasts a continuing NR oversupply of 93,000 tons in 2019, with supply coming from rubber trees planted during the period from 2010 to 2012. Another factor aside from the prevailing oversupply and the ongoing trade war that has had an impact on NR prices during the past 9 months is the speculative activities in both the futures and physical markets, which led a number of companies in the NR industry to delay or cease operations. On 27 September 2019, Bloomberg reported that Chongqing General Trading Chemical, a major NR trading company in China, announced the termination of all outstanding contracts with counterparties. This industry development has weighed on NR prices as well. On a different note, the ongoing trade war between China and USA has led many Chinese tire manufacturers to move their production base to Thailand and IRSG forecasts that NR consumption in Thailand is expected to grow by 6.1% this year, outpacing the global growth.

NR supply is expected to increase in 4Q19 as the period coincides with Thailand's peak production season, which occurs from November to February of every year. This could potentially bring down NR prices on the global markets. What remains to be seen is the effects of the Thai government's various measures, such as the price guarantee offered to rubber farmers, which lasts from October 2019 to March 2020, and whereby the government will compensate rubber farmers the differential between the guaranteed prices and prices on the market. The guaranteed prices are 60 Bath/kg for good quality unsmoked sheets, 57 Baht/kg for fresh latex and 23 Baht/kg for cup lump. Other measures aimed at promoting NR consumption include the interest rate subsidy of no more than 3% offered to businesses that consume NR and the encouragement for rubber plantations to be certified by the Forest Stewardship Council in order to increase the value NR products from Thailand and broaden export base. The NR inventory of the Shanghai Futures Exchange (SHFE) was 455,000 tons at the end of September 2019, up by 38,000 tons or 8.4% from 2Q19.

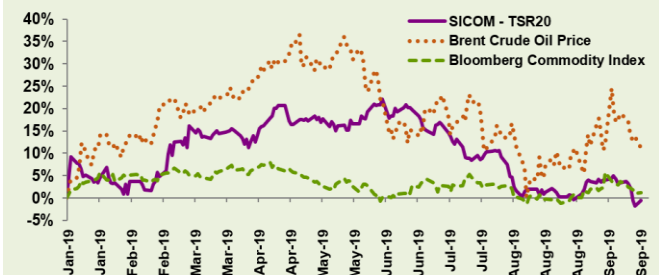
## Global Demand and Supply of NR



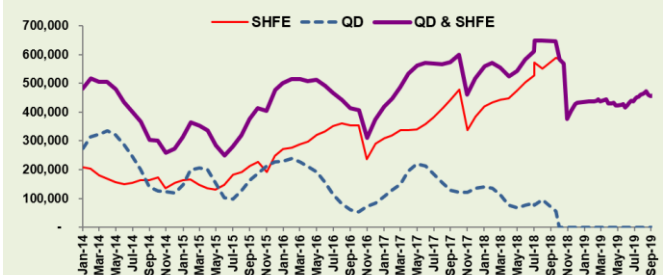
## NR Production from Top 10 Producing Counties



## Commodity Price Movement



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



*Source: The World Rubber Industry Outlook, Review and Prospects to 2028 by International*

*Rubber Study Group (IRSG), July 2019*



Sri Trang Agro-Industry Public Company Limited  
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WORLD'S LARGEST  
GREEN RUBBER COMPANY



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

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

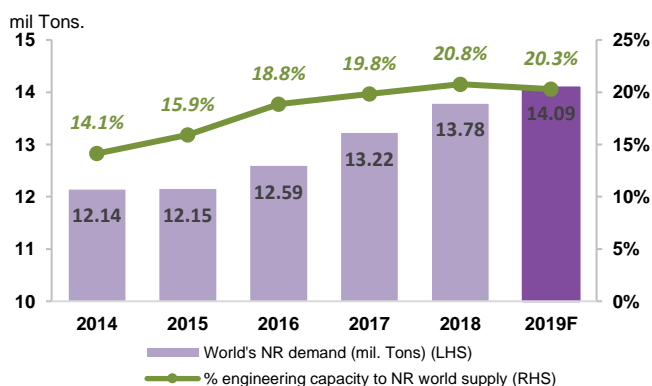
As of 30 September 2019, we had approximately 7,200 hectares of rubber plantations in 19 provinces of Thailand, with the majority located in the north and northeast. We have planted rubber trees in 89% of the total area and some lots have been providing yields since 2015, facilitating the raw material 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.

Moreover, on July 2019, STA group received the certification from FSCTM (Forest Stewardship Council™) on FSC-FM (Forest Management Certification) and FSC-COC (Chain-of-Custody Certification) which makes us become *the World's First FSC-Certified Fully Integrated Natural Rubber Company*.

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

As of 30 September 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 30 September 2019, our production capacity has been increased to 22 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 2019 on the Rubber Glove Industry



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