

Financial Result Overview

The natural rubber (NR) industry felt the full impact of COVID-19 in 2Q20, with both demand and prices dropping. In its latest report, the IRSG* revised down its forecast of global NR demand in 2020 to 12.12 million tons, 13.4% lower than the previous estimate of 14.04 million tons. NR prices were also impacted by the global economic slowdown and the drop in demand. Throughout 2Q20, prices of TSR20 on SICOM moved between 105-115 cent/kg and the average price in 2Q20 was 110.8 cent/kg, down 26.8% YoY and 17.0% QoQ.

Because of the industry downturn, sales volume for our **midstream operations-NR processing** was 239,387 tons, down 8.2% YoY and 21.4% QoQ. But we were able to maintain profitability amid the slowdown and low NR prices. **In our downstream operations-glove production**, the worldwide spread of COVID-19 led to a substantial increase in demand for personal protective equipment (PPE) including gloves from the medical and various other sectors, as well as demand from new consumers. Our sales volume for gloves in 2Q20 was 7,414 million pieces, growing 63.1% YoY and 18.1% QoQ. The average selling price (ASP) and gross profit margin also went up. **Revenue in 2Q20 came in at baht 15,256.1 million and we recorded a net profit of baht 1,093.7 million, increasing 305.0% YoY and 28.0% QoQ. We were able to achieve a record gross profit margin and net profit margin of 16.2% and 7.2%, respectively.**

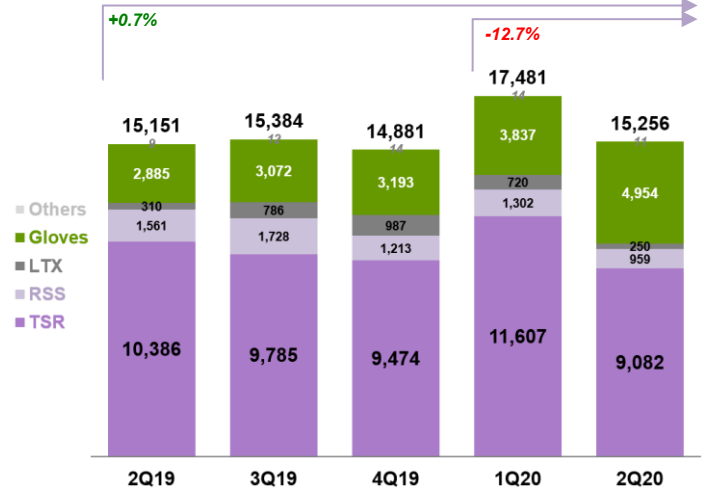
Key Financial Ratios

	2Q20	2Q19	1Q20	FY19 (Restated)
Gross profit margin	16.2%	9.6%	14.1%	8.1%
Adjusted gross profit margin**	15.9%	8.7%	16.6%	7.7%
EBITDA margin	14.7%	8.2%	10.7%	5.4%
Net profit margin	7.2%	1.8%	4.9%	-0.2%
Current ratio (times)	1.62	1.06	1.01	1.00
Net D/E ratio (times)	0.22	1.08	1.16	1.20
Fixed asset turnover (times)*	2.20	2.85	2.34	2.06
Inventory Turnover (days)*	72.81	73.06	80.83	84.25
Collection Period (days)*	24.66	29.37	27.03	29.51
Payment Period (days)*	6.65	8.09	6.68	7.75

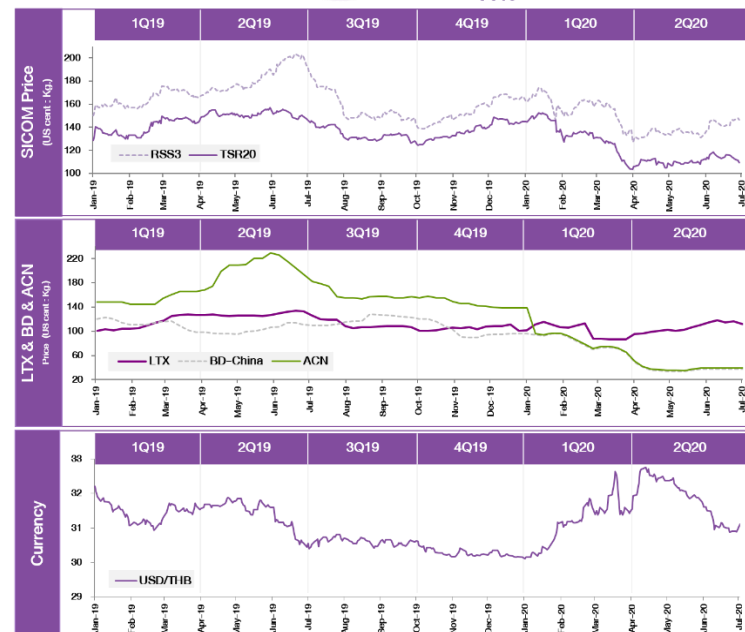
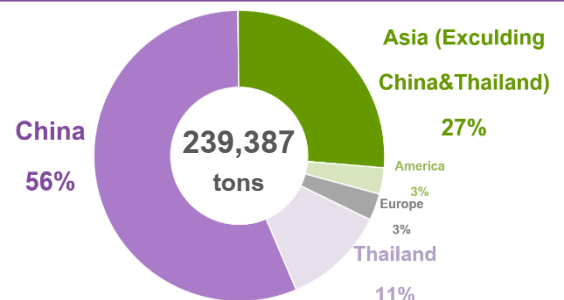
Note: *Annualised

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

Revenues by Product (THB million)



NR Sales Volume by Country (2Q20)



ABBREVIATIONS

RSS: Ribbed smoked sheet; TSR: Technically specified rubber, which includes STR and SIR

LTX: Concentrated Latex; BD: Butadiene

ACN: Acrylonitrile



Statements of Comprehensive Income

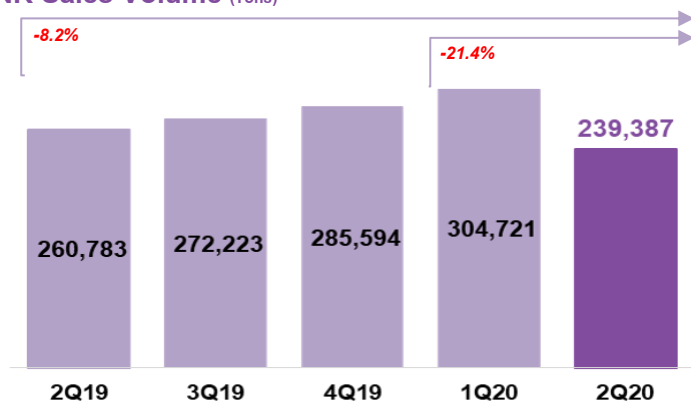
(Unit : THB million)	2Q20	2Q19	%YoY	1Q20	%QoQ
Revenue from sales of goods and services	15,256.1	15,151.1	0.7%	17,481.1	-12.7%
Cost of sales and services	(12,785.6)	(13,698.0)	-6.7%	(15,015.4)	-14.9%
Gross profit (loss)	2,470.4	1,453.1	70.0%	2,465.6	0.2%
SG&A	(1,179.7)	(1,120.1)	5.3%	(1,257.7)	-6.2%
Other income and dividend income	41.2	108.2	-61.9%	29.2	41.0%
Gains (loss) on exchange rate, net	(31.2)	13.7	N/A	(37.0)	-15.8%
Other gains (loss)	225.2	96.9	N/A	(92.3)	N/A
Operating profit (loss)	1,526.0	551.8	176.5%	1,108.6	37.6%
Share of profit (loss) from investments in JV	22.4	36.4	-38.5%	99.5	-77.5%
EBITDA	2,244.9	1,239.3	81.1%	1,870.6	20.0%
EBIT	1,548.4	588.2	163.2%	1,208.1	28.2%
Finance costs, net	(173.6)	(235.3)	-26.2%	(200.5)	-13.4%
Income tax (expense)	(85.2)	(54.0)	57.9%	(80.5)	5.9%
Net Profit (loss) for the periods	1,295.8	298.9	333.5%	927.1	39.8%
Attributed to owners of the parent	1,093.7	270.0	305.0%	854.1	28.0%
Attributed to non-controlling interests	202.1	28.9	599.2%	73.0	176.9%

Total revenue from products and services in 2Q20 was baht 15,256.1 million, slightly up 0.7% YoY but down 12.7% QoQ. The QoQ drop in revenue resulted from the impact on our NR operations of the lockdown measures in many countries, which forced many tire manufacturers to suspend operation, causing a drop in demand that led to lower sales volume. And although our average selling price for NR products was higher than NR prices on the global markets, it still represented a drop QoQ because of the overall downward movement of commodity prices. In 2Q20, we had revenue from NR products of baht 10,291.1 million, dropping 16.0% YoY and 24.5% QoQ. Meanwhile, revenue from gloves rose 71.7% YoY and 29.1% QoQ to baht 4,953.5 million on the back of sales volume increase following the capacity expansion and thanks to a surge in demand globally. The growth in revenue from gloves was also contributed by the ASP that reflected the increase in demand and went up. We recorded baht 11.5 million in revenue from other products and services.

Sales volume for NR products in 2Q20 went down 8.2% YoY and 21.4% QoQ to 239,387 tons as a result of the COVID-19 lockdown measures that forced many tire manufacturers to suspend operation and led to a drop in NR demand. Geographically, China, which started to show signs of recovery from April onwards, remained our largest market, accounting for 56.3% of total sales volume. Other countries in Asia accounted for 26.5% of total volume, while Thailand made up 11.4% of total sales volume. Europe and the Americas made up 3.0% and 2.8% of total sales volume, respectively.

Sales volume for gloves in 2Q20 rose 63.1% YoY and 18.1% QoQ to 7,414 million pieces, which represented an increase of both latex and nitrile gloves following the capacity expansion and thanks to a surge in demand for usage of gloves as PPE. Throughout 2Q20, our production facilities were running at full capacity, at the utilization rate of 95%, in order to keep up with the surging demand. Our product mix in 2Q20 was 69% latex gloves and 31% nitrile gloves. Geographically, countries in Asia represented our largest market at 42.3% of total sales volume, followed by Europe at 21.0% of total sales volume. North America made up 15.0% of total sales volume, while South America made up 11.1% of total sales volume. Middle East accounted for 5.3% of total sales volume, followed by Africa the Middle East and Oceania at 4.4% and 0.9% of sales volume, respectively.

NR Sales Volume (Tons)



Revenue by Product (THB million)

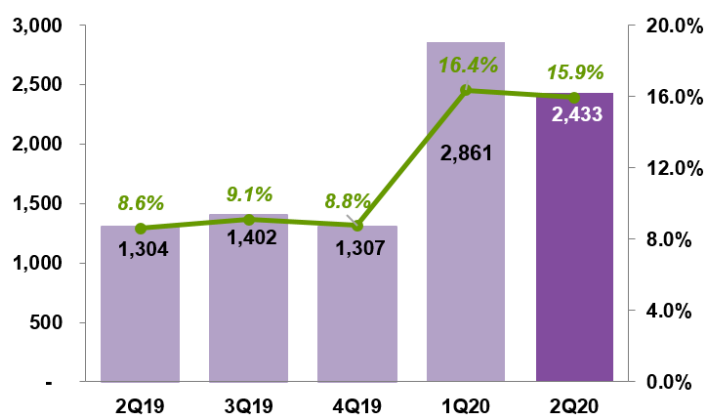
	2Q20	2Q19	% YoY	1Q20	% QoQ
TSR	9,082.2	10,385.8	-12.6%	11,607.4	-21.8%
%	59.5%	68.5%		66.4%	
Gloves	4,953.5	2,885.3	71.7%	3,837.2	29.1%
%	32.5%	19.0%		22.0%	
RSS	958.7	1,561.5	-38.6%	1,302.5	-26.4%
%	6.3%	10.3%		7.5%	
LTX	250.1	309.5	-19.2%	720.1	-65.3%
%	1.6%	2.0%		4.1%	
Other*	11.5	9.1	26.7%	13.9	-17.2%
%	0.1%	0.1%		0.1%	
Total	15,256.1	15,151.1	0.7%	17,481.1	-12.7%

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 2Q20 was baht 2,470.4 million, increasing 70.0% YoY and 0.2% QoQ. The growth in gross profit can be attributed to 1) the profitability of our NR operations, despite lower sales volume and ASP due to the impact of COVID-19. The NR supply scarcity during the period from late May through June, which was when tapping started to resume after the wintering period, also meant that we had to contend with raw material prices that were higher than NR prices on the global markets. This was because the surging demand for concentrated latex from the glove industry prompted rubber farmers to choose to produce field latex, which commanded higher prices than cup lump and rubber sheets. As a result, gross profit margin of our NR operations was down slightly from 1Q20 but was still higher than in 2Q19; and 2) The demand-driven growth in both sales volume and ASP of our glove operations while raw material costs went down from 1Q20 and 2Q19. As a result, gross profit margin of our glove business reached a record high. The combined gross profit margin of our midstream and downstream operations rose from 14.2% in 1Q20 and 9.6% in 2Q19 to 16.2% in 2Q20.

At the end of 2Q20, the price of TSR20 on SICOM was 109.3 cent/kg. In accordance with the accounting standards, we had to record an allowance for reduction of inventory to net realizable value (NRV) in the amount of baht 57.5 million. Taking account of realized losses from hedging transactions of baht 95.1 million, our adjusted gross profit margin in 2Q20 would be 15.9%, down from 16.6% in 1Q20 and but up from 8.7% 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 2Q20 was baht 1,526.0 million, up from baht 1,108.6 in 1Q20 and baht 551.8 million in 2Q19. Operating profit margin was 10.0%. The higher operating profit was driven by the profitability of our NR operations and the substantial growth in our glove operations. We also recorded gains from hedging transactions relating to currency exchange and NR futures of baht 225.2 million, which helped to offset currency exchange loss incurred in the course of our business of baht 31.2 million. Selling and administrative expenses (SG&A) were baht 1,179.7 million, went up 5.3% as both SG&A expenses went up along with the growth of our glove operations. But quarter-on-quarter SG&A went down 6.2% because of lower selling expenses, as we had lower CESS, which was a result of lower export volume, and our freight and transportation costs went down alongside oil prices on the global markets. In addition, we had baht 158.0 million in gains from the net realizable value of our inventory at the end of 2Q20*. **Note: Inventory of TSR, RSS and LTX is stated at lower of cost or net realizable value. Under the Thai Financial Reporting Standards, inventory gains or losses cannot be recognized until the time of actual sale. The value of inventory varies over time, until it is stated at the actual selling price at the time of sale.*

Share of profits from investments in associates and joint ventures came in at baht 22.4 million, down 38.5% YoY and 77.5% QoQ, primarily because our NR joint venture was impacted by the slowdown in consumption while our hydraulic hose joint venture was doing well.

Net profit in 2Q20 was baht 1,093.7 million, increasing from baht 854.1 million in 1Q20 and baht 270.0 million in 2Q19, or 305.0% YoY and 28.0% QoQ. The improvement in net profit was driven by the profitability of our NR operations and the record quarterly profit of our glove operations. Finance costs in 2Q20 also went down 32.6% YoY and 13.4% QoQ to baht 173.6 million after STGT used some of the IPO proceeds toward loan repayment and also because of a decrease in short-term borrowings for working capital and NR raw material procurement as a result of lower sales volume and NR prices on the global markets.

In our NR operations, we have been able to increase our market share amid the industry downturn and maintained a strong financial position, which has served to bolster our credibility with customers and stakeholders. In our glove operations, we are continuing with the planned capacity expansion in order to meet the global demand for gloves that continues to grow as the global population adjusts to the "new normal."

Lastly, Sri Trang Group fully supports the government's economic recovery policy and is committed to maintaining our employment of over 15,000 people in our organization to allow our employees to continue to be financially compensated and enjoy all employment benefits.



Business Segmentation Analysis



Technically Specified Rubber (TSR)

Revenue from TSR accounted for 59.5% of total revenue and fell 12.6% YoY and 21.8% QoQ.

The fall in revenue YoY and QoQ resulted from sales volume that dropped 5.1% YoY and 17.7% QoQ because tire manufacturers, who are the major consumers of TSR, felt the impact of COVID-19 as demand weakened. However, our export volume to China was up 26.6% YoY, a sign of the country's recovery from the economic impact of COVID-19. In addition, we continued to benefit from the fact that several of our competitors have suspended/ceased operation or had to deal with financial difficulty as a result of COVID-19. Our ASP in 2Q20 was higher than the average price of TSR20 on SICOM of 110.8 cent/kg.

Despite the ASP that was higher than the market price, the substantial increase in demand for LTX from the glove industry and the scarcity of NR supply during the period from late May through June, when tapping first started to resume, led rubber farmers to choose to produce field latex, which had higher demand and commanded better prices than TSR and RSS, and we had to buy cup lump at elevated prices as a result. This was the reason that prices of raw materials in Thailand were inconsistent with NR prices on the global markets for about 2 months.

As a result, gross profit margin for TSR was down slightly compared with 1Q20 but was still higher than 2Q19.

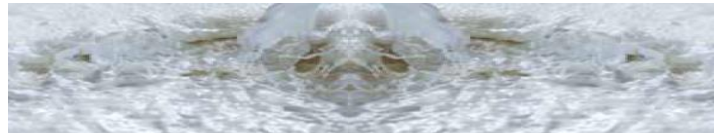


Gloves

Revenue from gloves accounted for 32.5% of total revenue and rose 71.7% YoY and 29.1% QoQ.

The YoY and QoQ growth in revenue came on the back of an increase in both sales volume and ASP. Sales volume rose across all geographical markets, increasing 63.1% YoY and 18.1% QoQ. The ASP also increased 5.3% YoY and 9.3% QoQ because of an increase in demand. On the contrary, raw material prices declined from 1Q20 and were much lower than in 2Q19. As a result, gross profit margin for gloves substantially improved from 1Q20 and 2Q19.

Because of the substantial growth in demand and the increase in ASP, gross profit margin for gloves reached a record high in 2Q20.



Concentrated Latex (LTX)

Revenue from LTX accounted for 1.7% of total revenue and fell 19.2% YoY and 65.3% QoQ.

The YoY and QoQ decline in revenue resulted from a drop in both ASP and sales volume. The ASP was lower 8.7% YoY and 5.9% QoQ in tandem with NR prices on the global markets. Sales volume declined 11.5% YoY and 63.1% QoQ because prices of field latex, the raw material for LTX, quickly went up during the period from the end of May through June, and we dialed down LTX production for customers outside of Sri Trang Group in response. Nonetheless, LTX consumption within the Group increased 73.9% YoY and 1.9% QoQ on the back of the growth of our glove operations. However, such sales are deemed connected transactions and are not stated in the financial statements.

Gross profit margin improved from 2Q19 but was lower than 1Q20 because of the temporary impact from raw material costs in 2Q20.



Ribbed Smoked Sheet (RSS)

Revenue from RSS accounted for 6.3% of total revenue and dropped 38.6% YoY and 26.4% QoQ.

The YoY and QoQ decline in revenue resulted from sales volume that dropped 31.3% YoY and 23.2% QoQ, while the ASP also dropped 10.6% YoY and 4.1% QoQ alongside NR prices on the global markets. Nonetheless, our ASP was still higher than the average price of RSS3 on SICOM in 2Q20 of 137.3 cent/kg.

As a result, gross profit margin for RSS decreased from 1Q20 and 2Q19.



Natural Rubber Industry Outlook

NR prices were moving at low levels throughout 2Q20 because of the weakening global economy and commodities markets. NR demand softened because of a slowdown in the tire industry, which normally accounts for approximately 70% of global NR consumption. A result of the lockdown measures in many countries and weak demand, many tire manufacturers had to suspend operations for 4-10 weeks, causing a direct impact on consumption of RSS and TSR. By contrast, consumption of LTX increased on the back of a surge in global demand for gloves because of COVID-19.

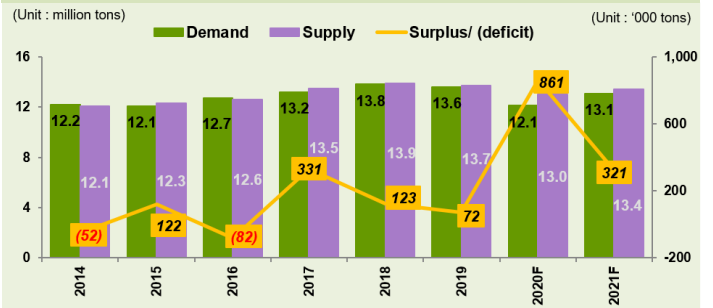
On the supply side, because the period from late February until through May coincided with Thailand's wintering season, NR supply in 2Q20 was affected by this seasonality factor. The latest report by IRSG* estimated that during 2Q20 NR supply from the 3 major producing-countries, namely, Thailand, Indonesia and Vietnam, was down by 12%, 12% and 5%, respectively compared with the same period of the previous year. This was caused by 1) the harvest delay because of a drop in demand; 2) rubber farmers in some countries were affected by lockdown measures and could not continue tapping; 3) the drought in Thailand led to reduced NR supply following the wintering season.

Because consumption of LTX increased in contrast to the overall decline in NR supply, prices of field latex, the raw material for LTX, substantially increased and also drove up the costs of the other raw materials, namely, rubber sheets and cup lump. Meanwhile, NR prices on SICOM continued to be pressured by weakened NR demand. The average price of TSR20 on SICOM in 2Q20 was 110.8 cent/kg, down 17.0% QoQ and 26.8% YoY. The price of TSR20 at the end of 2Q20 was 109.3 cent/kg.

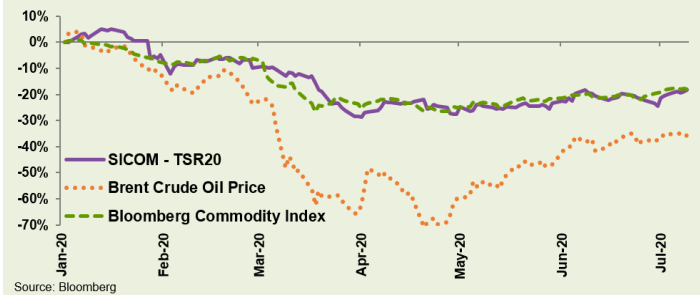
NR consumption in 3Q20 by tire manufacturers is trending up following the resumption of production. However, NR prices could be under downward pressure from NR supply that is likely to go up following the resumption of tapping. The NR stock of the Shanghai Futures Exchange (SHFE) at the end of June 2020 was 240,000 tons, slightly down from 242,000 tons at the end of March. What remains to be seen are government measures of various countries to stimulate the economy and consumption, as well weather conditions, which could affect supply of raw materials.

Note: *International Rubber Study Group (IRSG), Monthly Rubber Bulletin, July 2020

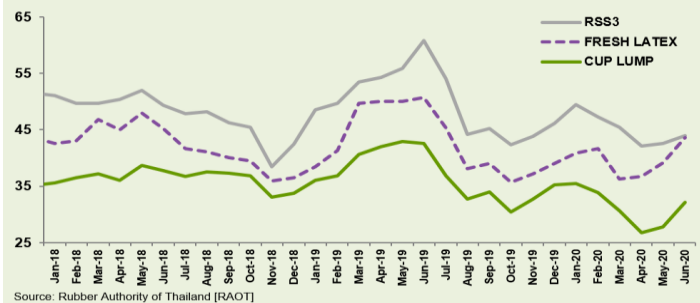
Demand and Supply of NR (After COVID-19)



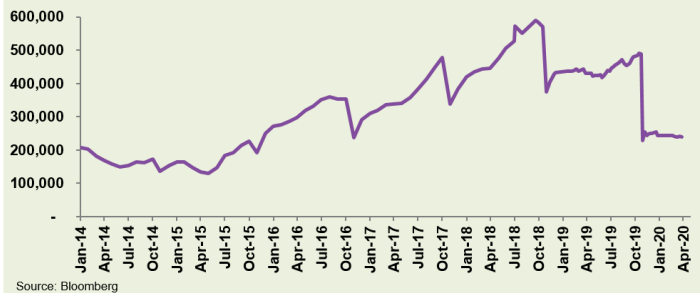
Commodity Price Movement



Raw Material Price of RSS, TSR, and LTX in Thailand (Baht/Kg.)



NR and CR Stocks at 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 2020, we had approximately 7,200 hectares of rubber plantations in 19 provinces of Thailand, with the majority located in the north and northeast. Some of the rubber trees on our plantations have been providing yields since 2015, facilitating the raw material sourcing in our core midstream operations. We estimate that in 2020, the rubber trees that can be tapped will make up around 25% of total rubber trees, up from 11% in 2019.

We have received Forest Management Certification and Chain-of-Custody Certification from the Forest Stewardship Council (FSC), making us **the world's first fully integrated NR producer to be recognized by the FSC throughout the supply chain.**

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

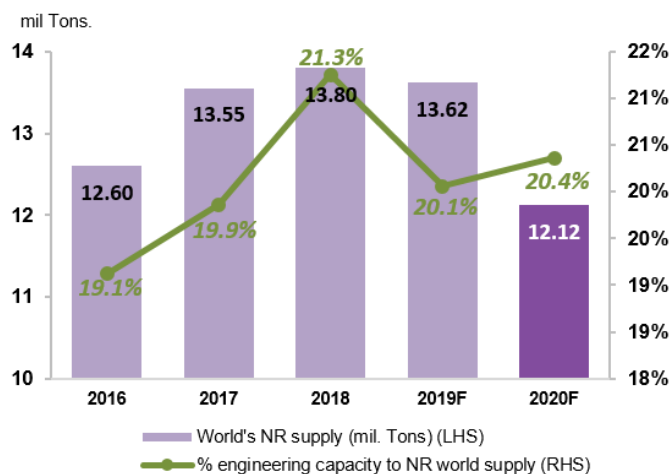
As of 30 June 2020, we had 2.86 million tons per annum in installed production capacity from 36 production facilities (32 Thailand, 3 in Indonesia, and 1 in Myanmar). We have introduced more automation to our production process in order to improve efficiency, reduce energy consumption and become more environmentally friendly. We have launched the application “SRITRANG FRIENDS” to facilitate raw material procurement. In the long run, we are focused on maintaining relationships with our existing customers as well as increasing market share amid industry volatility. We intend to eventually achieve “STA 20,” or to capture a market share of 20% of “global NR consumption.” (In 2019, our market share was 8% of global NR consumption.)

Downstream Business – reaching an annual installed production capacity of 50 billion pieces by 2023 and 70 billion pieces by 2026

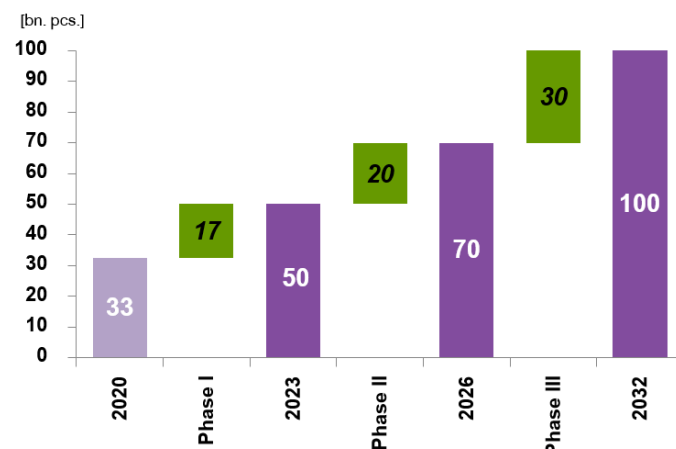
Sri Trang Gloves (Thailand) Public Company Limited (“STGT”), one of Sri Trang Group's flagship companies, engages in the production and distribution of latex and nitrile examination and industrial gloves to customers in over 140 countries around the world. STGT has offices in Thailand, China and USA. With an annual installed production capacity of 33 billion pieces as of 30 June 2020, STGT is Thailand's biggest glove producer and is ranked among the world's leading producers. In 2019, STGT had a market share of 7% of global glove consumption.


STGT completed an initial public offering (IPO) and its shares started trading on the Stock Exchange of Thailand on 2 July 2020. STGT received Baht 14.6 billion in IPO proceeds (net of expenses), which will be used toward the planned capacity expansion to serve the global demand for gloves. STGT intends to achieve an annual production capacity of 50 billion pieces by 2023, and 70 billion pieces by 2026, with new capacity first coming from the new Surat Thani plant (SR2) in 1Q21. The remainder of the IPO proceeds will be used for the SAP installation to improve efficiency and loan repayment as well as working capital. After the IPO from 3Q20 onwards, STA still remains a major shareholder of STGT with 56.1% in direct and indirect shareholding.

Proportion of STA Capacity to NR Global Supply



Glove Capacity Expansion Plan of STGT




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