



Date February 27, 2017

Subject Clarification results of business operation for the year ended 31 December 2016

To President, The Stock Exchange of Thailand

We, Thai Nippon Rubber Industry Public Company Limited (the “Company” or “TNR”), are pleased to submit management discussion and analysis regarding the Company’s financial performance and position for the financial year ended 31 December 2016 and 2015 as follows:

## Management Discussion and Analysis

### Operating Results Analysis

#### Statement of Comprehensive Income for the year ended 31 December 2016

	As at 31 December					
	2015		2016		Compare 2016 with 2015	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales of goods	1,302.2	100.0	1,203.0	100.0	(99.1)	(7.6)
Cost of goods sold	(897.8)	(68.9)	(855.9)	(71.1)	41.9	(4.7)
Gross profit	404.4	31.1	347.2	28.9	(57.2)	(14.1)
Other income	11.8	0.9	6.5	0.5	(5.4)	(45.4)
Profit before expenses	416.2	32.0	353.6	29.4	(62.6)	(15.0)
Selling expenses	(66.8)	(5.1)	(64.2)	(5.3)	2.6	(3.9)
Administrative expenses	(84.2)	(5.1)	(88.9)	(7.4)	(4.8)	5.7
Other gains (losses)	25.9	(6.5)	17.5	1.5	(8.3)	(32.2)
Finance costs	(53.0)	2.0	(21.1)	(1.8)	31.9	(60.2)
Total expenses	(178.1)	(4.1)	(156.6)	(13.0)	21.4	(12.0)
Profit before income tax	238.1	18.3	197.0	16.4	(41.2)	(17.3)
Income tax	(4.2)	(0.3)	(2.8)	(0.2)	1.4	(32.4)
Net profit for the year	234.0	18.0	194.2	16.1	(39.8)	(17.0)



## 1. Revenue

Revenue Structure	Financial year end 31 December					
	2015		2016		Compare 2016 with 2015	
	Million (pcs)	Million Baht	Million (pcs)	Million (pcs)	Million (pcs)	Million (pcs)
Sales of goods - Condom	942.0	1,271.9	811.0	1,166.7	(105.2)	(8.3)
Sales of goods – Lubricants		29.8		35.5	5.7	19.5
Other income		0.5		0.8	0.3	60.0
<b>Total Sales of goods</b>		<b>1,302.2</b>		<b>1,203.0</b>	<b>(99.2)</b>	<b>(7.6)</b>

Most of revenue were from sales of condom which sold 942.0 million pieces in 2015 and 811.0 million pieces in 2016. Units sales decreased 131.0 million pieces or - 13.9%. It resulted to decrease of total revenue in 2016 by THB 99.2 million or -7.6 % from 2015. It was mainly caused by decrease of sales from tender business. However, sales from OEM business and Onetouch brand business were increased.

### Sales by business segment

Sales of by business segment	Financial year end 31 December					
	2015		2016		Compare 2016 with 2015	
	Million Baht	%	Million Baht	%	Million Baht	%
Onetouch™ branded products	55.5	4.3	89.1	7.4	33.6	60.5
OEM business	925.2	71.1	939.6	78.1	14.4	1.6
Tender business	321.0	24.7	173.6	14.4	(147.5)	(45.9)
<b>Total sales</b>	<b>1,301.7</b>	<b>100.0</b>	<b>1,202.2</b>	<b>100.0</b>	<b>(99.5)</b>	<b>(7.6)</b>

- Onetouch branded business , sales increased THB 33.6 million or 60.5% from 2015. Mainly attributed to successful launching of new Onetouch product called “Onetouch 003” and higher sale of Onetouch Happy as a result of sales promotion. While successfully exported to Europe market.
- OEM business ,sales increased THB 14.4 million or 1.6% from 2015 ,due to increased of sales from Asia and Europe markets. However, the products requirement from North/South America market was decreased, caused slightly growth in total sales.
- Tender business sales decreased THB 147.5 million or 45.9% from 2015. Mainly reason from slowdown in USA and global tender market which impact units sale. Also the average selling price per unit were lower than 2015 since the high competitive situation in global tender market.



### Other income

Majority of other income in 2016 and 2015 was (1) Scrap sales (2) Interest from financial institution and loan (3) The return of Provident fund.

### 2. Cost of goods sold and gross profit margin

Cost of goods sold for 2015 and 2016 amounted to THB 897.8 million and THB 855.9 million respectively, decreased 41.9 million Baht or 4.7% at relatively with lower sales.

### 3. Selling and Administrative Expenses (SG&A)

#### A. Selling Expenses

Compared to 2015 slightly decreased by THB 2.6 million or 3.9 % from 2015 which was insignificant.

#### B. Administrative Expenses

Compared to 2015 increased by THB 4.8 million or 5.7% mainly caused by increased of employees expenses, professional fee in preparation for IPO and to support business growth in the future. While the company booked allowance for doubtful accounts less than previous year.

### 4. Other gain/(loss)

Other gain/(loss) of 2016 accounted for THB 17.5 million, compared to THB 25.9 million from 2015, decreased THB 8.3 million or 32.2% mainly from foreign exchange gain/(loss) transactions.

### 5. Financial Cost

Financial cost of 2016 accounted for THB 21.1 million, compared to THB 53.0 million from 2015, decreased THB 31.9 million or 60.2% mainly from foreign exchange gain/(loss) transactions.

### 6. Net Profit and Net Profit Margin

Net profit for 2015 and 2016 amounted to THB 234.0 million and THB 194.2 million, represented 18% and 16.1% of total revenue respectively. Mainly reason from

- Tender business sales decreased in term of sales volume as well as lower average selling price per units.
- Higher fixed cost per units since units sales from tender business significantly decreased.
- Increased of labor cost due to preparation to support anticipated increasing production plan.



- Increased of administrative employees expenses, professional fee in preparation for IPO and to support business growth.
- Net financial cost decreased.

## Financial Status

	As at 31 December					
	2015		2016		Compare 2016 with 2015	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	9.0	0.8	27.4	2.3	18.4	204.8
Trade and other accounts receivable (net)	377.8	32.9	386.7	32.2	8.9	2.4
Inventories (net)	76.6	6.7	132.5	11.0	55.9	73.0
Other current assets	59.8	5.2	78.9	6.6	19.0	31.8
<b>Total current assets</b>	<b>523.2</b>	<b>45.6</b>	<b>625.4</b>	<b>52.1</b>	<b>102.2</b>	<b>19.5</b>
<b>Non-current assets</b>						
Loans to employee	607.7	53.0	553.1	46.1	(54.6)	(9.0)
Other non-current assets	16.7	1.4	21.5	1.8	4.8	28.8
<b>Total non-current assets</b>	<b>624.4</b>	<b>54.4</b>	<b>574.6</b>	<b>47.9</b>	<b>(49.8)</b>	<b>(8.0)</b>
<b>Total assets</b>	<b>1,147.6</b>	<b>100.0</b>	<b>1,200.1</b>	<b>100.0</b>	<b>52.5</b>	<b>4.6</b>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Short-term loans from financial institutions	270.2	23.5	101.2	8.4	(169.0)	(62.5)
Trade and other accounts payable	122.2	10.6	103.6	8.6	(18.6)	(15.2)
Liabilities under finance lease contracts and hire purchase contract (net)	49.2	4.3	27.5	2.3	(21.7)	(44.1)
Other current liabilities	7.5	0.7	8.2	0.7	0.7	9.2
<b>Total current liabilities</b>	<b>449.1</b>	<b>39.1</b>	<b>240.6</b>	<b>20.0</b>	<b>(208.5)</b>	<b>(46.4)</b>
<b>Non-current liabilities</b>						
Long-term loans from financial institutions	51.6	4.5	24.1	2.0	(27.4)	(53.2)
Employee benefit obligations	27.6	2.4	32.9	2.7	5.3	19.3
<b>Total non-current liabilities</b>	<b>79.1</b>	<b>6.9</b>	<b>57.0</b>	<b>4.8</b>	<b>(22.1)</b>	<b>(28.0)</b>
<b>Total liabilities</b>	<b>528.2</b>	<b>46.0</b>	<b>297.6</b>	<b>24.8</b>	<b>(230.6)</b>	<b>(43.7)</b>
<b>Equity</b>						
Share capital						
Authorised share capital						



	As at 31 December					
	2015		2016		Compare 2016 with 2015	
	Million Baht	%	Million Baht	%	Million Baht	%
300,000,000 ordinary shares of par Baht 1 each	-	-	300.0	25.0	-	-
1,920,000 ordinary shares of par Baht 100 each	192.0	16.7	-	-	-	-
Issued and fully paid-up share capital						
300,000,000 ordinary shares of par Baht 1 each	-	-	300.0	25.0	-	-
1,920,000 ordinary shares of par Baht 100 each	192.0	16.7	-	-	-	-
Share premium (net)	-	-	549.1	45.8	549.1	100.0
Retained earnings						
Appropriated - legal reserve	18.0	1.6	28.0	2.3	10.0	55.4
Unappropriated	409.4	35.7	27.4	2.3	(382.0)	(93.3)
Other components of equity	-	-	(2.0)	(0.2)	-	-
<b>Total equity</b>	<b>619.4</b>	<b>54.0</b>	<b>902.4</b>	<b>75.2</b>	<b>283.1</b>	<b>45.7</b>
<b>Total liabilities and equity</b>	<b>1,147.6</b>	<b>100.0</b>	<b>1,200.1</b>	<b>100.0</b>	<b>52.5</b>	<b>4.6</b>

### 1. Assets

Total Asset as of December 31, 2016 and 2015 were THB 1,200.1 million and THB 1,147.6 million respectively. Increased THB 52.4 Million or 4.6 %, mainly from the increasing of Cash and cash equivalents, inventories. While net property, plant and equipment were decreased.

### 2. Liabilities

Total liabilities as at December 31, 2016 was decreased by THB 230.6 million or 43.7% from 2015, mainly reason from the following.

- A. Short-term loan from financial institute was reduced by THB 169.0 million or 62.5% from 2015. Due to company repayed short-term loan after receipt of IPO fund.
- B. Long-term Loan from financial institution was reduced by THB 47.2 million or 47.8% from 2015. Due to repayment on debt installment agreement.

### 3. Shareholders' Equity

As of December 31, 2016, shareholders' equity was THB 902.4 million or 75.2% of total assets which higher than 2015 THB 283.1 million or 45.7% mainly reason from the following.



- To increase the authorized share capital from THB 192 million to 300 million by issuing additional 108 million shares of par THB 1 each and offering to the public for 37.5 million shares (IPO) as 16 Baht per share. The company recorded the share premium of THB 549.1 million.
- The company paid interim dividend 2016 total THB 566.2 million.
- Net profit 2016 was THB194.2 million.

### Financial Status

As at December 31, 2016, the Company maintained the following financial ratio

- Debt to Equity Ratio at 0.3x compared to 0.9x in 2015 due to the company repayed short-term loan after receipt of IPO fund.
- The rate of return on equity at 25.5% compared to 41.2% in 2015 due to increase the authorized share capital from THB 192 million to 300 million by issuing additional 108 million shares of par THB 1 each and offering to the public for 37.5 million shares (IPO) as 16 Baht per share. The company recorded the share premium of THB 549.1 million. Also lower net profit.
- Earning per share is 0.84 Baht per share (which is calculated by using weighted average number of ordinary share as 230,157,534 shares) compared to 1.22 per share in 2015 due to increase the authorized share capital and lower net profit.

Sincerely yours,

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(Mr.Amorn Dararattanaroj)

Chief Executive Office