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August 15<sup>th</sup>, 2017

Subject: Management Discussion and Analysis Quarter 3 Ending 30 Jun 2017 (*Edited Template*)

To: Managing Director  
The Stock Exchange of Thailand

Inoue Rubber (Thailand) Public Company Limited (the “Company”) would like to clarify its operation results for the quarter 3/2017 (ended 30 June, 2017) of the Company and its subsidiaries, as follows;

(unit: million baht)	Quarter 3/2017	Quarter 3/2016	%YoY
Sales and service income	1,296.58	1,223.45	5.98%
Other incomes	13.03	7.55	72.58%
Total Revenues	1,309.61	1,231.00	6.39%
Cost of Sales and Services	1,144.91	981.80	16.61%
Selling and Administrative Expenses	24.45	21.66	12.88%
EBIT	74.01	160.8	-53.97%
Net Profit	63.05	130.46	-51.67%
Basic Earnings per Share (Baht)	0.32	0.65	-50.77%

In the quarter 3/2017 (April 1 – June 30, 2017), the Company’s total revenues amounted to 1,309.61 million baht, increased by 78.61 million baht or 6.39% comparing to the same period last year due to the increase in sale volumes of 2 business units. The significant details were shown as follow:

- Industrial Elastomer Parts Business: The sale volumes slightly increased comparing to the same period last year due to the expansion of our market share from acquiring new parts in passenger cars and pickup 1 ton; meanwhile, the automobile production in this quarter was contracted. Moreover, the sale volumes of industrial elastomer parts used in other industries, e.g. elastomer parts in agriculture machineries and compound rubber etc., increased thanks to the effort to expand customer bases.
- Motorcycle Tire and Tube Business: The sale volumes increased in line with the expansion of motorcycle production comparing to the same period last year. About the production for domestic sales, it dramatically expanded in family models aligning with the recovery of agricultural incomes that strengthened the household purchasing power. Besides, the export sales expanded in accordance with the economic situations of trading partners.

Moreover, the Company’s other incomes increased by 5.48 million baht or 72.58% from the same period last year. This mainly came from gains from exchange rate and interest incomes from short-term investment.

Since the crude oil prices gradually increased in line with the global economic recovery and OPEC continued its descending crude oil production. This affected the Company’s raw material prices particularly in the polymer group such as Carbon Black prices increased 60%, Styrene Butadiene Rubber (SBR) increased 30%, and Natural Rubber prices increased 20% by average from the same period last year. Therefore, the Company’s cost of sales and services increased by 163.11 million baht or 16.61% from the same period last year. Selling and administrative expenses increased by 2.79 million baht or 12.88% aligning with increasing sale volumes. Also, the Company’s operating profit was at 74.01 million baht, which dropped by 86.79 million baht.



Thus, the gross profit margin was at 11.70%. After deducted the financial cost and corporate income tax, the Company had net profit at 63.05 million baht, fell by 67.41 million baht or 51.67% from the same period last year, and earning per share at 0.32 baht.

### Financial Status

As of June 30, 2017, the Company had total assets at 4,497.35 million baht, rose by 224.98 million baht comparing to September 30, 2016 mainly due to increase in current assets related to accounts receivable and inventories around 286.08 million baht in line with the increasing sale volumes. Thus, the short-term investment declined by 775.54 million baht due to the completed term of deposit which brought about increasing in cash and cash equivalents.

The Company's total liabilities amounted to 1,181.74 million baht, rose by 110.18 million baht comparing to September 30, 2016 mainly resulting from increase in account payables following the rise of main raw material prices. Accordingly, the total shareholders' equity amounted to 3,315.61 million baht, expanded by 114.80 million baht. These brought about the Company's book value per share at 16.58 times and debt to equity ratio (D/E ratio) at 0.36 times.

### Cash Flow

For the 9-month period as of June 30, 2017, the Company had the changing in cash flow comparing to the same period of FY 2016 as follow:

- Cash received from the operating activities amounted to 336.61 million baht, declined by 266.60 million baht mainly due to increase in accounts payable and inventories following the rise in raw material prices.
- Cash received from investing activities amounted to 585.70 million baht, grew by 997.50 million baht mainly due to increasing short-term investment of 967.88 million baht; while the cash paid for investment in machines and equipment increased by 19.27 million baht.
- Cash paid from financing activities amounted to 207.99 million baht, grew by 23.11 million baht mainly due to dividend payment to shareholders in February, 2017, of 205.46 million baht.
- As of June 30, 2017, the Company had cash and cash equivalent at 942.29 million baht, increased by 729.78 million baht, reflecting good liquidity and financial position of the Company.

Please be informed accordingly and further disseminate to investors.

Faithfully yours,

(Mrs. Pimjai Leeissaranukul)  
Chairman

(Mr. Hiroshi Harada)  
President