



Date: 11 May 2018

Subject: Management Discussion and Analysis of the Financial Statements for 1st Quarter Performance
Ended 31 March 2018

Attention: Managing Director of The Stock Exchange of Thailand

Thai Nippon Rubber Industry Public Company Limited (“TNR”) reported 3-month performance ended 31 March 2018 details are as follows.

Management Discussion and Analysis

Explanation and analysis of financial position and operating performance

Statements of Comprehensive Income

Statements of Comprehensive Income	For 3-month ended 31 March		Comparison	
	2018	2017	2018 & 2017	
	Million Baht	Percent	Million Baht	Percent
<i>Revenue from sales of products</i>				
- Condoms	337.9	234.8	103.1	43.9
- Lubricants	26.5	7.6	18.9	248.7
- Others	0.0	0.1	(0.1)	(70.0)
Total Revenue from sales of products	364.4	242.5	121.9	50.3
Cost of goods sold	(278.5)	(196.9)	(81.6)	41.4
Gross profit	85.9	45.6	40.3	88.4
	23.6%	18.8%		
Other Income	1.2	0.9	0.3	33.3
Profit before expenses	87.1	46.5	40.6	87.4
Selling expense	(29.1)	(18.6)	(10.5)	56.5
Administrative expense	(26.5)	(19.8)	(6.7)	33.8
Other gains (losses)	(15.6)	(8.3)	(7.3)	88.0
Finance costs	(0.3)	3.7	(4.0)	(108.1)
Total Expenses	(71.5)	(43.0)	(28.5)	66.3
Profit before income tax	15.6	3.4	12.2	359.7
Income tax	(0.2)	(0.0)	(0.2)	400.0
Net profit for the period	15.4	3.4	12.0	357.1
	4.2%	1.4%		



Revenue from Sales of Products

Total Revenue	For 3-month ended 31 March				Comparison	
	2018		2017		2018 & 2017	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Revenue from sales of condoms	337.9	92.7	234.8	96.8	103.1	43.9
Revenue from sales of lubricants	26.5	7.3	7.6	3.1	18.9	248.7
Other revenue	0.0	0.0	0.1	0.0	(0.1)	(70.0)
Total revenue	364.4	100.0	242.5	100.0	121.9	50.3

Revenue from Sales of Condoms and Lubricants

Revenue from sales of condoms and lubricants	For 3-month ended 31 March				Comparison	
	2018		2017		2018 & 2017	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Domestic sales	35.0	9.6	21.4	8.8	13.6	63.6
Export sales	329.4	90.4	221.0	91.2	108.4	49.0
Total revenue from sales of condoms and lubricants	364.4	100.0	242.4	100.0	122.0	50.3

In the 1st quarter ended 31 March 2018 and 2017, TNR recorded the total revenue of 364.4 million Baht and 242.5 million Baht respectively, increased by 121.9 million Baht or 50.5%. The main source of revenue for TNR is from sales of condoms which is accounted for 92.7% and 96.8% respectively. The revenue growth is mainly from Original Equipment Manufacturer (OEM) segment of business.

Revenue from Sales of Condoms and Lubricants by Business

Revenue by business segment	For 3-month ended 31 March				Comparison	
	2018		2017		2018 & 2017	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Revenue from the production and distribution of condoms and lubricants under the brand ONETOUCH™ and Niptex™	22.2	6.1	17.9	7.4	4.3	24.0
Revenue from OEM business for production and distribution of condoms and lubricants	278.0	76.3	190.3	78.5	87.7	46.1
Revenue from Tender business	64.2	17.6	34.2	14.1	30.0	87.7
Total revenue from sales of condoms and lubricants	364.4	100.0	242.4	100.0	122.0	50.3



- Revenue from manufacture and distribution of condoms and lubricants under company's trademark which is comprising of ONETOUCH™ and Niptex™ brands.

Revenue from the production and distribution of condoms and lubricants under the company's trademark	For 3-month ended 31 March				Comparison	
	2018		2017		2018 & 2017	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Domestic sales	20.8	93.7	15.5	86.6	5.3	34.2
Overseas sales	1.4	6.3	2.4	13.4	(1.0)	(41.7)
Total revenue from the production and distribution of condoms and lubricants under the company's trademark	22.2	100.0	17.9	100.0	4.3	24.0

In the 1st quarter ended 31 March 2018, TNR has revenue growth under company's trademark segment of 4.3 million Baht or 24.0% increase from the same period of prior year. It is mainly from an increase in domestic sales, the major revenue in segment, by 5.3 million Baht or 34.2%. Main reason for an increase in the 1st quarter of 2018 revenue was due to a change in condom procurement as there were higher proportion of orders of condoms with higher selling price compared with the same period of prior year. Additionally, TNR increased the selling price to C.P. Consumer Products Co., Ltd. since July 2017.

- Revenue from Original Equipment Manufacturer (OEM)

OEM business for condoms and lubricants by market	For 3-month ended 31 March				Comparison	
	2018		2017		2018 & 2017	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Asian market group	158.6	57.1	105.6	55.5	53.0	50.2
American market group	70.4	25.3	31.2	16.4	39.2	125.6
European and Oceania market group	27.6	9.9	16.6	8.7	11.0	66.3
African market group	21.4	7.7	36.9	19.4	(15.5)	(42.0)
Total revenue from OEM business for condoms and lubricants	278.0	100.0	190.3	100.0	87.7	46.1

In 1st quarter ended 31 March 2018, TNR has revenue growth under OEM business of 87.7 million Baht or 46.1% from the same period of prior year with the following reasons:

1. Revenue from Asian Market Group increased 53 million Baht or 50.2% year on year from a main customer in Indonesia procured higher quantity of products as a result of its ongoing promotional activities and inventory management development to be more systematic. TNR's customer in China also reported sales growth resulted from increasing distribution channels, the customer also increased number of orders by adding additional SKUs for OEM business at TNR.



2. Revenue from American Market Group increased 39.2 million Baht or 125.6% as TNR has successfully engaged several new customers during the period. Additionally, existing main customers in this market increased their orders significantly.

3. Revenue from Europe and Oceania Market Group increased 11.0 million Baht or 66.3% after existing customers gradually placing order this year after a slow-down in this market last year. New customers secured from last year effort also placing order starting in 1st quarter of 2018

4. Revenue from African Market Group declined 15.5 million Baht or 42% as a result of decrease in number of order from a main government funded NGOs customer in Ethiopia. Sales for this customer has declined at 13.3 million Baht as customer increased its order in 4Q2017 resulted in sufficient inventory in 1Q2018. The customer however placed order at the end of 1Q2018, products to be delivered in 2Q2018.

□ Revenue from Tender business segment for the 1st quarter ended 31 March 2018 increased 30.0 million Baht or 87.7% year on year due to higher proportion of products delivered year on year particularly American Market Group.

Cost of Goods Sold

For the 1st quarter ended 31 March 2018 and 2017, TNR recorded cost of goods sold of 278.5 million Baht and 196.9 million Baht or 76.4% and 81.2% respectively .

Gross Profit and Gross Profit Margin

For the 1st quarter ended 31 March 2018 and 2017, TNR recorded gross profit of 85.9 million Baht and 45.6 million Baht or 23.6% and 18.8% respectively as a result of the following reasons:

1. TNR received high number of orders from customers. With higher production capacity utilization, it resulted in lower average fixed cost per unit.
2. Lower average purchase price of 60%-concentrated latex
3. TNR increased the selling price for some products

Taking into consideration on the currency factor, in the first quarter of 2018 the appreciation of Baht against USD year on year.

1) 1Q21017 = 35.1174 Baht/USD

2) 1Q21018 = 31.5383 Baht/USD

Source: Bank of Thailand



Other income

In 1st quarter ended 31 March 2018, other revenues increased 0.3 million Baht year on year comprising of (1) revenue from sales of scrap, (2) revenue from money returns from provident fund and (3) others.

Selling Expenses

In the 1st quarter ended 31 March 2018 and 2017, TNR recorded selling expenses of 29.1 million Baht and 18.6 million Baht respectively, an increase of 10.5 million Baht or 56.5% due to the following reasons.

1. Advertising expenses, marketing and promotional expenses for ONETOUCH™ under company's trademark segment of business
2. Higher transportation cost.

Administrative Expenses

In the 1st quarter ended 31 March 2018 and 2017, TNR recorded administrative expenses of 26.5 million Baht and 19.8 million Baht respectively. An increase of 6.7 million Baht or 33.8% was from consulting fees and additional allowance for doubtful accounts.

Other gains (losses)

In the 1st quarter ended 31 March 2018 and 2017, TNR recorded the loss of 15.6 million Baht and 8.3 million Baht respectively which increased 7.3 million Baht or 88.0%. The main reason for this loss was due to the appreciation of THB against USD.

Finance Costs

In the 1st quarter ended 31 March 2018, TNR recorded finance cost expense of 0.3 million Baht with the main reason was due to payment of loan interest to financial institutions. While during the 1st quarter of prior year, TNR recorded the finance cost income of 3.7 million Baht which comprised net gain from exchange rate on loans from financial institutions amount 4.7 million Baht offsetting with payment of loan interest to financial institutions of 1.0 million Baht.

Net Profit and Net Profit Margin

In the 1st quarter ended 31 March 2018 and 2017, TNR recorded net profit of 15.4 million Baht and 3.4 million Baht or 4.2% and 1.4% respectively. The increase in net profit was due to reasons mentioned in gross profit and gross profit margin section above despite the fact that TNR is affected by THB appreciation against USD currency.



Financial Position

The following table shows TNR's financial position as at 31 March 2018 and 2017

Statement of Financial Position	As at 31 March		As at 31 December		Comparison	
	2018		2017		2018 & 2017	
	Amount Million Baht	Percent	Amount Million Baht	Percent	Amount Million Baht	Percent
Assets						
Current Assets						
Cash and cash equivalents	382.6	26.9	221.9	17.6	160.7	72.4
Trade and other accounts receivable (net)	380.5	26.8	392.5	31.1	(12.0)	(3.1)
Inventory (net)	132.6	9.3	113.4	9.0	19.2	16.9
Value added tax	8.1	0.6	10.3	0.8	(2.2)	(21.7)
Total current assets	903.8	63.6	738.1	58.5	165.7	22.4
Non-current assets						
Loans to employee	0.6	0.0	0.6	0.1	0.0	(3.0)
Property, plant and equipment (net)	490.2	34.5	497.0	39.4	(6.8)	(1.4)
Intangible assets (net)	17.8	1.3	17.9	1.4	(0.1)	(0.3)
Deferred tax assets	6.5	0.5	6.0	0.5	0.5	5.9
Other non-current assets	2.0	0.1	2.0	0.2	0.0	1.1
Total non-current assets	517.1	36.4	523.5	41.5	(6.4)	(1.2)
Total assets	1,420.9	100.0	1,261.6	100.0	159.3	12.6
Liabilities						
Current liabilities						
Short-term loans from financial institutions	107.0	7.5	-	-	107.0	100.0
Trade and other accounts payable	220.4	15.5	183.8	14.6	36.6	19.9
Current portions of liability under hire purchase contract	0.1	0.0	0.1	0.0	-	-
Current portions of long-term loans from a financial institution	13.5	1.0	13.5	1.1	-	-
Accrued income tax	4.1	0.3	3.6	0.3	0.5	14.1
Other current liabilities	4.9	0.3	3.2	0.3	1.7	52.5
Total Current Liabilities	350.0	24.6	204.2	16.2	145.8	71.4
Non-current liabilities						
Liability under hire purchase contract	0.1	0.0	0.1	0.0	(0.0)	(16.7)
Long-term loans from a financial institution	7.1	0.5	10.5	0.8	(3.4)	(32.1)
Employee benefit obligations	37.9	2.7	36.5	2.9	1.4	3.7
Total non-current liabilities	45.1	3.2	47.1	3.7	(2.0)	(4.3)
Total liabilities	395.1	27.8	251.3	19.9	143.8	57.2
Equity						
Share capital						
Authorised share capital						
300,000,000 ordinary shares of par Baht 1 each	300.0	21.1	300.0	23.8	-	-
Issued and fully paid-up share capital						
300,000,000 ordinary shares of par Baht 1 each	300.0	21.1	300.0	23.8	-	-
Share premium (net)	549.1	38.6	549.1	43.5	-	-
Retained earnings						
Appropriated - legal reserve	30.0	2.1	30.0	2.4	-	-
Unappropriated	147.0	10.3	131.5	10.4	15.5	11.8
Other components of equity (net)	(0.3)	(0.0)	(0.3)	(0.0)	(0.0)	0.0
Total equity	1,025.8	72.2	1,010.3	80.1	15.5	1.5
Total liabilities and equity	1,420.9	100.0	1,261.6	100.0	159.3	12.6



Assets

As at 31 March 2018 and 2017, TNR recorded the total asset of 1,420.9 million Baht and 1,261.6 million Baht respectively which increased 159.3 million Baht or 12.6%. The increase was mainly from an increase in cash and cash equivalents and inventory (net) while TNR recorded a decrease in property, plant, and equipment (net) as well as trade and other accounts receivable (net).

Liabilities

As at 31 March 2018 and 31 December 2017, TNR recorded total liabilities of 395.1 million Baht and 251.3 million Baht respectively, which increased 143.8 million Baht or 57.2%. It was from more borrowings in short-term loans from financial institutions for TNR's working capital.

Equity

As at 31 March 2018 and 31 December 2017, TNR has balance of equity of 1,025.8 million Baht and 1,010.3 million Baht, respectively which increased 15.5 million Baht or 1.5%. It was from 1st quarter of 2018 net profit.

Summary of TNR Financial Position

The computation on financial statements on the 3-month period ended 31 March 2018 and the fiscal year-end ended 31 December 2017 has impacted on the financial ratio as follows.

- The debt-to-equity ratio (D/E) is increased from 0.25 time to 0.39 time, a result from an increase in total liabilities.

- Basic earning per share for 1st quarter of 2018 and 2017 were 0.05 Baht per share and 0.01 Baht per share respectively (computing from weighted common shares of 300,000,000 shares) which increased from the growth in net profit.

Sincerely Yours,

.....
Sumate Masileerungsri
Chief Financial Officer
Authorized to Disclose Information
Thai Nippon Rubber Industry Public Company Limited