



Date: 13 May 2019

Subject: Management Discussion and Analysis of the performance of Q1/2019 for period ended 31 March 2019

Attention Managing Director, The Stock Exchange of Thailand

Thai Nippon Rubber Industry Public Company Limited (“the Company”) reported performance for 3-month period ended 31 March 2019 details are as follows.

Management Discussion and Analysis

Explanation and analysis of financial position and operating performance

Consolidated Statement of Comprehensive Income

	For the three-month periods ended 31 March (Unaudited)					
	Condoms and lubricating gels		Paper boxes		Total	
	Consolidated financial information	Separate financial information	Consolidated financial information	Separate financial information	Consolidated financial information	Separate financial information
	2019 Baht	2018 Baht	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Revenue from sales and services	299,191,174	353,961,209	43,970,010	-	343,161,184	353,961,209
Cost of sales and services	(246,036,050)	(278,492,360)	(41,981,912)	-	(288,017,962)	(278,492,360)
Depreciation change in excess from plant and equipment recognised under fair value	-	-	-	-	(2,285,493)	-
Segment results	53,155,124	75,468,849	1,988,098	-	52,857,729	75,468,849
Other income (Note 25)					16,235,846	1,242,334
Selling expenses					(32,134,916)	(18,700,564)
Administrative expenses					(27,525,659)	(26,464,279)
Other gains (losses) (Note 26)					(2,710,118)	(15,645,285)
Finance costs (net) (Note 27)					(3,407,295)	(263,165)
Operating profit					3,315,587	15,637,890
Income tax (Note 28)					128,756	(181,301)
Net profit for the period					3,444,343	15,456,589

Consolidated statement of comprehensive income for 3-month period ended 31 March 2019 is from the combination of the company’s performance and Box Asia Group International Co., Ltd. (subsidiary) ’s performance while consolidated statement of comprehensive income for the same prior period was not included the performance from subsidiary because no business acquisition was taken place during that time. therefore, the comparison of statement of comprehensive income for 3-month period ended is not applicable.

However, main portion in consolidated statement of comprehensive income is mainly from the company’s. The analysis of separated statement of comprehensive income is substitutable with analysis of consolidated statement of comprehensive income.



Statement of comprehensive income

	Consolidated	Separate	
	financial information	financial information	
	(Unaudited)	(Unaudited)	(Unaudited)
	31 March	31 March	31 March
	2019	2019	2018
	Baht	Baht	Baht
<i>Sales of goods and service income*</i>			
- Condoms	291,675,134	291,675,134	337,921,736
- Lubricant	15,016,580	15,016,580	26,394,756
- Paper boxes	43,970,010	-	-
- Others	38,687	38,687	33,913
Total sales of goods and service income	350,700,410	306,730,400	364,350,405
Offset with expense relating to payment to customers**	(7,539,227)	(7,539,227)	(10,389,196)
Total sales of goods and service income (net)	343,161,184	299,191,174	353,961,209
Cost of sales and service provided	(290,303,455)	(246,036,050)	(278,492,360)
Gross profit	52,857,729	53,155,124	75,468,849
Other income	16,235,846	16,151,595	1,242,334
Profit before expenses	69,093,575	69,306,719	76,711,183
Selling expenses	(32,134,916)	(29,975,082)	(18,700,564)
Administrative expenses	(27,525,659)	(22,679,914)	(26,464,279)
Other gains (losses)	(2,710,118)	(2,665,611)	(15,645,285)
Finance costs (net)	(3,407,295)	(3,364,921)	(263,165)
Total expenses	(65,777,988)	(58,685,528)	(61,073,293)
Profit before income tax	3,315,587	10,621,191	15,637,890
Income tax	128,756	(515,336)	(181,301)
Net profit for the period	3,444,343	10,105,855	15,456,589

* The adoption of TFRS 15 mainly affects the Group's accounting treatment on revenue recognition from sales and services:

- revenue from sales is recognised at point in time, when control of the goods transfers to the customer, and
- revenue from services is recognised overtime, in a manner that best reflects the Group's performance obligation after control of goods transfers to the customer which are insurance and freight according to inco-term

** During the Q1/2019 and Q1/2018, the expense relating to payment to customers as previously presented in selling expense have been reclassified to present net in sales of goods and service income.



Revenue from condoms and gel classified by business segment

Revenue by business segment	For 3-month period ended 31 March				Comparison	
	2019		2018		2019 & 2018	
	THB	%	THB	%	THB	%
Revenue from Company's trademark (OBM)	55,809,446	18.2	33,965,351	9.3	21,844,094	64.3
Revenue from OEM	175,808,909	57.3	266,169,581	73.1	(90,360,672)	(33.9)
Revenue from Tender	75,073,359	24.5	64,181,559	17.6	10,891,800	17.0
Total revenue from sales of condoms and	306,691,714	100.0	364,316,492	100.0	(57,624,778)	(15.8)

□ Revenue from Company's trademark (OBM)

Total sale in Q1/2019 increased 21.8 million Baht or 64.3% from the same prior period as due to increase in sale under company's trademark Onetouch™ 9.3 million Baht and Playboy 12.5 million Baht.

□ Revenue from OEM

Total sale in Q1/2019 decreased 90.4 million Baht or 33.9% from the same prior period because the sale in Asia, USA, Europe & Oceania decreased totally 101.5 million Baht while sale in Africa market increased 11.1 million Baht.

□ Revenue from Tender

Total sale in Q1/2562 slightly increased 10.9 million Baht or 17% from the same prior period.

Gross Profit

Gross profit in Q1/2019 decreased from 21.3% from the same prior period to 17.8% as due to an additional overhead cost arising from amortization charge under Playboy Trademark and reclassification of service charge for insurance and freight as previously presented in selling expense to be presented in cost of goods sold and service provided following TFRS 15.

Other income

Other income in Q1/2019 increased 14.9 million Baht or 1,200.1 % due to the revenue recognition in relation to royalty fee income under Playboy trademark while such income had not yet incurred in Q1/2018.



Selling expense

Selling expense in Q1/2019 increased 11.3 million Baht or 60.3 % due to the Company still continued to support marketing and promotional campaign to boost up sale under Playboy trademark commencing at the end of year 2018. It included the seminar “Playboy Global Summit” in late March 2019 which was the first time grand opening of TNR as a Playboy license holder.

Administrative expense

Administrative expense in Q1/2019 decreased 3.8 million Baht or 14.3 % due to decrease in allowance for doubtful accounts as a result of more efficiency in collectability of debts and decrease in professional fee.

Other gain (loss)

Other gain (loss) in Q1/2019 decreased 13.0 million Baht or 83.0 % because the Company was able to manage the risk from fluctuation of foreign currency more efficiently by entering into forward foreign currency exchange contracts from time to time.

Finance costs

Finance costs in Q1/2019 increased 3.1 million Baht or 1,178.6 % due to the Company has more interest expenses arising from long-term borrowings amount of 320.0 million Baht in May 2018 to be used as working capital and paid for Playboy trademark.



Statement of financial position

	Consolidated financial information		Separate financial information	
	(Unaudited) 31 March 2019 Baht	(Audited) 31 December 2018 Baht	(Unaudited) 31 March 2019 Baht	(Audited) 31 December 2018 Baht
Assets				
Current assets				
Cash and cash equivalents	61,951,357	86,672,714	57,016,143	75,313,943
Trade and other accounts receivable (net)	522,328,661	549,838,781	487,216,689	501,312,344
Inventories (net)	219,254,214	159,368,188	169,265,821	137,032,624
Value added tax	41,114,809	32,667,635	39,705,074	32,277,441
Others	3,421,517	2,588,567	598,167	588,567
Total current assets	848,070,558	831,135,885	753,801,894	746,524,919
Non-current assets				
Investment in a subsidiary	-	-	25,822,529	25,822,529
Property, plant and equipment (net)	651,530,222	667,718,205	462,466,115	477,634,629
Intangible assets (net)	475,421,205	479,823,206	475,029,507	479,415,861
Others	10,557,232	10,058,250	9,478,816	9,451,154
Total non-current assets	1,137,508,659	1,157,599,661	972,796,967	992,324,173
Total assets	1,985,579,217	1,988,735,546	1,726,598,861	1,738,849,092
Liabilities and equity				
Current liabilities				
Short-term loans from financial institutions	67,410,367	6,276,839	67,410,367	6,276,839
Trade and other accounts payable	343,420,209	392,882,292	275,453,592	341,868,170
Others	99,517,476	99,178,369	96,653,975	95,181,151
Total current liabilities	510,348,052	498,337,500	439,517,934	443,326,160
Non-current liabilities				
Long-term loans from a financial institution	219,950,000	239,960,000	219,950,000	239,960,000
Others	63,343,248	61,944,472	33,805,694	32,343,554
Total non-current liabilities	283,293,248	301,904,472	253,755,694	272,303,554
Total liabilities	793,641,300	800,241,972	693,273,628	715,629,714
Equity				
Share capital				
Issued and fully paid-up share capital				
300,000,000 ordinary shares of par Baht 1 each	300,000,000	300,000,000	300,000,000	300,000,000
Share premium (net)	549,079,673	549,079,673	549,079,673	549,079,673
Retained earnings				
Appropriated - legal reserve	30,000,000	30,000,000	30,000,000	30,000,000
Unappropriated	313,118,349	309,674,006	154,505,665	144,399,810
Other components of equity (net)	(260,105)	(260,105)	(260,105)	(260,105)
Total equity	1,191,937,917	1,188,493,574	1,033,325,233	1,023,219,378
Total liabilities and equity	1,985,579,217	1,988,735,546	1,726,598,861	1,738,849,092



Assets

Current assets

Current assets in consolidated financial statements increased 16.9 million Baht from prior year as due to inventories (net) increased 59.8 million Baht, value added tax increased 8.4 million Baht while trade and other accounts receivable (net) decreased 27.5 million Baht and cash and cash equivalents decreased 24.7 million Baht with the details as follows

1. Increase in inventories (net) 59.8 million Baht is comprised of an increase in inventories (net) of
 - Company by 32.2 million Baht because the Company increased production volume to meet the customers' orders being delivered in Q2/2019.
 - Subsidiary by 27.6 million Baht because subsidiary provided the raw materials stock, for more production volume.
2. Increase in value added tax 8.4 million Baht is comprised of an increase in value added tax of
 - Company by 7.4 million Baht as the Company has VAT claimed for refund incurred during Q1/2019. For outstanding VAT from 2018 is under investigation of Revenue Department's officer and is expected to recover the full amount.
 - Subsidiary by 1.0 million Baht which is mainly the undue input tax.
3. Decrease in trade and other accounts receivable 27.5 million Baht is mainly from decrease in trade and other accounts receivable of
 - Company by 14.0 million Baht. It is because the Company has improved the process of collectability the outstanding debts from customers more efficiently.
 - Subsidiary by 13.5 million Baht as due to sale orders in Q1/2019 were postponed for shipment to Q2/2019.
4. Decrease in cash and cash equivalent 24.7 million Baht consisted of decrease in cash and cash equivalents of
 - Company by 18.3 million Baht. The Company has paid the payable from acquiring Playboy trademark in amount of 2.5 million USD during Q1/2019 while the overall cash flow-in from operating activities and financing activities was less than investing activities.
 - Subsidiary by 6.4 million Baht as due to subsidiary has purchased more machines and equipment.



Non-current assets

Non-current assets in consolidated financial statements decreased 20.0 million Baht from prior year as due to decrease in property, plant and equipment (net) 16.2 million Baht and intangible assets (net) 4.4 million Baht with details as follows;

5. Decrease in property, plant and equipment (net) 16.2 million Baht is from decrease in property, plant and equipment (net) of
 - Company by 15.2 million Baht which is from depreciation charge 22.0 million Baht while the Company purchased more machine and equipment totally 6.8 million Baht
 - Subsidiary by 1.0 million Baht which is from depreciation charge 5.7 million Baht while subsidiary purchased more machine and equipment 4.7 million Baht
6. Decrease in intangible assets (net) 4.4 million Baht is mainly from the depreciation charge 6.4 million Baht and additional computer program 2.0 million Baht arising from the Company.

Liabilities and equity

Liabilities

Liabilities in consolidated financial statements decreased 6.6 million Baht from prior year as due to trade and other accounts payable decreased 49.5 million Baht, long-term loans decreased 20.0 million Baht while short-term loans increased 61.1 million Baht with the details as follows;

7. Decrease in trade and other accounts payable 49.5 million Baht is from trade and other accounts payable of
 - Company decreased by 66.4 million Baht with the main reason that the Company paid the payable from acquiring Playboy trademark in amount of 2.5 million USD during Q1/2019.
 - Subsidiary increased by 20.0 million Baht as due to subsidiary purchased more paper rolls kept as stocks.
8. Decrease in long-term loans 20.0 million Baht is from the repayment of borrowings following the due of contractual installments.
9. Increase in short-term loans 61.1 million Baht is from borrowings to use as working capital.



Equity

Equity in consolidated financial statements increased 3.4 million Baht from prior year. It consisted of net profit of the Company 10.1 million Baht, net loss from subsidiary 4.2 million Baht and transactions arising in preparation of consolidated financial statements such as depreciation charge and other expenses totally 2.5 million Baht.

Sincerely Yours,

.....

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