



Management Discussion and Analysis

For three-month and six-month periods ended 30 June 2021

JSP Pharmaceutical Manufacturing (Thailand) Public Company Limited (the “Company” or “JP”) would like to inform operating result for the three-month and six-month periods ended 30 June 2021, financial position as of 30 June 2021 and cash flows for the six-month period ended 30 June 2021 as follow:

Operating result for the three-month period ended 30 June 2021

Unit: Thousand Baht	Explanations	For the three-month period ended			Change QoQ		Change YoY	
		30 Jun 21 ("2Q21")	31 Mar 21 ("1Q21")	30 Jun 20 ("2Q20")	Amount	%	Amount	%
	1	112,552	94,812	122,406	17,740	18.7%	(9,854)	(8.1%)
		(73,957)	(60,766)	(85,956)	(13,191)	21.7%	11,999	(14.0%)
	2	38,595	34,046	36,450	4,549	13.4%	2,145	5.9%
	3	1,232	943	2,455	289	30.6%	(1,223)	(49.8%)
	4	(10,494)	(11,363)	(11,300)	869	(7.6%)	806	(7.1%)
	5	(11,920)	(12,057)	(13,561)	137	(1.1%)	1,641	(12.1%)
		17,413	11,569	14,044	5,844	50.5%	3,369	24.0%
		(2,318)	(2,458)	(2,618)	140	(5.7%)	300	(11.5%)
	6	(239)	174	(1,237)	(413)	(237.4%)	998	(80.7%)
		14,856	9,285	10,189	5,571	60.0%	4,667	45.8%
	7	(2,967)	(1,808)	(2,064)	(1,159)	64.1%	(903)	43.8%
		11,889	7,477	8,125	4,412	59.0%	3,764	46.3%
		0.03	0.02	0.02				

Source: Interim financial information for 3M21 (reviewed) and 6M21 (reviewed)

Explanations	2Q21 and 1Q21 (QoQ)	2Q21 and 2Q20 (YoY)
1	Revenue in 2Q21 increased from 1Q21 by 18.7%. The Company had continuous growth in sales revenue, especially from dietary supplementary and conventional medicine, which resulted from increasing of product advertising and received more orders from an OEM customer, respectively.	Revenue in 2Q21 was lower than 2Q20 amounting to Baht 9.9 million. This was primarily from sales of alcohol and cosmetics decreased as consumers had alternatives to prevent COVID-19 infection. However, the Company had higher revenue from dietary supplementary and conventional medicine since consumers had greater awareness of healthcare.



Explanations	2Q21 and 1Q21 (QoQ)	2Q21 and 2Q20 (YoY)
2	In 2Q21, the Company had gross profit margin of 34.3%, comparing with 35.9% in 1Q21. The decrease in gross profit margin derived from the Company recorded additional loss on devaluation of long outstanding inventories.	In 2Q21 and 2Q20, the Company had gross profit margin of 34.3% and 29.8%, respectively. Gross profit margin for 2Q21 has been improved since the Company focus on selling dietary supplementary products under Owned Brand, whereby contributed 38.3% of revenue from sales in 2Q21. However, the Company had revenue from sales of alcohol products in 2Q20, which had lower gross profit margin than dietary supplementary products.
3	Other income for 2Q21 was higher than 1Q21 because the Company had revenue from developing new medicine with a customer.	Other income for 2Q21 was less than 2Q20 because of lower income from product registration contract. In addition, the Company had revenue from sourcing product to a customer in 2Q20.
4	Distribution costs for 2Q21 decreased from 1Q21 by Baht 0.9 million since the Company had less agent fees from certain OEM products.	Due to sales of alcohol products in 2Q20, there were higher freight out and service fees than 2Q21.
5	Administrative expenses for 2Q21 were mainly staff costs, professional fees and depreciation and amortisation, which accounted for 66.7%, 13.3% and 6.0% of total administrative expenses, respectively.	Administrative expenses for 2Q21 were lower than 2Q20 amounting to Baht 1.6 million due to payment of penalty from late delivery in 2Q20.
6	Additional impairment loss from trade receivables for 2Q21 was Baht 0.4 million, resulted from higher balance of trade receivables overdue not over than 90 days than 1Q21.	Due to the decrease of trade receivables balance overdue more than 365 days, the Company recorded impairment loss determined in accordance with TFRS9 for 2Q21 less than 2Q20.
7	Effective tax rates were 20.0% and 19.5% for 2Q21 and 1Q21, respectively.	Effective tax rates for 2Q21 and 2Q20 were 20.0% and 20.3%, respectively. Income tax expense increased corresponding with profit before taxes.



Operating result for the six-month period ended 30 June 2021

Unit: Thousand Baht	Explanations	For the six-month period ended		Change	
		30 Jun 21 ("6M21")	30 Jun 20 ("6M20")	Amount	%
Revenue from sales	1	207,364	246,088	(38,724)	(15.7%)
Cost of sales		(134,723)	(171,812)	37,089	(21.6%)
Gross profit	2	72,641	74,276	(1,635)	(2.2%)
Other income	3	2,175	5,013	(2,838)	(56.6%)
Distribution costs	4	(21,857)	(23,911)	2,054	(8.6%)
Administrative expenses		(23,976)	(25,147)	1,171	(4.7%)
Profit before interest and taxes		28,983	30,231	(1,248)	(4.1%)
Finance costs		(4,776)	(5,830)	1,054	(18.1%)
Impairment loss determined in accordance with TFRS9		(65)	(1,167)	1,102	(94.4%)
Profit before taxes		24,142	23,234	908	3.9%
Income tax expense		(4,775)	(4,629)	(146)	3.2%
Net profit		19,367	18,605	762	4.1%
Other comprehensive profit (loss) - net of tax	5	(934)	-	(934)	(100.0%)
Comprehensive profit (loss)		18,433	18,605	(172)	(0.9%)
Earnings per share (Baht per share)		0.06	0.06		

Source: Interim financial information for 6M21 (reviewed)

Explanations

1. Currently, COVID-19 outbreak has yet been recovered. The Company changed several strategies in order to maximise customers' satisfaction and maintain operating results. For instance, expand channel of distribution, manufacture and sell of alcohol products. For 6M21, revenue dropped from 6M20 amounting to Baht 38.7 million. Major reason derived from changing of consumers behaviours in response to prevent infection e.g., vaccination, decrease travelling, which reduce sales of alcohol products. Whereas, the Company had more revenue from dietary supplementary and conventional medicine since consumers had greater awareness of healthcare.
Breakdown proportion of the Company's revenue from OEM, Owned Brand and other products for 6M21 were 59.3%, 39.1% and 1.6%, respectively.
2. The Company had 35.0% and 30.2% of gross profit margin for 6M21 and 6M20, respectively. The Company managed product portfolio to focus on selling dietary supplementary under Owned Brand; which could generate higher gross profit margin than OEM products, to strengthen the Company's operating result.
3. Other income for 6M21 was lower than 6M20 since the Company had no revenue from sourcing a product to certain customer and decreased of revenue from product registration.
4. Distribution costs for 6M21 decreased from 6M20 totalled Baht 2.1 million. The decrease was mainly derived from freight out of goods to customers. While, the Company had certain distribution costs for 6M21



greater than 6M20 e.g., advertising expense on Owned Brand products and packaging for goods handling for television and online channels.

5. In 6M21, the Company re-assessed provision for retirement benefits with reference to current information. The results showed that actuarial loss- net of tax of Baht 0.9 million should be charged.

Financial position as of 30 June 2021

Unit: Thousand Baht	Explanations	As of		Change	
		30 Jun 21	31 Dec 20	Amount	%
Total current assets	1	138,298	129,987	8,311	6.4%
Total non-current assets	2	415,985	354,100	61,885	17.5%
Total assets		554,283	484,087	70,196	14.5%
Total current liabilities	3	138,543	181,036	(42,493)	(23.5%)
Total non-current liabilities	4	211,392	107,136	104,256	97.3%
Total liabilities		349,935	288,172	61,763	21.4%
Total shareholders' equity	5	204,348	195,915	8,433	4.3%
Total liabilities and shareholders' equity		554,283	484,087	70,196	14.5%

Source: Interim financial information for 6M21 (reviewed)

Explanations

- As of 30 June 2021, current assets primarily comprised trade receivables and inventories totalled 92.9% of total current assets. The Company had more current assets than 31 December 2020 because of higher trade receivables. In addition, the Company classified a plot of land with net book value of Baht 3.5 million as current assets since it is the asset held for sale.
- As of 30 June 2021, the Company's non-current assets was mainly property, plant and equipment, accounted for 64.5% of total assets. During 6M21, the Company entered into a new lease agreement and amended terms and conditions of the lease agreements with related parties. Accordingly, the Company recognised additional right-of-use assets amounting to Baht 64.0 million. Also, the Company invested more in fixed assets; which mainly expansion of plant at Lamphun province, to support the business plan. However, the Company recorded Baht 10.9 million of depreciation and amortisation
- As of 30 June 2021, the Company's current liabilities decreased by Baht 42.5 million, comparing with 31 December 2020, because bank overdrafts and short-term loans from financial institutions decreased.
- Non-current liabilities as of 30 June 2021 mainly comprised long-term loans from financial institutions and lease liabilities amounting to Baht 99.2 million and Baht 99.3 million, respectively. The increase of non-current liabilities as of 30 June 2021 from 31 December 2020 derived from the Company obtained additional long-term loans from several financial institutions, entered into a new lease agreement and amended terms and conditions of lease agreements.



5. Shareholders' equity as of 30 June 2021 increased from 31 December 2020 due to comprehensive profit of Baht 18.4 million. However, the Company declared and paid dividend totalled Baht 10.0 million on April 2021, which represented operating result of FY20.

Cash flows for the six-month period ended 30 June 2021

<i>Unit: Thousand Baht</i>	<i>Explanations</i>	For the six-month period ended		Change	
		30 Jun 21 ("6M21")	30 Jun 20 ("6M20")	Amount	%
Cash flows from operating activities	1	43,049	27,538	15,511	56.3%
Cash flows from investing activities	2	(7,121)	2,057	(9,178)	(446.2%)
Cash flows from financing activities	3	(36,192)	(26,512)	(9,680)	36.5%
Net cash flows		(264)	3,083	(3,347)	(108.6%)
Opening cash and cash equivalents		492	137	355	259.1%
Closing cash and cash equivalents		228	3,220	(2,992)	(92.9%)

Source: Interim financial information for 6M21 (reviewed)

Explanations

1. The Company had cash flows from operating activities for 6M21 higher than 6M20 by Baht 15.5 million because the Company received more advances from OEM customers.
2. Cash flows from investing activities for 6M21 decreased since cash paid for plant and equipment to expand production facilities at Lamphun province.
3. Although the Company had been approved several long-term loans from financial institutions during 6M21 totalled Baht 49.6 million, the Company used such cash to repay short-term loans from financial institutions. Furthermore, the Company declared and paid dividend of Baht 10.0 million. Cash flows from financing activities were then in negative value.