



Management Discussion and Analysis

For three-month and nine-month periods ended 30 September 2021

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

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

Unit: Thousand Baht	Explanations	For the three-month period ended			Change QoQ		Change YoY	
		30 Sep 21 ("3Q21")	30 Jun 21 ("2Q21")	30 Sep 20 ("3Q20")	Amount	%	Amount	%
	1	103,556	112,552	104,585	(8,996)	(8.0%)	(1,029)	(1.0%)
		(71,862)	(73,957)	(70,565)	2,095	(2.8%)	(1,297)	1.8%
	2	31,694	38,595	34,020	(6,901)	(17.9%)	(2,326)	(6.8%)
	3	3,682	1,232	1,421	2,450	198.9%	2,261	159.1%
	4	(11,364)	(10,494)	(9,515)	(870)	8.3%	(1,849)	19.4%
	5	(13,122)	(11,920)	(12,771)	(1,202)	10.1%	(351)	2.7%
		10,890	17,413	13,155	(6,523)	(37.5%)	(2,265)	(17.2%)
		(2,947)	(2,318)	(2,807)	(629)	27.1%	(140)	5.0%
	6	94	(239)	(1,866)	333	(139.3%)	1,960	(105.0%)
		8,037	14,856	8,482	(6,819)	(45.9%)	(445)	(5.2%)
	7	(1,715)	(2,967)	(2,365)	1,252	(42.2%)	650	(27.5%)
		6,322	11,889	6,117	(5,567)	(46.8%)	205	3.4%
		0.02	0.03	0.02				

Source: Interim financial information for 6M21 (reviewed) and 9M21 (reviewed)

Explanations	3Q21 and 2Q21 (QoQ)	3Q21 and 3Q20 (YoY)
1	Revenue in 3Q21 decreased from 2Q21 by 8.0% because lockdown in the country throughout 3Q21 resulted to pressure on consumers' spending. The Company then had lower revenue from Owned Brand products.	Revenue in 3Q21 was lower than 3Q20 amounting to Baht 1.0 million. The decrease was primarily from revenue of other segment, represented cosmetic products. Due to persist of COVID-19 outbreak, consumers had more careful on spending of luxury products.
2	In 3Q21, the Company had gross profit margin of 30.6%, comparing with 34.3% in	In 3Q21 and 3Q20, the Company had gross profit margin of 30.6% and 32.5%,



Explanations	3Q21 and 2Q21 (QoQ)	3Q21 and 3Q20 (YoY)
	2Q21. The decrease in gross profit margin derived from the Company had lower revenue proportion from Owned Brand product from the most recent period. Generally, Owned Brand products could generate higher profit margin than OEM.	respectively. Gross profit margin for 3Q21 has dropped since lockdown throughout 3Q21 had impact to demand side. The Company then had lower revenue from dietary supplement products, which had high profitability.
3	Other income for 3Q21 was higher than 2Q21 because the Company had gain from disposal a plot of land to related parties.	Other income for 3Q21 was higher than 3Q20 because the Company had gain from disposal a plot of land to related parties.
4	Distribution costs for 3Q21 increased from 2Q21 totalled Baht 0.9 million since the Company had more of staff costs and freight-out.	Distribution costs for 3Q21 increased from 3Q20 totalled Baht 1.8 million since the Company had more of staff costs.
5	Comparing with 2Q21, administrative expenses for 3Q21 increased by 10.1% resulted from higher of staff costs.	Administrative expenses for 3Q21 were totalled 12.7% of revenue from sales The expenses mainly comprised staff costs and professional fees, accounted for 8.0% and 1.4% of revenue from sales, respectively.
6	The Company recorded reversal of impairment loss in accordance with TFRS9 in 3Q21 amounting to Baht 0,09 million, which in line with decrease of trade receivables.	The Company had impairment loss in accordance with TFRS9 in 3Q21 lower than 3Q20, which in line with decrease of trade receivables.
7	Effective tax rates were 21.3% and 20.0% for 3Q21 and 2Q21, respectively.	Effective tax rates for 3Q21 and 3Q20 were 21.3% and 27.9%, respectively. During 3Q20, the Company wrote-off deferred tax assets amounting to Baht 0.7 million, therefore, effective tax rate was higher than 3Q21.



Operating result for the nine-month period ended 30 September 2021

Unit: Thousand Baht	Explanations	For the nine-month period ended		Change	
		30 Sep 21 ("9M21")	30 Sep 20 ("9M20")	Amount	%
Revenue from sales	1	310,920	350,673	(39,753)	(11.3%)
Cost of sales		(206,585)	(242,377)	35,792	(14.8%)
Gross profit	2	104,335	108,296	(3,961)	(3.7%)
Other income		5,857	6,434	(577)	(9.0%)
Distribution costs		(33,221)	(33,426)	205	(0.6%)
Administrative expenses		(37,098)	(37,918)	820	(2.2%)
Profit before interest and taxes		39,873	43,386	(3,513)	(8.1%)
Finance costs		(7,723)	(8,637)	914	(10.6%)
Impairment loss determined in accordance with TFRS9	3	29	(3,033)	3,062	(101.0%)
Profit before taxes		32,179	31,716	463	1.5%
Income tax expense		(6,490)	(6,994)	504	(7.2%)
Net profit		25,689	24,722	967	3.9%
Other comprehensive profit (loss) - net of tax	4	(934)	-	(934)	(100.0%)
Comprehensive profit (loss)		24,755	24,722	33	0.1%
Earnings per share (Baht per share)		0.08	0.07		

Source: Interim financial information for 9M21 (reviewed)

Explanations

- For 9M21, the Company's revenue from sales decreased from 9M20 by Baht 39.8 million. Major reason derived from changing of consumers behaviours in response to prevent infection e.g., vaccination, decrease travelling, which reduced sales of alcohol products. Whereas, the Company had more revenue from dietary supplement 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 9M21 were 61.4%, 36.6% and 2.0%, respectively.
- The Company had 33.6% and 30.9% of gross profit margin for 9M21 and 9M20, respectively. The Company managed product portfolio to focus on selling dietary supplement under Owned Brand; which could generate higher gross profit margin than OEM products, to strengthen the Company's operating result.
- The Company reversed impairment loss in accordance with TFRS9 during 9M21 amounting to Baht 0.03 million because trade receivables decreased. However, impairment loss presented in 9M20 amounting to Baht 3.0 million resulted from certain customer had direct impact from COVID-19 outbreak which brought to delay payment.
- In 9M21, 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 September 2021

<i>Unit: Thousand Baht</i>	<i>Explanations</i>	As of		Change	
		30 Sep 21	31 Dec 20	Amount	%
Total current assets		149,925	129,987	19,938	15.3%
Total non-current assets		422,783	354,100	68,683	19.4%
Total assets	1	572,708	484,087	88,621	18.3%
Total current liabilities		171,148	181,036	(9,888)	(5.5%)
Total non-current liabilities		205,890	107,136	98,754	92.2%
Total liabilities	2	380,038	288,172	91,866	31.9%
Total shareholders' equity	3	192,670	195,915	(3,245)	(1.7%)
Total liabilities and shareholders' equity		572,708	484,087	88,621	18.3%

Source: Interim financial information for 9M21 (reviewed)

Explanations

1. As of 30 September 2021, total assets primarily comprised inventories and property, plant and equipment totalled 80.6% of total assets. The Company had more assets than 31 December 2020 because of higher inventories amounting to Baht 21.9 million. Due to COVID-19 outbreak, the Company had to separate staff under Bubble and Seal in order to prevent infection spread in the factory so that production was slow down. In addition, during 9M21, 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 related to expansion of plant and equipment at Lamphun province, to support the business plan. However, the Company recorded Baht 16.5 million of depreciation and amortisation.
2. As of 30 September 2021, the Company's had interest-bearing liabilities totalled Baht 267.7 million, which increased by Baht 58.2 million comparing with 31 December 2020. This was because 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 with related parties. Furthermore, the Company had more of contract liabilities amounting to Baht 22.2 million, which represented advances received from customers.
3. Shareholders' equity as of 30 September 2021 increased from 31 December 2020 due to comprehensive profit for 9M21 of Baht 24.8 million. However, the Company declared and paid dividend totalled Baht 28.0 million during 9M21.



Cash flows for the nine-month period ended 30 September 2021

	Explanations	For the nine-month period ended		Change	
		30 Sep 21 ("9M21")	30 Sep 20 ("9M20")	Amount	%
<i>Unit: Thousand Baht</i>					
Cash flows from operating activities	1	59,394	27,396	31,998	116.8%
Cash flows from investing activities	2	(11,031)	1,625	(12,656)	(778.8%)
Cash flows from financing activities	3	(42,964)	(28,853)	(14,111)	48.9%
Net cash flows		5,399	168	5,231	3,113.7%
Opening cash and cash equivalents		492	137	355	259.1%
Closing cash and cash equivalents		5,891	305	5,586	1,831.5%

Source: Interim financial information for 9M21 (reviewed)

Explanations

1. The Company had cash flows from operating activities for 9M21 higher than 9M20 by Baht 32.0 million because the Company received more advances from customers.
2. Cash flows from investing activities for 9M21 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 9M21 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 28.0 million. Cash flows from financing activities were then in negative value.