



**Date:** 15 August 2022

**Subject:** Management Discussion and Analysis of the performance for the 2<sup>nd</sup> quarter ended 30 June 2022

**Attention:** Managing Director, The Stock Exchange of Thailand

Thai Nippon Rubber Industry Public Company Limited and its subsidiaries (“the Group”) reported performance for the 3-month and 6-month period ended 30 June 2022 as follows;

## Management Discussion and Analysis

### Explanation and analysis of financial position and operating performance

#### Consolidated Statement of Comprehensive Income

For the 3-month quarter 2/2022

	Consolidated financial statements									
	For the three-month periods ended 30 June									
	Condoms and lubricating gels		Paper boxes		Adjustments in consolidated financial information		Total		Comparison	
	2022	2021	2022	2021	2022	2021	2022	2021	2022 & 2021	%
Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht		
Revenue from sales and services	413.0	338.3	44.5	35.1	(10.6)	(4.1)	446.8	369.4	77.4	21.0%
Cost of sales and services	(278.2)	(260.5)	(45.8)	(40.1)	10.6	4.1	(313.3)	(296.6)	(16.7)	5.6%
Depreciation charge in excess from plant and equipment recognised under fair value	-	-	-	-	(2.9)	(3.5)	(2.9)	(3.5)	0.6	-17.2%
Segment results	134.8	77.8	(1.3)	(5.1)	(2.9)	(3.5)	130.5	69.2	61.3	88.6%
Other income							1.4	1.0	0.4	45.7%
Selling expenses							(12.1)	(41.0)	28.9	-70.4%
Administrative expenses							(42.4)	(33.6)	(8.8)	26.2%
Expected credit losses							(20.7)	(1.4)	(19.3)	1358.2%
Other gains							27.0	15.5	11.5	74.1%
Finance costs							(3.0)	(3.2)	0.2	-6.6%
Operating profit							80.7	6.4	74.3	1153.1%
Income tax							(11.9)	1.1	(13.0)	-1174.3%
Net profit for the period							68.8	7.5	61.3	811.5%

Overall operation results of the Group for 3 month Q2/2022, the Group has revenue in total of Baht 446.8 million (Q2/2021: Baht 369.4 million) increase Baht 77.4 million (+21.0%). It's mainly from an increase in sale of condom and lubricating gel business totaling Baht 74.7 million. Sale increases in all business units. Sale increase in OEM by Baht 51.9 million, Tender by Baht 26.3 million and OBM by Baht 15.6 million. While no sale of Playboy products in this quarter.

Gross profit margin of the Group for 3 month Q2/2022 is 29.2% (Q2/2021: 18.7%) of total revenue. As most sale of parent company is made in USD, gross profit (%) increases from the effect of depreciation of Thai Baht in exchange of USD. Average exchange rate of Thai Baht per USD for 3 month Q2/2022 is 34.25 (Q2/2021: 31.32) or +9.4%.



Selling expenses for 3 month Q2/2022 is 2.7% (Q2/2021: 11.1%) of total revenue. The decrease is mainly from no marketing and promotional expenses arising from sale of Playboy products.

Administrative expenses for 3 month Q2/2022 is 9.5% (Q2/2021: 9.1%) of total revenue. An increase is the Group has an extraordinary expense related to lawyer engaged in Playboy case while the license registration fee decreases.

Expected credit losses for 3 month Q2/2022 is Baht 20.7 million (Q2/2021: Baht 1.4 million). The allowance for expected credit loss is set up based on uncollectible account receivable balance mostly denominated in USD. As the depreciation of Thai Baht in exchange of USD, the Group recognizes the additional expected credit losses on revaluation of its allowance in USD to Thai Baht using period ended rate.

Other gain for 3 month Q2/2022 is Baht 27.0 million (Q2/2021: Baht 15.5 million). Main item in other gain is net gain from exchange rate of which in 3 month Q2/2022, the Group has more profit from exchange rate as due to the depreciation of Thai Baht in exchange of USD. Especially unrealized gain from exchange rate arising from revaluation of accounts receivable in USD at the period end. In addition, forward foreign currency exchange rate contract is able to reduce the risk from fluctuation of exchange rate.

Income tax for 3 month Q2/2022 represents the income tax expense of Baht 11.9 million (Q2/2021: income tax income Baht 1.1 million). As the privileges of income tax exemption of one of the Company's Bol certificate has expired, the Company's net profit is now subject to income tax rate at 10% (Q2/2021: income tax exemption).

## Consolidated Statement of Comprehensive Income For the 6-month quarter 2/2022

	Consolidated financial statements											
	For the six-month periods ended 30 June											
	Condoms and lubricating gels		Paper boxes		Adjustments in consolidated financial information				Total		Comparison	
	2022	2021	2022	2021	2022	2021	2022	2021	2022 & 2021			
Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	%		
Revenue from sales and services	888.4	706.2	91.9	105.3	(14.9)	(8.0)	965.3	803.4	161.9	20.1%		
Cost of sales and services	(615.3)	(537.2)	(92.3)	(91.5)	14.9	8.0	(692.7)	(620.7)	(72.0)	11.6%		
Depreciation charge in excess from plant and equipment recognised under fair value	-	-	-	-	(5.8)	(6.3)	(5.8)	(6.3)	0.5	-8.0%		
Segment results	273.1	169.0	(0.4)	13.7	(5.8)	(6.3)	266.8	176.4	90.4	51.3%		
Other income							3.3	2.8	0.5	18.1%		
Selling expenses							(29.1)	(77.5)	48.4	-62.4%		
Administrative expenses							(86.5)	(59.5)	(27.0)	45.5%		
Expected credit losses							(19.6)	(1.8)	(17.8)	992.5%		
Other gains							27.9	43.1	(15.2)	-35.3%		
Finance costs							(6.5)	(6.3)	(0.2)	3.1%		
Operating profit							156.3	77.2	79.1	102.4%		
Income tax							(19.3)	(0.1)	(19.2)	28638.8%		
Net profit for the period							137.1	77.2	59.9	77.6%		



Overall operation results of the Group for 6 month Q2/2022, the Group has revenue in total of Baht 965.3 million (Q2/2021: Baht 803.4 million) increase Baht 161.9 million (+20.1%). It's from the increase in condom and lubricating gel business Baht 182.2 million while sale from paper boxes business dropped by Baht 13.4 million.

Gross profit margin of the Group for 6 month Q2/2022 is 27.6% (Q2/2021: 22.0%) of total revenue. Gross profit (%) increases from the effect of depreciation of Thai Baht in exchange of USD. Average exchange rate of Thai Baht per USD for 6 month Q2/2022 is 33.53 (Q2/2021: 30.62) or +9.5%. However, margin dropped in paper boxes business by 13.0% an impact to overall margin as well.

Selling expenses for 6 month Q2/2022 is 3.0% (Q2/2021: 9.7%) of total revenue. The decrease is mainly from no marketing and promotional expenses arising from sale of Playboy products.

Administrative expenses for 6 month Q2/2022 is 9.0% (Q2/2021: 7.4%) of total revenue. The Group has an extraordinary expense related to lawyer engaged in Playboy case.

Expected credit losses for 6 month Q2/2022 is Baht 19.6 million (Q2/2021: Baht 1.8 million). The allowance for expected credit loss is set up based on uncollectible account receivable balance mostly denominated in USD. As the depreciation of Thai Baht in exchange of USD, the Group recognizes the additional expected credit losses on revaluation of its allowance in USD to Thai Baht using period ended rate.

Other gain for 6 month Q2/2022 represents the profit Baht 27.9 million (Q2/2021: Baht 43.1 million). Main item in other gain is net gain from exchange rate of which in 6 month Q2/2022, the Group has profit from exchange rate as due to the depreciation of Thai Baht in exchange of USD. Especially unrealized gain from exchange rate arising from revaluation of accounts receivable in USD at the period end. In addition, forward foreign currency exchange rate contract is able to reduce the risk from fluctuation of exchange rate.

Income tax for 6 month Q2/2022 represents the income tax expense of Baht 19.3 million (Q2/2021: Baht 0.1 million). It increases because the privileges of income tax exemption of one of the Company's BoI certificate has expired, the Company's net profit is now subject to income tax rate at 10% (Q2/2021: income tax exemption).

**Consolidated statement of financial position**

As at 30 June 2022

	Consolidated financial statements		Comparison	
	30-Jun-22 Million Baht	31-Dec-21 Million Baht	2022 & 2021 Million Baht	%
Current assets	983.6	899.3	84.3	9.4%
Non-current assets	720.6	698.8	21.8	3.1%
<b>Total assets</b>	<b>1,704.2</b>	<b>1,598.1</b>	<b>106.1</b>	<b>6.6%</b>
Current liabilities	742.3	770.0	(27.7)	-3.6%
Non-Current liabilities	104.5	107.8	(3.3)	-3.1%
<b>Total liabilities</b>	<b>846.8</b>	<b>877.8</b>	<b>(31.0)</b>	<b>-3.5%</b>
Authorised, issued and fully paid-up share capital	300.0	300.0	-	-
Share premium (net)	378.3	549.1	(170.8)	-
Retained earnings (deficits)				
- Appropriated - legal reserve	-	30.0	(30.0)	-
- Unappropriated	180.3	(157.5)	337.8	-214.5%
Other components of equity (Net)	(1.1)	(1.2)	0.1	-3.9%
Total equity	857.5	720.4	137.1	19.0%
<b>Total liabilities and equity</b>	<b>1,704.2</b>	<b>1,598.1</b>	<b>106.1</b>	<b>6.6%</b>

The Group has current assets as at Q2/2022 at Baht 983.6 million (2021: Baht 899.3 million) increase Baht 84.3 million (+9.4%). It's from;

1. An increase in trade and other accounts receivable (net) Baht 18.5 million as due to an increase in total revenue for 6 month Q2/2022. In addition, the Group also collects the money from customers better faster than the same period in 2021.
2. An increase in inventories (net) Baht 65.1 million. The Group keeps more stock for main raw materials and silicone in order to protect the risk from price increasing.

Other non-current assets as at Q2/2022 is Baht 720.6 million (2021: Baht 698.8 million) increase Baht 21.8 million (+3.1%). It's from;

1. Increase in property, plant and equipment (net) Baht 24.5 million. It's mainly from the purchase of machine and factory equipment Baht 68.1 million (mostly in a subsidiary) offset with depreciation charge by Baht 44.3 million.
2. Decrease in Right of use assets (net) Baht 6.1 million. It's from monthly depreciation charge.



Current liabilities as at Q2/2022 is Baht 742.3 million (2021: Baht 770.0 million) decrease Baht 27.7 million (-3.6%). It's from;

1. Decrease in short-term loans from banks and current portion of long term loan from bank Baht 40.7 million and Baht 39.9 million, respectively. It's from repayment as due.
2. An increase in trade and other accounts payable Baht 39.6 million because of purchase more raw materials.
3. An increase in accrued income tax Baht 10.9 million as the privileges for income tax exemption from Bol's certificate privilege has expired.

Non-current liabilities as at Q2/2022 is Baht 104.5 million (2021: Baht 107.8 million) decrease Baht 3.3 million. It's from;

1. Decrease in lease liabilities (net) Baht 5.3 million as due to contractual repayment.
2. Increase in employee benefits obligations Baht 3.1 million. It's from monthly charges upon actuarial report.

Equity as at Q2/2022 is Baht 857.4 million (2021: Baht 720.3 million) increase Baht 137.1 million. It's from Group's net profit for 6 months Baht 137.1 million.

Sincerely Yours,

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Sumate Masileerungsri

Chief Financial Officer

Authorized to Disclose Information

Thai Nippon Rubber Industry Public Company Limited