



Top Glove Corporation Bhd

(Company No. 199801018294 [474423-X])

Top Glove Media Contact:

Michelle Voon
wavoon@topglove.com.my
+603-3362 3098 Ext 2228
+6016 668 8336

Investor Contact:

invest@topglove.com.my

PRESS RELEASE

For Immediate Release

CHALLENGING TIMES WITH OPPORTUNITIES AHEAD

Shah Alam, Friday, 10 December 2021 Top Glove Corporation Bhd or “Top Glove” today announced its financial results for the First Quarter ended 30 November 2021 (1QFY2022), navigating a challenging landscape to commence its new financial year 2022 with positive expectation.

Financial Performance

For 1QFY2022, the Group achieved Sales Revenue of RM1.58 billion and Profit After Tax of RM202 million, while Sales Volume (Quantity Sold) was flattish as it transitions closer to pre COVID levels, compared with the previous financial quarter. The Group’s net cash position as at 30 November 2021 stood at RM1.06 billion.

The softer performance was mainly attributed to normalising average selling prices (ASPs) and glove demand following mass vaccine rollout on a global scale, while customers remained cautious on replenishing orders. In addition, raw material costs reduced at a much slower pace in comparison to glove ASPs, thereby impacting Profit.

However, the surplus in glove supply will likely be offset in part, by the steady and consistent growth in global glove demand. Glove demand which continues to be driven by strong market fundamentals, was already growing at a rate of 10% yearly pre COVID and is expected to increase further even after the pandemic recedes, on the back of heightened glove usage and hygiene awareness. In addition, the Group is

gradually regaining its exports from Malaysia to the U.S., which is expected to improve Sales Volume in the quarters to come.

Further mitigating the situation, raw material prices are on a downtrend quarter on quarter, with average natural latex concentrate prices weakening by 8% to RM5.09/kg. Meanwhile, nitrile latex prices decreased by 19% to USD1.79/kg and are expected to continue declining at a much higher percentage going forward.

Notwithstanding this, in keeping with its commitment to create value for the Company's approximately 138,000 public shareholders, Top Glove declared a dividend payment of 1.2 sen per ordinary share, amounting to a total payout of RM96 million in line with the Company's dividend policy. The ex date for the dividend is 24 December 2021 while the payment date is 10 January 2022.

Dato' Lee Kim Meow, Managing Director of Top Glove observed, "The team's efforts to deliver these results against a challenging environment with headwinds, are to be commended. Having been in the glove industry for 30 years, we know this is part of the business cycle and have prepared for it. We have built up our reserves over the last 2 years which will enable us to go through leaner times and leverage any M&A opportunities which may arise".

"While times may be tough now, we are confident good times will come again. We believe even in the hardest of times, there is also opportunity, as long as we continue to stay healthy and maintain a positive expectation of the future," added Dato' Lee.

Corporate Developments

In light of the challenging business landscape, the Company will be cautious and defer its expansion plans to be in line with market trends and the demand supply situation. The Group's growth strategy will include a combination of organic expansion, inorganic expansion and strategic investments. By 31 December 2025, Top Glove is projected to have a total of 59 factories comprising 46 glove factories and 13 other factories, 1,486 glove production lines and a glove production capacity of 201 billion gloves per annum. The Group's organic expansion plans for 2022 to 2025 are detailed in Appendix 1.

The Group is pleased and grateful to have received shareholder approval of its proposed resolutions at Top Glove's Extraordinary General Meeting (EGM) held on 8 December 2021, in support of the Company's dual primary listing on the Stock Exchange of Hong Kong (HKEX), the Company's application for which will now move onto the next stage of the listing process.

Top Glove will also continue to integrate sustainability into its daily business operations, all the more during these challenging times. Top Glove's achievements and ongoing good work in the Environmental, Social and Governance (ESG) space include the following:

a. Achieved Top 10% in the Global Health Care Equipment & Supplies industry on the Dow Jones Sustainability Index

A testament to its sustainability leadership in the industry, Top Glove maintained its inclusion on the prestigious Dow Jones Sustainability Indices (DJSI) 2021 under the Emerging Markets category for the third year running. It is among the top 10% in the global Health Care Equipment & Supplies industry category globally in the S&P Global Corporate Sustainability Assessment as at the score date of 12 November 2021. It is also the only Malaysian healthcare manufacturing company, as well as one of three (3) healthcare industry companies to be included on this year's DJSI under the Emerging Markets category.

b. Pledge by Top Glove Board of Directors and Senior Leadership in support of United Nations Guiding Principles on Business and Human Rights

To commemorate Human Rights Day 2021 which falls on 10 December 2021 and is themed EQUALITY: Reducing Inequalities, Advancing Human Rights, the Top Glove Board of Directors and its senior leadership team on 8 December 2021 pledged their support of the United Nations Guiding Principles (UNGP) on Business and Human Rights, demonstrating the Group's deepening commitment to protecting and respecting human rights, based on an internationally accepted framework and guidelines in relation to labour practices.

c. Launch of Zero Harm on Mental Health programme

In an effort to promote mental wellness and break the stigma around mental health within a corporate setting, Top Glove launched its inaugural Zero Harm on Mental Health programme on 10 October 2021, in conjunction with World Mental Health Day. Together with the Company's existing Zero Harm and Safety Health Emergency Preparedness Programme introduced in 2019, this provides a comprehensive safety and wellness action plan for Top Glove employees aimed at creating a supportive, respectful and inclusive environment at the workplace.

d. MOU with Ministry of Education Malaysia to Support Local TVET Graduates

On 18 November 2021, Top Glove signed a Memorandum of Understanding (MOU) with the Ministry of Education (MOE) Malaysia, marking the start of a 5 year cooperation to support the development of Technical and Vocational Education and Training (TVET) in the country.

e. Human Resources Accolades

Firmly entrenching the Company as an employer of choice to its 22,000 strong workforce, Top Glove emerged Winner at the GRADUAN Brand Awards 2021 in the category of Malaysia's Most Preferred Employers (Manufacturing industry), while attaining an overall ranking of Top 4 amongst Malaysia's Most Preferred Employers of The Year. The Company was also honoured at the Graduates' Choice Awards 2022 where it was voted Most Preferred Graduate Employer and crowned Champion under the Manufacturing (Rubber) category. Additionally, it garnered 7 awards across 6 categories at the HR Excellence Awards 2021.

f. Donations and Community Support

Top Glove Foundation continued to undertake charitable work and render community support on an ongoing basis, with its recent initiatives including flood relief, donation of laptops and sponsorship of surgical procedures.

Outlook

Top Glove anticipates the business environment will be challenging in the immediate term, as competition continues to intensify amidst moderating glove demand. Nonetheless, the Company remains cautiously optimistic on its industry outlook, given that global demand for gloves as an essential item will continue to grow steadily at a rate of more than 10% per annum even after the pandemic recedes.

As the world learns to live with COVID while managing the emergence of new strains, and glove usage in the medical sector in developing countries continues to increase, glove demand is expected to be stronger, which will help offset the growth in supply.

“While we have entered a challenging and competitive time in the glove industry, we are not deterred. Challenges are not within our control and the way to manage them well is to focus on internal factors. To this end, we will continue improving our quality and efficiency through R&D, enhancement programs and advanced technology, as we deepen our commitment to sustainability. Most importantly, we will ensure our foundation is strong by remaining mentally, physically and financially healthy, which will enable us to weather the tough times, do better and emerge stronger”, Dato’ Lee concluded.

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Appendix 1: Top Glove’s Organic Expansion Plans 2022 to 2025

Total Capacity by Calendar Year	Number of Production Lines, Single Former (SF) lines	Capacity, pcs per annum
Current: 37 glove factories	812 SF Lines	100 bil
Additional new capacity in CY2022	78 SF Lines	11 bil (+11%)
Total capacity 31 December 2022 : 40 glove factories	890 SF Lines	111 bil
Additional new capacity in CY2023	174 SF Lines	26 bil (+23%)
Total capacity 31 December 2023 : 43 glove factories	1,064 SF Lines	137 bil
Additional new capacity in CY2024	164 SF Lines	25 bil (+18%)
Total capacity 31 December 2024: 44 glove factories	1,228 SF Lines	162 bil
Additional new capacity in CY2025	258 SF Lines	39 bil (+24%)
Total capacity 31 December 2025: 46 glove factories	1,486 SF Lines	201 bil