

9 August 2017

Subject: Management Discussion and Analysis for the quarter ended 30 June 2017

To: Managing Director
The Stock Exchange of Thailand

Snapshot of the Profit / (Loss) for the quarter ended 30, June, 2017:

CONSOLIDATED BASIS:

	Amount in million THB	
	Consolidated financial statements	
	2017	2016
Reported Profit (Loss) - (after Minority interest)	128.62	366.26
Add/(Less): Forex Loss/ (Gain) #	229.55	(87.08)
Normalized Profit (Loss)	358.16	279.18
% increase (decrease) over corresponding quarter	28.29%	
# including unrealized forex loss/ (gain)	212.46	(80.14)

For the quarter ended 30 June 2017, the company has reported a net profit (after minority interest) of Bt 128.62 million on consolidated basis, as compared to a net profit of Bt 366.26 million in the corresponding quarter. The corresponding quarter included forex gains of Bt 87.08 million as against which there is a forex loss of Bt 229.55 million in the current quarter. Keeping aside the forex fluctuations, the net profit for the corresponding quarter was Bt 279.18 million, which has increased by 28.29% to Bt 358.16 million in current quarter as shown above.

STANDALONE BASIS:

	Amount in million THB	
	Separate financial statements	
	2017	2016
Reported Profit (Loss)	(35.54)	128.38
Add/(Less): Forex Loss/ (Gain) #	130.59	(51.97)
Normalized Profit (Loss)	95.06	76.41
% increase (decrease) over corresponding quarter	24.39%	
# including unrealized forex loss/ (gain)	139.40	(41.02)

For the quarter ended 30 June 2017, the company has reported a net loss of Bt 35.54 million on Standalone basis, as compared to a net profit of Bt 128.38 million in the corresponding quarter. The corresponding quarter included forex gains of Bt 51.97 million as against which there is a forex loss of Bt 130.59 million in the current quarter. Keeping aside the forex fluctuations, the net profit for the corresponding quarter was Bt 76.41 million, which has increased by 24.39% to Bt 95.06 million in current quarter as shown above.

ANALYSIS OF INCOME STATEMENT (Q1 2017-18 Vs Q1 2016-17)

CONSOLIDATED BASIS

Polyplex (Thailand) Public Company Limited and its subsidiaries

Income statement

For the three-month period ended 30 June 2017

(Unit: Thousand Baht)

	Consolidated financial statements		
	2017	2016	% Inc/(dec)
Revenues			
Sales	2,979,410	2,956,874	0.76%
Exchange gains	-	87,084	
Other income	15,900	12,531	26.89%
Total revenues	2,995,310	3,056,489	-2.00%
Expenses			
Cost of sales	2,329,320	2,361,507	-1.36%
Selling expenses	177,539	172,261	3.06%
Administrative expenses	90,348	106,722	-15.34%
Exchange losses	229,546	-	
Total expenses	2,826,753	2,640,490	7.05%
Profit (loss) before finance cost and income tax expense	168,557	415,999	-59.48%
Finance cost	(29,188)	(41,532)	-29.72%
Profit (loss) before income tax expense	139,369	374,467	-62.78%
Income tax expense	(8,794)	(6,478)	35.75%
Profit (loss) for the period	130,575	367,989	-64.52%
Profit (loss) attributable to:			
Equity holders of the Company	128,618	366,259	-64.88%
Non-controlling interests of the subsidiaries	1,957	1,730	13.12%
Reported Profit (loss)	130,575	367,989	-64.52%
Add/(Less): Forex Loss/ (Gain)	229,546	(87,084)	-363.59%
Normalized Profit (Loss) (after minority interest)	358,164	279,175	28.29%
Basic earnings per share - Reported Profit (loss)			
Profit (loss) attributable to equity holders of the Company	0.14	0.44	-67.50%
Weighted average number of ordinary shares ('000 shares)	900,000	832,967	
Basic earnings per share - Normalized Profit (loss)			
Profit (loss) attributable to equity holders of the Company	0.40	0.34	18.74%
Weighted average number of ordinary shares ('000 shares)	900,000	832,967	

Total Revenues:

Consolidated Sales revenue of the company has increased from Baht 2,956.87 million to 2,979.41 million, an increase of Baht 22.54 million or 0.76% mainly due to higher volumes and better sales realization at Turkey and USA, partly offset by lower volumes at Thailand. The impact of higher revenue at the subsidiaries is partly offset by lower exchange rate for USD/THB and Euro/THB for conversion of subsidiary income statement into Thai Baht.

There was an exchange gain of Baht 87.08 million in corresponding quarter as against which there is an exchange loss of Baht 130.59 million in current quarter primarily due to unrealized losses on the Euro Loan restatement.

The other income has increased from Baht 12.53 million in the corresponding quarter to Baht 15.90 million due to higher other income at the Turkey subsidiary, mainly from Insurance claims.

The combined net impact of the above factors has contributed to an overall decrease in the total consolidated revenue by Baht 61.18 million or 2.00% to Baht 2,995.31 million.

Total expenses:

The company recorded total consolidated expenses of Baht 2,826.75 million being an increase over corresponding quarter by Baht 186.26 million or 7.05%.

The cost of sales has reduced by Baht 32.19 million or 1.36% mainly due to lower cost of sales at Thailand because of lower sales volumes, partly offset by higher volumes and cost of sales at subsidiaries. The per unit raw material cost has increased as compared to the corresponding quarter of last year. The impact of higher cost of sales of subsidiaries is partly offset by lower exchange rate for USD/THB and Euro/THB for conversion of subsidiary income statement into Thai Baht.

The selling expenses have increased by Baht 5.28 million or 3.06% due to increase at Thailand (increase in foreign travel and commission expenses) and the US subsidiary (increase in selling expenses due to higher volumes). This is partly offset by lower selling expenses at the Turkey subsidiary (lower quality claims and lower bad debt provisions) and the impact of lower exchange rate as explained above.

The administrative expenses have decreased by Baht 16.37 million or 15.34% mainly due to lower administrative expenses at Thailand as also the subsidiaries, owing to certain cost saving initiatives undertaken by the Company.

There is an exchange loss of Baht 229.55 million in the current quarter as against an exchange gain of Baht 87.08 million mainly due to losses on the restatement of the Euro denominated loans at Thailand and USA due to the sharp strengthening of Euro against USD as well as THB. This is partly offset by gains at Thailand on the USD loan restatement due to USD depreciation against THB.

As a % to total revenue, total expenses have increased from 86.39% to 94.37% mainly due to forex losses in current quarter as against exchange gains in the corresponding quarter. The impact of higher forex losses is partly offset by reduction in cost of sales and administrative expenses.

Net financial charges:

The consolidated finance costs during the quarter were Baht 29.19 million, a decrease of Baht 12.34 million or 29.72% over corresponding quarter.

The key reason for reduction is mainly due to repayment of most of the working capital borrowings at Thailand by utilizing the funds of Baht 640 million raised from the Rights Offering shares in the month of May 2016. The term debt interest is also lower due to repayment of loans made this quarter, and also due to overall lower term loan balances (prepayments of loans at USA in September 2016 and at Thailand in December 2016, in order to utilize and profitably deploy the surplus funds lying at the Turkey subsidiary).

Corporate Income Tax:

The Consolidated Corporate Income tax expense in this quarter is Baht 8.79 million as compared to the expense of Baht 6.48 million in the corresponding quarter.

Net Profit

The combined net result of all the above factors has resulted in a net profit on consolidated basis of THB 128.62 million, as against a net profit of Baht 366.26 million in the corresponding quarter.

ANALYSIS OF INCOME STATEMENT (Q1 2017-18 Vs Q1 2016-17)

STANDALONE BASIS:

Polyplex (Thailand) Public Company Limited

Income statement

For the three-month period ended 30 June 2017

(Unit: Thousand Baht)

	Separate financial statements		
	<u>2017</u>	<u>2016</u>	% Inc/(dec)
Revenues			
Sales	1,242,663	1,315,573	-5.54%
Exchange gains	-	51,966	
Other income	5,761	6,406	-10.07%
Total revenues	<u>1,248,424</u>	<u>1,373,945</u>	<u>-9.14%</u>
Expenses			
Cost of sales	1,049,952	1,131,968	-7.25%
Selling expenses	66,462	65,540	1.41%
Administrative expenses	16,250	18,389	-11.63%
Exchange losses	130,592	-	
Total expenses	<u>1,263,256</u>	<u>1,215,897</u>	<u>3.89%</u>
Profit (loss) before finance cost and income tax expense	(14,832)	158,048	-109.38%
Finance cost	(20,705)	(29,668)	-30.21%
Profit (loss) before income tax expense	<u>(35,537)</u>	<u>128,380</u>	<u>-127.68%</u>
Income tax expense	-	-	
Profit (loss) for the period	<u>(35,537)</u>	<u>128,380</u>	<u>-127.68%</u>
Add/(Less): Forex Loss/ (Gain)	<u>130,592</u>	<u>(51,966)</u>	<u>-351.30%</u>
Normalized Profit (Loss)	<u>95,055</u>	<u>76,414</u>	<u>24.39%</u>
Basic earnings per share - Reported Profit (loss)	<u>(0.04)</u>	<u>0.15</u>	<u>-125.62%</u>
Weighted average number of ordinary shares ('000 shares)	<u>900,000</u>	<u>832,967</u>	
Basic earnings per share - Normalized Profit (loss)	<u>0.11</u>	<u>0.09</u>	<u>15.13%</u>
Weighted average number of ordinary shares ('000 shares)	<u>900,000</u>	<u>832,967</u>	

Total Revenues:

The Company recorded sales of Baht 1,242.6 million, a decrease of Baht 72.91 million or 5.54%, due to overall lower volumes, partly offset by better sales realization in some of the businesses.

There was an exchange gain of Baht 51.97 million in corresponding quarter as against which there is an exchange loss in current quarter due to unrealized losses on the Euro Loan restatement, partly offset by gains on the USD loan restatement.

The other income has decreased from Baht 6.41 million to Baht 5.76 million due to lower export incentive and other miscellaneous income.

The net impact of the above factors has contributed to decrease in total revenues by Baht 125.52 million or 9.14%.

Total expenses:

The total expenses for the company standalone are Baht 1,263.26 million being an increase over corresponding quarter by Baht 47.36 million or 3.90%.

The Cost of sales is Baht 1,049.95 million, which is a decrease over corresponding quarter by Baht 82.02 million or 7.25%. This is mainly due to overall lower sales volumes (mainly in exports) and higher finished goods inventory. The raw material prices in current quarter have been slightly higher as compared to corresponding quarter.

The selling expenses have been higher by Baht 0.92 million or 1.41% mainly due to higher brokerage & commission and foreign travel expenses, partly offset by lower freight and warehouse management expenses.

Administrative expenses have been lower than corresponding quarter by Baht 2.14 million or 11.63% mainly due to lower professional fees (termination of certain consultant contracts) and lower rent expenses (downsizing of Bangkok office as a cost saving initiative).

There is an exchange loss of Baht 130.59 million in the current quarter as against an exchange gain of Baht 51.97 million mainly due to losses on the restatement of the Euro denominated loans due to the sharp strengthening of Euro against THB. This is partly offset by gains on the USD loan restatement due to USD depreciation against THB.

As a % to total revenue, total expenses have increased from 88.50% to 101.19% mainly due to forex losses in current quarter as against exchange gains in the corresponding quarter. The impact of higher forex losses is partly offset by reduction in cost of sales and administrative expenses.

Net financial charges:

The finance costs on a standalone basis during the quarter were Baht 20.71 million, a decrease of Baht 8.96 million or 30.21% over corresponding quarter.

The key reason for reduction is mainly due to repayment of most of the working capital borrowings at Thailand by utilizing the funds of Baht 640 million raised from the Rights Offering shares in the month of May 2016. The term debt interest is also lower due to repayment of loans made this quarter, and also due to overall lower term loan balances (prepayments of loans Thailand in December 2016, in order to utilize and profitably deploy the surplus funds lying at the Turkey subsidiary).

Net Loss

On a standalone basis, there is a net loss of Baht 35.54 million as compared to a net profit of Baht 128.38 million in the corresponding quarter.

ANALYSIS OF STATEMENT OF FINANCIAL POSITION (As compared to financial year end – March 2017)

As at 30th June, 2017, there has been a depreciation of THB against the Euro (approx. THB 2.06/Euro) in this quarter as compared to the exchange rate on 31st, March 2017, so the translation of the Company's subsidiaries whose reporting currency is Euro, has been at a higher exchange rate, thereby resulting in translation gains. This is partly offset by translation losses on subsidiaries with reporting currency in USD, due to THB appreciation against the USD (approx. THB 0.47/USD). On an overall basis, there is a Net translation gain of Baht 374.18 million.

Key movements in Assets:

Polyplex (Thailand) Public Company Limited and its subsidiaries

Statement of financial position

As at 30 June 2017

	Consolidated financial statements		(Unit: Thousand Baht)			
			Separate financial statements			
	30 June 2017	31 March 2017	30 June 2017	31 March 2017	% Inc/(dec)	% Inc/(dec)
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)		
Assets						
Current assets						
Cash and cash equivalents	938,295	730,694	28.41%	40,384	38,581	4.67%
Current investments	12,631	6,816	85.31%	-	-	
Trade and other receivables	1,763,097	1,796,282	-1.85%	995,631	1,097,131	-9.25%
Inventories	1,976,870	1,725,572	14.56%	853,833	653,998	30.56%
Advance payments for purchases of goods	67,363	40,040	68.24%	8,189	17,015	-51.87%
Input tax refundable	47,967	70,799	-32.25%	40,907	64,186	-36.27%
Other current assets	110,556	101,195	9.25%	56,525	47,141	19.91%
Total current assets	4,916,779	4,471,398	9.96%	1,995,469	1,918,052	4.04%
Non-current assets						
Restricted bank deposits	13,732	13,417	2.35%	-	-	
Investments in subsidiaries	-	-		1,712,615	1,712,615	
Property, plant and equipment	9,621,551	9,714,375	-0.96%	4,386,459	4,463,041	-1.72%
Deferred tax assets	147,657	147,657	0.00%	147,657	147,657	
Goodwill	3,164	3,164	0.00%	-	-	
Other intangible assets	3,646	3,380	7.87%	-	-	
Advance payments for purchases of assets	54,058	34,379	57.24%	27,870	7,283	282.67%
Other non-current assets	8,117	11,246	-27.82%	7,775	10,720	-27.47%
Total non-current assets	9,851,925	9,927,618	-0.76%	6,282,376	6,341,316	-0.93%
Total assets	14,768,704	14,399,016	2.57%	8,277,845	8,259,368	0.22%

Current assets

- Trade and other receivables on a consolidated basis have decreased, due to lower receivables at Thailand, resulting from overall lower volumes (mainly in exports) and change in sales mix. This is partly offset by higher trade receivables at some of the subsidiaries and also due to the higher exchange rate factor for Euro/THB as explained above.
- Inventories on a consolidated basis have increased mainly due to higher raw material (including material-in-transit inventory) and finished goods inventory at Thailand and at the Turkey subsidiary. This is partly offset by lower inventory levels at the USA and other trading subsidiaries. Apart from the actual inventory increase, there is also an impact of the higher exchange rate factor for the Euro/THB as explained above.
- The increase in consolidated cash and cash equivalents is mainly due to cash generated from operations, partly offset by term loan repayments at Thailand and USA and other cash outflows for operational purposes.
- Increase in current investments is due to investments by Ecoblue Limited, out of cash generated from operations during the quarter.
- There is a decrease in Input tax refundable mainly due to VAT refund received at Thailand.
- Other current assets – There is an increase in other current assets, mainly at Thailand due to higher prepaid expenses (due to premium paid on annual renewal of various policies). This is partly offset by lower MTM gain on outstanding forward contracts at June 2017 end as against MTM gain at the end of March' 2017.

Non-current assets:

- The restricted bank deposit represents bank deposits pledged with the bank, as per terms of the term loan facility of the US subsidiary.
- Decrease in Property Plant & Equipment (net block) is mainly due to depreciation charged during the quarter, partly offset by normal capex additions at Thailand and the subsidiaries.
- Increase in Advances for purchase of fixed assets is mainly due to increase at Thailand due to advances given to vendors for the Blown Film line project.
- Decrease in other non-current assets is mainly at Thailand due to lower inventory of Tax cards received for export incentive.

Key movements in Liabilities:

Polyplex (Thailand) Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 June 2017

(Unit: Thousand Baht)

	Consolidated financial statements		% Inc/(dec)	Separate financial statements		% Inc/(dec)
	30 June 2017 (Unaudited but reviewed)	31 March 2017 (Audited)		30 June 2017 (Unaudited but reviewed)	31 March 2017 (Audited)	
Liabilities and shareholders' equity						
Current liabilities						
Short-term loans from banks	712,392	714,048	-0.23%	150,000	75,000	100.00%
Trade and other payables	1,140,889	1,165,325	-2.10%	613,277	634,817	-3.39%
Short-term loans from related parties	-	-		2,512,796	2,381,614	5.51%
Current portion of long-term loans from banks	609,256	500,411	21.75%	486,446	495,911	-1.91%
Current portion of liabilities under						
finance lease agreements	1,562	1,568	-0.38%	-	-	
Income tax payable	6,414	5,233	22.57%	-	-	
Other current liabilities	332,101	313,789	5.84%	69,441	90,482	-23.25%
Total current liabilities	2,802,614	2,700,374	3.79%	3,831,960	3,677,824	4.19%
Non-current liabilities						
Long-term loans from banks, net						
of current portion	1,761,398	2,002,231	-12.03%	567,140	671,233	-15.51%
Liabilities under finance lease agreements, net						
of current portion	1,211	1,630	-25.71%	-	-	
Provision for long-term employee benefits	34,477	28,381	21.48%	15,882	10,584	50.06%
Total non-current liabilities	1,797,086	2,032,242	-11.57%	583,022	681,817	-14.49%
Total liabilities	4,599,700	4,732,616	-2.81%	4,414,982	4,359,641	1.27%

Current Liabilities:

- Increase in short term borrowings on Standalone basis is due to additional borrowings for supporting the term loan repayments. On a consolidated basis, there is a reduction due to lower borrowings at the US subsidiary and also the impact of lower USD/THB exchange rate at June'17 end, as compared to March'17.
- The decrease in Long term loans (including current portion), on a Consolidated basis, is due to repayment of loans at Thailand and unrealized gains on the USD loan restatement, partly offset by unrealized losses on the Euro loan restatement.
- The increase in related party loan is from the unrealized losses due to the sharp depreciation of THB against the Euro. There is no change in the Forex Loan balance as compared to March'17.
- Decrease in trade and other payables is due to lower trade payables at Thailand and subsidiaries. This is partly offset by higher exchange rate for Euro/THB as explained above.

- Decrease in other current liabilities is mainly due to reduction in expenses payable at Thailand on account of payment of annual bonus during the quarter.

Major changes in Shareholder Equity:

Polyplex (Thailand) Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 June 2017

	Consolidated financial statements		% Inc/(dec)	Separate financial statements		% Inc/(dec)
	30 June 2017	31 March 2017		30 June 2017	31 March 2017	
	(Unaudited but reviewed)	(Audited)		(Unaudited but reviewed)	(Audited)	
Shareholders' equity						
Share capital						
Registered						
900,000,000 ordinary shares of Baht 1 each	900,000	900,000		900,000	900,000	
Issued and fully paid						
900,000,000 ordinary shares of Baht 1 each	900,000	900,000		900,000	900,000	
Share premium	1,908,450	1,908,450		1,908,450	1,908,450	
Retained earnings						
Appropriated - statutory reserve	96,000	96,000		96,000	96,000	
Unappropriated	7,748,528	7,622,058	1.66%	958,413	995,277	-3.70%
Other components of shareholders' equity	(510,177)	(884,354)	-42.31%	-	-	
Equity attributable to owners of the Company	10,142,801	9,642,154	5.19%	3,862,863	3,899,727	-0.95%
Non-controlling interests of the subsidiaries	26,203	24,246	8.07%	-	-	
Total shareholders' equity	10,169,004	9,666,400	5.20%	3,862,863	3,899,727	-0.95%
Total liabilities and shareholders' equity	14,768,704	14,399,016	2.57%	8,277,845	8,259,368	0.22%

- The retained earnings on standalone basis has decreased due to the net losses incurred during the quarter and on consolidated basis has increased due to the net profits generated during the quarter.
- The increase other components of equity is mainly due to exchange translation net gains arising on account of translation of the Euro denominated balance sheet of the subsidiaries due to the depreciation of Baht against Euro, partly offset by losses on USD denominated balance sheet of subsidiaries due to appreciation of THB against USD, as explained above.
- The increase in Non-controlling interests of subsidiaries is due to minority's share of profits generated during the quarter.

Please be informed accordingly.

Yours sincerely,

Mr. Amit Prakash
Managing Director