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THIP-SET/027/2017

May 11, 2017

Subject : Filing of Reviewed Financial Statements for the 1st
Quarter of 2017 and 2016 and Management
Discussion and Analysis

Attention : The President
The Stock Exchange of Thailand

Enclosures : 1. Reviewed Financial Statements and the Auditor's
Review Report for the 1st Quarter of 2017 and 2016
2. Management Discussion and Analysis

The Board of Directors Meeting No. 5/2017 of Thantawan Industry Public Company Limited which was held on May 11, 2017 had approved the Reviewed Financial Statements for three-month period ended March 31st, 2017. The Management Discussion and Analysis for the 1st Quarter of this year can be clarified as attached.

Please be informed accordingly.

Very truly yours,

S. Teerachai,

P. Pojanard

(Mr. Teerachai Siritunyanont)(Mrs. Pojanard Prinyapatpakorn)

Authorized Director

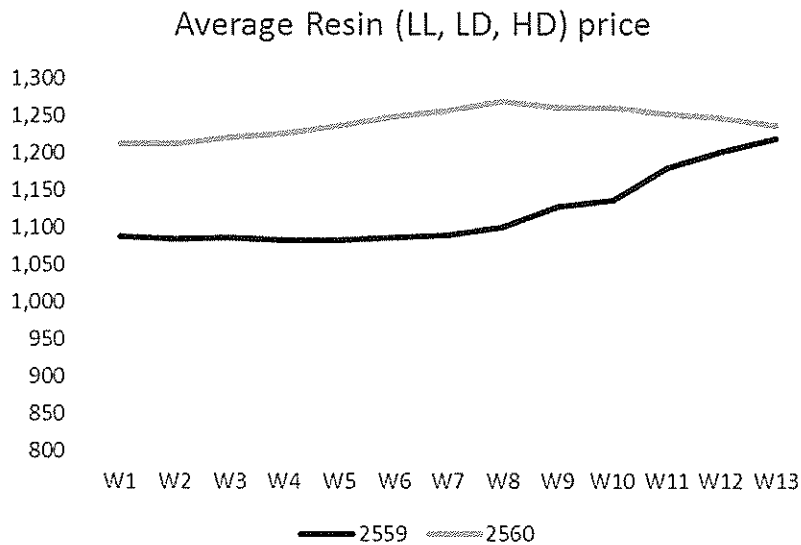


Interim Management Discussion and Analysis for 1Q2017

A) Results of Operations

The 1Q2017 net profit of THB 57.7 million slightly decreased from net profit of 1Q2016 amounting to THB 68.0 million by THB 10.3 million or 15.2%. Earnings per share was THB 7.21, a decrease of THB 1.3 per share from 1Q2016. This was mainly due to the following reasons;

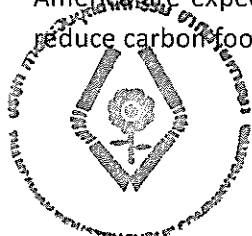
- Price of Resin which is our main raw material moved up around \$120-\$200/ton or 11-18% increase from the same period of last year.



- New product using eco-friendly raw material was developed or what is known as “bioplastic”. Bioplastic cost is higher than conventional products and may impact to company’s net profit. Management foresee the impact to company’s bottom line but bioplastic is the inevitable trend for sustainable growth of the company in the long run. So, new green product has been launched and has been accepted by the market.

Environmental problem is a global trend which directly affect to manufacturing sector especially plastic packaging and bioplastics play more important roles. The global bioplastics production capacity is set to increase from around 4.2 million tons in 2016 to approximately 6.1 million tons in 2021. Plastic packaging remains the largest fields of application for bioplastics with almost 40 percent (1.6 million tons) of the total bioplastics market in 2016. Many other sectors are also growing, including consumer goods (22 percent) and applications in the automotive and transport sector (14 percent). (Source : European Bioplastics)

More importantly, our customer base is in Europe and USA which adopt bioplastic increasingly. The bioplastics market is dominated by the European region which accounts for more than half of the global market share owing to its stringent regulations against the use of non-recyclable plastics and a favorable consumer base towards sustainable packaging. North America are expected to show high growth rates over the next decade following the push to reduce carbon footprints and greenhouse gas emissions.



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Director

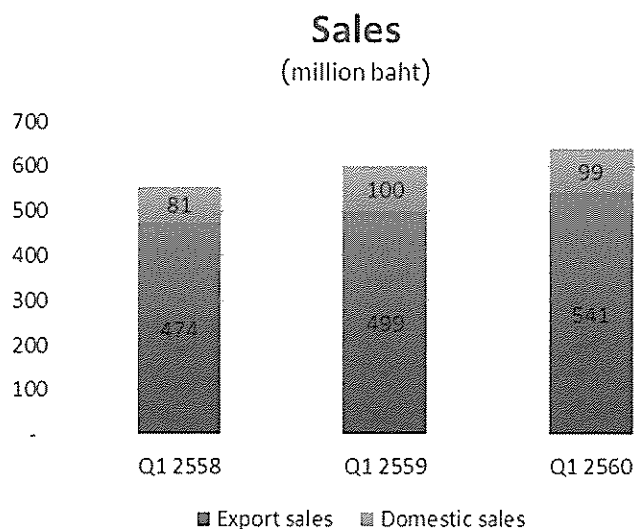
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Therefore, the management decided to engage in bioplastic product to serve new mega trend of consumer behavior for sustainability growth.

Revenue from sales

Total sales revenue in 1Q2017 was THB 639.8 million increased by THB 40.9 million or 6.8% from same quarter last year.

The diagram shows continuous growth of sales



Export sales rose THB 41.7 million or 8.3% due to redesign products both function and design as well as new eco-friendly product. Moreover, cross selling variety of products to existing customers boosted overall company's sales.

Domestic sales decreased by THB 0.8 million or 0.8% from last year mainly from reduction of sales of scrap. For sales of main product increased in modern trade segment which is highly price competitive making overall sales slightly increase while volume rose as high as 12%.

Most of Finished products, both local and overseas, are made in accordance with customers' orders (Made to Order) which can be classified into 3 categories as follow

- 1.) Plastic bag e.g. Zipper bag, breast milk storage bag
- 2.) Drinking straws
- 3.) Other products e.g. Zipper profile, Body scrub

Performance by each segment could be summarized as below:

1. Plastic bags

Sales revenue from plastic bags for 1Q2017 was THB 524.3 million, increased from previous year by THB 40.7 million or 8.4%. This was because more orders received from existing key customers including launching new products.



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Table : Quarterly Sales Revenue by product

Type of products	1Q2017		1Q2016	
	Income (Million baht)	%	Income (Million baht)	%
Plastic bags	524.3	82.0	483.6	80.7
Drinking straws	87.1	13.6	82.9	13.8
Other products	28.4	4.4	32.5	5.4
Total	639.8	100	599.0	100

2. Drinking straws

Total Drinking straws sales in 1Q2017 was THB 87.1 million went up by THB 4.2 million or 5.1% from last year mainly due to domestic sales increase.

3. Other products

Sales from other products dropped from 1Q2016 of THB 4 million or 12.6%, due to more focus on flagship products instead.

Other incomes

Other incomes for 1Q2017 of THB 13 million increased by THB 7.9 million or 153% from the same period last year mainly because gain on exchange rate totaling THB 6.2 million increased by THB 5.2 million. Extra new raw material was ordered during Nov-Dec 2016 making foreign currency accounts payable higher than usual and than account receivable. Besides, THB was very depreciated against USD reaching the level of 35.5-35.9 THB/USD. When payment due in 2017 or mark to market in Q1 2017, THB became more strengthening against USD which consequently caused gain on exchange rate during this period. The management recognizes risk of currency instability which has been closely monitored in both currency movement as well as balance between foreign currency payable and receivable in order to reduce impact to company's performance.

Gross Profit margin

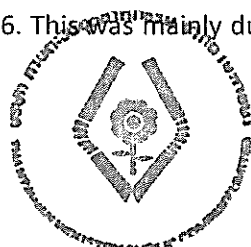
Gross profit margin for 1Q2017 was presented at 19.8% of total sales declined from the same period last year which accounted at 24.6%. This caused by

- Raw material price increase by 11-18%
- Higher price of new bioplastic raw material
- Improve machine efficiency by placing new one and maintenance caused higher in maintenance cost and depreciation

Selling and administrative expenses

Selling expenses for 1Q2017 was THB 20.0 million, or equal to 3.1% of Sales revenue, decreased from the same period last year by 1.9 million or 8.5%.

Administrative expenses totaled THB 48.1 million, edged up THB 3.2 million or 7.2% from 1Q2016. This was mainly due from an increase in employees' expenses and research and development cost.



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Finance costs and Income tax

Finance cost was accounted only THB 0.3 million, totally of which was from the calculation of company's obligation in respect of employee benefits in accordance with Thai Accounting Standard 19 (TAS19) : Employee benefits.

The Company's income tax expense for 1Q2017 was THB 13.8 million calculated based on the income tax rate 20% of net earnings before tax.

The Company is not liable to income tax other than those mentioned from the further assessment of the Government agencies.

B) Financial position

Assets

As of March 31, 2017, Company's total assets were THB 1,844 million, increased from December 31, 2016, by THB 66.9 million or 3.8%. Significant changes in assets for 1Q2017 were followings:

- 1) **Total current assets** were THB 1,298.1 million, increased by THB 35.1 million or 2.8% mainly due to
 - 1.1 Cash and cash equivalents increased by THB 44.2 million or 29.6% mainly from short term investment due.
 - 1.2 Short-term investment decreased by THB 139.2 million or 32.1% due to investment due and use in normal business operation which accounted for larger volume in accordance with sales growth.
 - 1.3 Trade accounts receivable were THB 261.8 million, increased THB 50.2 million or 23.7% from last year in line with sales growth.
 - 1.4 Inventories were at THB 516.7 million, increased THB 74.8 million or 16.9% as compared to their value as of December 31, 2016. Main increase was from Finished goods and raw material.
 - 1.5 Other current assets were THB 30.5 million, increased by THB 5.1 million, mostly derived from input tax and value added tax awaiting refund which increased by THB 7.2 million.

- 2) **Non-current assets** totaled THB 546 million, increased from December 31, 2016 amount of THB 31.8 million or 6.2%, resulting from purchase of machine and equipment THB 46.5 million deducted depreciation and amortization by THB 13 million.

Liabilities and shareholders' equity

As of March 31, 2017, company's total liabilities were THB 441.2 million. An increase of THB 8 million or 1.9% compared to the end of last year was mainly from an increase in Accounts payable rose by THB 27.3 million and Accrued tax payable of THB 12.7 million due to more net profit earned.

Shareholders' equity as of March 31, 2017, was at THB 1,402.9 million, increased by THB 58.9 million or 4.4%, deriving from Net profit earned for 1Q2017 by THB 57.7 million minus Actuarial Losses from being recalculated and recognized in other comprehensive income amounting to THB 1.2 million (net from deferred tax related on this transaction)



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C) Cash flow

Cash and cash equivalent increase in 1Q2017 by THB 44.3 million mainly from cash flow from investment amounting THB 105.9 million and used in operation THB 61.2 million and financing activities THB 0.4 million. Detail of major change are described below;

Cash flows used from net operation in 1Q2017 was THB 61.2 million. Company's net profit adding back with non-cash expenses totaling THB 78 million was used in operating assets and liabilities was THB 139.1 million.

Cash flows received in investment activities in 1Q2017 was at THB 105.9 million, due mainly to proceed of short-term investment due, interest received and proceed from fixed asset sales totaling THB 141.3 million and purchased fixed assets and intangible assets totally THB 35.4 million.

Cash used in financing activities in this quarter. The company made a payment for liability under finance leases agreement by THB 0.4 million.

In conclusion, cash and cash equivalent of company for the 1Q2017, increased by THB 44.3 million, plus the beginning cash balance of THB 149.8 million, the cash balance carried forward as of March 31st, 2017, therefore, was equal to THB 194.1 million.

D.) Key Financial Ratios

Description	unit	1Q/16	1Q15
Gross profit margin	%	19.81%	24.59%
Net profit margin	%	8.83%	11.25%
Return on Shareholders' equity	%	4.11%	4.86%
Return on total assets	%	3.13%	4.50%
Liquidity ratio	Times	3.20	3.38
Cash cycle	days	66	58
Debt to Equity ratio	Times	0.31	0.24
Book value per share	THB/share	175.36	174.84
Basic earnings per share	THB/share	7.21	8.50

E) The obligations and liabilities in the future

Commitment relating to operating lease and service agreements

The Company has entered into several lease and service agreements in respect of building. Future rentals and related service fees payable under these agreements as at March 31, 2017 are as follow:

<u>Payable within</u>	<u>Amount (Million Baht)</u>
1 year	28.6
2 to 5 years	22.7
After 5 years	-
	<u>51.3</u>



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Contingent liability relating to guarantee

As at March 31, 2017, the Company is contingently liable for letters of guarantee issued by banks that are given to state enterprise for plant electricity facility and to counter parties as performance guarantee in totaling approximately THB 17.9 million.



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