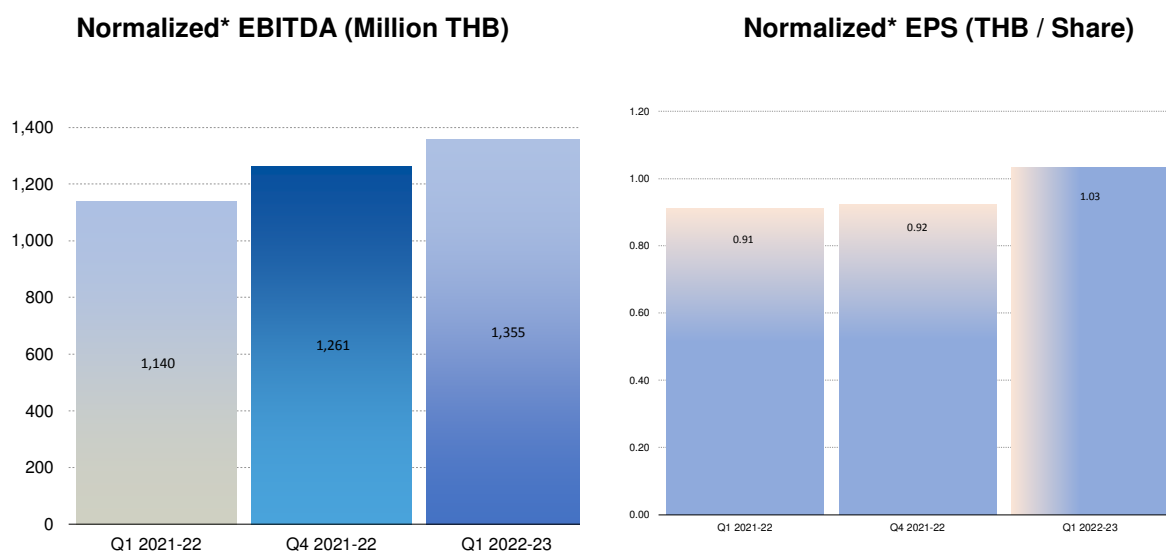


11 August, 2022

Subject: Management Discussion and Analysis for the quarter ended 30 June 2022

To: Managing Director
The Stock Exchange of Thailand

1. Financial highlights for the quarter ended 30 June 2022



**Normalized for forex and derivative gain/(loss)*

Key Financial Indicators for Q1 2022-23

Description	Unit of measure	Q1 2022-23	YoY	QoQ
Sales Volumes (Film sales)	MT	65,050	▲ 16.0%	▲ 3.7%
Sales Value	Million Baht	7,013	▲ 56.8%	▲ 11.1%
Normalized EBITDA	Million Baht	1,355	▲ 18.8%	▲ 7.5%
Normalized EBITDA margin	%	19.32%	▼ 618bps	▼ 65 bps
Normalized EBITDA/ Kg#	THB/KG	20.83	▲ THB 0.51	▲ THB 0.72
Normalized PAT	Million Baht	930	▲ 13.4%	▲ 11.8%
Normalized EPS	Baht/ Share	1.03	▲ 13.4%	▲ 11.8%

Per Kg based on Qty of Films sales

Polyplex (Thailand) Public Company Limited and its subsidiaries

Income statement (Reviewed)

For the quarter ended 30 June 2022

	Consolidated financial statements (Unit: '000 Baht)		% Inc/(Dec)
	2021-22	2020-21	
Revenues			
Sales	7,013,457	4,471,418	56.85%
Exchange gains	268,493	-	
Other income	25,059	3,288	662.14%
Total revenues	7,307,009	4,474,706	63.30%
Expenses			
Cost of sales	5,160,121	3,120,874	65.34%
Selling and distribution expenses	656,714	322,964	103.34%
Administrative expenses	143,970	127,386	13.02%
Exchange Loss	-	161,402	
Loss on Derivatives	45,451	2,942	1444.90%
Total expenses	6,006,256	3,735,568	60.79%
Profit before finance cost and income tax expense	1,300,753	739,138	75.98%
Finance Income	4,554	5,745	-20.73%
Finance cost	(28,208)	(13,680)	106.20%
Profit before income tax expense	1,277,099	731,203	74.66%
Tax income/(expense)	(109,220)	(73,972)	47.65%
Reported Profit for the period	1,167,879	657,231	77.70%
Reported EBITDA for the period (incl. finance income)	1,578,092	975,748	61.73%
Profit attributable to:			
Equity holders of the Company	1,153,220	656,239	75.73%
Non-controlling interests of the subsidiary	14,659	992	1377.72%
	1,167,879	657,231	77.70%
Basic earnings per share (Reported profit basis)			
Profit attributable to equity holders of the Company	1.28	0.73	75.73%
Number of ordinary shares (Thousand Shares)	900,000	900,000	
Reported Profit attributable to Equity holders	1,153,220	656,239	75.73%
Add /(Less): Forex loss /(Forex Gain)	(223,042)	164,344	-235.72%
Normalized Profit after Tax	930,178	820,583	13.36%
Normalized EBITDA	1,355,050	1,140,092	18.85%
Basic earnings per share (Normalized profit basis)			
Profit attributable to equity holders	1.03	0.91	13.36%
Number of ordinary shares (Thousand Shares)	900,000	900,000	

Performance Analysis (YoY)

- Overall film sales volumes have increased by 16% YoY, partly from new capacity start-up in Indonesia and also from better utilization of existing capacities. The Sales value has increased by about 56.8% YoY, due to higher volumes (including PET resins and volumes from the new recycling line at Ecoblue) as also the increase in average sales realization owing mainly to the sharp increase in input raw material prices.
- Due to the THB depreciation YoY (average rate for this quarter Vs corresponding quarter) against USD (about 10%) and against IDR (about 8%), there is a positive impact of currency fluctuation on the consolidation of the USA and Indonesia subsidiary earnings this quarter, partly offset by the impact of THB appreciation against Euro (about 3%) on the Turkey and Netherlands subsidiary.
- The overall increase in sales volumes and improved margins in our core business of Thin films as well as some downstream businesses like Silicone Coated film (Saracote) and the additional contribution from the new BOPP film line in Indonesia has contributed to an overall improvement in normalized EBITDA. Apart from this, the contribution from sale of surplus PET resins is higher this quarter due to higher sales volumes and also at better margins and hence, contributed to the improvement in overall EBITDA. This is partially offset by lower sales volumes and contribution in other businesses.
- There is an increase in other income mainly at Turkey and US subsidiaries which is due to higher Insurance Claims in this quarter.
- Increase in cost of sales is due to a sharp increase in the key raw material prices, especially PTA prices as well as overall higher sales volumes including the new volumes from the BOPP line in Indonesia.
- Higher selling expenses were due to higher sales volumes and also due to higher outbound freight expenses caused by the global shortage of containers pushing up freight rates last year. We are seeing a gradual reduction in the freight rates for destinations like USA, but in comparison to corresponding quarter, the rates in this quarter were significantly higher which contributed to higher selling expenses in this quarter. Apart from higher freight, there is an increase in foreign travel expenses and higher Brokerage and Commission expenses due to increase in unit selling prices.
- Higher admin expenses are mainly due to overall increase in scale of operations due to start-up of new capacities and also due to general increase in admin expenses at existing facilities.
- There is an Exchange gain this quarter as compared to Exchange Loss in previous quarter. The exchange gains are mainly due to unrealized gain on restatements of Euro loans in Indonesia, USA and Thailand account of weakening of Euro against IDR, THB and USD currencies (Closing exchange rate in June 22 Vs March 22) and also due to exchange gain on operational assets at Thailand due to depreciation of THB against USD. This is partly offset by unrealized loss on restatement of USD Loans at Thailand and Indonesia due to depreciation of THB and IDR against USD.
- There is a reduction in Finance income mainly due to lower interest income at the Turkey subsidiary.
- Finance costs are higher due to higher debt levels at Thailand (working capital debt) and Indonesia (Term debt), including the interest on the bank loans disbursed for the BOPP project at Indonesia which was earlier capitalized to fixed assets until the Project commercial start-up in December 2021. The impact of higher borrowings is partly offset by lower interest rate on the working capital debt at Thailand compared to previous quarter.
- The higher tax expense is mainly due to the tax provision on current quarter profits and the net impact of Deferred Tax Accounting at Thailand and the subsidiaries in USA and Indonesia.

ANALYSIS OF STATEMENT OF FINANCIAL POSITION

Polyplex (Thailand) Public Company Limited and its subsidiaries			
Statement of financial position			
As at 30 June 2022			
Consolidated financial statements			
(Unit: '000 Baht)			
	<u>30 June 2022</u>	<u>31 March 2022</u>	<u>% Inc/(dec)</u>
	(Reviewed)	(Audited)	
Assets			
Current assets			
Cash and cash equivalents	2,237,153	2,201,408	1.62%
Trade and other receivables	4,515,018	4,035,309	11.89%
Inventories	6,035,241	5,043,353	19.67%
Advance payments for purchases of goods	411,399	215,620	90.80%
Input tax refundable	225,646	142,658	58.17%
Other current financial assets	233,215	72,052	223.68%
Other current assets	123,657	93,184	32.70%
Total current assets	13,781,329	11,803,584	16.76%
Non-current assets			
Restricted bank deposits	22,004	22,363	-1.61%
Property, plant and equipment	13,172,365	12,904,704	2.07%
Deferred tax assets	88,105	73,711	19.53%
Goodwill	3,164	3,164	
Other intangible assets	309	154	100.65%
Advance payments for purchases of land & machinery	433,877	419,732	3.37%
Other non-current financial assets	175,448	312,828	-43.92%
Other non-current assets	22,881	21,641	5.73%
Total non-current assets	13,918,153	13,758,297	1.16%
Total assets	27,699,482	25,561,881	8.36%

As at 30 June, 2022, there has been a 6.0% depreciation of THB against the USD (approx. THB 2/USD), 0.9% appreciation against the Euro (approx. THB 0.32/Euro) and 2.4% depreciation against IDR (approx. THB 0.05 per 1000 Rupiah) as compared to the exchange rate on 31 March 2022. As a result, the translation of the Company's subsidiaries' Statement of Financial Position has resulted in net translation gains of Baht 138.5 million.

Current assets:

- Current assets have gone up by Bt 1,977.7 million or 16.8% compared to March 2022.
- Increase in cash and cash equivalents is mainly due to cash generated from operations partly offset by cash deployed in Capex investments and for debt repayments.
- Increase in Trade Receivables is mainly due to higher sales volumes (including start-up of new capacities) and increase in selling prices (in line with raw material price increase)
- Increase in Inventories is at Thailand as well as subsidiaries is due to higher stock of raw materials, process stocks, finished goods, Goods-in-transit and Stores & Spares partly due to increased size of operations. The higher input prices have also impacted the inventory valuation resulting in higher inventory values.
- Increase in advance payment for purchase of goods is mainly at the subsidiaries.
- Increase in Input tax refundable is mainly due to increase in VAT refund receivable at Thailand and the Indonesia subsidiary.
- Other current financial assets represent Derivative assets (MTM impact on the Forwards contracts) and Investments of surplus funds in Bonds and Bond funds. Increase is mainly due to transfer of some non-current investment to current portion in this period and also due to higher MTM gain on forwards.
- Increase in Other current assets is mainly at Thailand due to increase in Prepaid expenses.

Non-current assets:

- Non-Current assets have gone up by Bt 159.8 million or 1.2% as compared to March 2022.
- The restricted bank deposit at the Indonesia subsidiary is in respect of letter of guarantee issued by banks to vendors.
- Increase in Property Plant & Equipment (net block) is mainly due to the Project/ Normal CAPEX at Thailand and the subsidiaries partly offset by the depreciation charged during the quarter.
- Increase in Deferred tax asset is due to Deferred Tax adjustments at Thailand and on consolidation as per relevant accounting standard.
- Increase in Advances for purchase of fixed assets is due to advances paid for ongoing projects at the subsidiaries partially offset by lower advances at Thailand.
- Decrease in other non-current assets is mainly at Thailand due to reduction in Export incentive receivable
- Non-current financial assets refer to some investment of surplus funds by the Turkey subsidiary into financial instruments (mainly Bonds) and reduction is due to transfer of some investment to current portion in this period.

Polyplex (Thailand) Public Company Limited and its subsidiaries			
Statement of financial position (continued)			
As at 30 June 2022			
Consolidated financial statements			
(Unit: Baht)			
	<u>30 June 2022</u> (Reviewed)	<u>31 March 2022</u> (Audited)	% Inc/(dec)
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from banks	1,020,000	1,353,000	-24.61%
Trade and other payables	3,238,021	2,210,212	46.50%
Current portion of long-term loans from banks	358,136	344,779	3.87%
Current portion of lease liabilities	11,447	7,890	45.08%
Income tax payable	311,371	247,040	26.04%
Other current financial liabilities	86,731	55,364	56.66%
Other current liabilities	787,806	768,459	2.52%
Total current liabilities	5,813,512	4,986,744	16.58%
Non-current liabilities			
Long-term loans from banks, net of current portion	2,029,768	2,033,422	-0.18%
Lease liabilities, net of current portion	32,485	17,367	87.05%
Provision for long-term employee benefits	61,908	57,128	8.37%
Deferred tax liabilities	530,338	535,745	-1.01%
Other non-current financial liabilities	8,741	9,098	-3.92%
Other non-current liabilities	559	559	0.00%
Total non-current liabilities	2,663,799	2,653,319	0.39%
Total liabilities	8,477,311	7,640,063	10.96%
Shareholders' equity			
Issued & fully paid	900,000	900,000	-
Share premium	1,908,450	1,908,450	-
Retained earnings			
Appropriated - statutory reserve	96,000	96,000	-
Unappropriated	16,835,125	15,682,899	7.35%
Other components of shareholders' equity	(626,635)	(760,103)	-17.56%
Equity attributable to owners of the Company	19,112,940	17,827,246	7.21%
Non-controlling interests of the subsidiary	109,231	94,572	15.50%
Total shareholders' equity	19,222,171	17,921,818	7.26%
Total liabilities and shareholders' equity	27,699,482	25,561,881	8.36%

Total Liabilities:

- Total liabilities have gone up by Bt 837.2 million or 11% as compared to March 2022.
- Decrease in short term borrowings is due to repayment of borrowings at Thailand from cash generated from operations.
- Increase in trade and other payables is due to higher trade payables (mainly due to raw material price increase) as well as higher payables for the ongoing Capex investments/ projects.

- Increase in Long Term Loan is due to additional borrowings at the subsidiary in Thailand and the net unrealized loss on the loan restatement during the quarter, partly offset by the Loan repayments at Indonesia subsidiary.
- Increase in Corporate Tax Payable is mainly due to tax provision on current quarter profits at Thailand and subsidiaries.
- Increase in other current liabilities is mainly due to higher expense provisions and higher advance payments from customers.
- Increase in current financial liabilities is mainly due to increase in the MTM loss on Derivative contracts at Thailand and Turkey, partly offset by lower MTM loss at the US subsidiary.
- Increase in provision for long-term employee benefits is due to higher provisions at Thailand and the subsidiaries.
- Non-current financial liabilities represent MTM loss on derivative contracts.
- Increase in Deferred Tax Liabilities is mainly at Indonesia subsidiary partly offset by a reduction at the US subsidiary.

Major changes in Shareholder Equity:

- The retained earnings have increased due to the net profits generated during the quarter.
- The increase in other components of equity is mainly due to exchange translation gains arising on account of translation of the balance sheet of the subsidiaries due to the depreciation of Baht.
- The increase in Non-controlling interests of subsidiaries is due to the share of profits generated during the quarter.

2. Status of Projects:

- **Brownfield BOPET Thin film line and Offline Coater in USA**

The updated Capital Cost of both the projects is USD 123 million. Long Term debt funding of USD 25 Million has been tied up with a Local US Bank and the balance is expected to be funded from internal accruals of the US subsidiary and inter-company loans from the Turkey subsidiary. The project is expected to start up in Q3 of FY 2023-24.

- **The recycling Project at Ecoblue Limited**

The post-consumer PET/PO recycling project at the Company's subsidiary at Thailand – Ecoblue Limited was approved by the Board at a Capex of USD 18 million USD. The PET recycling has been successfully commissioned and commercial operations have commenced in Q4. The PO recycling has been commissioned in the month of March and is under trial runs and expected to start commercial operations within Q2 2022-23.

- **Other small CAPEX at Turkey and Thailand**

Apart from the above, we had few smaller projects such as Blown Film line and Offline Coater in Turkey which have started commercial operations and will be ramped up in the coming quarters and further enhance the company's specialty product portfolio. The Metallizer in Turkey and Batch Resin plant in Thailand are under commissioning and expected to start up in Q2 2022-23.

Please be informed accordingly.

Yours sincerely,

Mr. Amit Prakash
Managing Director