

## Overall Business Performance

Polynet main determination is continuously develop automotive parts and step up to become the first-tier supplier for automotive manufacturer. This strategic direction led to 2019-2021 revenue growth with CAGR (Compound Annual Growth Rate) of 16.3% even though Thailand encountered economic recession due to COVID 19.

Although COVID situation still prolong in the present, world economic recover from vaccination and adjustment to new normal lifestyle. Thailand economic and automotive industry expand due to government economic stimulation policy which provide positive feedback to both supply and demand of automotive industry. As a result, led to bounce back of automotive revenue. However, challenging situations incurred throughout year 2021, for instance, semiconductor shortage, labor shortage, cessation in logistic and supply chain system. All these situations cause majority of automotive manufacturers to reduce automotive production capacity or temporary close down factories, in contrast to an increasing in automotive demand. In the present, automotive manufacturers managed better solutions to effectively handle these problems. In addition to the recovery of COVID 19 from the widespread of vaccine distribution, labor shortage was relieved and semi-conductor shortage is expected to be relieved in second half of year 2022. Management forecast for the better economic recovery which will lead to efficiency in production capacity utilization in the next year and providing positive factors to POLY performance.

For year 2019-2021, POLY presented net profit of Baht 13.1 million, Baht 21.8 million and Baht 120.9 million consecutively whereas net profit margin account to 2.3%, 4.2% and 15.4%. In year 2020, even though revenue decrease due to covid 19, company presented increase in net profit of Baht 8.7 million including increase in net profit from year 2019. The main reasons are (1) Proportion of medical revenue increased which absorbed higher gross profit margin (2) Finance Cost decreased from principal repayment and decrease in interest rate (3) Income tax expense decreased from BOI promotional privileges while in year 2021 net profit increase Baht 99.1 million from previous year account to net profit of 15.4%. The main reasons are (1) sale revenue increased in every product segment and increase in gross profit margin (2) increase in average production capacity led to economy of scale and unit cost reduction (3) selling and administrative proportion to sale revenue decreased.

## Performance and Profitability

Revenue by Segment	2020		2021		Increase (Decrease)	% Increase (Decrease)
	Million Baht	%	Million Baht	%		
<b>Sale Revenue</b>						
Automotives	329.1	62.9%	484.0	61.5%	154.9	47.1%
Consumers	104.6	20.0%	198.2	25.2%	93.6	89.5%
Medicals	89.0	17.0%	103.9	13.2%	14.9	16.7%
<b>Total</b>	<b>522.7</b>	<b>99.9%</b>	<b>786.1</b>	<b>99.9%</b>	<b>263.4</b>	<b>50.4%</b>
<b>Others</b>	<b>0.5</b>	<b>0.1%</b>	<b>1.0</b>	<b>0.1%</b>	<b>0.5</b>	<b>106.3%</b>
<b>Total revenue</b>	<b>523.2</b>	<b>100.0%</b>	<b>787.1</b>	<b>100.0%</b>	<b>263.9</b>	<b>50.4%</b>

## Revenue from sales

For year 2021 Revenue from sales of Baht 786.1 million increase Baht 236.4 million from 2020 or 50.4%. Sales revenue from automotive products grew Baht 154.9 million or 47.1 percent from last year due to economic has recovered that positive effect on automotive demand also new products have launch in this year that make production quantity higher from last year and products have more complicate production process which make higher price and margin. Revenue from consumer products increase Baht 93.6 million or 89.5% due to POLY has new customer that effect to sales volume significantly increase for this year. POLY has chosen for base production of silicone bag because POLY has high-performance production line along with strong R&D knowledge to develop high quality mold and high quality products. The new products is reusable silicone container for food which support environment friendly trends and it was the reason that the revenue increased from the recognition of mold making and parts sales during the 4th quarter of the year. For the medical devices segment, revenues grew Baht 14.9 million or an increase of 16.7% due to the increase in orders from the demand for medical devices from consumer health concerns and the entry into the Aging Society.

### Cost of sales and gross profit margin

Unit : Million Baht	2020	2021	Increase (Decrease)	% Increase (Decrease)
Cost of Sales	422.3	563.8	141.5	33.5%
Gross profit margin	100.4	222.3	121.9	121.4%
<b>Gross profit margin (%)</b>	<b>19.2%</b>	<b>28.3%</b>	<b>9.10%</b>	

For 2021, gross margin increased from 19.2% to 28.3% due to an increase in the medical device and consumer products, which are high-margin products with substantially growth. Meanwhile, the production of new parts for new customers in the automotive parts also contributed to higher gross profits and gross margins.

Cost of sales	2020		2021		Increase (Decrease)	% to revenue Increase (Decrease)
	Million Baht	% to revenue	Million Baht	% to revenue		
Raw material cost	199.2	38.1%	286.2	36.4%	87.0	(1.7%)
Labour cost	75.3	14.4%	110.7	14.1%	35.4	(0.3%)
Depreciation and amortization	74.0	14.2%	74.6	9.5%	0.6	(4.7%)
Other overhead cost	73.8	14.1%	92.3	11.7%	18.5	(2.4%)
<b>Total cost of sales</b>	<b>422.3</b>	<b>80.8%</b>	<b>563.8</b>	<b>71.7%</b>	<b>141.5</b>	<b>(9.1%)</b>

The change in sales portion of products type caused the ratio of raw material cost to sales revenue decrease to 36.4%, while the average capacity utilization rate increased from 2020, resulting in lower fixed production costs per unit. The depreciation to sales ratio was reduced to 9.5% and the cost of other production expenses to sales revenue ratio was reduced to 11.7%. As a result, the cost of sales to sales ratio for Year 2021 decreased to 71.7%

The analysis of revenue, Cost of sales and gross margin of each product group can be shown as follows

#### **Automotive**

Unit : Million baht	2020	2021	Increase (Decrease)	% Increase (Decrease)
Revenue	329.1	484.0	154.9	47.1%
Cost of sales	309.7	392.2	82.5	26.6%
Gross profit	19.4	91.8	72.4	373.2%
% Gross profit margin	5.9%	19.0%	13.1%	

In 2021, increase in orders from car manufacturers has recovered. Including new orders for both existing and new customers. that supporting factor for the potential of more efficient use of production capacity. This reduces the fixed cost per unit. together with the new automotive parts that the Company Production is more complicated, thus making the rate less competitive. As a result, gross margins will increase in 2021.

#### **Consumer products**

Unit : Million baht	2020	2021	Increase (Decrease)	% Increase (Decrease)
Revenue	104.6	198.2	93.6	89.5%
Cost of sales	77.3	131.9	54.6	70.6%
Gross profit	27.3	66.3	39.0	142.9%
% Gross profit margin	26.1%	33.4%	7.3%	

In 2021, the gross profit margin in consumer products increased from 26.1% to 33.4%, mainly from sales of molds to new consumer products customers which is a mold with a relatively high margin. Because it is a mold that requires technology and innovation in production.

#### **Medical**

Unit : Million baht	2020	2021	Increase (Decrease)	% Increase (Decrease)
Revenue	89.0	103.9	14.9	16.7%
Cost of sales	35.3	39.7	4.4	12.5%
Gross profit	53.7	64.2	10.5	19.6%
% Gross profit margin	60.3%	61.8%	1.5%	

The medical device segment has an average gross margin of at least 60%. The medical device segment receives more orders from customers due to the pandemic and consumer behavior that has health and wellness concern which makes the income grow steadily make the use of production capacity more efficient.

## Overall expenses

Overall expenses	2020		2021		Increase (Decrease)	% to revenue Increase (Decrease)
	Million Baht	%	Million Baht	%		
Selling expenses	12.0	18.8%	12.9	19.0%	0.9	7.3%
Administrative expenses	49.5	77.6%	56.5	83.2%	7.0	14.1%
(Reversal) Expected credit losses	(2.9)	(4.6%)	(2.2)	(3.3%)	0.7	(23.8)
(Gain) other losses	5.2	8.2%	0.7	1.1%	4.5	(85.9%)
<b>Total Expenses</b>	<b>63.8</b>	<b>100.0%</b>	<b>67.9</b>	<b>100.0%</b>	<b>4.1</b>	<b>6.4%</b>

## Selling expenses

Selling expenses	2020		2021		Increase (Decrease)	% Increase (Decrease)
	Million Baht	%	Million Baht	%		
Salary and remuneration	7.9	1.5%	8.8	1.1%	0.9	(0.4%)
Marketing expenses	1.3	0.3%	0.8	0.1%	(0.5)	(0.2%)
Other selling expenses	2.8	0.5%	3.3	0.4%	0.5	(0.1%)
<b>Total selling expenses</b>	<b>12.0</b>	<b>2.3%</b>	<b>12.9</b>	<b>1.6%</b>	<b>0.9</b>	<b>(0.7%)</b>

In 2021, selling expenses equal to Baht 12.9 million, increase 0.9 million baht from the previous year, or an increase of 7.3%, mainly due to an increase of 0.9 million baht in salary and employee compensation from the addition of employees. Sold to support the business of medical devices and consumer products.

## Administrative expenses

Administrative expenses	2020		2021		Increase (Decrease)	% Increase (Decrease)
	Million Baht	%	Million Baht	%		
Salary and remuneration	25.6	4.9%	26.7	3.4%	1.1	(1.5%)
Consulting and professional fees	5.7	1.1%	9.4	1.2%	3.7	0.1%
Utilities and maintenance	6.0	1.2%	7.1	0.9%	1.1	(0.3%)
Depreciation and amortization	8.3	1.6%	8.5	1.1%	0.2	(0.5%)
Other administrative expenses	3.9	0.7%	4.9	0.6%	1.0	(0.1%)
<b>Total administrative expenses</b>	<b>49.5</b>	<b>9.5%</b>	<b>56.5</b>	<b>7.2%</b>	<b>7.0</b>	<b>(2.3%)</b>

For year 2021 administrative expenses equal to Baht 56.5 million increase of Baht 7.0 million from 2020, or increase 14.1% due to increase of Baht 3.7 million in service fees and advisors for prepare to IPO in SET and administrative expense increase Baht 1.1 million from employee bonus base on operating performance. The administrative expense to revenue ratio decrease to 7.2 percent due to the mainly is fixed expense which not vary on revenue.

## Finance cost

<b>Finance cost (Unit : Million Baht)</b>	<b>2020</b>	<b>2021</b>	<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
Interest expenses	11.4	14.1	2.7	23.7%
Loan interest	9.0	11.7	2.7	30.0%
Hire purchase interest	2.4	2.4	-	

Finance cost for 2021 is Baht 14.1 million increase from 2020 as Baht 2.7 million due to increase of loan for expansion factory and purchase machine.

## Net profit and Net profit margin

<b>Net profit and Net profit margin (Unit : Million Baht)</b>	<b>2020</b>	<b>2021</b>	<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
Net profit	21.8	120.9	99.14	454.9%
Net profit margin	4.2%	15.4%	11.2%	

For the year 2021, POLY has a net profit of Baht 120.9 million , increase of Baht 99.1 million from 2020 or increase of 454.9% and a net profit margin is 15.4%. The main reasons are (1) The increase in the proportion of income in the medical device and consumer products group. (2) The production of new parts in the automotive parts group which has a higher gross margin than before. (3) Average capacity utilization increased from the previous year so the economy of scale reduced fixed cost per unit. (4) The proportion of selling and administrative expenses to sales revenue decreases.

## Statement of financial position

Statement of financial position (Unit : Million Baht)	2020	2021	Increase (Decrease)	% Increase (Decrease)
<b>Assets</b>				
Current assets	140.2	214.5	74.3	53.0%
Non-current assets	804.3	920.4	116.1	14.4%
<b>Total assets</b>	<b>944.5</b>	<b>1,134.9</b>	<b>190.4</b>	<b>20.2%</b>
<b>Liabilities</b>				
Current liabilities	246.8	265.3	18.5	7.5%
Non-current liabilities	231.4	282.4	51.0	22.0%
<b>Total liabilities</b>	<b>478.2</b>	<b>547.7</b>	<b>69.5</b>	<b>14.5%</b>
<b>Equity</b>				
Shares capital	333.9	333.9	-	-
Retained earnings	130.0	250.9	120.9	93.1%
Other components of equity	2.4	2.4	-	-
<b>Total equity</b>	<b>466.3</b>	<b>587.2</b>	<b>120.9</b>	<b>25.9%</b>

### Assets

As of December 31 2021, total assets is 1,134.9 Baht million, increase Baht 190.4 million from 2020 due to an increase in current assets from trade accounts receivable and inventories that increase in the same direction as sales. The increase of non-current assets is increase from land, buildings and equipment which increase from the construction of a silicone factory. and the increase of operating machinery

### Liabilities

As of December 31 2021, total liabilities is Baht 547.7 million, increase of 69.5 million baht from increase of current liabilities which increase of Accounts payable due to the purchase more raw materials to support higher sales volume. And increase in non-current liabilities of Baht 51 million due to the purchase of machinery which use in the silicone factory as hire-purchase contracts.

### Equity

As of December 31 2021, total shareholders' equity is Baht 587.2 million an increase of Baht 120.9 million due to an increase in retained earnings from the operating results of the year 2021.

## Significant Financial Ratios

Financial Ratios	2020	2021	Increase (Decrease)
Liquidity Ratio (time)	0.6	0.8	0.2
Gross Profit Margin	19.2%	28.3%	9.1%
Net Profit Margin	4.2%	15.4%	11.2%
Return on Equity	4.8%	23.0%	18.2%
Return on Asset	2.4%	11.6%	9.2%
Debt to Equity (time)	1.0	0.9	(0.1)
Interest-Bearing Debt to EBITDA Ratio (time)	3.0	1.5	(1.5)

### Liquidity Ratio (time)

The liquidity ratio increased from 0.6 times to 0.8 times due to an increase in trade accounts receivable inventories and unbilled income. The total increase of 74.3 million baht to support higher sales and the current liabilities increased by approximately 18.4 million baht mainly due to an increase in trade accounts payable.

### Gross Profit Margin

Gross profit margin increased from 19.2% to 28.3% or increase of 9.1% from year 2020, mainly increase in the revenue contribution of consumer products and medical device product group since it is a product group with a higher gross margin than the automotive group and there is a recognition of revenue from the sale of molds which has high gross margin. In addition, the company has been able to fully utilize the production capacity of the machines, resulting in an economy of scales, resulting in a higher gross profit margin.

### Net Profit Margin

Net profit margin increased from 4.2% to 15.4% mainly from higher gross profit as mentioned above together with effective control of selling and administrative expenses including receiving tax benefits for corporate income tax exemption for income from the sale of medical devices increase the net profit margin.

### Return on Equity

Return on equity increased from 4.8% to 23.0% as net profit increased from Baht 21.8 million to Baht 120.9 million, while shareholders' equity did not change significantly therefore increasing the return on equity.

### Return on Asset

The return on assets increased from 2.4% to 11.6% in line with the full capacity utilization. Because during the year, the construction of the factory building was completed and ready for use, including the imported machinery and able to produce products for sale to customers.

### Interest-Bearing Debt to EBITDA Ratio (time)

IBD/EBITDA decreased from 3.0 times to 1.5 times due to higher operating profit. In addition, interest bearing debt remained relatively stable due to additional borrowing during the year. But some liabilities have been paid as well.