

THAI PLASPAC PUBLIC COMPANY LIMITED "TPAC"
Management Discussion and Analysis for Q2/2018 Ending 30 June 2018
Consolidated Profit and Loss

THB Million	Q2'18	Q1'18	% Δ from Q1'18	Q2'18	Q2'17	% Δ from Q2'17	6M'18	6M'17	% Δ
Sales	442.1	418.3	5.7%	442.1	396.7	11.4%	860.4	789.5	9.0%
Cost of sales	382.3	353.3	8.2%	382.3	331.1	15.5%	735.6	662.0	11.1%
Gross Profit	59.7	65.0	-8.1%	59.7	65.6	-9.0%	124.8	127.5	-2.1%
Gross Profit Margin %	13.5%	15.5%	-2.0%	13.5%	16.5%	-3.0%	14.5%	16.1%	-1.6%
SG&A	47.7	48.2	-0.9%	47.7	37.7	26.8%	95.1	75.3	26.3%
Other income	3.8	2.9	32.8%	3.8	3.5	8.5%	5.9	5.5	6.0%
Bargain purchase	41.2	0.0	0.0%	41.2	0.0	0.0%	41.2	0.0	0.0%
EBITDA	49.9	54.4	-8.2%	49.9	64.3	-22.3%	104.3	123.5	-15.6%
Core EBITDA	53.4	60.6	-11.8%	53.4	64.3	-16.8%	114.0	123.5	-7.6%
Core EBITDA Margin %	12.1%	14.5%	-2.4%	12.1%	16.2%	-4.1%	13.3%	15.6%	-2.4%
Depreciation and amortization	34.1	34.6	-1.7%	34.1	32.8	4.0%	68.7	65.8	4.5%
EBIT	15.8	19.7	-19.7%	15.8	31.5	-49.7%	35.5	57.7	-38.4%
Core EBIT	19.4	26.0	-25.4%	19.4	31.5	-38.5%	45.3	57.7	-21.5%
Core EBIT Margin %	4.4%	6.2%	-1.8%	4.4%	7.9%	-3.6%	5.3%	7.3%	-2.0%
Interest expense	2.1	0.1	2868.5%	2.1	0.1	2261.3%	2.1	0.2	880.8%
Profit Before Tax	54.9	19.6	179.4%	54.9	31.4	74.8%	74.6	57.5	29.7%
Income tax expense	2.7	3.2	-14.4%	2.7	5.7	-52.5%	5.9	8.5	-30.8%
Net Profit	52.2	16.5	216.9%	52.2	25.7	103.3%	68.6	48.9	40.3%
Net Profit Margin %	11.8%	3.9%	7.9%	11.8%	6.5%	5.3%	8.0%	6.2%	1.8%

Note: SG&A is selling, general and administrative expense. EBIT is earnings before interest and tax. EBITDA is earning before interest, tax, depreciation and amortization.

Non-Recurring income/(expenses) (THB Million)	Q2'18	Q1'18	Q2'17	6M'18	6M'17
Sunrise Containers M&A Related Expenses	-3.1	-5.6	0.0	-8.8	0.0
Custom Pack M&A Related Expenses	-0.4	-0.6	0.0	-1.0	0.0
Total	-3.5	-6.2	0.0	-9.8	0.0

Consolidated Earnings

- TPAC Q2'18 Net Profit Baht 52.2m, 216.9% increase versus previous quarter and 103.3% increase versus same period last year.
 - YTD Net Profit 40.3% ahead of last year.
- Q2'18 resulted in a one-time gain from bargain purchase as a result of the Custom Pack M&A which closed in May 2nd 2018.
- Gain in bargain purchase (Negative Goodwill) of Baht 41.2 is recorded as the difference between the Net Asset Value of Custom Pack (renamed 'TPAC Packaging (Bangna)') of Baht 148.2 m and the purchase consideration of Baht 107 m.

Thailand Operations

- With respect to Q2'18 financial performance for TPAC in Thailand (not considering Custom Pack acquisition) posted another quarter of healthy volume growth, with Q2'18 volumes 7% higher than same period last year.
- YTD Q2'18 volume growth of 5% compared to the previous year.
- However raw material spread further reduced in Q2'18 compared to Q1'18 by ~ Baht 1/kg.
- Overall YTD Q2'18 raw material spread also ~ Baht 1/kg lower compared to same period last year due to the uptrend in polyolefin prices seen in the first half of this year
- As our raw material prices with customers tend to get reset every quarter, management does expect spread normalization over the year.
- The Custom Pack acquisition has efficiently provided TPAC Thailand operations with an additional production facility, strategically located on the industrious North East of Bangkok, close to many of TPAC existing and new potential customers.
- TPAC will now have production facilities on either side of both the East and West of Bangkok city. This provides us with the option to evaluate which of our production units

are better suited to serve the subject customers. Simplistically speaking, being closer to our customers allows us to better serve them.

- TPAC Packaging (Bangna) is a large factory, with this we are now armed with the necessary infrastructure for a new phase of organic revenue growth here in Thailand.
- Adequate production space would likely have become a limitation to TPACs Thailand's organic expansion in the coming years, but with TPAC Packaging (Bangna) this potential limiting factor is now negated.
- With TPAC Packaging (Bangna) comes the necessary infrastructure, inclusive of a well trained and experienced shop floor technical team, ready to capitalize on our planned new phase of organic revenue growth.
- The potential pains of a 'ramp up' period that may have likely resulted from a greenfield project are avoided and management strongly believes in the sites potential to operate at significantly improved utilization rates (TPAC Packaging (Bangna) current operates at ~ 30% utilization) by leveraging off brand TPAC.
- TPACs plan to unlock this earnings upside from our new production facility comes from:
 - Operation excellence measures specifically related to utility redesign and machinery upgrades. Utility upgrades expected to be complete this year and machinery upgrades will start this year but carried out in a phased manner. Such upgrade works are required to ensure the longer term cost competitiveness of the plant.
 - Securing new 'mega' projects from customers - high volumes projects (~ millions of pieces a month) using large systems (high cavitation and high speed moulds). In the past, TPAC has had preliminary discussions around such initiatives but discussions slowed down considering our previous space limitation.
 - Having stayed focused in our specialist area of rigid plastic packaging for consumer applications (with both our announced acquisitions in India and Thailand) we have

added even more management depth and proprietary know-how to our specialist area of consumer rigid plastic packaging.

- Our belief is that this focused approach will enhance our delivery of innovative consumer packaging solutions and further improve our speed of execution to commercialized product – 2 critical components in unlocking our earnings potential.
- As a concluding remark, management believes we are now well positioned in Thailand to aggressively drive a new phase of revenue growth. We sit within a healthy and growing industry and boast a 35 years track record.
- With respect to our Industry it is important to note that the rigid plastic packaging products made by TPAC are all recyclable. Interestingly we have begun engaging with some customers on projects involving recycled resins – an exciting area which we expect to see increasing activity over the coming years as we head towards a truly circular economy.

India's Operations

- TPAC Packaging India, a newly formed subsidiary, is planned to be merging in Q3'18 with Sunrise Containers, India.
- Upon the merger, TPAC Packaging India will be the surviving entity encompassing the Sunrise Containers business within it.
- Till date TPAC Packaging India does not have a positive earnings profile, as certain due diligence expenses have been absorbed by TPAC Packaging India and the business of Sunrise Containers are yet to be merged into it.

Consolidated Balance Sheet

THB Million	As at 30 Jun'18	As at 31 Dec'17	% Δ
Cash and cash equivalents	129.2	105.6	22.4%
Trade and other receivables	497.9	411.1	21.1%
Inventories	160.6	114.4	40.4%
Other current assets	23.6	29.3	-19.6%
Total current assets	811.3	660.4	22.8%
Property, plant and equipment	646.7	547.1	18.2%
Advance for purchase of molds	11.3	7.2	58.6%
Other assets	71.4	58.7	21.7%
Total assets	1,540.8	1,273.4	21.0%
Short term loans	106.6	0.0	N/A
Trade and other payables	193.6	180.1	7.5%
Current portion of loans	16.0	0.0	0.0%
Other current liabilities	8.1	7.5	7.9%
Total current liabilities	324.3	187.6	72.8%
Non-current portion of loans	64.0	0.0	0.0%
Other liabilities	31.8	21.2	50.3%
Total liabilities	420.1	208.8	101.2%
Issued and paid-up capital	253.8	253.8	0.0%
Retained earnings	544.0	482.3	12.8%
Other reserves	328.4	328.4	0.0%
FX translation gain/loss	-5.7	0.0	566100.0%
Total shareholders' equity	1,120.6	1,064.5	5.3%

Consolidated Ratio

Leverage Ratio	30 Jun'18	31 Dec'17
Net Debt / Equity	0.1	-0.1
Interest Bearing Debt / Equity	0.2	0.0

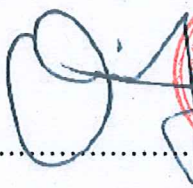

- As TPAC is yet to close and fund our Indian acquisition, debt ratios still remain low and well prepared for the upcoming expected closing of Sunrise Containers.

Consolidated Cash Flow

THB Million	For the period from 01 Jan 2018 to 30 Jun 2018
Cash and Cash Equivalents - Beginning period Balance	105.6
Profit Before Tax	74.6
Adjustment : Depreciation and Amortisation	68.7
Adjustment : Other adjustments	3.1
Bargain purchase	-41.2
Profit from operating activities before changes to working capital	105.2
Net changes to working capital	-46.8
Cash flows from Operating Activities	58.4
Cash paid for corporate income tax	-20.8
Net Cash Flows from Operating Activities	37.6
Acquisition of Fixed Assets	-93.3
Proceeds from equipments sales	0.7
Cash paid for investment in subsidiary	-94.3
Interest Received	0.2
Net Cash Flow used in Investing Activities	-186.7
Dividend Paid Out	-7.6
Increase (decrease) in short-term loans from bank	34.8
Increase (decrease) in short-term loans from Sunrise Containers	71.8
Increase (decrease) in long-term loans from bank	80.0
Interest Expense	-0.6
Net Cash Flow from Financing Activities	178.4
Decrease in exchange differences on translation of financial statements in foreign currency	-5.7
Change in Cash and Cash Equivalents	23.6
Cash and Cash equivalents - Closing Period Balance	129.2

- Working capital increased by Baht 46.8 due to fluctuations in inventory levels and receivables.

- Baht 93.3m acquisition of fixed assets predominantly relates to the acquisition of a piece of land by TPAC Packaging India India in Western India (Dadra) which cost Baht 69 m. The remaining fixed asset of ~ Baht 23m relates to mould acquisitions in Thailand for new projects.
- TPAC India borrowed Baht 71.8m from Sunrise to fund this.
- The commercial rational for this land purchase is for the construction of a new factory to cater to increasing demand for Sunrise (upon closing will be known as TPAC Packaging India) wide mouth jars branded under the name 'Sunpet'.
- Sunrise already has 3 factories in this Western region of India and the factory on this new piece of land will be our 4th factory in the West of India.
- Sunrise also has 3 factories in the north of India and post completion of this new Dadra factory we will have 7 world class factories across India.
- Baht 94.3 m investment in subsidiary relates to the acquisition of Custom Pack which had a purchase consideration of Baht 107 m. Baht 80 m was borrowed as a long term loan with the remainder Baht 27 m funded by cash. However, 12.7 m cash and cash equivalents was on the books of Custom Pack at the time of acquisition, thus equating to Baht 94.3 m consolidated net funding amount.
- Dividend of Baht 7.6 m was paid out in May '18 equating to 0.03 Baht per share for the period of H2'17.
- Long terms loans from banks increased 80 m to partially fund the acquisition of Custom Pack.

(Kevin Kumar Sharma)

Chairman