บริษัท ทีพีบีไอ จำกัด (มหาชน)
TPBI PUBLIC COMPANY LIMITED
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Ref. TPBI-EXC 007/2019

25 February 2019

Subject: Interim Management Discussion & Analysis of financial statements for the fourth quarter and the financial year of 2018

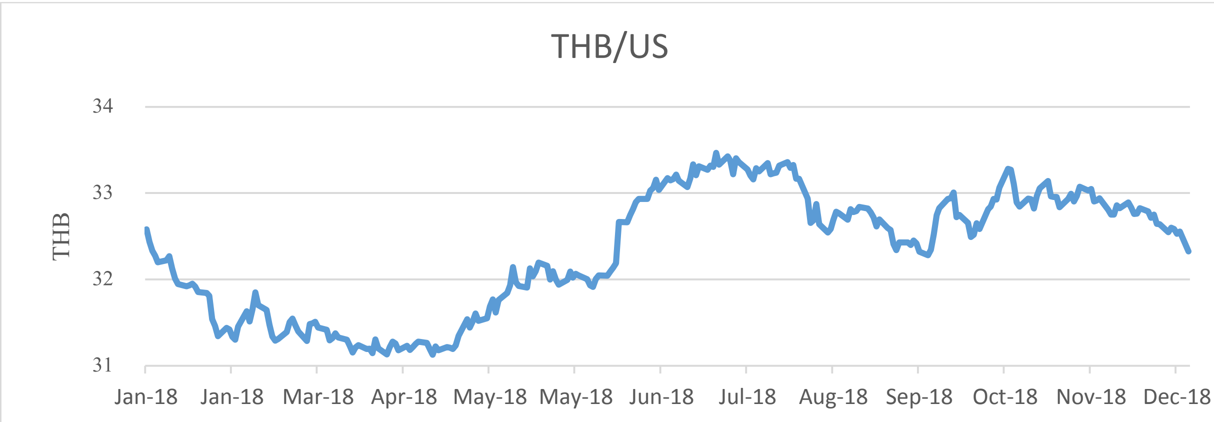
To: The President & Directors
The Stock Exchange of Thailand

In compliance with the regulations of the SET, dated 19 November 1993, TPBI Public Company Limited (the "Company") would like to present the operating results and financial position of the Company for the fourth quarter and the financial year of 2018 as follows.

Respectfully yours,

(Mr. Kamol Borrisuttanakul)
Chief Financial Officer

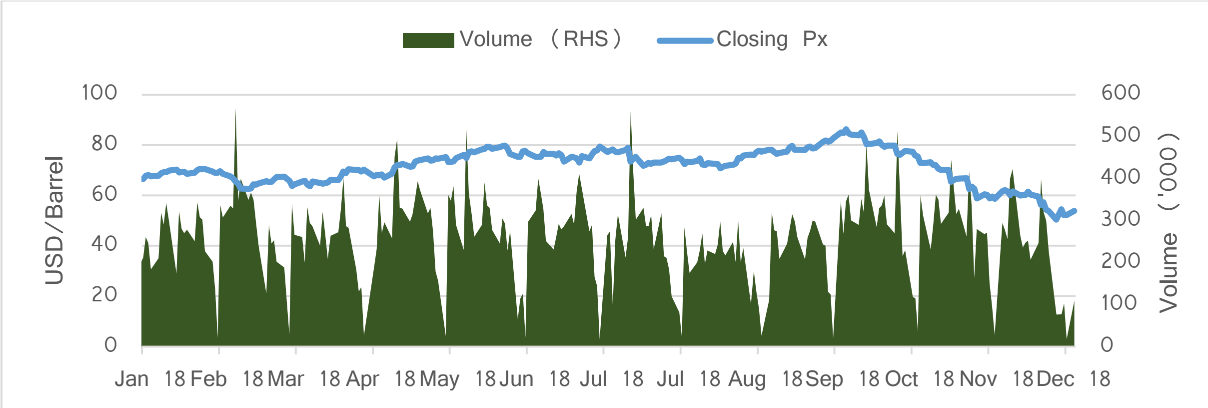
In the fourth quarter of 2018, the Thai exchange rate had been quite fluctuated against US-dollar, more depreciated against USD in the early of the quarter and appreciated in late of the quarter, floating between THB/USD 32.28 - 33.28, with an average of THB/USD 32.82, which slightly decline from an average of THB/USD 32.97 in the last quarter.:



Source: Bloomberg

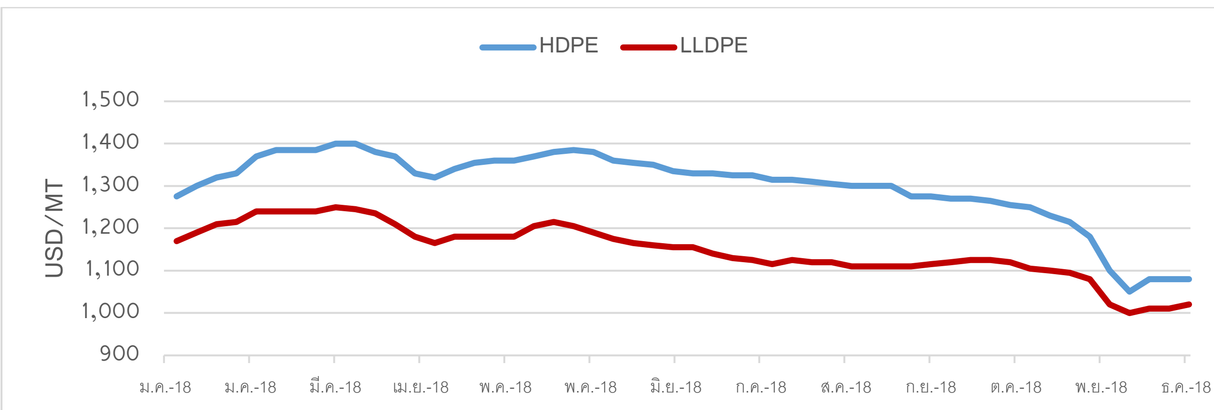
As most of the Company's income and costs are predominantly denominated in USD, so we do have partly natural hedged to manage and minimize the impact from exchange rate in accordance with market condition. Nonetheless, the company has policy to manage and minimize the risk by buying the forward contract in an appropriate amount accordance with market condition.

The global crude oil price declined compared to the last quarter, moving in the range of USD 50.47 – 86.29 per barrel at an average of USD 68.60 per barrel, which the decrease was USD 7.24 per barrel compared to last quarter.



Source: Bloomberg

The price of HDPE at the beginning of 4Q18 was USD 1,275 per MT, which decreased to USD 1,080 or by 15.29% per MT. In addition, LLDPE's price also decreased from USD 1,115 per MT at the beginning of the quarter to USD 1,020 per MT or 8.52% decrease. The average price of HDPE and LLDPE was USD 1,178.85 and 1,071.54 per MT respectively during the fourth quarter of 2018.

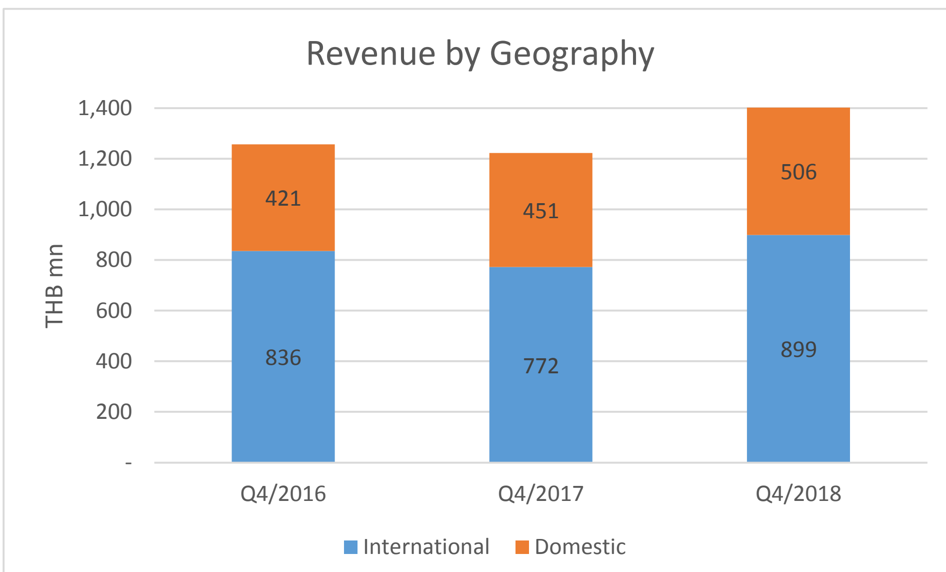


Source: Bloomberg

With single-use plastic bag ban policies across many countries, production capacity adjustment of general packaging products, and production expansion in flexible packaging as well as effect from non-recurring expenses in relation to an investment in Intelipac group, UK and loss from impairment of investment in subsidiaries, profitability in the fourth quarter of the year is lessen compare to the same period of previous year. The details of operating results are illustrated in the next section.

Sales

In 4Q18, the Company recorded THB 1,411.76 million in sales, increased by THB 166.34 million or 13.36% from the same period last year. Majority of sales (64.00%) still came from exports to international markets and sale in foreign countries.



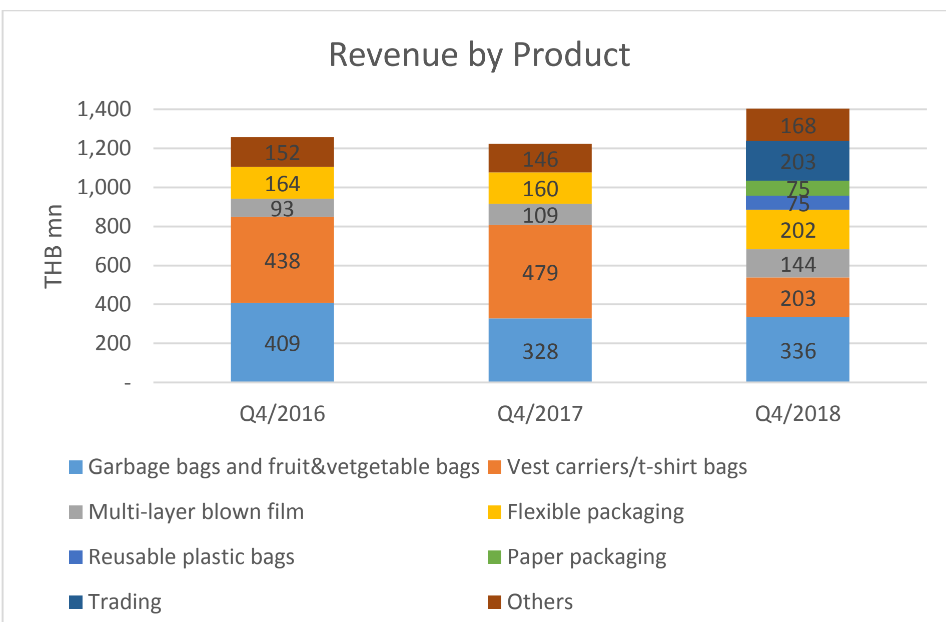
Summary of sales performance of the Company in 4Q18 – The sales of Vest carriers/ t-shirt bags decreased, driven by a significantly decrease in sales of vest carriers/ t-shirt. On the other hand, the company had an increase in sales of garbage bags, multilayer blown film and flexible packaging. Moreover, the Company has realized revenue from Intelipac group since beginning of the fourth quarter. Therefore, the total sales rose from the same period last year. The sales of vest carriers/ t-shirt decreased by THB 276.34 million or 57.70% from THB 478.94

million in fourth quarter last year to THB 202.60 million this quarter. Thus, vest carriers/ t-shirt could contribute 14.42% of total sales revenue, declined from 39.19% in 4Q17.

The sales of garbage bags increased by THB 43.96 million or 17.92% from THB 245.46 million to THB 289.32 million compared to the same period last year. The proportion of garbage bags was 20.60% of total sales revenue, rose from 20.07%. The sales of fruit & vegetable bag were THB 46.55, decreased by THB 36.19 million or 43.73% from the same period last year.

In addition, the Company has an increase in its sales of multi-layer blown films from THB 109.40 million in 4Q17 to THB 144.17 million, counting for 31.78% YoY. Its revenue contribution was 10.26% rose from 8.95% of total sales revenue in 2017. For flexible packaging sales have been increased by THB 41.60 million or 26.01% YOY compared to the same period last year to THB 201.52 million in 4Q18. The proportion of the flexible packaging of the total sale revenue was 14.35% in 4Q18 increased from 13.08% in 4Q17. While other products, the sales increased from THB 145.86 million to THB 167.84 million, an increase of THB 21.98 million or 15.07% YoY compared to the same period last year.

In addition, the Company also have additional sales from new products compared to the same period last year which enhance total sales of the Company. The Company has sales revenue from reusable plastic bags of THB 74.55 million and sales revenue from Intelipac group, UK which divided into sales from paper packaging products of THB 74.80 million and trading business of THB 203.42 million.

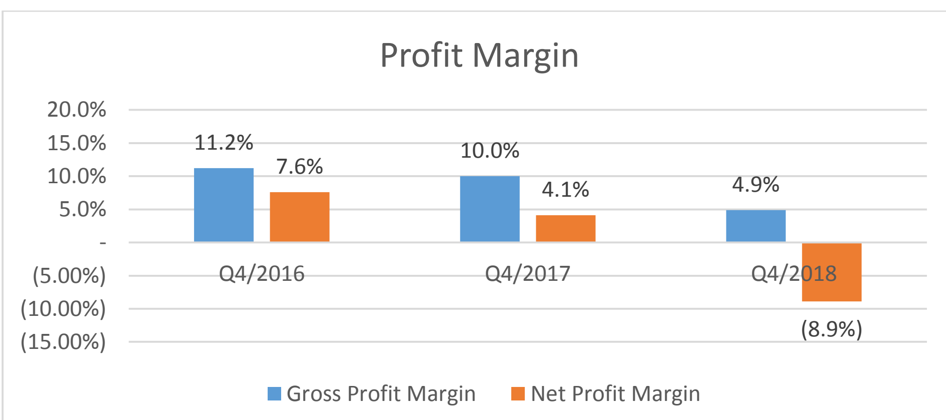


Profit Margins

In 4Q18, the Company has lower profit margin compare to the same period last year mainly due to following factors:

- Material cost of production of the Company's subsidiary in Myanmar (TPBIMS), which produces and sells plastic packaging in Myanmar, has increased due to a dramatically depreciation in Myanmar Kyat currency and high cost raw material inventory during the quarter. Even though selling price was increased, it's still lower than increased cost due to Kyat depreciation and high cost raw material inventory.
- The Company had non-recurring expenses from acquisition of Intelipac Group in United Kingdom, change in provision for retirement from 300 days to 400 days, as well as cost from impairment of the Company's investment in subsidiaries during the last quarter in total of THB 90.31 million.
- Expenses occurred from production test-run and start-up of new factory of the Company's subsidiary (T.A.K. packaging).

Therefore, these factors cause net loss for the Company in this quarter. Despite such impact to the company, the increased sales compared to the same period last year was a result from significant sales increase of garbage bags and reusable bag which is in line with the company's business transformation. Nonetheless, the Company has started to realize sales revenue from Intelipac group in this quarter, total amount of THB 278.22 million



The 4Q18 net profit (loss) was THB (125.41) million decreased from net profit of THB 51.34 million in 4Q17. In term of net profit (loss) margin, it has decreased to be (8.88%) compare to the same period last year which is

4.12%. Nonetheless, the Company has always been focusing on a potential mitigation for those effect from above factors.

Cost and Expenses

Cost of Sales of 4Q18 was THB 1,366.31 million, increasing from a year earlier THB 235.86 million or 21.43%. Cost of sales is 95.13% of sales revenue increased from 90.04% from the same quarter last year as a result of higher production cost per unit of general packaging from the lower sales of vest carriers compare to same quarter last year as well as an increase in cost and expenses from the production test-run and start-up of new flexible packaging factory in this quarter.

SG&A in 4Q18 has increased from the same period in the year earlier from THB 79.65 million to THB 184.92 million by THB 105.26 million or 132.15%. SG&A in 4Q18 was 13.01% of total revenue, increased from the same period last year which was 6.40%. The higher SG&A mainly came from non-recurring expenses in relation to an acquisition of the Intelipac group, change in provision for retirement from 300 days to 400 days, expenses from test-run and start-up of new flexible packaging factory during this quarter, as well as an impairment cost of the Company's investment in subsidiaries.

EBITDA decreased to THB 133.41 million or by 120.89% YoY from THB 110.35 million to THB (23.06) million as a result from an increase in expenses as mentioned above.

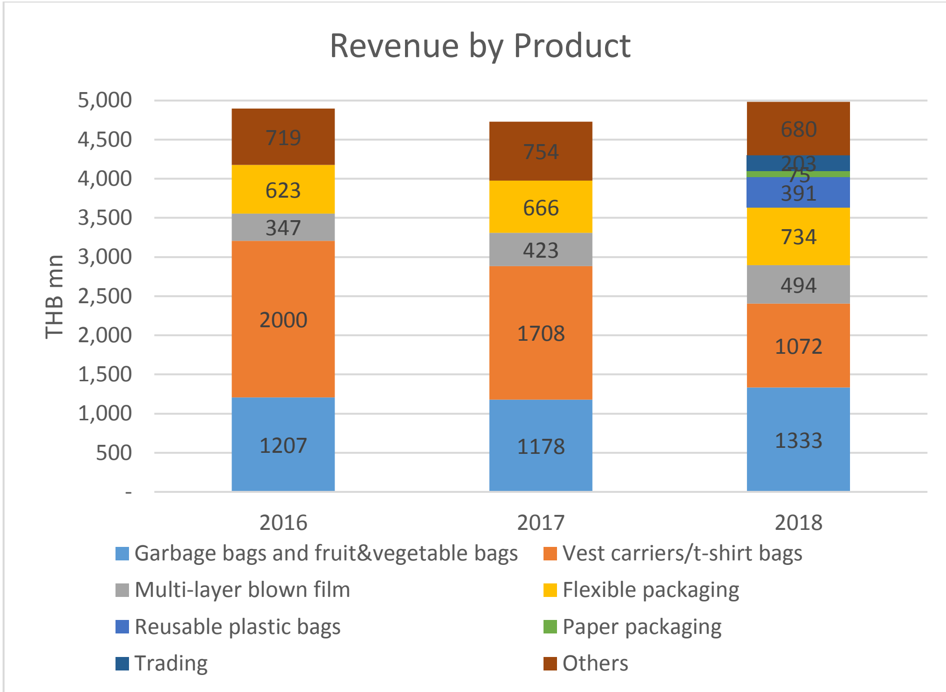
In THB mm	4Q18	4Q17	YoY	
			THB mm	%
Revenue	1,411.76	1,245.42	166.34	13.36%
Cost of Sales	1,366.31	1,100.45	235.86	21.43%
Other income	7.00	23.20	(16.20)	(69.83%)
SG&A	184.92	79.65	105.26	132.15%
EBITDA	(23.06)	110.35	(133.41)	(120.89%)
NPAT	(125.41)	51.34	(176.75)	(344.29%)
EPS *(THB)*	(0.28)	0.12	(0.40)	(333.33%)

For the financial year of 2018, the Company accounted a net loss of THB 164.30 million, decreasing from net profit of THB 192.91 million or decreased by 185.17% in the year earlier. The key driver is from the lower gross profit margin of the Company, which was the result mainly from the mentioned factors as follows:

- Material cost of production of the Company's subsidiary in Myanmar (TPBIMS), which produces and sells plastic packaging in Myanmar, has increased due to a dramatically depreciation in Myanmar Kyat currency and high cost raw material inventory during the quarter. Even though selling price was increased, it's still lower than increased cost due to Kyat depreciation and high cost raw material inventory.
- The Company had non-recurring expenses from acquisition of Intelipac Group in United Kingdom, change in provision for retirement from 300 days to 400 days, as well as cost from impairment of the Company's investment in subsidiaries during the last quarter in total of THB 90.31 million.
- Expenses occurred from production test-run and start-up of new factory of the Company's subsidiary (T.A.K. packaging).

In terms of top line, the Company's total revenue slightly increased to THB 5,011.02 million from THB 4,783.90 million, or 4.75% increased. However, the cost of sales increased to THB 4,692.56 million from THB 4,231.24 million in the year earlier while SG&A is at THB 444.57 in 2018, increased from THB 310.10 million in 2017.

EBITDA decreased by THB 301.81 million or 79.51% YoY from THB 428.03 million to THB 126.22 million, compared to in 2017.

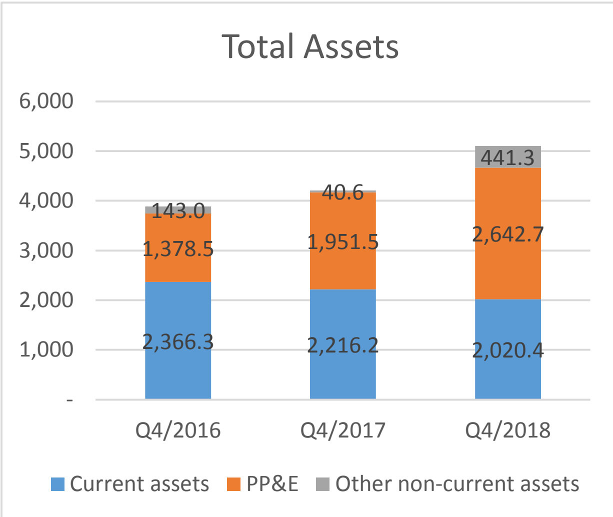


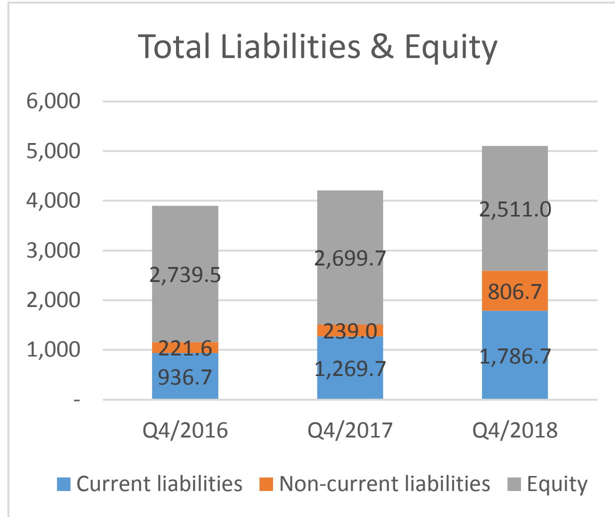
The product composition is in line with the Company's plan to increase the contribution from value-added and sustainable product over the time as shown in the above revenue breakdown by product in 9M18; flexible packaging product has been increased its sales in the last three years from THB 623 million in 2016 to THB 734 million in 2018. In addition, the Company has an investment of new flexible packaging factory to increase production capacity and reinforce the sale of the product and a significant increase of garbage bags sales due to an increase in demand from international market. Nonetheless, the Company has an significant increase in sales of reusable plastic bags in line with product transformation policy in order to compensate the decrease in sales of Vest carriers/ T-shirt bags due to single-use plastic bag ban policies across many countries

For the long-term outlook, the company has policy to diverse its product portfolio into more sustainable and more value-added products. Furthermore, the Company is also on the transformation process for general packaging to adapt to the change in the trend of world plastic packaging industry.

In THB mm	2018	2017	YoY	
			THB mm	%
Sales	5,011.02	4,783.90	227.12	4.75%
Cost of Sales	4,692.56	4,231.24	461.32	10.90%
Other income	30.67	54.58	(23.91)	(43.80%)
SG&A	444.57	310.10	134.47	43.36%
EBITDA	126.22	428.031	(301.81)	(70.51%)
NPAT	(164.30)	192.91	(357.21)	(185.17%)
EPS *(THB)*	(0.36)	0.44	(0.80)	(181.82%)

Financial Position





Assets

Total assets of the Company as of 4Q18 was THB 5,104.39 million increased by THB 896.00 million or 21.29% from the end of year 2017. The Company had total current assets of THB 2,020.42 million decreased by THB 195.82 million or 8.84%, composed of an increase in trade and other receivable of THB 116.27 million or 15.42% and inventories of THB 218.89 million or 33.51% while the Company has a decrease in cash and cash equivalent and short-term investment of THB 234.45 million and THB 296.01 million respectively. Besides, the Company had an increase in non-current assets of THB 1,091.81 million or 54.81% mainly came from an increase in PP&E of the Company by THB 691.18 million or 35.42% and Goodwill of THB 344.27 million from the business expansion, production adjustment, product varieties increment, and Intelipac group acquisition.

Liabilities and Shareholders' Equity

As of 4Q18, total liabilities of the Company were THB 2,593.20 million, increased by THB 1,084.69 million or 71.89% from end of 2017 due to the increase in short-term borrowing composed of promissory note, trustee payable, and packing creditor from financial institution of THB 277.79 million or 46.63% and long-term loans from financial institutions raised by THB 734.44 million or 437.21% in order to reinforce business expansion. Nonetheless, the Company had an increase in trade payable and other payable of THB 44.20 million.

Shareholders' equity as of ended 2018 amounts to THB 2,511.63 million decreased by THB 188.70 million, due to a reduction of retained earnings by 311.48, which came from dividend payment of THB160 million and net loss of 164.30 million during 2018. However, the company had an increase in non-controlling interests of the subsidiary of THB 18.23 million.

Cash flow

Cash flow used in operation in 2018 was THB 80.37 million, decreased from cash flow received from operation in 2017 by THB 294.05 million . The Company's earnings (loss) before tax was presented at THB (142.13) million. The decrease in cash flow from operation was a result from a decrease in EBT of THB 352.41 million.

Cash flow used in investing activities was recorded at THB 1,165.14 million, which THB 765.29 million was spent on PP&E and 654.91 was paid on business acquisition to enhance its capacity and productivity as well as an acquisition of Intelipac Group

The reported cash flow from financing activities was THB 904.82 million, resulted from an increase in short-term borrowing from financial institution by THB 190.63 million and long-term borrowing from financial institutions by THB 783.20 million, furthermore the company also has capital increment of non-controlling interest in subsidiary by THB 56.08 million and capital increase of the Company of THB 117.15 million during 2018.

To conclude, the net ending cash for the Company as of 4Q18 was THB 141.58 million decreased by THB 340.69 million from the end of 2017.

Key Financial Ratios

	2018	2017
Gross Profit Margin (%)	5.78%	10.53%
Net Profit Margin (%)	(3.28%)	4.03%
Current Ratio (x)	1.13x	1.75x
Quick Ratio (x)	0.64x	1.23x
D/E Ratio (x)	1.03x	0.56x
EPS (THB/SHARE)	(0.36)	0.44
BVPS (THB/SHARE)	6.25	6.75