

บริษัท ยูเนี่ยนอุตสาหกรรมสิ่งทอ จำกัด (มหาชน)

Union Textile Industries Public Company Limited

23 February 2018

Subject: Management Discussion and Analysis (MD&A) of the year 2017

To: Director and manager, The Stock Exchange of Thailand

Attachment: Management Discussion and Analysis (MD&A) of the year 2017

The Union Textile Industries Public Company Limited submitted the Company's financial statement for the year ending 31 December 2017, In order to provide investors and other interested parties to better understand the Company's operating results and financial statement for the year 2017, attached please find the Management Discussion and Analysis (MD&A) of the year 2017. This report should be considered in conjunction with the submitted financial statements in which the equity method was applied as of 31 December 2017.

Please be informed accordingly.

Sincerely yours,

- Signature -

(Mrs.Pimporn Chotirattanakul)

Managing Director



Management Discussion and Analysis (MD&A)

Business operating results and financial position for the year 2017, in which the equity method is applied, of the Company could be analyzed and explained as follows:

1 Overview

The Company has been operating in textile business, manufacturing greige fabrics, through production process of yarn spinning and fabric weaving, based on the customers' specification, that might be 100% cotton or cotton blend fabrics. Over the past 3 years, the Company had no significant changes neither capital structure, management nor business operations.

1.1 Factors that affect business operations.

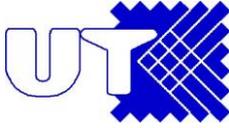
In the past year, the Company affected continuously from the economy of the customer's countries, especially the main customer in England concerned the Brexit consequences; resulting customer orders decreased. World market prices of crude oil and cotton has been risen since the second quarter, and also the fluctuations of currency exchange rates affecting the Company business operations, having main proportional sale is export.

1.2 Summary of operating results.

For the year ending 31 December 2017, the Company had net profit amounting 42.91 million Baht, profit increased 6.69 million Baht compared to the year 2016 having a net profit 36.22 million Baht. The comparative of operating results between year 2017 and 2016 are summarized as follows:

(Unit: million Baht)

Description	For the year ending 31 December			
	Year		Increased (decreased)	
	2017	2016	Amount	%
Total revenues	815.31	791.94	23.37	2.95
Total expenses and finance cost	782.71	762.13	20.58	2.70
Share of profit from investments in associated companies	10.55	3.69	6.86	185.91
Income (expense) tax revenue	(0.24)	2.72	(2.96)	(108.82)
Net Profit (loss)	42.91	36.22	6.69	18.47



2 Results of Operations

2.1 Revenue

(Unit: Million Baht)

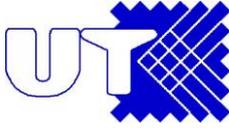
Description	For the year ending 31 December			
	Year		Increased (decreased)	
	2017	2016	Amount	%
Sales and services income	756.26	733.97	22.29	3.04
- Export sales	619.98	618.45	1.53	0.25
- Local sales	136.28	115.52	20.76	17.97
Other income	59.05	57.97	1.08	1.86
Total revenues	815.31	791.94	23.37	2.95

1) Sales and services income

Year 2017, the Company had sales and services income 756.26 Million Baht increased 22.29 million Baht or 3.04 % compared to 2016, divided into export sales increased 1.53 million Baht or 0.25%, and local sales increased 20.76 million Baht or 17.97%, as the results of main customers in Europe and local gave more orders. . .

2) Other income

Year 2017, the Company had other income 59.05 million Baht increased from the year 2016 amounted 1.08 million Baht or 1.86%. They came from waste of raw materials increased 5.59 million Baht, rental income increased 1.46 million Baht and others increased 0.34 million Baht. On the other hand, the decreased items were gains on sales of machinery and equipment decreased 3.62 million Baht, and gain from exchange rate decreased 0.59 million Baht.



2.2 Costs and expenses

(Unit: Million Baht)

Description	For the year ending 31 December			
	Year		Increased (decreased)	
	2017	2016	Amount	%
Total cost of sales	700.41	682.01	18.40	2.70
Selling expenses	25.69	22.04	3.65	16.56
Administrative expenses	56.12	57.48	(1.36)	(2.37)
Financial Cost	0.49	0.60	(0.11)	(18.33)

Cost of sales and services increased by 18.40 million Baht or 2.70%, mainly came from raw materials prices and selling expenses increased 3.65 million Baht or 16.56%, i.e. the export expenses increased due to the merger of transport companies. Administrative expenses decreased 1.36 million Baht or 2.37%, came from employee and asset depreciation.

2.3 Net profit (loss)

The Company accounted for a net profit of 42.91 million Baht, profit increased 6.69 million Baht compared with the year 2016. The net profit consisted of 32.36 million Baht net profit in the Separate financial statement and share of profit from investment in associated company amounted 10.55 million Baht.

According to the Company's Articles of Association, the preference shareholders are entitled to receive a dividend equal to 1.40 Baht per share or the sum of 21.00 million Baht. Then, the Company had net profit 0.49 Baht per common share.

2.4 Profitability

Description	Unit	For the year ending 31 December	
		2017	2016
Gross Profit Margin	%	7.38	7.08
Net Profit (Loss) Margin	%	5.26	4.57
Debt to Equity ratio	Times	0.11:1	0.16:1
Return On Equity	%	4.85	4.34



Gross Profit Margin

Year 2017, the Company had gross profit 55.84 million Baht, making gross profit margin 7.38% of sales, decreased from the year 2016 which had gross profit 51.96 million Baht and gross profit margin 7.08% of sales.

Net Profit (Loss) Margin

The Company had net profit margin amounted 42.91 million Baht or 5.26% increased 6.69 million Baht compared with the year 2016 which had net profit margin 36.22 million Baht or 4.57%.

Debt to Equity Ratio

The Company had D/E ratio 0.11 times, decreased from 2016 that had 0.16 times, as a result of trade account payable and other payables decreased.

Return on Equity (ROE)

The 42.91 million Baht net profit is 4.85% of shareholders' equity higher than that of the year 2016 having 4.34%

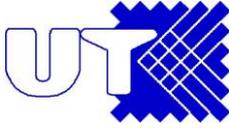
3 Asset management

3.1 Financial position

As of 31 December 2017, the Company's financial position compared with the previous year were the followings;

(Unit: Million Baht)

Description	For the year ending 31 December			
	Year		Increased (decreased)	
	2017	2016	Amount	%
Total Assets	1,010.21	992.40	17.81	1.79
Total Liabilities	97.28	137.12	(39.84)	(29.05)
Total Shareholders' equity	912.93	855.28	57.65	6.74



1) Assets

As of 31 December 2017, the Company had total assets amounting 1,010.21 million Baht, comprising, in proportion, 42.10% current assets, 1.09% secured bond, 23.01% investments in associated companies, 13.77% other long-term investment, 5.48% investment properties, 14.00% property, plant and equipment and 0.55% other non-current assets. Compared with the year 2016, the total assets increased 17.81 million Baht or 1.79%.

Changes are as follows;

- Current assets increased 22.97 million Baht, comprising trade receivable, other receivable, inventories and others increased 47.85 million Baht; cash and cash equivalents decreased 24.88 million Baht.
- Non-current assets decreased 5.16 million Baht, comprising investment in associate companies, long-term investment increased 26.24 million Baht; Investment property, property, plant and equipment, deferred tax assets and other non-current assets decreased 31.40 million Baht.

2) Liabilities

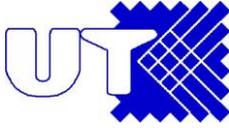
The Company had total liabilities of 97.28 million Baht, decreased 39.84 million Baht or 29.05%, due to trade and others account payables decreased 39.06 million Baht; provision for long-term employee benefits decreased 1.42 million Baht.

3) Shareholders' equity

The Company accounted for shareholders' equity amounting 912.93 million Baht, increased by 57.65 million Baht or 6.74%, resulting from the Company had net profit 42.91 million Baht and from the adjustment of the market value of the stocks invested in the Stock Exchange of Thailand which was not the actual profit amounted 14.74 million Baht.

3.2 Analysis of financial status

As of 31 December 2017, the Company's capital structure comprise of liabilities amounting to 97.28 million Baht and total shareholders' equity amounting to 912.93 million Baht. The Company had debt-to-capital ratio of 9.63%, indicating strong financial status.



4 Liquidity and capital adequacy

4.1 Capital sources

1) Analysis of changes in capital sources

As of 31 December 2017, the Company had cash and cash equivalent amounted 80.52 million Baht decreased 24.88 million Baht compared with the previous year. Details of net cash flow from (used in) were as follows:

(Unit; Million Baht)

Description	For the year ending December 31			
	Year		Changes	
	2017	2016	Amount	%
Net cash flows from (used in) operating activities	(23.94)	108.31	(132.25)	(122.10)
Net cash flows from (used in) investing activities	(0.94)	(14.51)	13.57	(93.52)
Net cash flows from (used in) financing activities	-	-	-	-
Cash and cash equivalent increased (decreased)	(24.88)	93.80	(118.68)	(126.52)
Cash and cash equivalent - beginning	105.40	11.60	93.80	808.62
Cash and cash equivalent – ending	80.52	105.40	(24.88)	(23.60)

- Net cash flows from operating activities decreased since the Company had more account receivables, but fewer trade and other account payables.
- Net cash flows used in investing activities decreased since the Company bought machines and equipment as needs.
- No net cash flows used in financing activities in 2017, as the year 2016

The optimal capital structure

The Company had Debt to Equity ratio 0.11 times, lower than that of 2016, i.e. 0.16 times, indicating low relative proportion of debt and shareholders' equity.

4.2 Capital expenditure

In the year 2017, the Company had capital expenditure for the replacement of machinery and equipment to support employees' operations amounted 3.59 million Baht.



4.3 Liquidity adequacy

Description	units	As of 31 December	
		2017	2016
Current Ratio	times	7.63	4.27
Quick ratio	times	4.47	2.82
Inventory turn over	times	4.71	4.76
Average debt collection	days	79	80

- Current ratio was 7.63 times, higher than that of the year 2016 which was 4.27 times, due to current liabilities, purchasing raw materials, decreased.
- Quick ratio was 4.47 times, better than that of the year 2016 which was 2.82 times
- Inventory turnover was 4.71 times, lesser than that of the year 2016 which was 4.76 times
- Average debt collection was 79 days about the same period that gives credit term to each customer.

4.4 The ability to procure additional sources of capital.

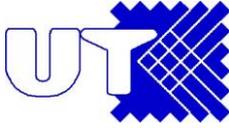
The Company already has adequate financial facility, therefore no need for additional capital.

4.5 The ability to repay debt and to follow the terms of the loan, and fundamentally important for several bindings

The Company has been able to repay debts and doing business as per commitment.

5 Contractual Obligations and Off-Balance Sheet Arrangements

Please see Note to Financial Statements for the year ended 31 December 2017 Item 24 Commitment and contingent liabilities.



6 Forward looking

The Company has not yet any project or research and development that will affect the operating result and financial position within one year ahead.

At present, the Company is able to carry out business operations continuously. However, in preparing the financial statements in accordance with Thai Financial Reporting Standards, it is necessary for the Company to make judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows:

- Allowance for doubtful accounts
- Allowance of diminution in value of inventories.
- Property, plant and equipment/Depreciation.
- Deferred tax assets
- Post-employment benefits under defined benefit plans.