

บริษัท ยูเนียนอุตสาหกรรมสิ่งทอ จำกัด (มหาชน)

Union Textile Industries Public Company Limited

(Translation)

20 February 2019

Subject: Management Discussion and Analysis (MD&A) of the year 2018

To: Director and manager, The Stock Exchange of Thailand

Attachment: Management Discussion and Analysis (MD&A) of the year 2018

The Union Textile Industries Public Company Limited submitted the Company's financial statement for the year ending 31 December 2018, In order to provide investors and other interested parties to better understand the Company's operating results and financial statement for the year 2018, attached please find the Management Discussion and Analysis (MD&A) of the year 2018. This report should be considered in conjunction with the submitted financial statements in which the equity method was applied as of 31 December 2018.

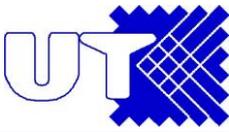
Please be informed accordingly.

Sincerely yours,

- Signature -

(Mrs.Pimporn Chotirattanakul)

Managing Director



Management Discussion and Analysis (MD&A)

Business operating results and financial position for the year 2018, 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.

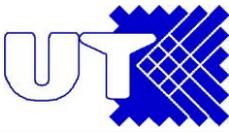
In the year 2018, the Company affected from; prices of raw materials, cotton and polyester, risen since the second quarter; uncertainty of crude oil price; and fluctuations of currency exchange rates, as the company has export sales the main proportional. The unclear Brexit is also one factor that affected orders from the customer in England.

1.2 Summary of operating results.

For the year ending 31 December 2018, the Company had net profit amounting 103.65 million Baht, profit increased 67.43 million Baht compared to the year 2017 having a net profit 42.91 million Baht. The comparative of operating results between year 2018 and 2017 are summarized as follows:

(Unit: million Baht)

Description	For the year ending 31 December			
	Year		Increased (decreased)	
	2018	2017	Amount	%
Total revenues	820.40	815.31	5.09	0.62
Total expenses and finance cost	799.70	782.71	16.99	2.17
Share of profit from investments in associated companies	84.23	10.55	73.68	698.45
Income (expense) tax revenue	(1.28)	(0.24)	(1.04)	433.33
Net Profit (loss)	103.65	42.91	60.74	141.56



2 Results of Operations

2.1 Revenue

(Unit: Million Baht)

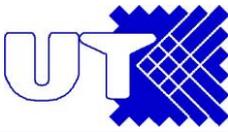
Description	For the year ending 31 December			
	Year		Increased (decreased)	
	2018	2017	Amount	%
Sales and services income	760.57	756.26	4.31	0.57
- Export sales	651.33	619.98	31.35	5.06
- Local sales	109.24	136.28	(27.04)	(19.84)
Other income	59.83	59.05	0.78	1.32
Total revenues	820.40	815.31	5.09	0.62

1) Sales and services income

Year 2018, the Company had sales and services income 760.57 Million Baht increased 4.31 million Baht or 0.57 % compared to 2016, divided into export sales increased 31.35 million Baht or 5.06%, and local sales decreased 27.04 million Baht or 19.84%, as the results of main customers in Europe and local gave more orders. . .

2) Other income

Year 2018, the Company had other income 59.83 million Baht increased from the year 2017 amounted 0.78 million Baht or 1.32%. They came from waste of raw materials increased 4.48 million Baht, dividend income increased 1.17 million Baht, rental income decreased 1.43 million Baht, gains on sales of machinery and equipment decreased 0.64 million Baht, and gain from exchange rate decreased 2.52 million Baht, and others incomes decreased 0.28 million Baht



2.2 Costs and expenses

(Unit: Million Baht)

Description	For the year ending 31 December			
	Year		Increased (decreased)	
	2018	2017	Amount	%
Total cost of sales	722.75	700.41	22.34	3.19
Selling expenses	24.61	25.69	(1.08)	(4.22)
Administrative expenses	51.85	56.12	(4.27)	(7.61)
Financial Cost	0.49	0.49	0	0

Cost of sales and services increased by 22.34 million Baht or 3.19%, mainly came from raw materials prices and selling expenses decreased 1.08 million Baht or 4.22%, i.e. the export expenses increased due to the merger of transport companies. Administrative expenses decreased 4.27 million Baht or 7.61%, came from employee and asset depreciation.

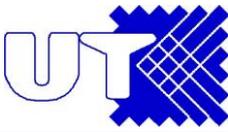
2.3 Net profit (loss)

The Company accounted for a net profit of 103.65 million Baht, profit increased 60.74 million Baht compared with the year 2017. The net profit consisted of 19.42 million Baht net profit in the Separate financial statement and share of profit from investment in associated company amounted 84.23 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 1.84 Baht per common share.

2.4 Profitability

Description	Unit	For the year ending 31 December	
		2018	2017
Gross Profit Margin	%	4.97	7.38
Net Profit (Loss) Margin	%	12.63	5.26
Debt to Equity ratio	Times	0.13:1	0.11:1
Return On Equity	%	11.08	4.85



Gross Profit Margin

Year 2018, the Company had gross profit 37.83 million Baht, making gross profit margin 4.97% of sales, decreased from the year 2017 which had gross profit 55.84 million Baht and gross profit margin 7.38% of sales, due to price of raw material increased.

Net Profit (Loss) Margin

The Company had net profit margin amounted 103.65 million Baht or 12.63% increased 60.74 million Baht compared with the year 2017 which had net profit margin 42.91 million Baht or 5.26%. Main reason came from Share of profit from investments in associated companies.

Debt to Equity Ratio

The Company had D/E ratio 0.13 times, increased from 2017 that had 0.11 times, as a result of trade account payable and other payables increased.

Return on Equity (ROE)

The 103.65 million Baht net profit is 11.08% of shareholders' equity that is higher than that of the year 2017 having 4.85%

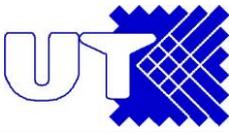
3 Asset management

3.1 Financial position

As of 31 December 2018, 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)	
	2018	2017	Amount	%
Total Assets	1,082.75	1,010.17	72.58	7.18
Total Liabilities	124.49	97.24	27.25	28.02
Total Shareholders' equity	958.26	912.93	45.33	4.97



1) Assets

As of 31 December 2018, the Company had total assets amounting 1,082.75 million Baht, comprising, in proportion, 45.04% current assets, 1.02% secured bond, 23.41% investments in associated companies, 13.04% other long-term investment, 4.90% investment properties, 12.32% property, plant and equipment and 0.28% other non-current assets. Compared with the year 2017 which had the total assets amounted 1,010.17 million Baht, increased 72.58 million Baht or 7.18%. Changes are as follows;

- Current assets increased 62.37 million Baht, comprising cash and cash equivalents increased 40.19 million Baht, trade receivable, other receivable increased 11.25 million Baht, inventories increased 10.68 million Baht and others increased 0.25 million Baht.
- Non-current assets increased 10.21 million Baht, comprising investment in associate companies, long-term investment increased 23.05 million Baht; Investment property, property, plant and equipment, deferred tax assets and other non-current assets decreased 12.84 million Baht.

2) Liabilities

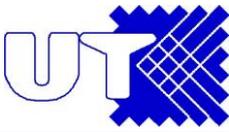
The Company had total liabilities of 124.49 million Baht, increased 27.25 million Baht or 28.02%, due to trade and others account payables increased 32.82 million Baht; provision for long-term employee benefits decreased 5.11 million Baht, and other current liabilities decreased 0.46 million Baht.

3) Shareholders' equity

The Company accounted for shareholders' equity amounting 958.26 million Baht, increased by 45.33 million Baht or 4.97%, resulting from the Company had net profit 103.65 million Baht, actuarial gains 3.26 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 decreased 61.58 million Baht.

3.2 Analysis of financial status

As of 31 December 2018, the Company's capital structure comprise of liabilities amounting to 124.49 million Baht and total shareholders' equity amounting to 958.26 million Baht. The Company had debt-to-capital ratio of 11.50%, indicating strong financial status.



4 Liquidity and capital adequacy

4.1 Capital sources

1) Analysis of changes in capital sources

As of 31 December 2018, the Company had cash and cash equivalent amounted 120.68 million Baht increased 40.19 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	
	2018	2017	Amount	%
Net cash flows from (used in) operating activities	54.83	(23.97)	78.80	328.74
Net cash flows from (used in) investing activities	(14.64)	(0.94)	(13.70)	(1,457.45)
Net cash flows from (used in) financing activities	-	-	-	
Cash and cash equivalent increased (decreased)	40.19	(24.91)	65.10	261.34
Cash and cash equivalent - beginning	80.49	105.40	(24.91)	(23.63)
Cash and cash equivalent – ending	120.68	80.49	40.19	49.93

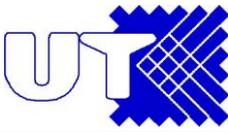
- Net cash flows from operating activities increased because of the Company had more account payables.
- Net cash flows used in investing activities increased since the Company bought machines and equipment as needs.
- No net cash flows used in financing activities in 2018, as did the year 2017.

The optimal capital structure

The Company had Debt to Equity ratio 0.13:1 times, higher than that of 2017, 0.11:1 times, indicating low relative proportion of debt and shareholders' equity.

4.2 Capital expenditure

In the year 2018, the Company had capital expenditure for the replacement of electrical equipment and machine accessories amounted 17.82 million Baht.



4.3 Liquidity adequacy

Description	units	As of 31 December	
		2018	2017
Current Ratio	times	5.54	7.63
Quick ratio	times	3.38	4.47
Inventory turn over	times	4.20	4.71
Average debt collection	days	83	79

- Current ratio was 5.54 times, lower than that of the year 2017 which was 7.63 times, due to purchasing raw materials increased.
- Quick ratio was 3.38 times, lesser than that of the year 2017 which was 4.47 times
- Inventory turnover was 4.20 times, lesser than that of the year 2017 which was 4.71 times
- Average debt collection was 83 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.

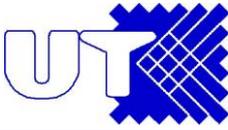
5 Contractual Obligations and Off-Balance Sheet Arrangements

Please see Note to Financial Statements for the year ended 31 December 2018 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.