

SITHAI-0202/62

27th February, 2019

Subject : Management Discussion and Analysis for the Year Ended 2018

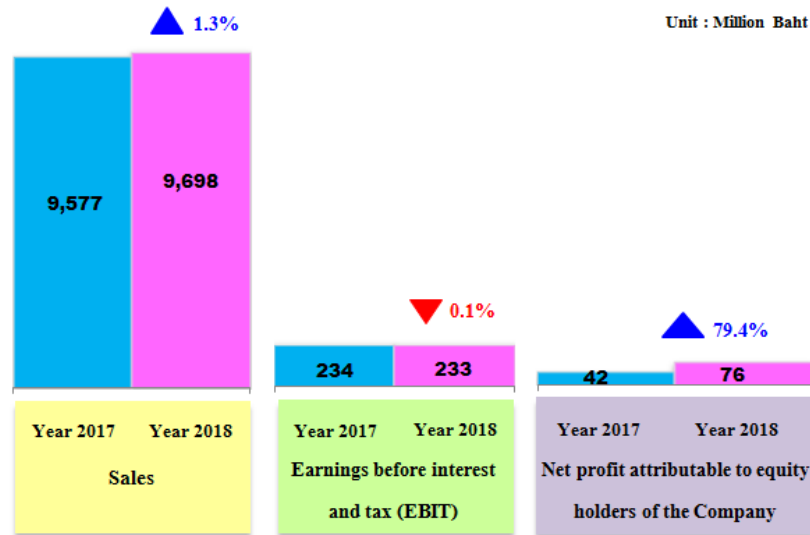
Dear President,
The Stock Exchange of Thailand (SET)

With respect to the financial statements for the year ended 2018, as submitted by Srithai Superware Public Company Limited (“the Company”), which has been audited by the external auditor, considered by the Audit Committee, and approved by the Company’s Board of Directors on 27th February, 2019, the Company wishes to report further in summary as follows:

1. Summary of Operating Results of the Group

For the year ended 2018, consolidated sales of the Group were Baht 9,698 million, increased by Baht 121 million or 1.3% Year-On-Year (YoY). Gross Margin was lower to 13.4% (from 14.8%) of total sales. As such, consolidated profit of 2018 was Baht 85 million with Profit Attributable to the equity holders of the Company was Baht 76 million, an increase of Baht 34 million (or 79.4%) YoY. This represents an Earning Per Share of Baht 0.03 – an increase from an Earning Per Share of Baht 0.02 YoY.

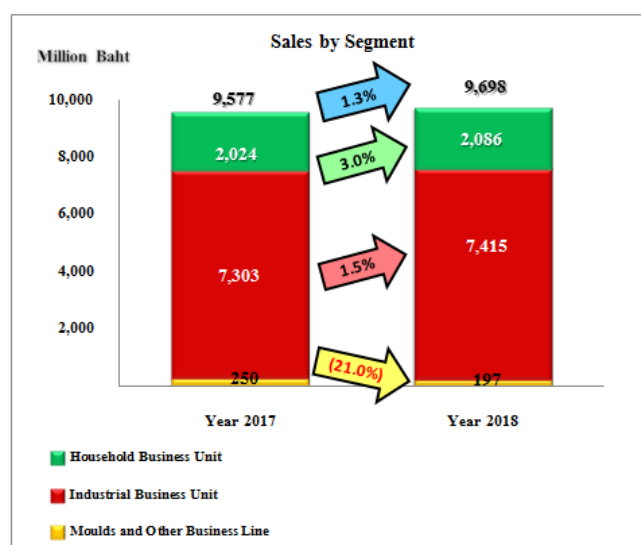
Picture 1 Overview of Consolidated Profit Information



	Unit	Year 2017	Year 2018
Gross profit	%	14.8%	13.4%
Net profit attributable to equity holders of the Company	Million Baht	42	76
Net profit on sales	%	0.4%	0.8%
Earnings per share	Baht	0.02	0.03

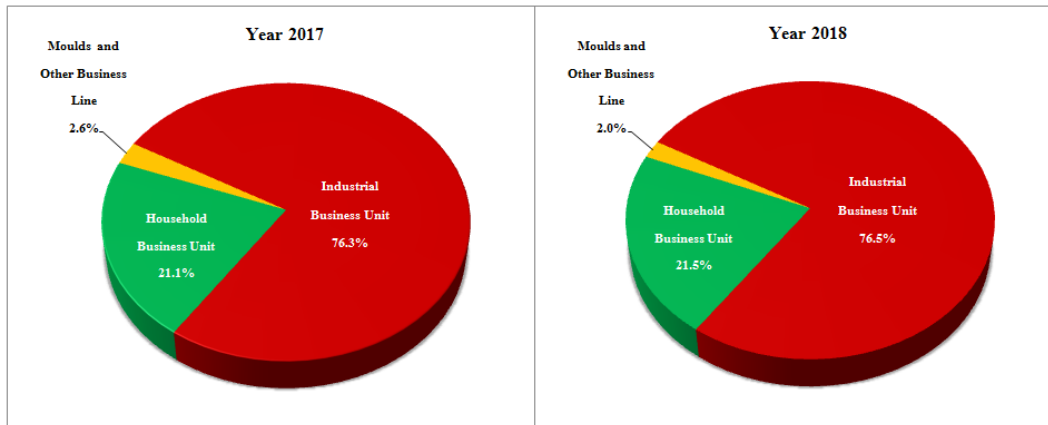
2. Analysis of the Operating Results for 2018

2.1 Sales - by Segment



Picture 2 Sales - by Segment

Sales Proportion by Business Line



The change of sales proportion by segment in 2018 compared to 2017 is as follows:

- The share of sales for Plastics Business Line slightly increased from 97.4% to 98.0% - comprising Household Business Unit that achieved an increase in its share of total sales to 21.5% (from 21.1%), and Industrial Business Unit achieved an increase in its share of total sales to 76.5% (from 76.3%).
- The share of sales for the Moulds and Other Business Line decreased from 2.6% to 2.0%.

1) Plastic Business Line

1.1) Household Business Unit

Total 2018 sales of Household Business Unit increased by Baht 62 million (or 3.0%) YoY, which can be separated according to the following operating business bases:

- Domestic operations

Sales increased from both wholesale and direct sales channels as well as the expansion of new customers in Modern Trade Channel. Export sales channel also increased from HORECA customers in the United States and special orders from customers in Japan.

- Overseas operations

Sales increased as a result of marketing activities for customers both Modern Trade and Traditional Trade channels by the subsidiary in Vietnam and the market expansion by the subsidiary in India.

1.2) Industrial Business Unit

Total 2018 sales of Industrial Business Unit were Baht 7,415 million, increased by Baht 112 million (or 1.5%) YoY, which can be separated according to the following operating business bases:

- Domestic operations

Total sales decreased as a result of:

- Beverage Packaging Products Group: the drop in soft drinks industry and marketing promotions activities by the soft drinks business operators, customer behaviors towards health-consciousness, some customers having produced those products themselves, and stopping production for machines preventive maintenance of customer and the Company itself.
- Food Packaging Products Group: a decline in popularity of frozen food menu using injection trays,
- Other Industrial Products Group: the drop in pallet sales due to a shift towards steel pallets by certain customers, the delay pallet orders from customer, having special order for premium product from a major convenience store operator last year, and the decrease in subsidiary's sales of automotive parts.

- Overseas operations

Sales from beverage packaging products increased due to an increase in sales orders from a large customer which expanded its production base in Central Vietnam, price adjustment following to raw material price, expansion customer base in drinking water, as well as enlarged sales from paint pail customers.

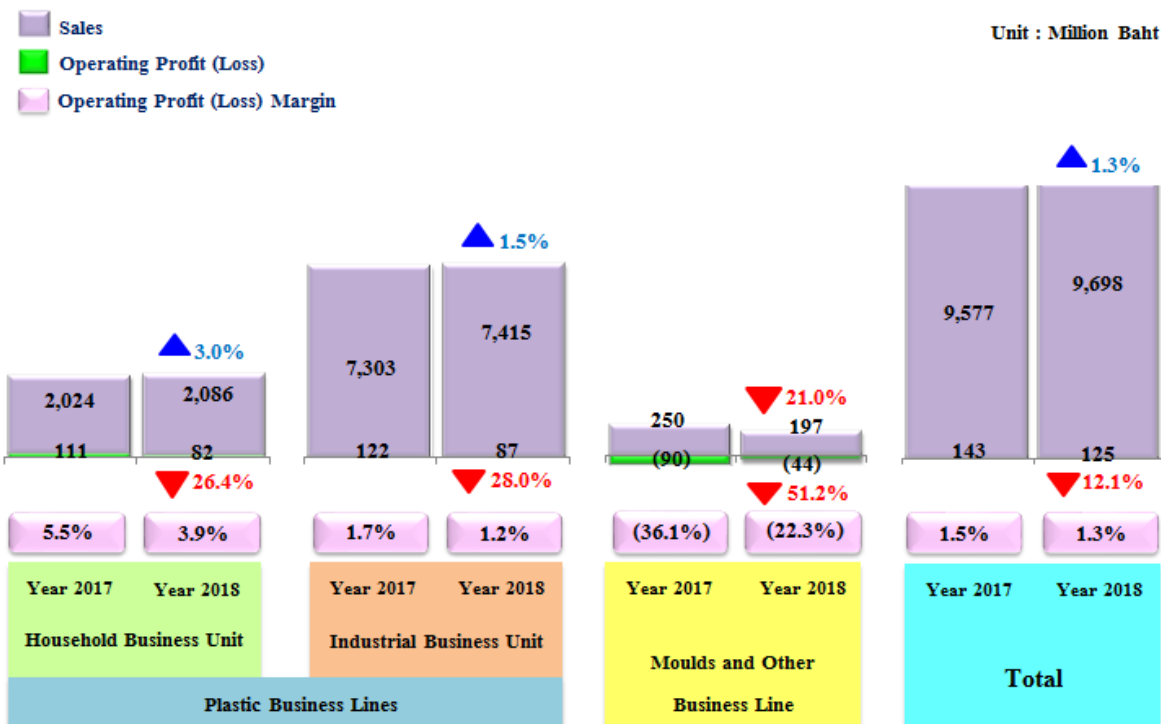
2) Moulds and Other Business Line

Total 2018 sales of the Moulds and Other Business Line decreased by Baht 53 million (or 21.0%) YoY to Baht 197 million, resulting from:

- Sales of the Moulds Business decreased due to the postponement of delivery moulds by customers.
- Sales of the Network Business decreased due to the business competition and downsizing.

2.2 Operating Profit (Loss) by Segment

Picture 3 Sales and Operating Profit (Loss) by Segment



Total Operating profit in 2018 decreased by Baht 18 million, or 12.1%, YoY, with the following details:

1) Plastic Business Line

1.1) Household Business Unit

Operating profit of Household Business Unit decreased from the last year, and operating profit margin decreased from 5.5% to 3.9%. This was due to market competition affecting on selling prices and the decrease in gross margin deriving from higher proportion of lower gross profit for export sales, while sales promotion expenses for Direct Sales increased in line with sales.

1.2) Industrial Business Unit

Operating profit of Industrial Business Unit decreased from the last year, and operating profit margin decreased from 1.7% to 1.2% due to lower gross margin for beverage packaging products because of rising raw material costs, low capacity utilization, while selling and administrative expenses decreased in the lower proportion than the decrease in gross margin.

2) Moulds and Other Business Line

The Moulds and Other Business Line made an operating loss of Baht 44 million, the loss was lower than the last year being loss of Baht 90 million. Operating loss margin decreased to 22.3% as a result of the lower losses for moulds business and decrease in sales promotion expenses from downsizing of network business.

2.3 Selling and Administrative Expenses

Table 1 Selling and Administrative Expenses

Unit : Million Baht

Description	Year 2017		Year 2018		Change from Year 2017	
	Amount	% on sales	Amount	% on sales	Inc (Dec)	% +(-)
Selling and administrative expenses	1,288	13.4%	1,185	12.2%	(103)	(8.0%)

Selling & Administrative Expenses in 2018 were Baht 1,185 million, decreased by Baht 103 million (or 8.0%) YoY, due to the decrease in sales promotion expenses of Industrial Business Unit and Network Business and the decrease in personnel expenses from downsizing of Network Business.

3. Analysis of Consolidated Financial Position

Table 2 Consolidated Financial Position (partial)

Unit : Million Baht

Description	As at 31 Dec, 2017	As at 31 Dec, 2018	Changes from 31 Dec, 2017	
	Amount	Amount	Amount Inc (Dec)	% +(-)
Trade receivables, net	2,205	2,072	(133)	(6.0%)
Inventories, net	1,673	1,772	99	5.9%
Property, plant and equipment, net	5,489	4,909	(580)	(10.6%)
Total assets *	10,726	10,239	(487)	(4.5%)
Short-term loans	1,952	2,156	204	10.5%
Trade payables	1,010	1,022	12	1.2%
Long-term loans	2,541	1,872	(669)	(26.3%)
Provision for long-term employee benefits	384	402	18	4.7%
Total liabilities *	6,178	5,814	(364)	(5.9%)
Unappropriated retained earnings	1,515	1,443	(72)	(4.8%)
Non-controlling interests	258	252	(6)	(2.3%)
Total shareholders' equity *	4,548	4,425	(123)	(2.7%)

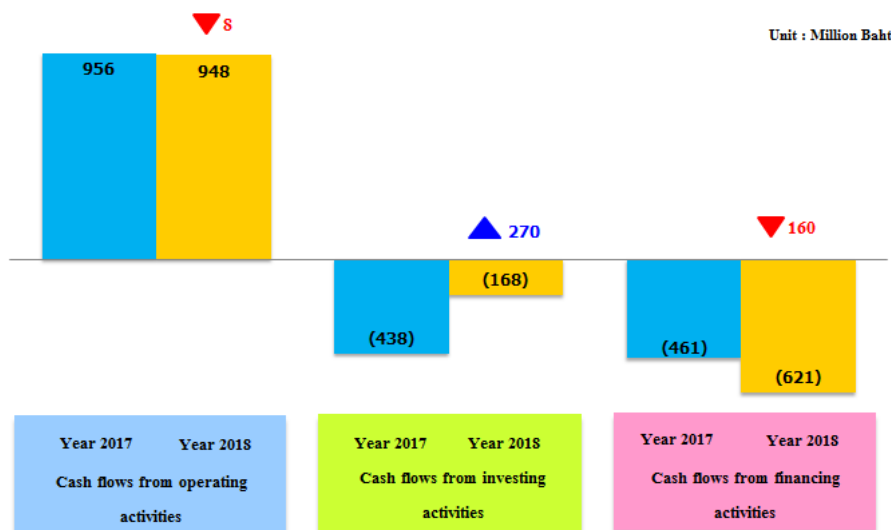
Note : * Total lines extracted from Consolidated Statements of Financial Position.

As at 31st December, 2018, significant changes in the consolidated financial position compared with 31st December, 2017 are as follows:

- Trade receivables decreased, due to lower sales of Industrial products for domestic operations in 2018 compared with the previous year, and active debt collection activities.
- Inventories increased as a result of stocking up raw materials for the beverage packaging products by the subsidiaries in Vietnam, in order to reduce the impact from increased raw materials prices and increase in work in process of moulds for local subsidiaries.
- Property, Plant and Equipment decreased as a result of depreciation and amortization netted with additional acquisition of assets during the period.
- Short-term loans increased due to the drawdown on available facilities used for the business operations and used as working capital.
- Trade payables increased from stocking up raw materials by the subsidiaries in Vietnam.
- Long-term loans decreased from scheduled repayments.
- Provision for long-term employee benefits increased as a result of the recognition of committed staff welfare and other benefits obligations, netted with actual payment during the year.
- Lower unappropriated retained earnings totaling Baht 72 million, due to the profit attributable to equity holders of the Company for the year ended 31st December, 2018, netted with the dividend payment in respect of operating result of 2017 in Q2/2018 amounting to Baht 135 million.
- Non-controlling interests decreased due to dividend payment in respect of operating result of 2017 netted with net profits of subsidiaries for the year ended 31st December, 2018.

4. Analysis of Liquidity

Picture 4 Consolidated Cash Flows (partial)



Unit : Million Baht

	31 December 2017	31 December 2018
Net increase (decrease) in cash and cash equivalent	57	159
Cash and cash equivalents, opening balance	272	290
Effect from exchange rate and currency translation adjustment	(39)	(74)
Cash and cash equivalents, closing balance	290	375

For the 12-month period of 2018, the Group had significant cash flow transactions as follows:

- 1) Slight decrease in Cash Flow from Operating Activities compared with the last year due to the increase in inventories.
- 2) Decrease in Cash Flow used in Investing Activities due to the Group's investment slowdown and decrease in acquisition of assets.
- 3) Lower Cash Flow from Financing Activities due to the scheduled repayments of long term loans and reduced borrowings during the year.

As at 31st December, 2018, the Group still has available unused credit facilities totaling more than Baht 4 billion comprising overdraft facilities, long term loans, and revolving credit lines – all of which have appropriate interest costs.

As such, the Group is confident that it has sufficient cash flow for its operations.

5. Analysis of Key Financial Ratios

Table 3 Key Financial Ratios

Description		Unit	12 months 2017	12 months 2018
Working Capital Ratios				
1.	Collection Period	Days	82.9	76.9
2.	Inventory Turnover Period	Days	73.8	75.9
3.	Payment Period	Days	44.5	43.8
4.	Cash Cycle	Days	112.1	109.1
Profitability Ratios				
5.	Return on Equity	%	1.6	1.9
6.	Return on Operating Assets	%	1.3	1.7
Financial Policy Ratios				
7.	Debt to Equity	Times	1.4	1.3

5.1 Working Capital Ratios

The Cash Cycle of the Group, as at 31st December, 2018 was equal to 109.1 days, shorter than that as at 31st December, 2017 being 112.1 days, due to:

1) As at 31st December, 2018, the average number of days for Trade Receivables equaled to 76.9 days, a decrease compared with 31st December, 2017 being 82.9 days. This change is due to the increase in sales of shorter credit term for industrial products, together with more active debt collection activities.

2) As at 31st December, 2018, the average number of days for Inventories equaled to 75.9 days, an increase compared with 31st December, 2017 being 73.8 days. This is due to the stocking up raw materials and goods awaiting delivery by the subsidiaries.

3) As at 31st December, 2018, the average number of days for Trade Payables equaled to 43.8 days, a slightly decrease compared to 31st December, 2017 being 44.5 days. This is due to procurement of raw material as a reserve for production of overseas subsidiaries and credit term received by subsidiaries, together with the negotiation relating to credit term adjustment for the procurement of raw material and some items of the Group without any effect on purchased price.

5.2 Profitability Ratios

1) Return on Equity, as at 31st December, 2018 was 1.9%, an increase compared to 1.6% as at 31st December, 2017, corresponding to the operating profit which increased from the previous year. Meanwhile, shareholders' equity decreased due to the dividend payment and the impact of exchange rate.

2) Return on Operating Assets, as at 31st December, 2018 was 1.7%, an increase compared to 1.3% as at 31st December, 2017, thanks to the operating profit which increased from the previous year. Meanwhile, operating assets decreased due to the higher amount of depreciation than the acquisition during the year as a result of slowdown of the Group's investment.

5.3 Financial Policy Ratio

As at 31st December, 2018, the Group had a Debt to Equity Ratio of 1.3 times, a decrease compared to 31st December, 2017 being 1.4 times. This is due to an overall decrease in debts resulted from decrease in outstanding balance of loans as well as total shareholders' equity decreased from annual dividend payment.

6. Outlook of the Overall Businesses in 2019

6.1 Plastic Business Line

6.1.1 Household Business Unit

Domestic operations

- Domestic sales and direct sales business are expected to grow due to expanding distribution via online, leadership development plan in direct sales and creating new trading markets in the AEC group.

- For export markets, although the economies of the Middle East market have not recovered, coupled with Baht volatility and appreciation, export sales will increase from the United States and Europe markets; thanks to the new products development, major distributors turning to order products to avoid trade war between the US and China as well as the trend of the Group to develop products from natural materials in response to the awareness of using environmentally friendly containers.

Overseas operations

- Total sales for subsidiaries in India and Vietnam show a positive and upward trend, as a result of marketing of new products for the HORECA customers group and products for children, marketing activities to the main channels in Modern Trade and Traditional Trade groups together with adding more new products to offer the premium market.

6.1.2 Industrial Business Unit

Domestic operations

- The Beverage Packaging Products Group: It is expected that sales would tend to rise from expansion of new customers in the drinking water group, and increase in export sales to more overseas customers.
- Other Products within the Industrial Products Group: sales would increase, as the higher orders of customers from returnable pallets and foldable crates, the new projects which have been done on R&D with customers and partners to create environmentally friendly plastics.

Overseas operations

- Total sales of the subsidiaries in Vietnam continue to increase
 - Sales of the Beverage Packaging Products are expected to increase due to positive and growing economic conditions in Vietnam, and expanded local customer base in drinking water including the focus on expanding utilized capacities of the production base in Northern of Vietnam which is still growing well.
 - As for the other products in the Industrial Products, it is expected to maintain sales from the existing and new customers.

6.2 Moulds and Other Business Line

- Moulds Business sales are likely to increase, as there are a number of work in process waiting to be delivered which are the orders for manufacturing injection moulds for automobile and motorcycles customers.
- Network Business sales tend to stabilize, due to the adjustment of sales system by focusing only on valuable products offered to consumers.



Please be informed accordingly.

Yours faithfully,

Srithai Superware Public Company Limited

Chaiwat Kulphattaravanich

Director and Company Secretary