

13. Important Financial Highlights

1. Summary of Financial Status and Performance for the Past 3 Years

(a) Summary of the Auditor's Reports in the Past 3 Years

The independent auditor of Ernst & Young Office Limited conducted the audit in accordance with generally accepted auditing standards and expressed unqualified opinion that the Company's Financial Statements for the past 3 years were in accordance with generally accepted auditing principles in Thailand.

(b) Financial Statements in the Past 3 years *

Balance Sheets as of 31 December			Consolidated financial statements			
	2013 Baht	%	2012 Baht (Restated)	%	2011 Baht	%
Assets						
Current assets						
Cash and cash equivalents	1,512,681,914	6.9	1,991,096,329	9.2	1,172,532,791	6.0
Trade and other receivables	2,659,645,905	12.2	2,223,025,058	10.3	2,032,226,831	10.4
Inventories	904,676,266	4.2	773,972,856	3.6	653,896,432	3.3
Other current assets	270,506,000	1.2	182,139,929	0.8	268,776,949	1.4
Total current assets	5,347,510,085	24.5	5,170,234,172	24.0	4,127,433,003	21.0
Non-current assets						
Investment in associated company	383,552,377	1.8	384,304,780	1.8	381,035,672	1.9
Advances of construction contract	477,746,204	2.2	113,155,833	0.5		
Property, plant and equipment	14,841,069,740	68.1	15,424,427,505	71.6	14,851,313,374	75.7
Intangible assets	579,240,115	2.7	360,685,199	1.7	232,279,294	1.2
Deferred arrangement fee for long-term loan	8,278,569	0.0	9,658,331	0.0	10,920,982	0.1
Deferred tax assets	123,578,919	0.6	48,472,155	0.2		
Other non-current assets	22,437,526	0.1	22,326,334	0.1	21,516,377	0.1
Total non-current assets	16,435,903,450	75.5	16,363,030,137	76.0	15,497,065,699	79.0
Total assets	21,783,413,535	100.0	21,533,264,309	100.0	19,624,498,702	100.0
Liabilities and shareholders' equity						
Current liabilities						
Trade and other payables	1,942,585,018	8.9	1,474,325,670	6.8	1,752,152,730	8.9
Current portion of long-term loan	333,333,333	1.5	428,600,000	2.0	-	-
Other current liabilities	182,127,634	0.8	143,210,125	0.7	121,133,391	0.6
Total current liabilities	2,458,045,985	11.3	2,046,135,795	9.5	1,873,286,121	9.5
Non-current liabilities						
Long-term loan, net of current portion	3,094,919,667	14.2	2,571,400,000	11.9	1,400,000,000	7.1
Provision for long-term employee benefits	85,465,055	0.4	70,096,278	0.3	65,978,000	0.3
Total non-current liabilities	3,180,384,722	14.6	2,641,496,278	12.3	1,465,978,000	7.5
Total liabilities	5,638,430,707	25.9	4,687,632,073	21.8	3,339,264,121	17.0
Shareholders' equity						
Share capital						
Registered	7,111,160,664	32.6	7,111,160,664	33.0	7,111,160,664	36.2
Issued and fully paid	7,111,160,664	32.6	7,111,160,664	33.0	7,111,160,664	36.2
Premium on ordinary shares	1,303,712,790	6.0	1,303,712,790	6.1	1,303,712,790	6.6
Retained earnings	-	-	-	-	-	-
Appropriated - statutory reserve	711,116,066	3.3	675,289,196	3.1	570,659,229	2.9
Unappropriated	6,917,044,918	31.8	7,774,443,403	36.1	7,329,525,129	37.3
Other components of shareholders' equity	101,948,390	0.5	(18,973,817)	(0.1)	(29,823,231)	(0.2)
Total shareholders' equity	16,144,982,828	74.1	16,845,632,236	78.2	16,285,234,581	83.0
Total liabilities and shareholders' equity	21,783,413,535	100.0	21,533,264,309	100.0	19,624,498,702	100.0

Incomes Statements as of 31 December

Consolidated financial statements

	<u>2013</u> <u>Baht</u>	<u>%</u>	<u>2012</u> <u>Baht</u> (Restated)	<u>%</u>	<u>2011</u> <u>Baht</u>	<u>%</u>
Revenues						
Sales	17,332,296,825	99.0	16,933,487,946	99.1	14,099,686,334	99.4
Other income						
Interest income	41,518,483	0.2	35,558,787	0.2	20,305,186	0.1
Exchange gain	56,277,207	0.3	70,644,223	0.4	27,499,587	0.2
Compensation from insurance claims	-	-	-	-	-	-
Others	82,683,819	0.5	50,047,242	0.3	43,963,000	0.3
Total other income	180,479,509	1.0	156,250,252	0.9	91,767,773	0.6
Total revenues	17,512,776,334	100.0	17,089,738,198	100.0	14,191,454,107	100.0
Expenses						
Cost of sales	15,939,418,418	91.0	14,055,264,511	82.2	11,203,734,752	78.9
Selling expenses	848,135,058	4.8	828,270,936	4.8	646,624,754	4.6
Administrative expenses	410,656,146	2.3	365,212,611	2.1	263,597,701	1.9
Loss on disposal of equipment	17,905,022	0.1	27,923,146	0.2	77,534,425	0.5
Total expenses	17,216,114,644	98.3	15,276,671,204	89.4	12,191,491,632	85.9
Profit before share of profit from investment in associated company and finance cost and tax income (expenses)	296,661,690	1.7	1,813,066,994	10.6	1,999,962,475	14.1
Share of profit from investment in associated company	(752,404)	(0.0)	3,269,108	0.0	2,341,970	0.0
Profit before financial cost and income tax (expenses)	295,909,286	1.7	1,816,336,102	10.6	2,002,304,445	14.1
Finance cost	(163,367,184)	(0.9)	(124,627,357)	(0.7)	(13,052,950)	(0.1)
Profit before income tax (expenses)	132,542,102	0.8	1,691,708,745	9.9	1,989,251,495	14.0
Income tax (expenses)	65,629,655	0.4	(129,920,162)	(0.8)	-	-
Profit for the year	198,171,757	1.1	1,561,788,583	9.1	1,989,251,495	14.0
Basic earnings per share						
Net profit	0.17		1.31		1.68	
Weighted average number of ordinary shares (shares)	1,185,193,444		1,185,193,444		1,185,193,444	
	Shares		Shares		Shares	
Retained earnings						
Balance - beginning of year	7,774,443,403		7,508,830,068		6,326,605,920	
Cumulative effect of change in accounting policy			-		132,467,635	
Dividend paid	(1,014,525,588)		(1,185,193,444)		(829,635,411)	
Other comprehensive income for the year	(5,217,784)		2,470,525		(4,058,000)	
Statutory reserve	(35,826,870)		(104,629,967)		(105,801,571)	
Comprehensive income for the year	198,171,757		1,552,966,221		1,989,251,495	
Balance - ending of year	6,917,044,918		7,774,443,403		7,508,830,068	

Cash Flows Statement as of 31 December

Consolidated financial statements

	2013 Baht	2012 Baht (Restated)	2011 Baht
Cash flows from (used in) operating activities			
Profit	132,542,102	1,691,708,745	1,989,251,495
Adjustments to reconcile profit to net cash provided by (paid from) operating activities :			
Depreciation and amortisation	1,398,193,244	1,257,092,411	898,165,612
Adjustment of inventory to net realisable value	(7,887,084)	14,284,880	(760,490)
Unrealised loss on exchange	3,588,582	6,071,000	685,873
Amortisation of arrangement fee for long-term loan	1,379,763	1,262,651	-
Share of income from investment in associated company	752,403	(3,269,108)	(2,341,970)
Loss on disposal of equipment	17,905,021	27,923,146	77,534,425
Provision for long-term employee benefits	9,347,847	8,186,751	15,799,608
Interest income	(41,518,483)	(13,826,877)	(5,377,403)
Interest expenses	153,739,007	101,653,903	3,937
Profit from operating activities before changes in operating assets and liabilities	1,668,042,402	3,091,087,502	2,972,961,087
Operating assets (increase) decrease			
Trade and other receivables	(446,052,953)	(196,236,447)	81,688,834
Inventories	(122,816,326)	(134,361,304)	(47,564,060)
Other current assets	(82,012,613)	93,536,331	(53,885,342)
Decrease (increase) in other non-current assets	(111,192)	336,752	-
Operating liabilities (increase) decrease			
Trade and other payables	441,103,021	199,308,607	212,240,173
Other current liabilities	33,698,776	29,494,143	(26,682,475)
Provision for long-term employee benefits	(501,300)	(980,317)	(716,912)
Cash flow from operating activities	1,491,349,815	3,082,185,267	3,138,041,305
Cash paid for interest expenses	(148,925,099)	(100,646,149)	-
Cash paid for income tax	(6,326,333)	(6,741,998)	-
Net cash flow from operating activities	1,336,098,383	2,974,797,120	3,138,041,305
Cash flow from investing activities			
Net cash from business combination under common control	-	2,181,832	-
Cash received from interest income	41,971,780	13,826,877	5,377,403
Acquisition of equipment and intangible asset	(993,357,241)	(2,538,332,179)	(3,271,877,204)
Cash paid for interest capitalised as part of construction in progress	(1,184,816)	(5,266,525)	(36,448,220)
Proceeds from sales of equipment	1,193,163	76,400,357	2,036,325
Increase in other non-current assets	(364,590,371)	(113,155,833)	(13,962,523)
Net cash flows used in investing activities	(1,315,967,485)	(2,564,345,471)	(3,314,874,219)
Cash flow from financing activities			
Cash received from long-term loan	428,253,000	1,600,000,000	1,300,000,000
Dividend paid	(1,014,525,588)	(1,185,193,444)	(829,635,411)
Net cash from financing activities	(586,272,588)	414,806,556	470,364,589
Increase (decrease) in translation adjustments	87,727,275	(6,694,667)	-
Net increase (decrease) in cash and cash equivalents	(478,414,415)	818,563,538	293,531,675
Cash and cash equivalents at beginning of year	1,991,096,329	1,172,532,791	879,001,116
Cash and cash equivalents at end of year	1,512,681,914	1,991,096,329	1,172,532,791

Supplementary cash flow information:

Non-cash transaction:

Purchase of equipment and construction

in progress for which no cash has been paid

18,775,964

-

433,164,547

2. Summary of Significant Financial Ratio

		2013*	2012* (Restated)	2011*
<u>Liquidity Ratios</u>				
Current Ratios	times	2.18	2.53	2.20
Acid Test Ratios	times	1.70	2.06	1.71
Cash Flow Liquidity Ratios	times	0.59	1.52	1.76
Account Receivable Turnover Ratios	times	7.10	7.96	6.90
Collection Period	days	51	46	53
Inventory Turnover Ratios	times	18.99	19.69	17.79
Inventory Days	days	19	19	21
Account Payable Turnover Ratios	times	9.33	8.71	10.21
Payment Period	days	39	42	36
Cash Cycle	days	32	23	38
<u>Profitability Ratios</u>				
Gross Profit Margin	%	8.04	17.00	20.54
Net Profit Margin	%	1.13	9.14	14.02
Return on Average Equity	%	1.20	9.43	12.65
<u>Efficiency Ratios</u>				
Return on Average Assets	%	0.92	8.83	10.94
Return on Average Fixed Assets	%	10.23	18.26	20.74
Total Assets Turnover	times	0.80	0.82	0.77
<u>Financial Policy Ratios</u>				
Debt to Equity Ratios	times	0.35	0.28	0.21
Interest Coverage Ratios	times	1.81	14.57	153.40
Cash Coverage Ratios	times	0.06	0.46	0.89
Cash Coverage Ratios (Cash Basis)	times	0.31	0.78	1.41
Dividend Payout	%	38.35	64.96	59.58
<u>Information per Share</u>				
Book Value per Share	Baht/Share	13.62	14.21	13.74
Net Earning per Share	Baht/Share	0.17	1.32	1.68
Dividend per Share	Baht/Share	**0.06	**0.86	**1.00
<u>Growth Rate</u>				
Total Assets Growth	%	1.39	9.73	15.65
Total Liabilities Growth	%	20.28	40.38	85.71
Sales Growth	%	2.36	20.10	9.49
Expenditure Growth	%	4.53	23.65	16.92
Net Profit Growth	%	-88.29	-21.49	31.86

Remark :

Information in 2011 extracted from consolidated financial statements, consolidated net profit is 1,989 MTHB.

* Net income before combination of business under common control is 2,116 MTHB.

Information in 2012 and 2013 extracted from consolidated financial statements.

** The Board of Directors' Meeting resolved to propose the Annual Ordinary General Meeting of Shareholders to consider and approve in April 2014.

14. Explanation and Analysis of Financial Status and Performance

An Analysis of Performance

Analysis of Income

The Company and its subsidiaries recorded the total revenue of 17,513 MTHB of which 17,332 MTHB earned from sales revenues. 64% of sales revenues come from the domestic sales. The sales revenue increased by 399 MTHB or 2% comparing to the same period of year 2012. The main reason was the 58% growth of EPICHLOROHYDRIN (ECH) sales by its subsidiary, Advanced Biochemical (Thailand) Co., Ltd. (ABT) which resulted from the increment of ECH sales volume.

Sales Revenues	2013		2012	
	MTHB	%	MTHB	%
PVC Resins	8,368	48.3	8,781	51.9
Caustic Soda	2,818	16.3	3,490	20.6
VCM	2,897	16.7	2,491	14.7
Others	106	0.6	176	1.0
ECH	3,143	18.1	1,995	11.8
Total Sales - Consolidation	17,332	100.0	16,933	100.0

Meanwhile, the company raised 24 MTHB of other income in 2013 or increased 15.4% comparing to last year, which was mainly from the auction sale coming from proceeding the seizure of the debtor's assets according to court's verdict. The Company had already set a provision of bad debt in full amount for this debtor.

Analysis of Cost and Expenses

1. In 2013, Cost of sales amounting to 15,939 MTHB slightly increased by 1,884 MTHB comparing to 2012 or 13% increase. This increment is mainly due to the average price of ethylene in 2013 that was higher than 2012 which causes a 52% drop of the gross profit.
2. In 2013, Selling & Administrative Expenses was 1,259 MTHB, increased by 66 MTHB or 6% from 2012. This increment was mainly due to selling expenses of its subsidiary, Advanced Biochemical (Thailand) Co., Ltd. (ABT) which increasing proportionally with ECH sales volume.

Summary of Performance

For 2013, the Company and its subsidiaries recorded net profit of 198 MTHB (833 MTHB from separate financial statements which presented in cost method), decreasing by 1,364 MTHB or 87% from net profit of 1,562 MTHB in previous year. The reasons of this decline were the slower growth of the Chinese demand in the Company's products, plus the significant higher electricity and raw material prices, especially ethylene price as a result of insufficient supply from its main supplier. These factors generated a tremendous pressure on all products' spread margins comparing to the previous year.

Additionally, the subsidiary company, Solvay Biochemical (Taixing) Limited (SBT), is planning to construct the Epichlorohydrin (ECH) plant in Taixing, Jiangsu, China. The budget for the project is 7,200 MTHB with 67% of funds coming from debt financing. However, SBT has slowed the construction project down to respond to the current ECH oversupply situation in China and the resulting price volatility

An Analysis of Financial Status

Analysis of Assets

As at 31 December 2013, the Company and its subsidiaries had 21,783 MTHB of the total assets, which slightly increased 250 MTHB or 1% from previous year.

Details of the major changes were following:

1. As at 31 December 2013, the Company and its subsidiaries had net cash and cash equivalents amounting to 1,513 MTHB, decreasing 24% comparing to 1,991 MTHB at the end of 2012 (see further information in analysis of cash flow)
2. The balance of trade and other receivables at the end of 2013 was 2,660 MTHB, increasing by 437 MTHB comparing to 2,223 MTHB at the end of 2012. Most of the receivables are not yet due. For the corresponding bad debt, the Company had already set sufficient provision.
3. The Company and its subsidiary had net inventories at the end of 2013 amounting to 905 MTHB, increasing from 774 MTHB in year 2012.
4. At the end of 2013, the Company and its subsidiaries had net property, plant and equipment amounting to 14,841 MTHB or decreasing by 583 MTHB comparing to 15,424 MTHB at the end of 2012, which is due to normal depreciation.

Analysis of Liabilities

The Company and its subsidiaries had total liabilities at the end of 2013 amounting to 5,638 MTHB which increased by 950 MTHB or 20% comparing to 2012. The major change of the liabilities was the increase of trade and other payables, plus the increment of long term loan drawdown for its subsidiaries' operation.

As at 31 December 2013, the status of loan agreements with commercial banks to finance the investment projects of the Company and its subsidiaries are presented as follow.

- 4,500 MTHB loan facilities to finance the project of its subsidiary, Advanced Biochemical (Thailand) Co., Ltd. (ABT). The loan is repayable in fourteen, equal, semi-annual installments commencing from 2013 with carrying a floating interest rate based on THBFIX plus a certain percentage.
- 240 MRMB loan facilities to finance the project of its subsidiary, Solvay Biochemical (Taixing) Limited (SBT). The loan is repayable in eight, equal, semi-annual installments commencing from 2016 with carrying a floating interest rate based on CNH-HIBOR plus a certain percentage.
- 180 MRMB loan facilities to finance the project of its subsidiary, Solvay Biochemical (Taixing) Limited (SBT). The loan is repayable in nine, equal,

semi-annual installments commencing from 2016 with fixed interest rate. This loan has been drawn down by 110 MRMB in 2013.

Analysis of Shareholders' Equity

As at 31 December 2013, the shareholders' equity was 16,145 MTHB which decreased by 701 MTHB or 4% comparing to 16,846 MTHB at the end of 2012. The decrement was coming from the dividend paid to its shareholders. In addition, the Company and its subsidiaries recorded net profit for 2013 amounting to 198 MTHB of which 36 MTHB was appropriated as legal reserve.

Analysis of Cash Flow

As of 31 December 2013 the Company and its subsidiaries' Cash Flow Statement presented 1,513 MTHB of cash and cash equivalents, decreasing by 478 MTHB comparing to 1,991 MTHB at the end of 2012. The sources and uses of funds were following:

1. In 2013, the net cash flow from operating activities was 1,336 MTHB which dramatically decreased by 1,639 MTHB or 55% comparing to 2012 because of decrement in company's profit.
2. In 2013, the net cash flow used in investing activities was 1,316 MTHB which improved by 1,248 MTHB comparing to its amount of 2,564 MTHB for 2012. The reason was the high capital expenditure in previous year according to the expansion project of the Company and new investment of its subsidiary.
3. In 2013, the net cash flow used in financing activities totaling of 586 MTHB comprising of 428 MTHB long-term loan drawdown and 1,015 MTHB dividend paid.

Net cash flow from operating activities	1,336	MTHB
Net cash flow used in investing activities	(1,316)	MTHB
Net cash flows used in financing activities	(586)	MTHB
Increase in translation adjustments of its subsidiary (SBT)	87	MTHB
Net increase in cash and cash equivalents	<u>(479)</u>	MTHB

Financial Ratios

	<u>2013</u>	<u>2012</u>
Gross Profit margin	8.0%	17.0%
Net Profit margin	1.1%	9.1%
Debt to Equity ratio	0.35	0.28
Earning per share	0.17	1.31
Gross Profit Margin	=	Gross Profit (Total Sales - Cost of Sales) to Sales
Net Profit Margin	=	Net Profit to Total Revenues
Debt to Equity	=	Total Liabilities to Net Equity

Conclusion

Resulting from a tremendous pressure on all products' spread margins, the Gross Profit Margin and Net Profit Margin significantly declined. However, the management had taken the actions to reduce all the controllable costs in order to maintain the profit of the Company as much as possible. As of 31 December 2013, the Company and its subsidiaries had a return on average asset at 1.4 % and a return on average equity at 1.2 %.