

13. Important Financial Highlights

Independent Auditor's Report**To the Shareholders of Vinythai Public Company Limited**

I have audited the accompanying consolidated and separate financial statements of Vinythai Public Company Limited and its subsidiaries (the "Group") and of Vinythai Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2015, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

(Waiyawat Kosamarnchaiyakij)
Certified Public Accountant
Registration No. 6333

KPMG Phoomchai Audit Ltd.
Bangkok
17 February 2016

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 and KPMG Phoomchai Audit Ltd. 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 Decemb			Consolidated financial statements			
	2015 Baht	%	2014 Baht	%	2013 Baht	%
Assets						
<i>Current assets</i>						
Cash and cash equivalents	2,504,740,286	13.1	2,149,100,554	10.9	1,502,660,862	6.93
Trade and other receivables	1,783,778,727	9.4	1,952,137,678	9.9	2,566,830,203	11.8
Inventories	1,028,165,846	5.4	862,293,824	4.4	904,676,266	4.2
Other current assets	341,955,467	1.8	254,743,602	1.3	280,527,052	1.3
Total current assets	5,658,640,326	29.7	5,218,275,658	26.5	5,254,694,383	24.2
<i>Non-current assets</i>						
Investment in associated	385,935,858	2.0	384,295,733	2.0	383,552,377	1.8
Advances payment for construction in	-	-	-	-	477,746,204	2.2
Property, plant and equipment	12,224,102,446	64.2	13,305,732,724	67.7	14,841,069,740	68.4
Intangible assets	316,799,227	1.7	337,951,733	1.7	579,240,115	2.7
Deferred arrangement fee for long-term	5,519,046	0.0	6,898,808	0.0	8,278,569	0.0
Deferred tax assets	398,886,480	2.1	396,126,397	2.0	123,578,919	0.6
Other non-current assets	58,080,927	0.3	16,113,376	0.1	22,437,526	0.1
Total non-current assets	13,389,323,984	70.3	14,447,118,771	73.5	16,435,903,450	75.8
Total assets	19,047,964,310	100.0	19,665,394,429	100.0	21,690,597,833	100.0
Liabilities and equity						
<i>Current liabilities</i>						
Trade and other payables	1,518,906,552	8.0	1,416,663,525	7.2	1,957,900,900	9.0
Current portion of long-term loans	112,460,000	0.6	-	-	333,333,333	1.5
Other current liabilities	88,488,581	0.5	80,580,777	0.4	73,996,050	0.3
Total current liabilities	1,719,855,133	9.0	1,497,244,302	7.6	2,365,230,283	10.9
<i>Non-current liabilities</i>						
Long-term loans	1,714,129,231	9.0	3,000,389,631	15.3	3,094,919,667	14.3
Employee benefit obligations	118,014,325	0.6	96,151,249	0.5	85,465,055	0.4
Total non-current liabilities	1,832,143,556	9.6	3,096,540,880	15.7	3,180,384,722	14.7
Total liabilities	3,551,998,689	18.6	4,593,785,182	23.4	5,545,615,005	25.6
<i>Equity</i>						
Share capital:						
Authorised share capital	7,111,160,664	37.3	7,111,160,664	36.2	7,111,160,664	32.8
Issued and paid-up share capital	7,111,160,664	37.3	7,111,160,664	36.2	7,111,160,664	32.8
Additional paid-in capital:						
Premium on ordinary shares	1,303,712,790	6.8	1,303,712,790	6.6	1,303,712,790	6.0
Retained earnings:						
Appropriated						
Legal reserve	711,116,066	3.7	711,116,066	3.6	711,116,066	3.3
Unappropriated	6,303,486,588	33.1	5,870,309,466	29.9	6,917,044,918	31.9
Other components of equity	66,489,513	0.3	75,310,261	0.4	101,948,390	0.5
Total equity	15,495,965,621	81.4	15,071,609,247	76.6	16,144,982,828	74.4
Total liabilities and equity	19,047,964,310	100.0	19,665,394,429	100.0	21,690,597,833	100.0

Incomes Statements as of 31 December

Consolidated financial statements

	<u>2015</u> <u>Baht</u>	<u>%</u>	<u>2014</u> <u>Baht</u>	<u>%</u>	<u>2013</u> <u>Baht</u>	<u>%</u>
<i>Income</i>						
Revenue from sale of goods	16,555,114,987	99.4	17,742,038,864	99.4	17,332,296,825	99.1
Other income						
Interest income	22,973,046	0.1	27,915,368	0.2	41,518,483	0.2
Other income, net	75,078,014	0.5	77,138,176	0.4	122,837,385	0.7
Total income	16,653,166,047	100.0	17,847,092,408	100.0	17,496,652,693	100.0
<i>Expenses</i>						
Cost of sales of goods	14,769,366,148	88.7	16,376,559,432	91.8	15,939,418,418	91.1
Selling expenses	868,029,314	5.2	830,611,957	4.7	848,135,058	4.8
Administrative expenses	303,561,991	1.8	352,395,045	2.0	412,437,527	2.4
Impairment loss on plant and equipment and intangible assets	54,048,796	0.3	1,365,149,145	7.6	-	-
Finance cost	97,465,998	0.6	157,206,544	0.9	163,367,184	0.9
Total expenses	16,092,472,247	96.6	19,081,922,123	106.9	17,363,358,187	99.2
Profit before share of profit from investment in associated company and finance cost and tax income (expenses)	560,693,800	3.4	(1,234,829,715)	(6.9)	133,294,506	0.8
Share of profit (loss) of invesment in associated	1,640,125	0.0	743,356	0.0	(752,404)	(0.0)
Profit (loss) before income tax expenses	562,333,925	3.4	(1,234,086,359)	(6.9)	132,542,102	0.8
Income tax benefits	3,683,537	0.0	270,361,871	1.5	65,629,655	0.4
Profit (loss) for the year	566,017,462	3.4	(963,724,488)	(5.4)	198,171,757	1.1
Basic earnings per share						
Net profit	0.48		(0.81)		0.17	
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	5,870,309,466		6,917,044,918		7,725,676,257	
Cumulative effect of change in accounting policy	-		-		48,767,146	
Dividend paid	(118,519,344)		(75,852,380)		(1,014,525,588)	
Other comprehensive income for the year	(14,320,996)		(7,158,584)		(5,217,784)	
Statutory reserve	-		-		(35,826,870)	
Comperhensive income for the year	566,017,462		(963,724,488)		198,171,757	
Balance - ending of year	6,303,486,588		5,870,309,466		6,917,044,918	

Cash Flows Statement as of 31 December

Consolidated financial statements

	2015 Baht	2014 Baht	2013 Baht
<i>Cash flows from (used in) operating activities</i>			
Profit (loss) for the year	566,017,462	(963,724,488)	198,171,757
<i>Adjustments for</i>			
Depreciation and amortisation	1,466,459,125	1,433,364,368	1,398,193,244
Impairment losses on plant and equipment and intangible assets	54,048,796	1,365,149,146	-
loan	1,379,762	1,379,761	1,379,763
Interest income	(22,973,046)	(27,915,368)	(41,518,483)
Finance costs	97,465,998	157,206,544	163,367,184
derivatives	(5,822,405)	8,955,151	3,588,582
Reversal of allowance for doubtful accounts	(10,000,000)	-	-
inventories	4,152,979	29,275,354	(7,887,084)
Loss on disposals of plant and equipment	802,120	13,996,120	17,905,021
Share of (profit) loss of investment in associate	(1,640,125)	(743,356)	752,403
Income tax benefits	(3,683,537)	(270,361,871)	(65,629,655)
Employee benefit obligations	10,722,941	10,242,834	9,347,847
	2,156,930,070	1,756,824,195	1,677,670,579
<i>Changes in operating assets and liabilities</i>			
Trade and other receivables	177,955,413	707,532,187	(346,883,793)
Inventories	(170,025,001)	13,107,088	(122,816,326)
Other current assets	(79,898,137)	25,780,303	(98,387,123)
Other non-current assets	2,423,193	6,324,150	(111,192)
Trade and other payables	104,151,547	(522,598,112)	441,571,993
Other liabilities	7,907,804	(86,230,975)	(69,214,075)
Employee benefit paid	(2,651,034)	(8,504,871)	(501,300)
Income tax paid	-	(1,736,743)	(6,326,333)
Net cash from operating activities	2,196,793,855	1,890,497,222	1,475,002,430
<i>Cash flow from investing activities</i>			
Interest received	24,364,207	29,643,946	41,971,780
asset	(404,993,091)	(615,222,046)	(993,357,241)
Sales of plant and equipment	144,711	1,134,058	1,193,163
Interest expense capitalised as part of construction in progress	-	-	(1,184,816)
Advance payment for construction in progress	-	-	(364,590,371)
Net cash used in investing activities	(380,484,173)	(584,444,042)	(1,315,967,485)
<i>Cash flow from financing activities</i>			
Finance costs paid	(98,917,274)	(155,539,784)	(148,925,099)
Dividends to owners of the Company	(118,519,344)	(75,852,380)	(1,014,525,588)
institutions	-	375,501,000	428,253,000
institutions	(1,217,795,631)	(810,000,000)	-
Net cash used in financing activities	(1,435,232,249)	(665,891,164)	(735,197,687)
Currency translation differences	(25,483,241)	6,276,093	87,727,275
equivalents	355,594,192	646,438,109	(488,435,467)
Cash and cash equivalents at 1 January	2,149,100,554	1,502,660,862	1,991,096,329
Effect of exchange rate changes on balances held in foreign currencies	45,540	1,583	-
Cash and cash equivalents at 31 December	2,504,740,286	2,149,100,554	1,502,660,862

Non-cash transaction:

Purchase of fixed assets for which no cash has been paid	12,150,258	13,979,510	34,275,532
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2. Summary of Significant Financial Ratio

(C) Summary of Significant Financial Ratio

		2015 [#]	2014 [#]	2013 [#]
<u>Liquidity Ratios</u>				
Current Ratios	times	3.29	3.32	2.18
Acid Test Ratios	times	2.49	2.62	1.70
Cash Flow Liquidity Ratios	times	1.32	0.93	0.59
Account Receivable Turnover Ratios	times	8.64	7.52	7.10
Collection Period	days	42	49	51
Inventory Turnover Ratios	times	15.63	18.54	18.99
Inventory Days	days	23	20	19
Account Payable Turnover Ratios	times	10.70	9.75	9.33
Payment Period	days	34	37	39
Cash Cycle	days	32	31	32
<u>Profitability Ratios</u>				
Gross Profit Margin	%	10.79	7.70	8.04
Net Profit Margin	%	3.40	-5.40	1.13
Return on Average Equity	%	3.70	-6.17	1.20
<u>Efficiency Ratios</u>				
Return on Average Assets	%	3.40	-5.18	0.92
Return on Average Fixed Assets	%	15.52	3.23	10.23
Total Assets Turnover	times	0.85	0.85	0.80
<u>Financial Policy Ratios</u>				
Debt to Equity Ratios	times	0.23	0.31	0.35
Interest Coverage Ratios	times	6.77	-6.85	1.81
Cash Coverage Ratios	times	0.32	-0.33	0.06
Cash Coverage Ratios (Cash Basis)	times	1.12	0.63	0.31
Dividend Payout	%	83.76	-12.30	38.35
<u>Information per Share</u>				
Book Value per Share	Baht/Sh	13.07	12.72	13.62
Net Earning per Share	Baht/Sh	0.48	-0.81	0.17
Dividend per Share	Baht/Sh	**0.4	0.10	0.06
<u>Growth Rate</u>				
Total Assets Growth	%	-3.67	-9.23	1.39
Total Liabilities Growth	%	-24.44	-16.62	20.28
Sales Growth	%	-6.69	2.36	2.36
Expenditure Growth	%	-0.96	-7.34	4.53
Net Profit Growth	%	158.73	-586.31	-88.29

Remark :

[#] Information in 2013,2014 and 2015 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 2016.

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 16,653 MTHB of which 16,555 MTHB earned from sales revenue. The sales revenue decreased by 1,187 MTHB or 6.7% comparing to year 2014. The main reason was the decrease of average selling price of all products resulting from the declining of crude oil price and market condition. However, overall sales volumes were increased thanks to reliability improvements on the Company's production units. The share of domestic and export sales has no significant change comparing to the previous year.

Sales Revenues	2015		2014	
	MTHB	%	MTHB	%
Domestic Sales				
1. PVC Resins	4,955	29.9	5,347	30.1
2. Caustic Soda	2,770	16.7	2,708	15.3
3. VCM	1,983	12.0	2,760	15.6
4. ECH	739	4.5	1,001	5.6
5. Others	55	0.3	126	0.7
Total Domestic Sales	10,501	63.4	11,941	67.3
Export Sales				
1. PVC Resins	3,544	21.4	3,164	17.8
2. Caustic Soda	79	0.5	107	0.6
3. VCM	-	-	76	0.4
4. ECH	2,430	14.7	2,454	13.8
Total Export Sales	6,054	36.6	5,801	32.7
Domestic and Export Sales				
1. PVC Resins	8,499	51.3	8,510	48.0
2. Caustic Soda	2,849	17.2	2,815	15.9
3. VCM	1,983	12.0	2,836	16.0
4. ECH	3,169	19.1	3,455	19.5
5. Others	55	0.3	126	0.7
Total Domestic and Export Sales	16,555	100.0	17,742	100.0

Analysis of Costs and Expenses

1. In 2015, Cost of sales amounting to 14,769 MTHB, decreased by 1,607 MTHB comparing to 2014 or 9.8% decrease. This decrement is mainly from the decrease of average Ethylene price in 2015 resulting from the reduction of crude oil price,

and lower Glycerin price due to its abundant supplies. However, as the consequence of shortage of Ethylene supplies in Asia during Q2'2015, the costs gain due to lower Ethylene price was not sufficient to maintain the products' spread margin.

Through the year, specific Excellence programs have been implemented which could enable the Company to further improve production efficiency and reduce costs. As a result, the Company has been able to increase its Gross Profit margin by 3.1% comparing to 2014.

2. In 2015, Selling & Administrative Expenses was 1,172 MTHB, decreased by 11 MTHB or 1% from 2014. Administrative expenses were decreased thanks to the management actions to reduce controllable costs. Selling expenses were increased due to the increasing of distribution costs led by higher sales volumes.
3. The Company recorded the impairment loss amounting to 54 MTHB in 2015 (1,365 MTHB in 2014) from the impairment of ECH plant construction project of Solvay Biochemicals (Taixing) Limited (SBT) in Taixing, Jiangsu, China.

An Analysis of Financial Status *

Analysis of Assets

As at 31 December 2015, the Company and its subsidiaries had 19,048 MTHB of the total assets, which was decreased 725 MTHB or 3.7% from previous year.

Details of the major changes were following:

1. As at 31 December 2015, the Company and its subsidiaries had net cash and cash equivalents amounting to 2,505 MTHB, increasing 356 MTHB of 17% comparing to 2,149 MTHB at the end of 2014 (see further information in analysis of cash flow)
2. The balance of trade and other receivables at the end of 2015 was 1,784 MTHB, decreasing by 276 MTHB comparing to 2,060 MTHB at the end of 2014. 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 subsidiaries maintain high level of inventories at the end of 2015 in order to cope with Q1'2016 sales. Total inventories amounting to 1,028 MTHB, increasing by 19% from 862 MTHB in year 2014.

4. At the end of 2015, the Company and its subsidiaries had net property, plant and equipment, Intangible assets, and Advance payment for construction in progress amounting to 12,541 MTHB or decreasing by 1,103 MTHB comparing to 13,644 MTHB at the end of 2014, mainly from normal depreciation.

Analysis of Liabilities

The Company and its subsidiaries had total liabilities at the end of 2015 amounting to 3,552 MTHB which decreased by 1,149 MTHB or 24% comparing to 2014. The major change of the liabilities was the prepayment of long term loan for its subsidiaries' operation.

As at 31 December 2015, the status of loan agreements with commercial banks to finance the investment projects of the Company and its subsidiaries are presented as follow.

- 3,300 MTHB loan facilities to finance the project of its subsidiary, 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. The outstanding balance as at 31 December 2015 is 1,047 MTHB.
- 140 MRMB loan facilities to finance the project of its subsidiary, SBT. The loan is repayable in nine, equal, semi-annual installments commencing from 2016 with fixed interest rate. This loan has been drawn down since 2013. The outstanding balance as at 31 December 2015 is 780 MTHB.

Analysis of Shareholders' Equity

As at 31 December 2015, the shareholders' equity was 15,496 MTHB which increased by 424 MTHB or 3% comparing to 15,072 MTHB at the end of 2014. The increment was mainly from the Net profit in 2015 offset with dividend paid to its shareholders.

Analysis of Cash Flow

As of 31 December 2015 the Company and its subsidiaries' Cash Flow Statement presented 2,505 MTHB of cash and cash equivalents. The sources and uses of funds were following:

1. In 2015, the net cash flow from operating activities was 2,197 MTHB which increased by 306 MTHB or 16% comparing to 2014 from Company's better operating results.
2. In 2015, the net cash flow used in investing activities was 381 MTHB which decreased by 204 MTHB comparing to its amount of 584 MTHB for 2014. The reason was the construction project of its subsidiary SBT being put on hold.
3. In 2015, the net cash flow used in financing activities totaling of 1,435 MTHB mainly from the repayment of long term loan 1,218 MTHB and dividends paid to shareholders 119 MTHB.

Net cash flow from operating activities	2,197	MTHB
Net cash flow used in investing activities	(381)	MTHB
Net cash flows used in financing activities	(1,435)	MTHB
Increase in translation adjustments of its subsidiary (SBT)	<u>(25)</u>	MTHB
Net increase in cash and cash equivalents	<u>356</u>	MTHB

Financial Ratios

	<u>2015</u>	<u>2014</u>
Gross profit margin	10.8%	7.7%
Net profit margin	3.4%	-5.4%
Debt to Equity ratio	0.23	0.31
Earnings per share	0.48	(0.81)
ROA	3.4%	-5.2%
ROE	3.7%	-6.2%

Gross Profit margin = Gross Profit (Total Sales - Costs of Sales) to Sales

Net Profit margin = Net Profit to Total Revenues

Debt to Equity = Total Liabilities to Total Equity

Return on Assets (ROA) = Profit before financial costs and income tax to average Total Assets

Return on Equity (ROE) = Net Profit to average Total Equity