

Part 3

Financial Status and the Company's Performance

13. Important Financial Highlights

Responsibility Statement from the Board of Directors on the Disclosure of the Financial Report

The Board of Directors recognizes its duties and responsibilities towards the importance of conformity with all applicable rules and regulations in preparing financial statements for each financial year.

The financial statements of Vinythai Public Company Limited and its subsidiaries have been prepared with careful consideration, in compliance with the generally accepted accounting principles in Thailand, under Accounting Act B.E. 2543, the financial reporting requirement of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535, and other appropriate accounting policies. The Company has disclosed all important information in the Notes under the Financial Statements, in a proper and fully transparent manner.

The Board of Directors provides and maintains appropriate and efficient internal control systems, ensuring that all accounting records are accurate, complete and sufficient to prevent fraud or mismanagement and to protect the Company's assets.

In this regard, the Board of Directors has appointed the Audit Committee to review the financial reporting and internal control. The Audit Committee has monitored, evaluated, commented on, and reported to the Board of Directors the findings of the external auditor, KPMG Phoomchai Audit Limited, and the Internal Audit Department, including the key audit matters presented in the Independent Auditor's Report to the shareholders of Vinythai Public Company Limited, so as to ensure the development of a thorough risk management program as well as comply with major shareholders policy. The Committee also ensures that internal control systems are adequate, appropriate and in compliance with all relevant laws and regulations. The Audit Committee's Report is presented accordingly in this Annual Report.

The Board of Directors agrees that the overall internal control systems of the Company are satisfactory. It further concurs that the financial statement of Vinythai Public Company Limited and its subsidiaries for the year ending 31 December 2018 has been prepared in accordance with the generally accepted accounting principles in Thailand and that it complies with all relevant rules and regulations.

Independent Auditor's Report

To the Shareholders of Vinythai Public Company Limited

Opinion

I have audited the 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 2018, 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.

In my opinion, the accompanying 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 2018 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of investment in and loans to subsidiary in the separate financial statements and valuation of property, plant and equipment and intangible assets of subsidiary in the consolidated financial statements	
Refer to Notes 3(k), 4, 10, 11, and 12 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>One of the Group's business in Biochemical segment faced a number of challenges in the markets including the volatility of Epichlorohydrin prices and Glycerine prices, resulting in an operating loss of a wholly-owned subsidiary for many consecutive years which are indicators of impairment. Although the subsidiary could take advantage from reducing in excess capacity in China and started to have an operating profit for the year ended 31 December 2018, the Group still continuously consider the valuation of assets.</p> <p>The Group determines the recoverable amounts of assets using the asset's value in use. This involves significant judgments and estimates by management and since the balances of the assets are significant, so this is a focus area in my audit.</p>	<p>My audit procedures in this area included, among others:</p> <p>Obtaining an understanding of management's procedures for identifying an indication of impairment, impairment testing process as well as assessing the appropriateness of the identification of cash-generating units based on my knowledge of the client.</p> <p>To challenge the recoverable amounts of assets using the value in use, I:</p> <ul style="list-style-type: none"> - checked the calculation of the estimated future cash flows, evaluated the appropriateness of the key assumptions applied by management, and compared these inputs with externally derived data and the business plan; - assessed the appropriateness of the forecasts by evaluating historical forecasting with actual results for the year; - challenged sensitivity analysis prepared by management around the key drivers of market situation, growth rates and discount rate used in the cash flow forecasts. <p>I also evaluated the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.</p>

Recognition of deferred tax assets	
Refer to Notes 3(r), 13 and 23 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
The Company has been granted privileges by the Board of Investment resulting the Company has recognised a deferred tax assets of Baht 60 million in respect of a portion of unused tax losses. The recoverability of recognized deferred assets is in part dependent on the Company's ability to generate future taxable profits sufficient to utilize tax losses (before tax losses expire). Future taxable profits involves significant judgments and estimates by management and since the balance of the assets is significant, so this is a focus area in my audit.	My audit procedures in this area included, among others: <ul style="list-style-type: none"> - reconciling tax losses and expiry dates to tax report as well as inspecting promotional privileges granted with the promotional certificates. - checking the calculation of forecast future taxable profits, assessing the appropriateness of the forecasts by evaluating historical forecasting with actual results for the year, and comparing the key assumptions applied by management in forecast future taxable profits and business plan. - evaluating the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, 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.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude

that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



(Sirinuch Vimolsathit)
Certified Public Accountant
Registration No. 8413

KPMG Phoomchai Audit Ltd.
Bangkok
21 February 2019

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

(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 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 December

Consolidated financial statements

	2018 Baht	%	2017 Baht	%	2016 Baht	%
Assets						
Current assets						
Cash and cash equivalents	7,540,181,775	34.9	5,212,891,690	26.2	3,207,225,925	17.26
Trade account and other receivables	2,625,804,772	12.2	2,617,329,404	13.2	2,103,165,580	11.3
Inventories	1,374,155,532	6.4	1,113,490,467	5.6	962,426,715	5.2
Other current assets	255,048,057	1.2	265,000,039	1.3	264,411,860	1.4
Total current assets	11,795,190,136	54.6	9,208,711,600	46.3	6,537,230,080	35.2
Non-current assets						
Investment in associate	355,139,527	1.6	386,440,432	1.9	386,064,813	2.1
Property, plant and equipment	9,104,832,005	42.2	9,728,013,624	48.9	10,953,280,947	59.0
Intangible assets	222,789,669	1.0	234,162,856	1.2	287,248,659	1.5
Assets not used in operation	-	-	5,888	0.0	-	-
Deferred arrangement fee for long-term loan	1,379,762	0.0	2,759,523	0.0	4,139,285	0.0
Deferred tax assets	101,669,610	0.5	305,966,223	1.5	399,503,467	2.2
Other non-current assets	15,232,841	0.1	12,904,604	0.1	11,533,653	0.1
Total non-current assets	9,801,043,414	45.4	10,670,253,150	53.7	12,041,770,824	64.8
Total assets	21,596,233,550	100.0	19,878,964,750	100.0	18,579,000,904	100.0
Liabilities and equity						
Current liabilities						
Trade account and other payables	1,544,376,238	7.2	1,712,622,521	8.6	1,528,163,590	8.2
Current portion of long-term loans	-	-	-	-	618,353,828	3.3
Other current liabilities	104,746,232	0.5	128,350,499	0.6	113,026,158	0.6
Total current liabilities	1,649,122,470	7.6	1,840,973,020	9.3	2,259,543,576	12.2
Non-current liabilities						
Long-term loans	-	-	-	-	-	-
Employee benefit obligations	178,737,591	0.8	169,766,099	0.9	155,187,812	0.8
Total non-current liabilities	178,737,591	0.8	169,766,099	0.9	155,187,812	0.8
Total liabilities	1,827,860,061	8.5	2,010,739,119	10.1	2,414,731,388	13.0
Equity						
Share capital:						
Authorised share capital	7,111,160,664	32.9	7,111,160,664	35.8	7,111,160,664	38.3
Issued and paid-up share capital	7,111,160,664	32.9	7,111,160,664	35.8	7,111,160,664	38.3
Additional paid-in capital:						
Premium on ordinary shares	1,303,712,790	6.0	1,303,712,790	6.6	1,303,712,790	7.0
Retained earnings:						
Appropriated						
Legal reserve	711,116,066	3.3	711,116,066	3.6	711,116,066	3.8
Unappropriated	10,676,453,052	49.4	8,667,083,234	43.6	6,954,815,427	37.4
Other components of equity	(34,069,083)	(0.2)	75,152,877	0.4	83,464,569	0.4
Total equity	19,768,373,489	91.5	17,868,225,631	89.9	16,164,269,516	87.0
Total liabilities and equity	21,596,233,550	100.0	19,878,964,750	100.0	18,579,000,904	100.0

Incomes Statements as of 31 December

Consolidated financial statements

	<u>2018</u>		<u>2017</u>		<u>2016</u>	
	<u>Baht</u>	<u>%</u>	<u>Baht</u>	<u>%</u>	<u>Baht</u>	<u>%</u>
Income						
Revenue from sale of goods	19,946,304,217	98.9	19,281,791,834	99.4	15,659,001,556	98.6
Other income						
Interest income	75,342,214	0.4	43,978,271	0.2	22,669,365	0.1
Foreign currency differences on dissolution of indirect subsidiary	89,451,902					
Other income, net	59,573,495	0.3	77,602,168	0.4	205,214,569	1.3
Total income	20,170,671,828	100.0	19,403,372,273	100.0	15,886,885,490	100.0
Expenses						
Cost of sales of goods	15,649,075,350	77.6	15,440,403,255	79.6	13,538,511,740	85.2
Selling expenses	830,707,046	4.1	874,775,195	4.5	739,935,279	4.7
Administrative expenses	422,578,225	2.1	620,483,279	3.2	367,375,279	2.3
Doubtful debt expense	(45,511)	(0.0)	100,166,172	0.5	-	-
Impairment loss on plant and equipment and intangible assets	-	-	-	-	2,994,479	0.0
Net loss on derivatives	-	-	-	-	62,388,444	
Finance cost	7,721,141	0.0	23,568,997	0.1	49,021,389	0.3
Total expenses	16,910,036,251	83.8	17,059,396,898	87.9	14,760,226,610	92.9
Profit before share of profit from investment in associated company and finance cost and tax income (expenses)	3,260,635,577	16.2	2,343,975,375	12.1	1,126,658,880	7.1
Share of profit (loss) of invesment in associated	1,158,801	0.0	375,619	0.0	128,955	0.0
Profit (loss) before income tax expenses	3,261,794,378	16.2	2,344,350,994	12.1	1,126,787,835	7.1
Income tax (expenses) benefits	(202,383,591)	(1.0)	(96,025,722)	(0.5)	(3,084,373)	(0.0)
Profit (loss) for the year	3,059,410,787	15.2	2,248,325,272	11.6	1,123,703,462	7.1
Basic earnings per share						
Net profit	2.58		1.90		0.95	
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	8,667,083,234		6,954,815,427		6,303,486,588	
Dividend paid	(1,066,674,100)		(533,337,050)		(474,077,378)	
Profit	3,059,410,787		2,248,325,272		1,123,703,462	
Other comprehensive income (loss)	5,628,937		(2,720,415)		1,702,755	
Transfer to retained earnings	11,004,194		-		-	
Balance - ending of year	10,676,453,052		8,667,083,234		6,954,815,427	

Cash Flows Statement as of 31 December

Consolidated financial statements

	<u>2018</u> Baht	<u>2017</u> Baht	<u>2016</u> Baht
Cash flows from (used in) operating activities			
Profit (loss) for the year	3,059,410,787	2,248,325,272	1,123,703,462
Adjustments for			
Depreciation and amortisation	1,241,270,583	1,277,984,902	1,491,592,735
Amortisation of arrangement fee for long-term loan	1,379,761	1,379,761	1,379,761
Interest income	(75,342,214)	(43,978,271)	(22,669,365)
Finance costs	7,721,141	23,568,997	49,021,389
Unrealised (gain) loss on foreign exchange and derivatives	9,455,614	361,016	10,574,196
Loss on dilution on investment in associate	32,459,706		-
(Reversal of) allowance for decline in value of inventories	(30,367,756)	13,668,210	(33,875,101)
(Reversal of) impairment losses on assets not used in operation	-	(1,354,005,366)	2,994,479
Loss on write-off of plant and equipment and assets not used in operation	5,562	1,530,940,972	13,212,033
(Gain) loss on disposals of property, plant and equipment and assets not used in operation	14,004,673	98,438,425	(6,936,823)
Foreign currency differences on dissolution of indirect subsidiary	(89,451,902)		
Share of profit of investment in associate	(1,158,801)	(375,619)	(128,955)
Income tax (expense) benefits	202,383,591	96,025,722	3,084,373
(Reversal of) doubtful debt expenses	(45,511)	100,166,172	-
Provisions for employee benefits	16,659,539	14,384,044	35,191,855
	4,388,384,773	4,006,884,237	2,667,144,039
Changes in operating assets and liabilities			
Trade account and other receivables	(14,523,159)	(506,018,641)	(323,385,130)
Inventories	(230,297,309)	(164,731,962)	99,614,232
Other current assets	9,708,286	(103,617,224)	62,665,946
Other non-current assets	(2,328,237)	(1,370,951)	2,156,530
Trade account and other payables	(167,698,056)	167,813,453	12,677,082
Other current liabilities	(22,080,252)	14,221,325	24,116,579
Employee benefit paid	(651,876)	(3,206,276)	-
Income tax paid	(729,019)	(705,465)	(14,156)
Net cash from operating activities	3,959,785,151	3,409,268,496	2,544,975,122
Cash flow from investing activities			
Interest received	68,171,751	39,451,356	21,468,338
Acquisition of plant and equipment and intangible assets	(620,037,371)	(350,583,689)	(270,184,715)
Proceeds from sale of plant and equipment	1,034,583	51,793,700	42,714,915
Proceeds from sale of assets not used in operation	-	38,715,087	
Net cash used in investing activities	(550,831,037)	(220,623,546)	(206,001,462)
Cash flow from financing activities			
Interest paid	(7,721,141)	(29,640,232)	(49,327,074)
Dividends to owners of the Company	(1,066,674,100)	(533,337,050)	(474,077,378)
Proceeds from long-term loans from financial institutions			-
Repayment of borrowings	-	(618,353,829)	(1,155,170,866)
Net cash used in financing activities	(1,074,395,241)	(1,181,331,111)	(1,678,575,318)
Currency translation differences	(7,514,577)	(1,913,184)	42,529,130
Net increase (decrease) in cash and cash equivalents	2,327,044,296	2,005,400,655	702,927,472
Cash and cash equivalents at 1 January	5,212,891,690	3,207,225,925	2,504,740,286
Effect of exchange rate changes on balances held in foreign currencies	245,789	265,110	(441,833)
Cash and cash equivalents at 31 December	7,540,181,775	5,212,891,690	3,207,225,925

Non-cash transaction:

Purchase of fixed assets for which no cash has been paid	36,184,292	34,456,712	10,194,748
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2. Summary of Significant Financial Ratio

(C) Summary of Significant Financial Ratio

		2018#	2017#	2016#
<u>Liquidity Ratios</u>				
Current Ratios	times	7.15	5.00	3.98
Acid Test Ratios	times	6.16	4.25	3.16
Cash Flow Liquidity Ratios	times	2.27	1.96	1.51
Account Receivable Turnover Ratios	times	7.65	8.43	8.36
Collection Period	days	48	43	44
Inventory Turnover Ratios	times	12.58	14.88	13.60
Inventory Days	days	29	25	27
Account Payable Turnover Ratios	times	10.85	10.69	10.06
Payment Period	days	34	34	36
Cash Cycle	days	43	34	34
<u>Profitability Ratios</u>				
Gross Profit Margin	%	21.54	19.92	13.54
Net Profit Margin	%	15.17	11.59	7.10
Return on Average Equity	%	16.26	13.21	7.10
<u>Efficiency Ratios</u>				
Return on Average Assets	%	15.77	12.31	6.25
Return on Average Fixed Assets	%	44.59	33.26	21.99
Total Assets Turnover	times	0.96	1.00	0.83
<u>Financial Policy Ratios</u>				
Debt to Equity Ratios	times	0.09	0.11	0.15
Interest Coverage Ratios	times	423.45	100.47	23.90
Cash Coverage Ratios	times	3.04	4.25	0.67
Cash Coverage Ratios (Cash Basis)	times	3.69	6.16	1.47
Dividend Payout	%	50.36	47.44	47.47
<u>Information per Share</u>				
Book Value per Share	Baht/Share	16.68	15.08	13.64
Net Earning per Share	Baht/Share	2.58	1.90	0.95
Dividend per Share	Baht/Share	1.30	0.90	0.45
<u>Growth Rate</u>				
Total Assets Growth	%	8.64	7.00	-2.46
Total Liabilities Growth	%	-9.10	-16.73	-32.02
Sales Growth	%	3.45	23.14	-5.41
Expenditure Growth	%	-16.18	35.03	-5.49
Net Profit Growth	%	36.07	100.12	98.50

Remark :

Information in 2016, 2017 and 2018 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 2019.

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 20,171 MTHB of which 19,946 MTHB earned from sales revenue. The sales revenue increased by 665 MTHB or 3% comparing to the year 2017. The increment mostly derived from improved Epichlorohydrin (“ECH”) and Caustic Soda selling price due to limited export from China. The overall sales volume decreased, except for ECH, as a consequence of major turnaround in Q2’ 18. The share of domestic and export sales have no significant change comparing with the previous year.

Sales Revenues	2018		2017	
	MTHB	%	MTHB	%
Domestic Sales				
1. PVC Resins	5,375	26.9	5,418	28.1
2. Caustic Soda	3,920	19.7	4,017	20.8
3. VCM	1,492	7.5	1,667	8.6
4. ECH	905	4.5	649	3.4
5. Others	102	0.5	79	0.4
Total Domestic Sales	11,795	59.1	11,830	61.4
Export Sales				
1. PVC Resins	3,606	18.1	4,440	23.0
2. Caustic Soda	102	0.5	65	0.3
3. VCM	-	-	-	-
4. ECH	4,444	22.3	2,947	15.3
Total Export Sales	8,152	40.9	7,451	38.6
Domestic and Export Sales				
1. PVC Resins	8,981	45.0	9,857	51.1
2. Caustic Soda	4,022	20.2	4,082	21.2
3. VCM	1,492	7.5	1,667	8.6
4. ECH	5,348	26.8	3,596	18.6
5. Others	102	0.5	79	0.4
Total Domestic and Export Sales	19,946	100.0	19,282	100.0

Analysis of Costs and Expenses

1. In 2018, Cost of sales was 15,649 MTHB, increased by 209 MTHB comparing to 2017 or 1% as a result of greater main raw material prices despite of lower overall sales volume. Higher average Ethylene price came mainly from crude oil price rebound in 2018. And even with lower pressure on Glycerin price from growing market supply in the second half of 2018, full year average Glycerin price remained high following the market price trend since 2017. Additionally, the increase of electricity cost was also added to higher cost of sales of this year.

In spite of rise of main raw material prices and decline in overall sales volume, the Company and its subsidiaries brought 1.6% growth of Gross profit margin versus 2017 by the strong contribution of Epicerol® business.
2. In 2018, distribution costs, administrative expenses, and doubtful debt expenses was 1,253 MTHB, decreased by 342 MTHB or 21% from 2017. This decrement was mainly from the loss on written-off and disposal of plant and equipments and intangible assets of Solvay Biochemicals (Taixing) Limited (“SBT”) in 2017.
3. In 2018, the Company and its subsidiaries recorded loss on dilution on investment in Pimai Salt Company Limited amounting to 32 MB from the reduction in the Company and its subsidiaries’ ownership interest from 28.49% to 20.56% following the increasing of the share capital to its major shareholder.
4. In November 2018, the Company and its subsidiaries completed the dissolution of SBT and then realized foreign currency differences on dissolution of SBT amounting to 89 MB from other comprehensive income to the profit for the year.

An Analysis of Financial Status *

Analysis of Assets

As at 31 December 2018, the Company and its subsidiaries had 21,596 MTHB of the total assets, which was increased 1,717 MTHB or 9% from previous year.

Details of the major changes were following:

1. As at 31 December 2018, the Company and its subsidiaries had net cash and cash equivalents amounting to 7,540 MTHB, increasing 2,327 MTHB or 45%

comparing to 5,213 MTHB at the end of 2017. (see further information in analysis of cash flow)

2. The balance of trade receivables at the end of 2018 was 2,612 MTHB, slightly increasing by 7 MTHB comparing to 2,605 MTHB at the end of 2017. Most of the receivables were not yet due. For the corresponding bad debt, the Company and its subsidiaries had already set sufficient provision.
3. The Company and its subsidiaries had net inventories at the end of 2018 amounting to 1,374 MTHB, increasing from 1,113 MTHB of the year 2017.
4. At the end of 2018, the Company and its subsidiaries had net property, plant and equipment, and intangible assets amounting to 9,328 MTHB or decreasing by 635 MTHB comparing to 9,962 MTHB at the end of 2017, mainly from normal depreciation offset with asset acquisitions during major turnaround in 2018.
5. The balance of deferred tax assets at the end of 2018 was 102 MTHB, decreasing by 204 MTHB comparing to 306 MTHB at the end of 2017 following the reversal of deferred tax assets mainly from loss carried forward in 2018 amounting to 200 MTHB.

Analysis of Liabilities

The Company and its subsidiaries had total liabilities at the end of 2018 amounting to 1,828 MTHB which decreased by 183 MTHB or 9% comparing to 2017. The major change of the liabilities was from the Company and its subsidiaries' normal operating activities.

Analysis of Shareholders' Equity

As at 31 December 2018, the shareholders' equity was 19,768 MTHB which increased by 1,900 MTHB or 11% comparing to 17,868 MTHB at the end of 2017. The increment was mainly from the net profit of 2018 offset with dividend paid to its shareholders.

Analysis of Cash Flow

As of 31 December 2018 the Company and its subsidiaries' Cash Flow Statement presented 7,540 MTHB of cash and cash equivalents. The sources and uses of funds were following:

1. In 2018, the net cash flow from operating activities was 3,960 MTHB which increased by 551 MTHB or 16% comparing to 2017 from Company and its subsidiaries' better operating results.
2. In 2018, the net cash flow used in investing activities was 551 MTHB, increased by 330 MTHB comparing to its amount of 221 MTHB in 2017 as a result of more machinery and equipment acquired during major turnaround in 2018.
3. In 2018, the net cash flow used in financing activities amounting to 1,074 MTHB, consisting mainly of dividends paid to shareholders for 1,067 MTHB.

Net cash flow from operating activities	3,960	MTHB
Net cash flow used in investing activities	(551)	MTHB
Net cash flows used in financing activities	(1,074)	MTHB
Translation adjustments of its subsidiary	<u>(8)</u>	MTHB
Net increase in cash and cash equivalents	<u>2,327</u>	MTHB

Financial Ratios

	<u>2018</u>	<u>2017</u>
Gross profit margin	21.5%	19.9%
Net profit margin	15.2%	11.6%
Debt to Equity ratio	0.09	0.11
Earnings per share	2.58	1.90
ROA	15.8%	12.3%
ROE	16.3%	13.2%

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