

Subject : Management discussion and analysis of the year 2018 ended as of 31 December 2018

To President,

The Stock exchange of Thailand

V.L. Enterprise PCL. ("Company") would like to clarify the overview and changes in the operating results of the year 2018 ended as of 31 December 2018 as following details.

1. The Statement of Comprehensive Income

Profit Loss Statement	2017		2018	
	(Financial Statement)		(Financial Statement)	
	Million		Million	
	baht	%	baht	%
Revenue				
Service revenue	682.41	96.32	694.68	99.04
Gain on sale asset	8.97	1.27	5.29	0.75
Compensation from insurance	15.27	2.16		0.00
Other revenue	1.82	0.26	1.45	0.21
<b>Total Revenue</b>	<b>708.46</b>	<b>100.00</b>	<b>701.42</b>	<b>100.00</b>
Expenditures				
Cost of Service	555.61	78.42	544.99	77.70
Administrative expenses	25.43	3.59	31.11	4.44
Management compensation	12.76	1.80	13.07	1.86
<b>Total expenses</b>	<b>593.80</b>	<b>83.82</b>	<b>589.16</b>	<b>84.00</b>
<b>Earnings before interest and Income tax expense</b>	<b>114.66</b>	<b>16.18</b>	<b>112.25</b>	<b>16.00</b>
Interest expense	32.69	4.61	44.16	6.30
<b>Earnings before Income tax expense</b>	<b>81.97</b>	<b>11.57</b>	<b>68.09</b>	<b>9.71</b>
Income tax expense	8.36	1.18	7.07	1.01
<b>Profit for the year</b>	<b>73.61</b>	<b>10.39</b>	<b>61.01</b>	<b>8.70</b>
Other comprehensive income:	(0.20)	(0.03)	0.35	0.05
<b>Total comprehensive income for the period</b>	<b>73.41</b>	<b>10.36</b>	<b>61.36</b>	<b>8.75</b>
Earnings per share	73.61		0.13	
Earnings per share (Fully Diluted) : (baht per share)	0.09		0.08	

➤ Revenue

Service revenue

Domestic Service Revenue

In 2018 domestic service revenue was 511.87 million baht increased from revenue in 2017. The main reason was an increase of transporting clean oil revenue by 7.86% due to increasing the number of relatively long distant service route accompanied by rising in diesel price affecting average service rate to increase. Furthermore, the company acquired VL20 which has service capacity equaled to 5,439 cubic meter, commenced transportation service for crude oil product in the beginning of quarter 4/ 2018. This caused transporting crude oil revenue increased by 5.89%

According to reason mentioned earlier, total domestic service revenue increased by 4.88%.

Oversea Service Revenue

In 2018 oversea service revenue was 178.86 million baht. Oversea service revenue decreased by 6.47% from 2017. The main reason was a decrease of transporting clean oil revenue by 41.33% as a result of in July 2018 service agreement with one of overseas charterer expired then the company took the vessel of such charterer to serve for domestic charterer. Moreover, revenue from transporting Palm Oil decreased by 3.86% accompanied by depreciation of US currency.

Other revenue

In 2018 other revenue was 6.74 million baht. The other revenue mainly composed of gain on disposal asset, gain from exchange rate, interest income.

➤ Cost of service

In 2018 cost of service decreased slightly 1.91% from 2017. the main reason was maintenance expenses decreased by 31.43% and other expenses declined by 49.49 million baht or equivalent to 12.79% because of decrease in insurance fee (Hull and Machinery, H&M) in accordance with decrease in vessel book value and decreasing in expenses from the occurrence of accidents due to improving safety standard.

➤ **Gross profit**

In 2018 gross profit was 21.55% increased from 2017 because cost of services decreased due to decreasing fixed cost such as maintenance expenses and other expenses whilst service revenue increased slightly.

➤ **Administrative expenses**

In 2018 administrative expenses was 44.18 million baht increased by 15.65% as a result of employee compensation increased by internal restructuring.

➤ **Interest expenses**

In 2018 Interest expenses was 44.16 million baht caused by long term loan from financial institution for investing in vessels which composed of VL.14, VL.15, VL.16, VL.17, VL.18, CPT.5, VL.19 and VL.20.

➤ **Income tax expenses**

In 2018 income tax expenses was 7.07 million baht or 1.01% of total revenue. In 2018 the company has been waived for income tax by BOI for 8 operating vessels throughout the year however there were tax privilege expiry of 4 vessels since the beginning of the year and tax privilege of 1 vessel expired during the year.

➤ **Net profit**

In 2018 net profit of company was 61.01 million baht or equivalent to 8.70% profit margin decreased by 17.11% from 2017 mainly caused by increasing interest expenses for expanding fleet and increasing in administrative expenses.

## 2. Statement of Financial Position

Balance sheet	31 Dec 2017		31 Dec 2018	
	Million Baht	%	Million Baht	%
Asset				
Current Asset				
Cash and cash equivalent	104.92	7.66	48.59	3.41
Trade and Other Receivable	69.97	5.11	84.26	5.92
Inventories	15.43	1.13	18.92	1.33
Other Current Asset	0.15	0.01	0.45	0.03
Total Current Asset	190.48	13.91	152.22	10.69
Non-Current Asset				
Restricted deposits at bank	-	0.00	-	0.00
Vessel and Equipment	1,176.62	85.91	1,269.56	89.15
Intangible Asset	2.44	0.18	2.18	0.15
Other Non-Current Asset	0.04	0.00	0.04	0.00
Total Non-Current Asset	1,179.10	86.09	1,271.78	89.31
Total Asset	1369.58	100.00	1,424.00	100.00
Liabilities and equity				
Current liabilities				
Bank overdrafts and short-term borrowings from financial institutions	-	0.00	80.00	5.62
Trade and other payables	50.49	3.69	64.09	4.50
Income Tax Payable	5.58	0.41	1.91	0.13
Current portion of finance lease liabilities	0.18	0.01	0.25	0.02
Current portion of long-term borrowings from financial institutions	115.30	8.42	123.45	8.67
Other current liabilities	0.50	0.04	0.69	0.05
Deferred dividends	0.00	0.00		0.00
Total current liabilities	172.04	12.56	270.39	18.99
Non-current liabilities				
Finance lease liabilities	0.11	0.01	0.45	0.03
Long-term borrowings from financial institutions	654.46	47.79	726.32	51.01
Employee benefit obligations	3.76	0.27	3.65	0.26
Deferred tax liabilities	7.56	0.55	10.18	0.71
Total non-current liabilities	665.88	48.62	740.59	52.01
Total liabilities	837.92	61.18	1,010.98	71.00
Equity				
Share capital				

Balance sheet	31 Dec 2017		31 Dec 2018	
	Million Baht	%	Million Baht	%
Issued and paid-up share capital				
1,000,000 ordinary shares of 100 baht each in 2017 and 600,000,000 ordinary shares of baht each in 2018	100.00	7.30	300.00	21.07
Retained earnings-Legal Reserve	10.00	0.73	13.05	0.92
Retained earnings- unappropriated	408.13	29.80	86.44	6.07
Surplus arising from business combination under common control	13.52	0.99	13.52	0.95
<b>Total equity</b>	<b>531.66</b>	<b>38.82</b>	<b>413.02</b>	<b>29.00</b>
<b>Total liabilities and equity</b>	<b>1,369.58</b>	<b>100.00</b>	<b>1,424.00</b>	<b>100.00</b>

➤ Asset

As of 31 December 2018 the asset was equivalent to 1,424 million baht increased from 1,369.58 million baht, the asset as of 31 December 2017, due to the company invested in VL.20 which has higher capacity compared to average size of other vessels in existing fleet.

➤ Liabilities

As of 31 December 2018 total liabilities was 1,010.98 million baht increase from 837.92 million baht , total liabilities as of 31 December 2017 as a result of long term loan for investment in vessels increased.

➤ Equity

As of 31 December 2018 total equity was 413.02 million baht. details as following table above.

3. Financial Ratio

	2017	2018
Gross Profit Margin: (%)	18.58	21.55
Net Profit Margin: (%)	10.39	8.70
Debt on Equity (D/E): (x)	1.58	2.45
Return on Equity (x)	13.53	12.92

Please be informed accordingly

Sincerely Yours,

V.L. Enterprise Public Company Limited



(Mrs.Chutipa Klinsuwan)  
Chief Executive Officer