



(Translation)

28 February 2020

Subject: Management Discussion and Analysis (MD&A) of the year 2019

To: Director and manager, The Stock Exchange of Thailand

Attachment: Management Discussion and Analysis (MD&A) of the year 2019

The Union Textile Industries Public Company Limited submitted the Company's financial statement for the year ending 31 December 2019, In order to provide investors and other interested parties to better understand the Company's operating results and financial statement for the year 2019, attached please find the Management Discussion and Analysis (MD&A) of the year 2019. This report should be considered in conjunction with the submitted financial statements in which the equity method was applied as of 31 December 2019.

Please be informed accordingly.

Sincerely yours,

- Signature -

(Mrs.Pimporn Chotirattanakul)

Managing Director

**Union Textile Industries Public Company Limited****Management Discussion and Analysis (MD&A)**

Business operating results and financial position for the year 2019, in which the equity method is applied, of the Company, could be analyzed and explained as follows:

**1 Overview**

The Company has been operating in the textile business, manufacturing greige fabrics, through the production process of yarn spinning and fabric weaving, based on the customers' specification, that might be 100% cotton or cotton blend fabrics.

Over the past 3 years, the Company has no significant changes neither capital structure, management nor business operations.

**1.1 Factors that affect business operations.**

In 2019, world economic slowdown, textile export status decreased, risen of cotton and polyester prices because of world market cotton prices higher, including continual higher of stronger Thai baht, compared with last year; resulting export value decreased impact the Company operating results due to the Company has a major ratio in export.

**1.2 Summary of operating results.**

As of 31 December 2019, the Company had net profit amounting to 95.86 million Baht, profit decreased 7.79 million Baht compared to 2018 had a net profit of 103.65 million Baht. The comparative of operating results between the year 2019 and 2018 are summarized as follows:

(Unit: million Baht)

Description	For the year ending 31 December			
	Year		Increased (decreased)	
	2019	2018	Amount	%
Total revenues	750.27	820.40	(70.13)	(8.55)
Total expenses and finance cost	620.58	799.70	(179.12)	(22.40)
Share of profit from investments in associated companies	0.44	84.23	(83.79)	(99.48)
Income (expense) tax revenue	(34.27)	(1.28)	32.99	2,577.34
Net Profit (loss)	95.86	103.65	(7.79)	(7.51)



## 2 Results of Operations

### 2.1 Revenue

(Unit: Million Baht)

Description	For the year ending 31 December			
	Year		Increased (decreased)	
	2019	2018	Amount	%
Sales and services income	511.06	760.57	(249.51)	(32.81)
- Export sales	443.20	651.33	(208.13)	(31.95)
- Local sales	67.86	109.24	(41.38)	(37.88)
Other income	239.21	59.83	179.38	299.82
Total revenues	750.27	820.40	(70.13)	(8.55)

#### 1) Sales and services income

In 2019, the Company had sales and services income 511.06 Million Baht decreased 249.51 million Baht or 32.81 % compared to 2018, divided into export sales decreased 208.13 million Baht or 31.95%, and local sales decreased 41.38 million Baht or 37.88%. As a result of continual stronger Thai baht; orders from main customers in Europe decreased since the economy of trading country slowdown, Regarding local market, customers lessen their orders, caused from: local textile industry slowdown; having high competitive; and customers imported cheaper textile goods from india, Pakistan, and Vietnam.

#### 2) Other income

In 2019, the Company had other income 239.21 million Baht increased from 2018 amounted to 179.38 million Baht or 299.82%. The main cause came from recognized gain, in which the equity method is applied, on the sale, some of the ordinary shares of its investment in Unifibre Company Limited amounted to 10.63 million Baht and gain on fair value measurement from changes in the status of investment amounted to 173.96 million Baht.

### 2.2 Costs and expenses

(Unit: Million Baht)

Description	For the year ending 31 December			
	Year		Increased (decreased)	
	2019	2018	Amount	%
Total cost of sales	554.14	738.66	(184.52)	(24.98)
Selling expenses	8.36	8.69	(0.33)	(3.80)
Administrative expenses	57.34	51.85	5.49	10.59
Financial Cost	0.74	0.50	0.24	48.00





- Cost of sales and services decreased by 184.52 million Baht or 24.98%, corresponding to the decreased in sales and mainly came from raw materials prices and
- Selling expenses decreased by 0.33 million Baht or 3.80%, corresponding to the export sales decreased.
- Administrative expenses increased 5.49 million Baht or 10.59%, the main cause came from the increased provision for long-term employee benefits amounted 3.42 million Baht as per the Labor Protection Act (No. 7) B.E. 2562

### 2.3 Net profit (loss)

The Company had a net profit of 95.86 million Baht, in which the equity method is applied, profit decreased 7.79 million Baht compared with that of 2018. In the Separate financial statement, the Company had a net loss 30.65 million Baht decreased from the year 2018 which was 50.07 million Baht, the main cause came from lessening sales and stronger Thai Baht.

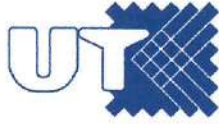
According to the Company's Articles of Association, the preference shareholders are entitled to receive a dividend equal to 1.40 Baht per share or the sum of 21.00 million Baht. Then, the Company had a net profit of 1.66 Baht per ordinary share.

### 2.4 Profitability

Description	Unit	For the year ending 31 December	
		2019	2018
Gross Profit Margin	%	(8.43)	2.88
Net Profit (Loss) Margin	%	12.78	12.63
Debt to Equity ratio	Times	0.11:1	0.13:1
Return On Equity	%	9.54	11.08

#### Gross Profit (Loss) Margin

In 2019, the Company had gross loss 43.08 million Baht, making gross loss margin 8.43% of sales, compared with the year 2018 which had gross profit 21.91 million Baht, then, gross profit margin 2.88% of sales. The decreased of gross profit margin came from the effect of sales decrease, price of raw material increased making the higher cost of goods sold, and having additional of provision for long-term employee benefits as per the Labor Protection Act (No. 7) B.E. 2562



### Net Profit (Loss) Margin

The Company had net profit margin, in which the equity method is applied, amounted to 95.86 million Baht or 12.78% of total income compared with the year 2018 showed net profit margin 103.65 million Baht or 12.63% of total income. The main cause that makes the net profit margin of the year 2019 decreased came from cost of goods sold increased and added of provision for long-term employee benefits as per the Labor Protection Act (No. 7) B.E. 2562

### Debt to Equity Ratio

The Company had a D/E ratio of 0.11 times, slightly lower than that of the year 2018 showed 0.13 times, indicated the ratio of liabilities still at the lower level compared to shareholders' equity.

### Return on Equity (ROE)

The Company had net profit, in which the equity method is applied, amounted to 95.86 million Baht equal to 9.54% of shareholders' equity, lower than that of the year 2018 showed 11.08%.

## 3 Asset management

### 3.1 Financial position

As of 31 December 2019, the Company's financial position compared with the previous year are the followings;

(Unit: Million Baht)

Description	For the year ending 31 December			
	Year		Increased (decreased)	
	2019	2018	Amount	%
Total Assets	1,163.37	1,082.75	80.62	7.45
Total Liabilities	111.37	124.49	(13.12)	(10.54)
Total Shareholders' equity	1,052.00	958.26	93.74	9.78

#### 1) Assets

As of 31 December 2019, the Company had total assets amounting to 1,163.37 million Baht, comprising, in proportion, 37.62% current assets and 62.38% non-current assets, compared with the year 2018 having the total assets amounted 1,082.75 million Baht, increased 80.62 million Baht or 7.45%.

Changes are as follows;





- Current assets decreased 49.98 million Baht, comprising cash and cash equivalents decreased 8.31 million Baht, trade receivable, other receivable decreased 72.38 million Baht, inventories increased 31.47 million Baht and others current assets decreased 0.76 million Baht.
- Non-current assets increased 130.60 million Baht, comprising investment in associate companies, long-term investment increased 156.93 million Baht; Investment property: property, plant, and equipment decreased 23.49 million Baht; deferred tax assets and other non-current assets decreased 2.84 million Baht.

#### 2) Liabilities

The Company had total liabilities of 111.37 million Baht, decreased 13.12 million Baht or 10.54%; main changes came from trade and others account payables decreased 56.83 million Baht; provision for long-term employee benefits increased 12.33 million Baht, deferred tax liabilities and other current liabilities increased 31.38 million Baht.

#### 3) Shareholders' equity

The Company accounted for shareholders' equity amounting 1,052.00 million Baht, increased by 93.74 million Baht or 9.78%, resulting from the Company had net profit 95.86 million Baht, actuarial gains 0.23 million Baht, and from the adjustment of the market value of the stocks invested in the Stock Exchange of Thailand which was not the actual profit decreased 2.00 million Baht, Reclassify other comprehensive income of associate to profit and loss from change in status of investment decreased 0.35 million Baht.

### 3.2 Analysis of the financial status

As of 31 December 2019, the Company's capital structure comprises of total liabilities amounting to 111.37 million Baht and total shareholders' equity amounting to 1,052.00 million Baht. The Company had a debt-to-capital ratio of 9.57%, indicating a strong financial status.

## 4 Liquidity and capital adequacy

### 4.1 Capital sources

#### 1) Analysis of changes in capital sources

As of 31 December 2019, the Company had cash and cash equivalent amounted to 112.37 million Baht decreased 8.31 million Baht compared with the previous year. Details of net cash flow from (used in) were as follows:



(Unit; Million Baht)

Description	For the year ending December 31			
	Year		Changes	
	2019	2018	Amount	%
Net cash flows from (used in) operating activities	(34.53)	54.83	(89.36)	(162.98)
Net cash flows from (used in) investing activities	26.22	(14.64)	40.86	279.10
Net cash flows from (used in) financing activities	-	-	-	-
Cash and cash equivalent increased (decreased)	(8.31)	40.19	(48.50)	(120.68)
Cash and cash equivalent - beginning	120.68	80.49	40.19	49.93
Cash and cash equivalent – ending	112.37	120.68	(8.31)	(6.89)

- Net cash flows from operating activities decreased because the Company had trades and other account payables decreased.
- Net cash flows used in investing activities increased since the Company sold some of the ordinary shares of its investment in the associated company.
- No net cash flows used in financing activities in 2019, as did the year 2018.

#### The optimal capital structure

The Company had Debt to Equity ratio 0.11:1 time, lower than that of 2018, indicating a low relative proportion of debt and shareholders' equity.

#### 4.2 Capital expenditure

In 2019, the Company had capital expenditure for machinery and accessories amounted to 3 million Baht.

#### 4.3 Liquidity adequacy

Description	units	As of 31 December		Increased (decreased)
		2019	2018	
Current Ratio	times	13.83	5.54	8.29
Quick ratio	times	7.23	3.52	3.71
Inventory turn over	times	2.87	4.30	(1.43)
Average debt collection	days	102	83	19



- The current ratio is higher due to current liabilities decreased.
- The quick ratio increased 3.71 times compared to the year 2018.
- Inventory turnover decreased 1.43 times because of lessening sales.
- Average debt collection was slightly longer, about the same period of the Company's credit term.

**4.4 The ability to procure additional sources of capital.**

The Company already has adequate financial facilities, therefore no need for additional capital.

**4.5 The ability to repay debt and to follow the terms of the loan, and fundamentally important for several bindings**

In the past, the Company has been able to repay debts and doing business as per the commitment.

**5 Contractual Obligations and Off-Balance Sheet Arrangements**

Please see Note to Financial Statements for the year ended 31 December 2019 Item 25 Commitment and contingent liabilities.

**6 Forward-looking**

The Company has not yet any project or research and development that will affect the operating result and financial position within one year ahead.

At present, the Company is able to carry out business operations continuously. However, in preparing the financial statements in accordance with Thai Financial Reporting Standards, it is necessary for the Company to make judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures, and actual results could differ from these estimates. Significant judgments and estimates are as follows:

- Allowance for doubtful accounts
- Allowance of diminution in value of inventories.
- Property, plant and equipment/Depreciation.
- Deferred tax assets
- Post-employment benefits under defined benefit plans.