



STARFLEX
PUBLIC COMPANY LIMITED

18 December 2019

Re Management Discussion and Analysis for the 9 month period ended 30 September, 2019

Attn. The President
The Stock Exchange of Thailand (SET)

Starflex Public Company Limited ('the Company') would like to notify the operating results stated in financial statements for nine-period ended 30 September 2019. The details will be shown as follows.

Operational reports

For nine-month period ended 30 September 2019, the total revenues were 943.22 million, decreased by 9.66% compared to the nine-month total revenues 1,044.11 million of 2018. Total revenues are comprised of 'Revenues from Sales' and 'Other incomes'. The significant changes of these revenues can be described as follows:

Revenues from Sales

Revenues from Sales can also be divided into 2 major categories, which are (1) Revenues from Flexible packaging Sales, and (2) Other Sales revenues. The details will be explained as follows:

(1) Revenues from Flexible Packaging

For the first nine month period of 2019, the company has earned Revenues from Flexible packaging 933.38 million; which were comprised from Non-food packaging of 745.03 million, equaled to 79.69% of total revenues from Sales; and from Food packaging of 188.36 million, equaled to 20.15% of total revenues from Sales. Comparing to the same period performance of 2018, the company earned 1,032.02 million from selling Flexible packaging, of which were comprised of Non-food packaging sales about 871.72 million, or 84.18% of total revenues



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from Sales, and comprised of 160.30 million from Food packaging sales or 15.48% of total revenues from Sales.

The decline in revenues from flexible packaging during the first nine-month period of 2019, was largely due to an overall fall in domestic consumption spending which directly impacted clients' performances. To be specific, these revenues from 4 main customers has declined from 897.09 million in the first nine-month of 2018 to 784.49 million of the same period of time in 2019, equaled to 12.55% lower.

(2) Revenues from 'Other Sales'

For the first nine-month period of 2019, Other Sales revenues were 1.56 million, equal to 0.17% of total Sales revenues. The 'Other Sales' revenues were earned from selling goods or materials, which not come from the company's operations to outside customers. However, the Other Sales revenues of the nine-month period 2019 were declined significantly from 3.50 million of the same period in 2018, since the company had stopped selling raw materials to Star Print Public Company Limited.

Other Incomes

For the first nine-month period of 2019, other incomes were 8.27 million, comprised of revenues from selling waste 2.96 million, from product claims and compensations 2.19 million, from 'Sample for Sales' 0.81 million and from 'gain on exchange' 0.80 million. Other incomes in 9 months of 2019 decreased 3.69% from 8.59 million of the same period in 2018.

Costs and Expenses

For the first nine-month of 2019, Cost of goods sold were 771.79 million, or equal to 82.55% of Revenues from Sales. Therefore, the Gross Profits margin were 17.45%, compared with those of the same period in 2018 at 23.65%. The decline in Gross margin during 9 months of 2019, mainly due to the rising of raw material costs declined previously acquired, unusual demand changed on product structures, and start-up costs from new machinery installed and commenced production in Starflex#2 factory. However, with more efficiently



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learnings and skills, the unit production costs have been currently fell and consequently its profitability to be improved.

Selling expenses

For the first nine-month period of 2019, selling expenses were 21.54 million, or equaled to 2.30% of total sales; however, selling expenses has increased from 17.14 million of the same period in 2018. The rising of selling expenses during 2019 was results of changes in accounting's policy where finished goods warehouse management costs were reclassified to book as the selling expense, and also results of changes in Long-term employee benefits' policy required 400 days provision instead of 300 days previously.

Administrative expenses

For the first nine-month period of 2019, administrative expenses were 81.94 million, or equaled to 8.69% of total sales; however, administrative expenses has increased from 78.23 million of the same period in 2018. The high administrative expenses during this year, were partly results of changes in accounting's policy where some costs were moved from cost of goods sold to the administrative expense, and changing in Long-term employee benefits' policy mentioned before, also a result of rising in the expenses. Moreover, all the start-up costs of Starflex#2 factory before its commercial time, had been booked as administrative expenses.

Net Profits

For the first nine-month period of 2019, Net profits were 46.42 million, or equaled to 4.92% of total sales; decreased from 117.67 million, or 11.27% of the same period in 2018. As mentioned before, the main reasons of the fall were falling in sales volume, start-up costs from Starflex#2, changing accounting's policy, and changing long-term employee benefits provision period.



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Statement of Financial Position

Assets

As at 30 September 2019, the company had total assets of 959.27 million, where mainly comprised of 206.24 million of Account receivables and other receivables, 181.98 million of Inventories, and 420.17 million of Property, Plant and Equipment. Total assets increased 35.29 million from year end of 2018, mainly come from buying new machinery of 38.85; while receivables and inventories decreased from year end 2018 at 18.99 million and 22.20 million consecutively.

Liabilities

As at 30 September 2019, the company had total liabilities of 572.60 million, increased 93.86 million from year end 2018. This increasing mainly caused by the Account payables and other payables moved back to their normal levels. The company's liabilities comprised of 78.12% current liabilities and 21.88% non-current liabilities.

Equities

As at 30 September 2019, the company had the equities of 386.67 million, decreased 58.58 million from year end 2018. The decline was a result of 105 million dividend paid and 46.42 million of 9 month period earnings.

Yours Sincerely

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