

13<sup>th</sup> November, 2018

Subject: Management Discussion & Analysis (MD&A) for the 3<sup>rd</sup> quarter of 2018  
Attention: The President  
The Stock Exchange of Thailand

The Company wishes to present the Management Discussion & Analysis (MD&A) on the operating and financial status for the 3<sup>rd</sup> quarter of 2018. The MD&A would enable the investors to better understand the Company and its subsidiaries' 3<sup>rd</sup> quarter of 2018 reviewed financial statements.

**An Analysis of Performance** \*

Analysis of Income

The Company and its subsidiaries recorded the total revenues of 5,249 MTHB of which 5,216 MTHB earned from sales revenues. Sales revenues increased by 440 MTHB or 9.2% comparing to the same period of the year 2017. Such increase was mainly from the improved selling price across all products, especially for Epichlorohydrin (“ECH”) caused by limited export from China and PVC from better market condition.

Analysis of Cost and Expenses

1. In Q3 2018, Cost of sales was 4,160 MTHB, increased by 231 MTHB comparing to 2017 or 5.9% as a result of greater Ethylene and Glycerin price from higher crude oil price and their limited supply.
2. In Q3 2018, Selling and Administrative Expenses was 308 MB, decreased by 29 MB or 8.5% comparing to 2017 mostly from lower transportation costs.
3. There was no impairment loss in Q3 2018 as all impairment loss from the liquidation of Solvay Biochemicals (Taixing) Limited were fully booked in 2017.
4. 93 MB loss on dilution on investment in an associate was recorded from the change in the Company's ownership interest from 28.49% to 20.56% as a consequence of newly issued ordinary shares of Pimai Salt Company Limited.

\* Note Please find further information in the consolidated financial statements.

### Summary of Performance

For Q3 2018, the Company and its subsidiaries recorded net profit of 625 MTHB, increased by 270 MTHB or 76% improvement comparing to the same period of last year. The Net profit margin increased from 7.4% to 11.9%, which was mostly caused by strong contribution of Epicerol® business.

### Financial Ratios

	<u>Q3 2018</u>	<u>Q3 2017</u>
Gross profit margin	20.2%	17.7%
Net profit margin	11.9%	7.4%
Debt to Equity ratio	0.14	0.12
Earnings per share	0.53	0.30
ROA	12.9%	8.5%
ROE	13.5%	8.4%

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

Yours faithfully,

Mr. Hiroaki Sano  
Managing Director

\* Note Please find further information in the consolidated financial statements.