

## **Part 3**

### **Financial Status and Performance**

#### **13. Financial Information**

The consolidated and separate financial statements for the year ended December 31, 2018 was audited by Mr. Sakda Kaothanthong, Certified Public Accountant, with registration No. 4628 of KPMG Phoomchai Audit Ltd and for the year ended December 31, 2019 and 2020 were audited by Mr. Sumate Jangsamsee, Certified Public Accountant, with registration No. 9362 of KPMG Phoomchai Audit Ltd.

#### **Summary of audit report of Certified Public Accountant of the Company**

##### **Financial statements for the year ended 31 December 2020**

The auditor gave an opinion that the 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 2020 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

The auditor has drawn attention to the consolidated financial statements to note 6 that, the materiality of the transaction and the significant judgement and complexities involved in determining the fair value of identifiable assets acquired and liabilities assumed. Note 15 that the materiality of the balances and the significant judgement and complexities involved in determining the future cash flows attributable CGUs, and Note 18 that, the materiality of the balances and the significant judgement and complexities involved in determining the future cash flows attributable to the individual CGU to which goodwill belongs. The opinion is not modified in respect of this matter.

The following table sets forth summary of the consolidated financial statements of Indorama Ventures Public Company Limited from 2018 to 2020

### Statements of Financial Position (Consolidated Financial Statements)

Unit: Baht million	As of December 31					
	2018	%	2019 <sup>1</sup>	%	2020	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	5,578.4	1.5	10,446.7	2.7	18,948.5	4.2
Current investments <sup>2</sup>	134.3	0.0	263.4	0.1	441.9	0.1
Trade accounts receivable	37,636.6	9.9	34,304.9	9.0	33,421.6	7.4
Other receivables	1,324.6	0.3	1,286.0	0.3	1,969.1	0.4
Short-term loans to related parties and interest receivable from related parties	170.9	0.0	174.3	0.0	126.7	0.0
Inventories	70,085.3	18.5	62,164.9	16.3	53,938.5	11.9
Other current financial assets <sup>2</sup>	-	-	417.9	0.1	1,079.2	0.2
Other current assets <sup>2</sup>	9,354.1	2.5	9,698.8	2.5	9,909.1	2.2
<b>Total current assets</b>	<b>124,284.2</b>	<b>32.8</b>	<b>118,757.0</b>	<b>31.2</b>	<b>119,834.7</b>	<b>26.4</b>
<b>Non-current assets</b>						
Other non-current financial assets <sup>2</sup>	-	-	3,555.3	0.9	2,193.0	0.5
Investments in joint ventures	5,294.0	1.4	2,492.2	0.7	2,954.9	0.7
Other long-term investments	15.2	0.0	27.4	0.0	108.5	0.0
Long-term loans to related parties	42.6	0.0	28.3	0.0	165.9	0.0
Property, plant and equipment	205,182.4	54.1	212,422.9	55.8	264,290.9	58.3
Right-of-use assets	-	-	-	-	11,865.3	2.6
Goodwill	15,210.0	4.0	15,249.9	4.0	15,385.8	3.4
Intangible assets other than goodwill	25,139.3	6.6	24,165.1	6.3	31,230.6	6.9
Deferred tax assets	2,713.9	0.7	2,321.9	0.6	2,611.7	0.6
Other non-current assets <sup>2</sup>	1,313.2	0.3	1,548.0	0.4	2,530.1	0.6
<b>Total non-current assets</b>	<b>254,910.6</b>	<b>67.2</b>	<b>261,810.9</b>	<b>68.8</b>	<b>333,336.8</b>	<b>73.6</b>
<b>Total assets</b>	<b>379,194.8</b>	<b>100.0</b>	<b>380,567.9</b>	<b>100.0</b>	<b>453,171.5</b>	<b>100.0</b>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Bank overdrafts and short-term loans from financial institutions	31,272.0	8.2	30,379.5	8.0	20,725.6	4.6
Trade accounts payable	54,564.8	14.4	57,172.9	15.0	57,782.6	12.8
Current portion of long-term loans from financial institutions	8,626.7	2.3	6,033.5	1.6	8,919.8	2.0
Current portion of debentures	3,013.1	0.8	4,107.8	1.1	7,583.6	1.7
Current portion of lease liabilities (2018, 2019: Current portion of finance lease liabilities)	110.2	0.0	130.0	0.0	1,713.6	0.4
Income tax payable	2,974.1	0.8	1,049.5	0.3	1,448.9	0.3

Unit: Baht million	As of December 31					
	2018	%	2019 <sup>1</sup>	%	2020	%
Other current financial liabilities	-	-	108.2	0.0	356.5	0.1
Other current liabilities	13,139.1	3.5	14,009.2	3.7	18,630.9	4.1
<b>Total current liabilities</b>	<b>113,700.1</b>	<b>30.0</b>	<b>112,990.6</b>	<b>29.7</b>	<b>117,161.4</b>	<b>25.9</b>
<b>Non-current liabilities</b>						
Long-term loans from financial institutions	34,640.0	9.1	42,551.2	11.2	99,448.0	21.9
Lease liabilities (2018, 2019: Finance lease liabilities)	498.1	0.1	689.2	0.2	8,944.5	2.0
Debentures	58,604.3	15.5	63,060.0	16.6	64,625.4	14.3
Deferred tax liabilities	15,788.5	4.2	17,010.0	4.5	16,685.9	3.7
Non-current provisions for employee benefits	2,327.2	0.6	4,696.2	1.2	7,658.5	1.7
Other non-current financial liabilities	-	-	145.0	0.0	1,485.7	0.3
Other non-current liabilities	1,781.3	0.5	1,258.4	0.3	1,554.4	0.3
<b>Total non-current liabilities</b>	<b>113,639.4</b>	<b>30.0</b>	<b>129,410.0</b>	<b>34.0</b>	<b>200,402.3</b>	<b>44.2</b>
<b>Total liabilities</b>	<b>227,339.5</b>	<b>60.0</b>	<b>242,400.6</b>	<b>63.7</b>	<b>317,563.7</b>	<b>70.1</b>
<b>Equity</b>						
Share capital:						
Authorised share capital	5,666.0	1.5	5,666.0	1.5	5,666.0	1.3
Issued and paid-up share capital	5,614.6	1.5	5,614.6	1.5	5,614.6	1.2
Share premium:						
Share premium on ordinary shares	60,331.4	15.9	60,331.4	15.9	60,331.4	13.3
Net gain (loss) on cash flow hedges	(157.2)	(0.0)	731.5	0.2	(400.8)	(0.1)
Exchange differences on translating financial statements	(6,638.2)	(1.8)	(16,674.5)	(4.4)	(16,361.9)	(3.6)
Excess of cost over book value of acquired subsidiaries	(2,973.7)	(0.8)	(3,778.1)	(1.0)	(3,758.3)	(0.8)
Differences arising from common control transactions	(1,235.6)	(0.3)	(1,235.6)	(0.3)	(1,235.6)	(0.3)
Retained earnings						
Appropriated						
Legal reserve	3,207.1	0.8	4,146.6	1.1	5,303.5	1.2
Unappropriated	71,815.3	18.9	66,350.0	17.4	62,257.3	13.7
<b>Equity attributable to owners of the parent</b>	<b>129,963.7</b>	<b>34.3</b>	<b>115,486.0</b>	<b>30.3</b>	<b>111,750.2</b>	<b>24.7</b>
Subordinated perpetual debentures	14,874.1	3.9	14,905.6	3.9	14,904.8	3.3
Subordinated perpetual debentures acquired by subsidiary	-	-	(679.6)	(0.2)	-	-
<b>Equity attributable to owners of the parent</b>	<b>144,837.8</b>	<b>38.2</b>	<b>129,711.9</b>	<b>34.1</b>	<b>126,655.0</b>	<b>27.9</b>
Non-controlling interests	7,017.6	1.9	8,455.4	2.2	8,952.8	2.0
<b>Total equity</b>	<b>151,855.4</b>	<b>40.0</b>	<b>138,167.3</b>	<b>36.3</b>	<b>135,607.8</b>	<b>29.9</b>
<b>Total liabilities and equity</b>	<b>379,194.8</b>	<b>100.0</b>	<b>380,567.9</b>	<b>100.0</b>	<b>453,171.5</b>	<b>100.0</b>

# Statements of Income (Consolidated Financial Statements)

Unit: Baht million	For the year ended December 31					
	2018	%	2019 <sup>1</sup>	%	2020	%
<b>Revenue</b>						
Revenue from sale of goods	347,170.9	100.0	352,692.4	100.0	331,512.9	100.0
Net foreign exchange gain	586.2	0.2	-	-	119.4	0.0
Gains on a bargain purchases	1,928.5	0.6	805.5	0.2	1,806.4	0.5
Other income	1,952.6	0.6	2,183.7	0.6	3,031.5	0.9
<b>Total revenue</b>	<b>351,638.2</b>	<b>101.3</b>	<b>355,681.6</b>	<b>100.8</b>	<b>336,470.2</b>	<b>101.5</b>
<b>Expenses</b>						
Cost of sales of goods	289,232.0	83.3	309,344.5	87.7	287,802.9	86.8
Distribution costs	18,449.4	5.3	18,974.7	5.4	20,736.8	6.3
Administrative expenses	10,143.6	2.9	14,968.3	4.2	18,046.2	5.4
Management benefit expenses	190.8	0.1	307.1	0.1	309.3	0.1
Net foreign exchange loss	-	-	296.1	0.1	-	-
<b>Total expenses</b>	<b>318,015.8</b>	<b>91.6</b>	<b>343,890.7</b>	<b>97.5</b>	<b>326,895.2</b>	<b>98.6</b>
<b>Profit from operating activities</b>	<b>33,622.4</b>	<b>9.7</b>	<b>11,790.9</b>	<b>3.3</b>	<b>9,575.0</b>	<b>2.9</b>
Finance income	247.2	0.1	183.2	0.1	192.0	0.1
Finance costs	(4,227.4)	(1.2)	(5,615.1)	(1.6)	(7,673.9)	(2.3)
Impairment loss of property, plant and equipment and right-of-use assets	(78.0)	(0.0)	(374.9)	(0.1)	(624.9)	(0.2)
Impairment loss determined in accordance with TFRS 9, net (2019: Provision for bad and doubtful debts expense, net)	-	-	(91.6)	(0.0)	(54.1)	(0.0)
Share of net profit of joint ventures accounted for using equity method	585.9	0.2	5.3	0.0	142.8	0.0
<b>Profit before tax expense (income)</b>	<b>30,150.0</b>	<b>8.7</b>	<b>5,897.7</b>	<b>1.7</b>	<b>1,556.9</b>	<b>0.5</b>
Tax expense (income)	3,812.4	1.1	1,534.0	0.4	(1,243.1)	(0.4)
<b>Profit for the year</b>	<b>26,337.6</b>	<b>7.6</b>	<b>4,363.7</b>	<b>1.2</b>	<b>2,800.1</b>	<b>0.8</b>
<b>Attributable to:</b>						
Owners of the parent	26,465.4	7.6	5,252.1	1.5	2,414.3	0.7
Non-controlling interests	(127.8)	(0.0)	(888.4)	(0.3)	385.8	0.1
<b>Profit for the year</b>	<b>26,337.6</b>	<b>7.6</b>	<b>4,363.7</b>	<b>1.2</b>	<b>2,800.1</b>	<b>0.8</b>
<b>Earnings per share (in Baht)</b>	<b>4.61</b>		<b>0.76</b>		<b>0.30</b>	
<b>Core earnings per share (in Baht)*</b>	<b>4.43</b>		<b>1.96</b>		<b>1.01</b>	

\*Core financials are calculated as reported financials less Inventory gain/ (loss) and less extraordinary items, if any to reflect operations before any extraordinary items.

<sup>1</sup>Certain accounts in the 2019 financial statements have been reclassified to conform to the disclosure in the 2020 financial statements.

<sup>2</sup>2018 financial statements have not been reclassified to conform to the disclosure in the 2020 financial statements.

**Statement of Cash Flows (Consolidated Financial Statements)**

	For the year ended December 31		
Unit: Baht million	2018	2019	2020
<b>Cash flows from operating activities</b>			
Profit for the year	26,337.6	4,363.7	2,800.1
<i>Adjustments to reconcile profit to cash receipts (payments)</i>			
Tax expense (income)	3,812.4	1,534.0	(1,243.1)
Finance costs	4,227.4	5,615.1	7,673.9
Depreciation	12,161.2	14,343.8	17,757.2
Amortisation of intangible assets and other assets	2,112.1	2,696.6	2,730.0
Impairment loss recognised in profit or loss determined in accordance with TFRS 9, net (2018, 2019: Provision for bad and doubtful debts expense, net)	23.9	91.6	54.1
Employee benefits expense related to defined benefit plans	397.0	510.5	623.5
Unrealised foreign exchange loss, net	39.7	237.7	219.4
Unrealised loss on fair value adjustment of commodity derivatives not qualified for hedge accounting, net	-	-	8.6
Share of net profit of joint ventures accounted for using equity method, net of tax	(585.9)	(5.3)	(142.8)
Provision for impairment on property, plant and equipment and right-of-use assets	49.8	374.9	624.9
Provision for losses on inventories devaluation, net	345.9	396.6	118.7
Gain on bargain purchases	(1,928.5)	(805.5)	(1,806.4)
Gain on disposal of property, plant and equipment, net	(6.5)	(181.1)	(32.9)
Loss on written-off of property, plant and equipment, net	28.1	29.3	161.3
Finance income	(247.2)	(183.2)	(192.0)
Gain on previously held interest in a jointly-controlled entity	(1.4)	-	-
	<b>46,765.7</b>	<b>29,018.8</b>	<b>29,354.5</b>
<i>Changes in operating assets and liabilities</i>			
Trade accounts receivable	(596.3)	9,825.4	4,631.4
Inventories	(18,054.9)	14,857.4	10,732.2
Other current assets	(818.0)	613.4	(155.1)
Other non-current assets	1,269.4	(3,162.5)	892.1
Trade accounts payable	8,149.8	(6,477.1)	(3,049.2)
Repayment of employee benefit related to defined benefit plans	(215.9)	(378.8)	(432.5)
Other current liabilities	(1,354.3)	447.5	2,390.2
Other non-current liabilities	20.6	(651.0)	386.1
<b>Net cash generated from operating</b>	<b>35,166.1</b>	<b>44,093.1</b>	<b>44,749.6</b>
Taxes (paid) received	(3,185.5)	(3,248.1)	(1,313.6)
<b>Net cash from operating activities</b>	<b>31,980.6</b>	<b>40,845.0</b>	<b>43,436.1</b>
<b>Cash flows from investing activities</b>			
Net cash outflow on acquisitions of businesses	(26,191.2)	(7,018.6)	(59,942.1)
Net cash outflow on investment in joint operation	(11,535.3)	-	-

	For the year ended December 31		
Unit: Baht million	2018	2019	2020
Net cash outflow on additional investment in joint ventures	(2,289.0)	(2,220.9)	(275.1)
Proceeds from sale (purchase) of other investments	2.3	116.3	(501.9)
Proceeds from sale of property, plant and equipment	78.4	441.1	49.2
Acquisition of property, plant and equipment	(16,353.0)	(16,673.9)	(16,788.8)
Proceeds from sale of intangible assets	0.2	6.4	7.8
Acquisition of intangible assets	(190.2)	(126.1)	(1,340.2)
Finance income received	250.6	177.4	189.0
<b>Net cash used in investing activities</b>	<b>(56,227.3)</b>	<b>(25,298.2)</b>	<b>(78,602.1)</b>
<b>Cash flows from financing activities</b>			
Proceeds from short and long-term loans	28,434.9	23,691.8	86,557.6
Repayment of short and long-term loans	(20,310.3)	(22,373.5)	(32,815.2)
Proceeds from debenture, net of debenture issuance costs	17,471.7	9,039.0	8,983.6
Proceeds from sale of subordinated perpetual debenture acquired by subsidiary	-	-	679.6
Payment of issuance expense of subordinated perpetual debentures	-	-	(0.8)
Repayment of debentures	(3,551.4)	(4,018.5)	(4,157.6)
Payment of lease liabilities (2018, 2019: Payment by a lessee for reduction of the outstanding liability relating to a finance lease)	(63.6)	(197.5)	(2,265.1)
Loans to joint ventures, net	(9.3)	(51.4)	(93.0)
Dividends paid to owners of the Company	(8,925.2)	(7,860.2)	(3,930.1)
Dividends paid to non-controlling interests	(67.3)	(199.7)	(186.0)
Finance costs paid	(5,141.6)	(6,641.9)	(7,549.4)
Deferred financing cost paid	(73.4)	(360.1)	(742.7)
Repayment of subordinated perpetual debentures	-	(15,000.0)	-
Issuance of subordinated perpetual debentures, net of issuance cost of Baht 94 million	-	14,905.6	-
Subordinated perpetual debentures of the Company acquired by subsidiary	-	(679.6)	-
Proceeds from issue of ordinary shares due to warrants exercised	15,852.4	-	-
Coupon payment on subordinated perpetual debentures	(1,050.0)	(1,050.0)	(743.8)
<b>Net cash from (used in) financing activities</b>	<b>22,566.7</b>	<b>(10,796.1)</b>	<b>43,737.1</b>
<b>Net increase (decrease) in cash and cash equivalents, before effect of exchange rates</b>	<b>(1,680.0)</b>	<b>4,750.6</b>	<b>8,571.1</b>
Cash and cash equivalents at 1 January	6,877.0	5,578.4	10,446.7
Effect of exchange rate changes on cash and cash equivalents	381.4	117.6	(69.2)
<b>Cash and cash equivalents at 31 December</b>	<b>5,578.4</b>	<b>10,446.7</b>	<b>18,948.5</b>

## Key Financial Ratio

		For the year ended December 31		
		2018	2019	2020
<b>Liquidity Ratio</b>				
Current ratio	times	1.1	1.1	1.0
Quick ratio	times	0.4	0.4	0.5
Cash from operating ratio	times	0.4	0.4	0.4
Receivable turnover ratio	times	9.6	9.7	9.6
Collection days	days	37.3	37.2	37.5
Inventory turnover ratio	times	4.9	4.6	4.9
Average number of days sales	days	73.3	78.4	74.1
Account payable turnover ratio	times	6.2	5.5	5.0
Payment days	days	58.4	65.0	71.9
Cash cycle	days	52.2	50.5	39.6
<b>Profitability Ratio</b>				
Gross profit margin	%	16.7	12.3	13.2
Operating profit margin	%	8.4	2.6	1.4
Non-operating profit margin	%	1.3	0.8	1.5
Net profit margin	%	7.5	1.5	0.7
Return of equity (ROE)	%	20.2	3.8	1.9
<b>Efficiency Ratio</b>				
Return on asset (ROA)	%	8.0	1.1	0.7
Return on fixed asset	%	21.6	9.0	8.6
Asset turnover	times	1.1	0.9	0.8
<b>Financial Policy Ratio</b>				
Interest bearing debt to equity	times	0.9	1.1	1.6
Net interest bearing debt to equity	times	0.9	1.0	1.4
Interest coverage ratio (on Net Cash provided by operating activities)	times	7.6	7.3	5.7
Interest coverage ratio (on EBITDA)	times	11.1	5.1	3.8

## 14. Management Discussion and Analysis (MD&A)

The following MD&A should be read in conjunction with our consolidated financial statements. It includes forward-looking statements reflecting our current views with respect to future events and future performance. Thus, a number of factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as described in our Risk Factors and statements appearing elsewhere.

### 2020 EXECUTIVE SUMMARY

#### 2020 Performance

- Full year sales volumes grew 18% to 14.08 million tons.
- Full year core EBITDA declined 3% to US\$1.11B.
- Full year operating cash flow grew 6% to US\$1.39B.
- Total capex of US\$2.6B in 2020 including Spindletop (IVOX), funded by US\$0.7B from operating cash flow and US\$1.9B from new debt.

IVL experienced a challenging 2020 on account of the COVID-19 pandemic, as well as the collapse in the price of crude oil. The major impacts were the following:

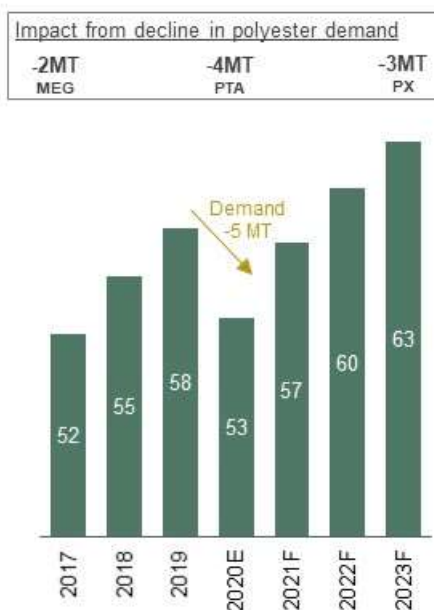
- COVID-19 related reduction in polyester fiber demand of 9% from 2019, resulting in a 47% drop in PX/PTA spreads across the industry and a 20% drop in MEG spreads.
- Drop in crude oil price to US\$42/bbl resulting in a 37% decline in the shale gas advantage from 2019, having a material impact on our MTBE and MEG businesses.
- The COVID-19 lockdown and uncertainty resulted in reduced light vehicle sales globally, impacting our Mobility fibers group with 10% lower sales volumes compared to 2019.

While challenging in the very short-term, 2020 was a reassuring year for IVL, showing that we were able to withstand the impacts with no structural damage to any of our businesses and likely a boost for our PET and Hygiene verticals due to health and safety concerns. Bolstered by a strengthened **Platform**, empowered **People**, and advanced **Systems**, we emerge from 2020 with renewed confidence in our company.

#### Platform

2020 stress tested our businesses, proving that we have created a portfolio that is resilient, sustainable and positioned for growth. Amidst challenges, IVL delivered record sales volume of 14.08 million tons, against 11.91 million tons in 2019 (growth of 18% overall and 5% excluding IVOX).

#### Global Polyester Fibers Demand MT





## Fibers

COVID-19 had a mixed impact on the Fibers segment, resulting in an overall US\$27M drop in core EBITDA (US\$195M vs US\$222M) as compared with 2019. The pandemic resulted in a sharp decline in 2Q20 with a gradual recovery in demand by year-end in our Mobility and Lifestyle verticals due to reduced car sales and closure of retail outlets leading to a severe drop in polyester fiber demand. The Hygiene vertical was unexpectedly boosted by COVID-19 related demand for masks, wipes and PPE. This diversified portfolio partially hedged Fibers against the impact of COVID-19. Our Fiber segment's leadership team prudently managed working capital and fixed costs through the period, resulting in stable ROCE and EBITDA margins, consistent with 2019.

By the end of 2020, the Mobility and Lifestyle verticals recovered close to pre-COVID levels, showing continuous improvements in operating rates.

Volumes for the Hygiene vertical remained strong through the year, our annual core EBITDA was up 35% but unevenly between quarters impacted by lag pricing from rapidly rising polypropylene prices. The negative lag will continue into 1Q21, inflated by the current freezing conditions affecting the US Gulf Coast. Petchem supply and shortages are expected to peak in 1Q21.

In 2020, as part of our five strategic priorities announced last year, we initiated a deep dive review, the "Fibers Full Potential Plan" which has delivered US\$42M in savings, 26% above target. Going forward, our full focus will be on realizing the initiatives from this transformation plan which are projected to lift our ROCE to double digits in 2023. There has been an important emphasis on leadership reorganization to respond with agility to external trends, invest in game-changing innovations, and focus on organic growth across the three Fiber verticals.

## Combined PET

This segment achieved core EBITDA of US\$794M in 2020, compared with US\$866M in 2019. Our volumes were up 5% and our PET, Packaging and Specialty businesses delivered improved core EBITDA over 2019. Nevertheless, the steep drop in crude oil prices and polyester fiber consumption negatively impacted our segment earnings. The current up-trend in crude prices and polyester demand is anticipated to positively impact our product premiums and raw material discounts in 2021.

Key headwinds in 2020 were:

- (1) Compression of PTA industry margins as a result of the decline in polyester fiber demand.
- (2) Crude-linked drop in product prices, impacting import parity into western markets for PET and lowered absolute discounts on PX procurement, leading to a narrowing of the PTA spreads over and above the significant drop in industry spreads.

		2020	2019	2020 YoY
Lifestyle	Sales Volume (MMt)	1.04	1.01	4%
	Core EBITDA (\$m)	56	62	(10%)
	Core EBITDA/t	58	64	(10%)
Mobility	Sales Volume (MMt)	0.20	0.23	(10%)
	Core EBITDA (\$m)	18	70	(74%)
	Core EBITDA/t	91	271	(66%)
Hygiene	Sales Volume (MMt)	0.40	0.38	4%
	Core EBITDA (\$m)	121	90	35%
	Core EBITDA/t	309	234	32%

\*Core EBITDA/t calculation is based on production

		2020	2019	2020 YoY
PET	Sales Volume (MMt)	4.90	4.57	7%
	Core EBITDA (\$m)	480	470	2%
PX/PTA	Sales Volume (MMt)	4.24	4.19	1%
	Core EBITDA (\$m)	134	261	(49%)
Recycling	Sales Volume (MMt)	0.25	0.20	22%
	Core EBITDA (\$m)	28	23	21%
Packaging	Sales Volume (MMt)	0.21	0.21	3%
	Core EBITDA (\$m)	80	71	13%
Specialty chemicals	Sales Volume (MMt)	0.75	0.69	8%
	Core EBITDA (\$m)	71	40	76%
Combined PET	Sales Volume (MMt)	10.35	9.86	5%
	Core EBITDA (\$m)	794	866	(8%)

On the other hand, PET demand was robust in 2020, with IVL achieving 7% YoY growth in PET sales volumes, primarily from increased demand in thermoforming for packaged food and large format bottles for home consumption. Additionally, despite a low virgin PET environment, our recycled PET business grew, reflecting strong commitments from customers towards circularity.

In spite of all of these challenges, as part of our cost transformation initiatives, we delivered US\$41M in savings in 2020, exceeding our target by US\$14M in this segment. During 2020, our combined PET leadership has been strongly aligned within the regions with empowered teams who carefully managed working capital and fixed costs through the period, resulting in stable ROCE and increased EBITDA margins, over 2019.

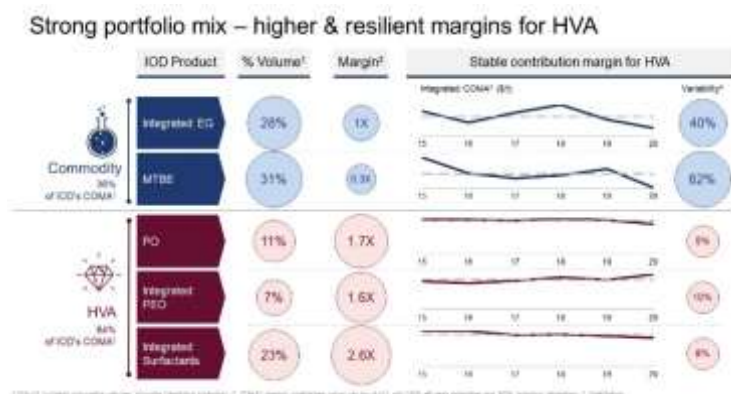
To thrive in the shifting market landscape, our strategic priorities are to further improve our cost competitiveness, improve advocacy on sustainability of PET, and grow our recycling, packaging and specialty chemicals businesses.

Our expansion plans for rPET (bottle flakes) and downstream rPET are well on track towards our 750KT commitment to the Ellen Macarthur Foundation. Our 2023 business plan envisages organic growth of 2 MMT of volume in combined PET *excluding our JV in Corpus Christi in the United State*.

#### Integrated Oxides and Derivatives (IOD)

The IOD segment achieved core EBITDA of US\$105M in 2020, compared with US\$75M in 2019, with growth coming primarily from the acquisition of IVOX in January 2020 and the startup of the IVOL ethylene cracker. IOD has seen a series of unprecedented external events during 2020, however, no structural damage to our industry was observed as we saw resilience in our HVA portfolio while commodity margins are recovering well in 2021 with the return of the shale gas advantage over crude. On a positive note, the PO/MTBE planned turnaround in 1Q20 was completed on time and within cost and we are suitably impressed with the talented and skilled leadership we have gained through the Spindletop acquisition who have integrated well with our existing leadership. This leadership faced and resolved several natural disasters of historic magnitude that have impacted our operations on the Gulf Coast of the United States, while maintaining COVID-19 safety at the forefront. The combined leadership bring to our IOD segment extensive expertise, with strong competencies to navigate the challenges ahead of us, as well as driving the growth potential of the segment.

The global MEG industry was hit by a number of negative effects in 2020; the crude-linked drop in the MEG benchmark ASP price, COVID-led reduction in MEG demand from both polyester fiber and antifreeze, and new capacities of MEG. IVL's ethane-based MEG production was affected by the erosion of the US shale gas advantage over naphtha, resulting in compressed margins. Additionally, the low demand and increased capacities led to higher discounts to customers. We believe that the overcapacity will take 2-3 years to balance and the benchmark margin recovery from currently



unsustainable levels will be dependent on producer discipline. The erosion of the shale gas advantage and weather-related production issues at our cracker in Louisiana has negatively impacted our premise of overall integration benefits. As we see oil recovering, ethylene margins will improve and IVL will benefit from the full integration of ethane to MEG, returning positive ROCE.

An added benefit that IVL's MEG business receives is a 20% tolling component that enjoys steady margins, unaffected by industry margins and changes in discounts.

On a similar trend as MEG, MTBE EBITDA significantly declined in 2020, impacted by the COVID-19 related contraction of global MTBE demand. IVL MTBE volume was low due to a planned maintenance shutdown in 1Q20 and Hurricane Laura in 3Q20. Our MTBE margin squeeze was the result of global demand as well as the erosion of the shale gas advantage. We expect a gradual improvement of MTBE prices in 2021 with the return of travel and the driving season giving positive ROCE supported by improving shale gas economics against crude oil-based producers.

As we would expect in our HVA portfolio, our Propylene Oxide (PO), Purified Ethylene Oxide (PEO) and Surfactant businesses were stable in volumes and in margins and were the key contributors to the IOD segment earnings as they operate on a raw material pass-through mechanism.

In 2020, IVL successfully integrated 1,250+ employees from Spindletop and created a "Global One Team" for the IOD segment. More than 50% of the Transfer Service Agreement with Huntsman was completed and executed faster than originally planned. IVL integrated the IOD supply chains, leveraging procurement across the Company.

Going forward, we anticipate significant performance improvements in this business based on a widely expected market recovery and our comprehensive "Project Olympus" initiatives. In parallel, we are exploring multiple opportunities to harness IOD's value and growth potential by creating value in adjacency, product line expansion and technology licensing.

## People

The management team has used 2020 to "prepare for growth" by re-organizing the business and building strong leadership teams at every vertical. We now have 16 independent business teams, sitting within our three business segments, operating with accountability and agility. We are positioning the organization around a sound set of goals that empower our people to make good decisions quickly, preparing the company for the next era of growth.

## Systems

To unlock the full potential of IVL and help our people with various tools to organize themselves to perform better, we have developed a pan-IVL operating system, on our journey towards establishing institutional excellence and efficiency. The cornerstone for operational excellence lies in the successful implementation of companywide one ERP, i.e. S4 HANA, for which we are progressing well and on track. In addition to ERP, we are further enabling our teams with various support systems, such as shared services and centers of excellence.

### *Project Olympus*

Execution of the company's cost saving and business transformation project, called "Project Olympus," is off to a strong start as IVL is ahead of the first year's plan by 21%+ in cost savings. Encouraged by

the internal assessment and outperformance, we have increased our Project Olympus ambition to deliver US\$610M in extra EBITDA on an annual basis by 2023 over 2019 (vs. US\$352M announced last year), comprised of 2,400+ Cost Transformation and Business Full Potential initiatives.

#### Corporate Strength and Strong Liquidity

IVL is well-positioned with operating cash flow of US\$1.39B in 2020 and liquidity of around US\$2.6B in December 2020. On a pro-forma basis, IVL's operating debt improved at the end of 2020 over 2019, our interest rates decreased and we locked in 70% of debts at these historic low rates. We anticipate using our free cash flow for 2021 in strategic projects (including recycling growth), paying down debts, improving shareholder's returns and our ROCE.

#### Capex

Total capex spending in 2020 of US\$2.6B includes maintenance capex of US\$326M. The acquisition of IVOX in January 2020 resulted in higher capex growth during the year. Our expected maintenance capex for 2021 and onwards is around US\$300-350M per year.

#### 2020 Summary Financials

**Table 1: Core Financials of Consolidated Business**

US\$million (except where stated otherwise)	2020	2019	Change %
Production Volume (MMT)	13.72	12.34	11%
Consolidated Revenue <sup>1</sup>	10,594	11,361	(7)%
<b>Core EBITDA<sup>2,3</sup></b>	<b>1,114</b>	<b>1,147</b>	<b>(3)%</b>
Combined PET	794	866	(8)%
Integrated Oxides and Derivatives	105	75	40%
Fibers	195	222	(12)%
Core EBIT	459	598	(23)%
<b>Core Net Profit after Tax and NCI<sup>4</sup></b>	<b>205</b>	<b>387</b>	<b>(47)%</b>
Core Net Profit after Tax and NCI (THB m)	6,430	12,002	(46)%
<b>Core EPS after PERP Interest (THB)</b>	<b>1.01</b>	<b>1.96</b>	<b>(0.95)</b>
<b>Core EBITDA/T (US\$)</b>	<b>81</b>	<b>93</b>	<b>(13)%</b>
<b>Operating Cash Flow<sup>5</sup></b>	<b>1,388</b>	<b>1,316</b>	<b>6%</b>
<b>Net Operating Debt to Equity (times)<sup>6</sup></b>	<b>1.24</b>	<b>1.30</b>	<b>6bps</b>

\* Integrated Oxides and Derivatives was previously called Olefins. The new nomenclature better reflects our sector following the consolidation of Spindletop assets.

\*\* Combined PET includes Integrated PET, Specialty Chemicals and Packaging.

<sup>1</sup>Consolidated financials are based on elimination of intra-company or intra-business segment transactions.

<sup>2</sup>Total of each segment may not always tally with consolidated financials due to holding segment.

<sup>3</sup>Core EBITDA is Reported EBITDA less Inventory gains/(losses)

<sup>4</sup>Core Net Profit is Reported Net Profit less Inventory gains/(losses) and one-time extraordinary items.

<sup>5</sup>Operating Cash Flow is after changes in net working capital and cash tax, before maintenance capex.

<sup>6</sup>Net operating debt of 2019 includes capex/acquisition of IVOL and Spindletop as they started/acquired in Jan20 itself.

## Our view of IVL businesses in 2021:

As 2020 progressed, it became clear that the impact of the crude oil price collapse and COVID-19 on our industries was temporary, rather than structural in nature. With 123 operating sites in 33 countries, we are well-positioned to reap the benefits from consumption recovery in 2021 in all three segments and the various businesses therein.

### FIBERS:

- Our Lifestyle fibers vertical has seen a strong recovery at the end of 2020. As vaccines rollout and main street opens up, we expect a strong rebound in polyester fiber demand coming from the replenishment of pipeline inventory to support pent-up consumer demand.
- Our acquisition of Fiber assets in India is expected to perform better with higher fiber demand and operational excellence initiatives taken post-acquisition.
- Mobility fibers demand improved at the end of 2020 and is expected to improve further in 2021 as passenger vehicle sales should see a positive move to personal travel modes.
- Hygiene fibers demand is expected to remain strong due to consumers heightened sensitivity to safety.
- Polypropylene (PP) prices should peak in 1Q21, creating a positive lag in 2Q21. The freezing US Gulf Coast has created a shortage of PP supply and tightness in Hygiene fibers. IVL is substantially covered and therefore could see overall improvement in 1H21.

### Combined PET:

- The increase in the price of crude oil will positively impact our PET premiums and result in positive inventory valuation gains.
- We see robust demand for PET and tightness in the market (similarly for Polyester fiber), which will be positive for spreads across our value chain of PX, PTA and MEG. Increased prices of feedstocks from crude oil are expected to be a pass through for Combined PET.
- Higher freight costs from Asia to Europe and Americas increases the landed cost (import parity) into these net importing western countries. As a global domestic producer, IVL will benefit being a domestic producer in these markets.
- PIA spreads improved with higher demand for PET and recovery in other applications like coatings. We are confident in our Specialty PET and NDC earnings from higher production.
- The push in circularity helps our rPET and rFIBER volumes which are being expanded both organically and through M&A.
- The key risks to our Combined PET segment are due to unforeseen production or weather-related delays.
- Overall, we anticipate volume growth to meet robust demand.

### IOD:

- Recent months have seen a continuous improvement in the price of crude oil, gasoline demand, and MEG demand; further recovery is expected in 2021.



- The higher crude oil price is improving the MEG benchmark price and the US shale gas advantage, widening MEG spreads. Our integration into Ethylene allows us to capture the shale advantage. Crack margins have recovered since 4Q20 driven by strong derivatives demand and the higher crude oil price. On an integrated basis, IVL's EG portfolio stands to benefit and this should be reflected in our earnings as the IVOL cracker comes back online in June 2021.
- Following the successful rollout of COVID-19 vaccines, we anticipate improved gasoline demand through increased mobility and the upcoming driving season. MTBE is anticipated to benefit from the improved shale gas advantage over naphtha as well as the improvement in demand.
- Our HVA businesses in IOD such as Propylene Oxide, Integrated Surfactants and PEO is expected to continue to provide the segment with resilient earnings.
- The key risk to our earnings is weather-related as we have experienced to date, but we are confident in our management to minimize the impacts.

## BUSINESS SEGMENTS DEFINITIONS

IVL now categorizes its businesses in three segments. This section of the document will discuss the performance of these three segments.

	<b>Integrated PET</b>	<b>Full PET value chain</b> PX (Paraxylene), PTA (Purified terephthalic acid), PET (Polyethylene terephthalate), and Recycling
	<b>Specialty Chemicals</b>	<b>Specialty PET-related chemicals</b> (for medical, premium bottles, films and sheets); <b>PIA</b> (Purified Isophthalic Acid, for PET production, unsaturated polyester resins and coatings); <b>NDC</b> (Naphthalene Dicarboxylate, for optical displays and industrial/mobility uses)
	<b>Packaging</b>	<b>PET preforms and packaging</b> (e.g. bottles) for beverage and food end uses
<b>Integrated Oxides and Derivatives</b>	<b>Includes Integrated EG, Integrated Purified EO, PO/MTBE and Integrated Surfactants including EOA, LAB and others</b>	
<b>Fibers</b>	<b>Polyester, Rayon, Nylon, Polypropylene, composites and worsted wool fibers, for three end-use segments:</b> Mobility (automotive parts e.g. airbags, tires, seatbelts), Lifestyle (apparel, active wear), and Hygiene (diapers, feminine care)	

## PERFORMANCE HIGHLIGHTS

**Table 2: Segment Results**

US\$million (except where stated otherwise)	2020	2019	Change %
<b>Production Volume (MMT)</b>	<b>13.72</b>	<b>12.34</b>	<b>11%</b>
Combined PET	10.17	10.31	(1)%
Integrated PET	9.27	9.36	(1)%
Packaging	0.20	0.21	(4)%
Specialty Chemicals	0.70	0.74	(5)%
Integrated Oxides and Derivatives	1.98	0.41	380%
Fibers	1.57	1.61	(3)%
<b>Operating rate (%)</b>	<b>79%</b>	<b>85%</b>	<b>(6)%</b>
Combined PET	82%	86%	(4)%
Integrated PET	83%	88%	(6)%
Packaging	73%	76%	(4)%
Specialty Chemicals	74%	69%	8%
Integrated Oxides and Derivatives	75%	75%	0%
Fibers	72%	83%	(13)%
<b>Consolidated Revenue<sup>1,2</sup></b>	<b>10,594</b>	<b>11,361</b>	<b>(7)%</b>
Combined PET	6,783	8,536	(21)%
Integrated PET	5,918	7,620	(22)%
Packaging	302	335	(10)%
Specialty Chemicals	892	954	(6)%
Integrated Oxides and Derivatives	1,552	293	429%
Fibers	2,696	3,153	(15)%
<b>Core EBITDA<sup>3</sup></b>	<b>1,114</b>	<b>1,147</b>	<b>(3)%</b>
Combined PET	794	866	(8)%
Integrated Oxides and Derivatives	105	75	40%
Fibers	195	222	(12)%
<b>Core EBITDA Margin (%)</b>	<b>11%</b>	<b>10%</b>	<b>0 ppt.</b>
Combined PET	12%	10%	2 ppt.
Integrated Oxides and Derivatives	7%	25%	(19) ppt.
Fibers	7%	7%	0 ppt.
<b>Core ROCE%</b>	<b>5%</b>	<b>8%</b>	<b>(3) ppt.</b>
Combined PET	13%	13%	0 ppt.
Integrated Oxides and Derivatives	(4)%	5%	(9) ppt.
Fibers	1%	1%	0 ppt.

<sup>1</sup>Consolidated financials are based on elimination of intra-company or intra-business segment transactions.

<sup>2</sup>Total of each segment may not always tally with consolidated financials due to elimination of Intra-company.

<sup>3</sup>Core EBITDA is Reported EBITDA less Inventory gains/(losses)

## CAPITAL EXPENDITURE PROGRAM

IVL expects its balance sheet and cash flow from operations to remain strong, and sufficient to meet its planned investments in future growth opportunities.

**Table 3: Major Projects Update and Recycling Growth Plan**

Project	Business	Expected Completion	Total Installed Capacity (KT)	Earnings & Returns	Capex in US\$M
Olympus Cost Transformation Program	Corporate and all business segments	2021-2023	n/a	EBITDA ~US\$600M	~600
Corpus Christi PET/PTA	Integrated PET	2024	PET: 367 kta PTA: 433 kta	Double digit ROCE	~700 (till Dec'20: 421)
Recycling projects	PET recycling	2021-2023	~600kta	ROCE 13-15%	~400

<sup>1</sup> Spindletop assets' acquisition completed on 3<sup>rd</sup> January 2020, total paid US\$2 billion

<sup>2</sup> Gas Cracker (IVOL) commercial startup on 31<sup>st</sup> January 2020, total capex ~US\$1 billion

## Accounting Policy

The accounting policies are adopted and applied consistently to all of the periods. For more information on key accounting policies, please refer to Note numbers 3 and 4 of our full-year 2020 audited financial statements.

## Emphasis of Matters in the Auditors Opinion

The auditor has drawn attention to the consolidated financial statements to Note 6, that the materiality of the transaction and the significant judgement and complexities involved in determining the fair value of identifiable assets acquired and liabilities assumed. Note 15 that the materiality of the balances and the significant judgement and complexities involved in determining the future cash flows attributable to the CGUs, and Note 18 that, the materiality of the balances and the significant judgement and complexities involved in determining the future cash flows attributable to the individual CGU to which goodwill belongs. The opinion is not modified in respect of this matter.

## Performance Comparison

### Revenue from the sale of goods

THB in millions	FY 2019	FY 2020	Change (%)
Revenue from the sale of goods	352,692.4	331,512.9	(6.0)%
Add: Eliminations	30,863.7	23,976.4	(22.3)%
Adjusted revenue from the sale of goods	383,556.2	355,489.3	(7.3)%
Integrated PET	236,358.4	185,197.1	(21.6)%
Packaging	10,403.5	9,462.7	(9.0)%
Specialty Chemicals	29,804.3	27,919.1	(6.3)%
Integrated Oxides and Derivatives	9,099.5	48,552.8	433.6%



THB in millions	FY 2019	FY 2020	Change (%)
Fibers	97,890.5	84,357.7	(13.8)%

Sales revenue for the year ended 2020 was THB 331,512.9 million, a decrease of 6.0% from 2019, while the sales volume grew 18.2% from 2019. The decrease in sales revenue is the result of the steep drop in the crude oil price in 2020 which affected crude-linked product prices to drop.

#### Integrated PET Revenue

Integrated PET revenue for the year ended 2020 was THB 185,197.1 million, a decrease of THB 51,161.4 million, or 21.6% from 2019, mainly driven by the drop in the crude oil price that strongly affected the PTA product price despite the increase in sales volumes by 4.8%.

#### Packaging Revenue

Packaging revenue for the year ended 2020 was THB 9,462.7 million, a decrease of THB 940.8 million, or 9.0% from 2019, driven by the negative impact from the drop in the crude oil price despite the increase in sales volumes by 2.6%.

#### Specialty Chemicals Revenue

Specialty Chemicals revenue for the year ended 2020 was THB 27,919.1 million, a decrease of THB 1,885.2 million or 6.3% from 2019, driven by the negative impact from the COVID-19 pandemic despite the increase in sales volumes by 8.3%.

#### Integrated Oxides and Derivatives Revenue

Integrated Oxides and Derivatives revenue for the year ended 2020 was THB 48,552.8 million, an increase of THB 39,453.3 million, or 433.6% from 2019, driven by the increased sales volume which grew by 374.9%. The higher volume contributions were from the acquisition of IVOX in January 2020.

#### Fibers Revenue

Fibers revenue for the year ended 2020 was THB 84,357.7 million, a decrease of THB 13,532.8 million, or 13.8% from 2019, driven by the impact from the COVID-19 lockdown and uncertainty that caused less light vehicle sales globally and the closure of retail outlets leading to a severe drop in polyester fiber demand, impacting our Mobility and Lifestyle group. However, sales volumes grew by 1.6%.

#### **Cost of Sales of Goods**

THB in millions	FY 2019	FY 2020	Change (%)
Cost of sales of goods	295,054.6	270,055.0	(8.5)%
As a percentage of total revenues	83.7%	81.5%	

Our cost of sales for the year ended 2020 was THB 270,055.0 million, a decrease of THB 24,999.6 million, or 8.5% from 2019 which is in-line with the decrease in sales revenue.

#### **Gross Profit**

THB in millions	FY 2019	FY 2020	Change (%)
Gross profit	57,637.8	61,457.9	6.6%
As a percentage of total revenues	16.3%	18.5%	

Gross profit for the year ended 2020 was THB 61,457.9 million, an increase of THB 3,820.1 million or 6.6% from 2019. The gross profit margin of 18.5% in 2020 increased from the prior year mainly due to the acquisition of IVOX in January 2020, of which the product portfolio has higher margins, adding to IVL's existing product portfolios. However, lower spreads in the existing business of Integrated PET can be seen in the table below on industry spreads.

#### Spread or Raw Material Margins\*

Amount in US\$ per MT	FY 2019	FY 2020
<b>Industry spread</b>		
Asia Integrated PET	243	206
West Integrated PET	439	404

\*Selling price less raw material consumption

Our actual geographic capacity mix also impacts our margin when compared with the industry.

#### Earnings before Interest Expenses, Income Taxes, Depreciation & Amortization (EBITDA)

THB in millions	FY 2019	FY 2020	Change (%)
EBITDA <sup>(1)</sup>	28,913.5	29,423.9	1.8%
Add: Inventory loss/(gain) <sup>(2)</sup>	6,689.1	5,422.9	
CORE EBITDA	35,602.6	34,846.9	(2.1)%
As a percentage of total revenues	10.1%	10.5%	
Add: Eliminations and others <sup>(3)</sup>	492.1	(621.9)	
Adjusted CORE EBITDA	36,094.7	34,225.0	(5.2)%
Integrated PET	23,408.9	20,085.4	(14.2)%
As a percentage of total Integrated PET revenue	9.9%	10.8%	
Packaging	2,219.3	2,518.8	13.5%
As a percentage of total Packaging revenue	21.3%	26.6%	
Specialty Chemicals	1,255.2	2,232.1	77.8%
As a percentage of total Specialty Chemicals revenue	4.2%	8.0%	
Integrated Oxides and Derivatives	2,320.2	3,280.4	41.4%
As a percentage of total Integrated Oxides and Derivatives revenue	25.5%	6.8%	
Fibers	6,891.1	6,108.3	(11.4)%
As a percentage of total Fibers revenue	7.0%	7.2%	

(1) EBITDA is calculated from sales revenue adding net foreign exchange gain (loss) and other income, then deducting cost of sales, selling & administrative expenses (excludes depreciation & amortization), management benefits expenses, and adjusting by extraordinary items. Excluding Feedstock price adjustments for captive sales to PET on freight savings. There are no impacts on regional or consolidated EBITDA.

(2) Inventory gains (losses) are the gains or losses on the inventories that IVL carries every month, due to the movement in the prices of finished products and raw materials following market movements.

(3) Eliminations and others include the amounts attributable to intra-group transactions and the EBITDA of holding companies.

Core EBITDA for the year ended 2020 was THB 34,846.9 million, a decrease of THB 755.8 million or 2.1%, mainly on account of the COVID-19 pandemic, as well as the crude oil price collapse, combined with a chain of natural calamities.

#### Integrated PET Core EBITDA

Integrated PET Core EBITDA for the year ended 2020 was THB 20,085.4 million, a decrease of THB 3,323.6 million, or 14.2% from 2019, driven by the COVID-19 related reduction in polyester fiber demand, resulting in a steep drop in PX/PTA spreads across the industry along with lowered absolute discounts on PX procurement, leading to narrowing of the PTA spreads over and above the significant drop in Industry spreads. In addition, the crude-linked drop in product prices also impacted import parity into western markets for PET.

#### Packaging Core EBITDA

Packaging Core EBITDA for the year ended 2020 was THB 2,518.8 million, an increase of THB 299.5 million, or 13.5% from 2019, driven by a full-year operation of Bevpak (acquired in October 2019).

#### Specialty Chemicals Core EBITDA

Specialty Chemicals Core EBITDA for 2020 was THB 2,232.1 million, an increase of THB 977.0 million, or 77.8% from 2019. This was driven mainly by the recovery of PIA industry spreads and improved volumes in NDC.

#### Integrated Oxides and Derivatives Core EBITDA

Integrated Oxides and Derivatives Core EBITDA for the year ended 2020 was THB 3,280.4 million, an increase of THB 960.3 million, or 41.4% from 2019, driven by the acquisition of IVOX and the startup of the IVOL ethylene cracker in January 2020. However, the Integrated Oxides & Derivatives segment of IVL was adversely impacted due to the steeply lower crude oil price impacting margins of MEG and MTBE as shale gas lost its advantage against naphtha-based producers. Moreover, IVL realized a loss from several natural disasters of historic magnitude that impacted our operations on the Gulf Coast of the United States and 2020 performance. The damage is covered under comprehensive insurance coverage including loss of profit.

#### Fibers Core EBITDA

Fibers Core EBITDA for the year ended 2020 was THB 6,108.3 million, a decrease of THB 782.9 million, or 11.4% from 2019. This resulted from the fact that the Mobility & Lifestyle Fibers segment was severely impacted due to lockdowns, less consumer spending on durables and travel restrictions. However, Hygiene Fibers remains strong in demand & margins with its essentials nature of applications in the time of the pandemic.

#### **Other Revenues**

THB in millions	FY 2019	FY 2020	Change (%)
Interest income	183.2	192.0	4.8%
Net foreign exchange gain/(loss)	(296.1)	119.7	
Gain on a bargain purchase	805.5	1,806.4	124.3%

Other income	2,183.7	3,031.5	38.8%
Total	2,876.2	5,149.6	79.0%

#### Interest Income

Interest income for the year ended 2020 was THB 192.0 million, an increase of THB 8.9 million, or 4.8% from 2019. This was mainly due to an increase in current investments during the year.

#### Net Foreign Exchange Gain/(Loss)

There was a net foreign exchange gain for 2020 of THB 119.7 million which equals to 0.0% of net revenue. Currency volatilities are also hedged in a natural way due to our global presence, for example, US\$ assets are hedged naturally against US\$ liabilities.

#### Gains on Bargain Purchases

In 2020, IVL acquired several businesses where the excess of the Group's interest in the net identified assets and liabilities of the companies acquired over cost (recognized values are higher than the consideration transferred) are considered to be gains on bargain purchases, and recognized in the consolidated statement of income in accordance with generally accepted accounting principles for business combinations. A valuation of net identified assets acquired and liabilities assumed is calculated every time to arrive at recognized values. Fair value adjustments are the difference between the carrying amount and the recognized value. In 2020, IVL had gains on bargain purchases of THB 1,806.4 million. The following details are provided:

THB in millions	Net identified assets acquired and liabilities assumed				
	Interest acquired (%)	Recognized values	Total Consideration	Gain on a bargain purchase	Goodwill
Companies acquired during the year ended December 31, 2019					
M&G Fibras Brasil Ltda., Brazil	100%	984.8	870.3	114.4	-
UTT Beteiligungsgesellschaft mbH, Germany	100%	2,833.1	2,325.9	507.1	-
INVISTA Resins & Fibers GmbH, Germany	100%	1,323.2	1,139.2	183.9	-
IVL Dhunseri Petrochem Industries Private Limited, India	50%	2,721.3	3,309.3	-	588.0
Custom Polymers PET, LLC, USA	100%	874.4	954.7	-	80.3
Indo Rama Synthetics )India (Limited, India	39%	1,578.9	1,672.2	-	93.3
Bevpak (Nigeria) Limited, Nigeria	100%	(110.8)	22.0	-	132.8
Sinterama S.p.A. and its subsidiaries, Italy, Brazil, China and Bulgaria	100%	1,775.2	1,797.7	-	22.5
Green Fiber International Inc., USA	100%	521.9	746.1	-	224.2
				805.5	1,141.1
Companies acquired during the year ended December 31, 2020					
Huntsman Corporation, USA	100%	60,922.5	59,116.1	1,806.4	-
AG Resinas Ltda., Brazil	100%	215.9	291.0	-	75.0
Industrie Maurizio Peruzzo Polowat spółka z ograniczoną odpowiedzialnością, Poland	100%	437.5	465.3	-	27.9
				1,806.4	102.9

A gain on a bargain purchase is considered by management as an extraordinary item which does not arise from the normal operations of the business, but is included in the net profit of the Company.

Additional information on each acquisition is provided in Note 6 – Acquisitions of Businesses in the Audited Financial Statements. Net identifiable assets acquired, including intangible assets, i.e. customer contracts, technology licenses and know-how, trade names and trademarks, were all recognized in the financial statements at fair value, and subject to depreciation, amortization or impairment (if any) in accordance with generally accepted accounting principles, as disclosed in Note 4 – Significant Accounting Policies in the Audited Financial Statements.

IVL's management expertise and business model allows us to buy companies most of the time at below their fair value as determined by an appraiser. We, therefore, need to record the gain on bargain purchases. These gains are recorded under property plant & equipment or intangibles or other assets, as applicable.

#### Other Income

Other income for the year ended 2020 was THB 3,031.5 million, an increase of THB 847.8 million, or 38.8%, from 2019. This was mainly due to an insurance claim of Auriga Polymers Inc. and other income. Please refer to Note 28 – Other Income in the Audited Financial Statements for further details.

#### Expenses

THB in millions	FY 2019	FY 2020	Change (%)
Distribution costs <sup>(1)</sup>	18,974.7	20,736.8	9.3%
Administrative expenses <sup>(1)</sup>	14,968.3	18,046.2	20.6%
Management benefit expenses	307.1	309.3	0.7%
Total	34,250.1	39,092.3	14.1%

*(1) Distribution costs and Administrative expenses in the 2019 financial statements have been reclassified to conform to the disclosure in the 2020 financial statements.*

Total expenses for the year ended December 31, 2020 was THB 39,092.3 million, an increase of THB 4,842.2 million, or 14.1%, from 2019 as a result of higher spending on selling and administrative expenses in-line with our volume growth. Please refer to Note 30 and 31 – Distribution Costs and Administrative Expenses of the Audited Financial Statements for further details on this item.

#### Impairment Loss Determined in Accordance with TFRS 9 (2019: Provision for bad and doubtful debt expenses)

IVL had an impairment loss amount of THB 54.1 million in 2020 and THB 91.6 million in 2019, a decrease of THB 37.4 million, or 40.9%, from 2019 due to the adaptation of TFRS 9 in 2020. Please refer to Note 3 and 38 – Changes in Accounting Policies and Financial instruments.

#### Research and Development (R&D) Expenses

IVL has a robust R&D platform with 17 centers for innovation around the world. We are strongly committed to providing innovative solutions to our customers and focusing on an agenda geared to sustainability. We have many high value-added businesses which require R&D, and as a result, we have a strongly focused approach to innovation. In 2020, IVL spent THB 601.2 million (2019: THB 412.1 million) on R&D.

#### Finance Costs

Finance costs for the year ended 2020 was THB 7,673.9 million, an increase of THB 2,058.7 million from 2019, that were in-line with an increase in overall interest-bearing liabilities.

#### Share of Profit of Jointly-Controlled Entities, Net

IVL had a share of profit from joint ventures in the amount of THB 142.8 million and THB 5.3 million for the year ended 2020 and 2019, respectively. An increase in the share of profit from joint ventures was due to ES FiberVisions (Suzhou), ES FiberVisions (Thailand) and Huvis. Please refer to Note 12 – Investment in Joint Ventures in the Audited Financial Statements for further details.

#### Tax Income

Tax income for 2020 was THB 1,243.1 million. This was driven by the record of Deferred Tax Assets in India and the reverse of tax provision in the United States.

#### Net Profit

THB in millions	FY 2019	FY 2020	Change (%)
Net profit	4,363.7	2,800.1	(35.8)%
As a percentage of total revenues	1.2%	0.8%	
Profit attributable to:			
Owners of the Company	5,252.1	2,414.3	(54.0)%
Non-controlling interests	(888.4)	385.8	143.4%

Net Profit for the year ended December 31, 2020 was THB 2,800.1 million, a decrease of THB 1,563.6 million, or 35.8%, from 2019 due to a significant decline in industry margins across the business due to the sharp drop in the price of crude oil in 2020 and due to the COVID-19 pandemic leading to the drop in production volume in the overall business. Please refer to the explanation of EBITDA above for more details. Net profit for the period included extraordinary items, i.e. gains on bargain purchases, acquisition costs, and related transaction expenses incurred on completed acquisitions. These non-recurring items are not from the normal operations of the business.

#### **Financial Position**

IVL closely monitors the financial position, and any changes, of various businesses at the group level. An analysis of the financial position is presented below:

#### Total Assets

As of December 31, 2020 and 2019, IVL had total assets of THB 453,171.5 million and THB 380,567.9 million, respectively. The increase of 19.1% was mainly due to growth in our business from expansions and acquisitions. The major assets are as follows:

#### Trade Accounts Receivable

As of December 31, 2020 and 2019, IVL reported trade accounts receivable of THB 33,421.6 million, and THB 34,304.9 million respectively, representing 7.4% and 9.0% of total assets.

From January 1, 2020, the Company initially applied TFRS - Financial instruments standards. The Company has established a risk management committee, which established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment

and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed periodically. Any sales exceeding those limits require approval from the risk management committee.

The following table provides information about the exposure to credit risk and ECLs for trade accounts receivables.

THB in millions	Consolidated financial statements	
	December 31, 2019 <sup>(1)</sup>	December 31, 2020
Within credit terms	30,115.5	30,001.5
Overdue:		
Less than 3 months	3,593.0	3,068.6
3-6 months	270.6	222.2
6-12 months	127.2	87.6
Over 12 months	822.9	665.0
	34,929.1	34,044.8
Less: allowance for expected credit loss	(624.2)	(623.2)
Total	34,304.9	33,421.6

<sup>(1)</sup>Trade accounts receivables and allowance for doubtful accounts in the 2019 financial statements have been reclassified to conform to the disclosure in the 2020 financial statements

### Inventories

As of December 31, 2020 and 2019, IVL reported inventories of THB 53,938.5 million and THB 62,164.9 million, respectively, representing 11.9% and 16.3% of total assets. The decrease in inventories is the result of a planned reduction in production to manage inventories.

### Investment in Joint Ventures

As of December 31, 2020 and 2019, IVL reported investments in jointly-controlled entities of THB 2,954.9 million and THB 2,492.2 million, respectively, representing 0.7% and 0.7% of total assets. The slight increase is mainly the result of an increase in share capital of some joint ventures with Huvis and Loop Technologies and entering into a new Joint Venture Agreement with Toyobo, for which the Group entirely subscribed to the portion of its shareholdings.

### Property, Plant and Equipment (PPE)

As of December 31, 2020 and 2019, IVL reported property, plant and equipment of THB 264,290.9 million and THB 212,422.9 million, respectively, representing 58.3% and 55.8% of total assets. The increase is the result of the completed acquisition of certain integrated Oxides and Derivatives businesses from IVOX in the United States. We also acquired PET recycling assets for PETValue in the Philippines, AG Resinas in Brazil and IMP Polowat in Poland.



### Other Intangible Assets

As of December 31, 2020 and 2019, IVL reported intangible assets of THB 31,230.6 million and THB 24,165.1 million, respectively, representing 6.9% and 6.3% of total assets. Intangible assets increased 29.2% from last year which was mainly from customer contracts and relationships which were acquired through business combinations in 2020. Please refer to Note 19 – Other Intangible Assets in the Audited Financial Statements for further details.

### Loan to Related Parties

IVL has given certain loans to related parties as per Note 7 – Related Parties in the Audited Financial Statements. There are various strategic reasons given and as of December 31, 2020, these amounts are not material.

### Total Liabilities

As of December 31, 2020 and 2019, IVL reported total liabilities of THB 317,563.7 million and THB 242,400.6 million, respectively. The increase in total liabilities resulted from an increase in loans from financial institutions as a result of the acquisition of IVOX in the United States at the beginning of 2020.

### Trade accounts payable

As of December 31, 2020 and 2019, IVL had trade accounts payable of THB 57,782.6 million and THB 57,172.9 million, respectively. This was in-line with the growth in volumes from business expansion and acquisitions. The payment days increased from 65.0 days for the year ended December 31, 2019, to 71.9 days for the year ended December 31, 2020, as a result of management actions on working capital optimization.

### Interest-bearing liabilities

As of December 31, 2020 and 2019, IVL reported interest-bearing liabilities of THB 211,960.5 million and THB 146,951.3 million, respectively, representing 46.8% and 38.6% of total liabilities and shareholders' equity.

Our net operating debt-to-equity increased from 0.66 times at the end of 2019 to 1.24 times at the end of 2020, after spending on capex and investments of THB 80,110.7 million in 2020 which was primarily from the acquisition of IVOX. IVL's net operating debt increased from THB 91,647.8 million at the end of December 31, 2019 to THB 167,532.1 million at the end of December 31, 2020.

The table below describes total debt and net operating debt in THB billions:

THB billions	31-Dec-19	31-Dec-20
Total debt	147	212
Bank overdraft and short-term loans	30	21
Long-term debt (Current portion)	6	11
Debentures (Current portion)	4	8
Long-term debt (Non-current portion)	43	108
Debentures (Non-current portion)	63	65
Cash & Cash under management	11	20
Cash and cash equivalents	10	19
Current investments and loans given	0	1
Net debt	136	192

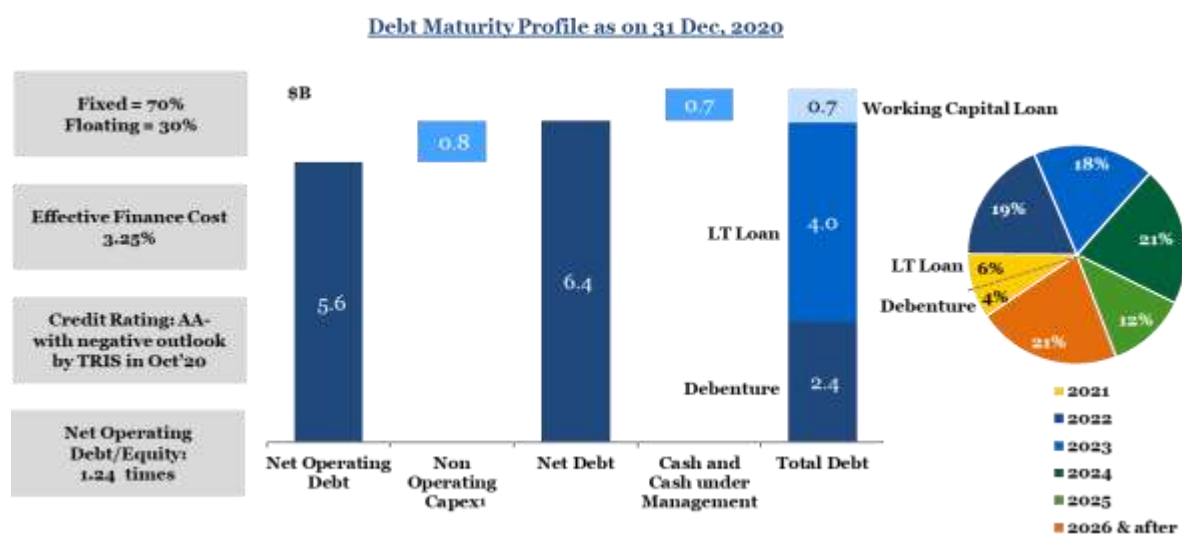


THB billions	31-Dec-19	31-Dec-20
Non-operating debt (Project debt)	45	25
Net operating debt <sup>(1)</sup>	92	168
Net debt to equity (times)	0.99	1.42
Net operating debt to equity (times) <sup>(2)</sup>	0.66	1.24
Debts with fixed interest %	62%	70%
Credit rating by TRIS	AA-	AA-

<sup>(1)</sup>Net debt after debt for capex and investments in progress that is not generating revenue and earnings as on the date given.

<sup>(2)</sup>Net operating debt to equity in 2019 excludes capex/acquisition of IVOL and Spindletop. If included, net operating debt to equity would be 1.30 times against 0.66 times as above.

The graph below provides the repayment schedule for long-term debt and debentures in US\$ billions:



<sup>1</sup> Includes various projects underway which are not yet completed and have not yet started contributing to earnings.

### Shareholders' Equity

As of December 31, 2020 and 2019, IVL reported shareholders' equity of THB 135,607.8 million and THB 138,167.3 million, respectively. The decrease in shareholders' equity was mainly due to the increase in loss of hedging reserve in 2020 compared to profit in 2019. Please refer to "Statement of Changes of Equity" in the Audited Financial Statements for more details.

### Cash Flow

IVL generated THB 43,436.1 million in cash flow from operating activities in 2020 compared to THB 40,845.0 million in 2019 due to lower prices and operational excellence.

Cash flow used in investing activities of THB 78,602.1 million in 2020 was primarily paid towards the acquisition of IVOX in the United States and AG Resinas in Brazil. Capex and investments were funded by a mix of long-term loans and cash flow from operations.

Cash flow from financing activities of THB 43,737.1 million in 2020 was principally a result of short and long-term loans net of repayment that were used to support business growth.

### Liquidity

Strong cash flow from operations and a longer average loan maturity led to a high liquidity position for the Company. As at December 2020, IVL had liquidity of THB 78,398.0 million, in the form of cash and

cash under management, plus un-utilized banking credit lines. The high liquidity provides us greater flexibility in business operations and allows us to finance accretive growth opportunities.

## Key Financial Ratios

### Current Ratio

Our current ratio is calculated by dividing total current assets by total current liabilities. IVL's current ratio decreased slightly from 1.1 times at the end 2019 to 1.0 times at the end 2020 driven mainly by an increase in current liabilities. However, this ratio above 1 illustrated the strong financial position and liquidity of the Company as well as assurance of IVL's ability to pay-off our short-term liabilities.

### Return on Equity Ratio (ROE)

Our ROE ratio is calculated by dividing our profit attributable to owners of the Company for the period by the average of the total equity attributable to equity holders of the Company. IVL ROE of 1.9% in 2020 compared to 3.8% in 2019. IVL's core ROE of 5.0% in 2020 compared to 9.0% in 2019 which decreased in-line with a decline in EBITDA and net profit.

Note: For the core ROE% calculation, we use the formula as follows: Core profit attributable to owners of the Company after interest on perp/average of the equity attributable to shareholders of the Company.

### Return on Assets Ratio (ROA)

Our ROA ratio is calculated by dividing profit before finance costs and income tax expenses by the average total assets. For the year ended 2020 and 2019, our ROA ratio was 2.2% and 3.0%, respectively. IVL's core ROA of 3.5% in 2020 compared to 4.9% in 2019, which decreased in-line with a decline in core net profit.

### Net Debt-to-Equity Ratio (D/E)

Our Net Interest Bearing Debt-to-Equity Ratio is calculated by dividing our interest-bearing liabilities-less cash and cash equivalents by total shareholders' equity. As of December 31, 2020 and 2019, our net interest bearing debt-to-equity stood at 1.4 times and 1.0 times, respectively. The Company raised cash through additional loans from financial institutions, which was used in acquisitions, ongoing expansions and working capital needs. However, the debt covenant for most of the debts is net debt to equity of at least two times.

### Debt Servicing Coverage Ratio (DSCR)

Our DSCR is calculated by dividing core EBITDA by annual interest and principal payments on debt. As of December 31, 2020 and 2019, our DSCR was at 1.9 times and 2.1 times, respectively. The slight decrease came from an increase in debt used in acquisitions. However, our DSCR is still in a good range which indicates that operations-generated income is sufficient to cover outstanding debt payments during the year. However, the debt covenant for most of the debts is at 1.1 times DSCR.