

9<sup>th</sup> November 2017

Subject: Management Discussion & Analysis (MD&A) for the 3<sup>rd</sup> quarter of 2017  
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 2017. The MD&A would enable the investors to better understand the Company and its subsidiaries' 3<sup>rd</sup> quarter of 2017 reviewed financial statements.

### **An Analysis of Performance** \*

#### Analysis of Income

The Company and its subsidiaries recorded the total revenues of 4,810 MTHB of which 4,776 MTHB earned from sales revenues. Sales revenues increased by 1,389 MTHB or 41.0% comparing to the same period of the year 2016, mainly from higher selling price of all products, especially on PVC, Caustic Soda and ECH according to the market price trends caused by limited export from China. The sales volumes also increased across all products, mainly linked to the electricity outage in July last year, and higher ECH volume from greater demand of China, Taiwan and two Indian key accounts.

#### Analysis of Cost and Expenses

1. In Q3 2017, Cost of sales was 3,931 MTHB, increased by 885 MTHB comparing to 2016 or 29.1% due to higher sales volumes plus Ethylene and Glycerin price increase. The rise of Ethylene price was caused by turnaround of North East Asia crackers together with the higher demand of Ethylene derivatives to serve spot demand from USA while the hike in Glycerin price came from low Biodiesel production.
2. In Q3 2017, Selling and Administrative Expenses was 334 MB, increased by 74 MB or 28.4% comparing to 2016 due to related expenses of the transitional service agreement between Solvay and AGC, plus higher transportation and commission costs from greater export sales portion.
3. In Q3 2017, the Company and its subsidiaries recorded the assets' impairment loss and write-off of Solvay Biochemicals (Taixing) Limited ("SBT") net amounting to 132 MB.

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

### Summary of Performance

For Q3 2017, the Company and its subsidiaries recorded net profit of 355 MTHB, increased by 267 MTHB or 4.8% of net profit margin comparing with Q3 2016. Apart from the additional costs of SBT's liquidation, the increment of gross and net profit was mostly caused by the improvement of products' spread margin with the reliability of production unit.

### Financial Ratios

	<u>Q3 2017</u>	<u>Q3 2016</u>
Gross profit margin	17.7%	10.1%
Net profit margin	7.4%	2.6%
Debt to Equity ratio	0.12	0.14
Earnings per share	0.30	0.08
ROA	8.5%	2.1%
ROE	8.4%	2.3%

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.