

9th May, 2018

Subject: Management Discussion & Analysis (MD&A) for the 1st 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 1st quarter of 2018. The MD&A would enable the investors to better understand the Company and its subsidiaries' 1st quarter of 2018 reviewed financial statements.

An Analysis of Performance *

Analysis of Income

The Company and its subsidiaries recorded the total revenues of 5,518 MTHB of which 5,467 MTHB earned from sales revenues. Sales revenues increased by 731 MTHB or 15.4% comparing to the same period of the year 2017. Such increase was mainly from higher selling price of Caustic Soda and Epichlorohydrin (ECH) due to limited export volume from China. While the overall sales volume also increased as a result of better PVC export market, more stability of VCM production, and more balance of ECH market.

Analysis of Cost and Expenses

1. In Q1 2018, Cost of sales was 4,159 MTHB, increased by 485 MTHB comparing to 2017 or 13.2% due to the increase of sales volumes plus greater main raw material costs from higher crude oil price and tight market supply. However, the overall spread margin was improved and bring 23.9% gross profit margin comparing to 22.4% in the same period of last year.
2. In Q1 2018, Selling and Administrative Expenses was 356 MB, increased by 48 MB or 15.7% comparing to 2017 due to higher transportation, warehouse and commercial costs.

Summary of Performance

For Q1 2018, the Company and its subsidiaries recorded net profit of 954 MTHB, increased by 184 MTHB or 23.9% comparing with Q1 2017. This increment was mostly caused by the improvement of products' spread margin with the reliability of production unit.

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

Financial Ratios

	<u>Q1 2018</u>	<u>Q1 2017</u>
Gross profit margin	23.9%	22.4%
Net profit margin	17.3%	16.2%
Debt to Equity ratio	0.11	0.14
Earnings per share	0.80	0.65
ROA	19.8%	16.3%
ROE	20.8%	18.6%

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

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