

7<sup>th</sup> August, 2018

Subject: Management Discussion & Analysis (MD&A) for the 2<sup>nd</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 2<sup>nd</sup> quarter of 2018. The MD&A would enable the investors to better understand the Company and its subsidiaries' 2<sup>nd</sup> quarter of 2018 reviewed financial statements.

**An Analysis of Performance** \*

Analysis of Income

The Company and its subsidiaries recorded the total revenues of 4,239 MTHB of which 4,190 MTHB earned from sales revenues. Sales revenues decreased by 367 MTHB or 8.1% comparing to the same period of the year 2017. Such decrease was mainly from lower sales volume across all product due to major plant turnaround in Q2 2018. However, the overall selling price improved, especially for Caustic Soda and Epichlorohydrin due to the limited export volume from China.

Analysis of Cost and Expenses

1. In Q2 2018, Cost of sales was 3,385 MTHB, decreased by 256 MTHB comparing to 2017 or 7.0% as a result of lower sales volume as described above.

The gross profit margin was slightly brought down by 0.9% of gross profit margin due to turnaround costs and the rise of main raw material prices from tight supply plus greater crude oil prices.

2. In Q2 2018, Selling and Administrative Expenses was 296 MB, decreased by 34 MB or 10.3% comparing to 2017 mostly from lower transportation and warehouse costs.
3. There was no impairment loss in Q2 2018 as all impairment loss from the liquidation of Solvay Biochemicals (Taixing) Limited (“SBT”) were fully booked in 2017.

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

### Summary of Performance

For Q2 2018, the Company and its subsidiaries recorded net profit of 510 MTHB, increased by 126 MTHB or 3.7% of net profit margin comparing with Q2 2017. This improvement was mostly caused by the complete recognition of impairment loss from the liquidation of SBT in the year 2017.

### Financial Ratios

|                      | <u>Q2 2018</u> | <u>Q2 2017</u> |
|----------------------|----------------|----------------|
| Gross profit margin  | 19.2%          | 20.1%          |
| Net profit margin    | 12.0%          | 8.4%           |
| Debt to Equity ratio | 0.11           | 0.14           |
| Earnings per share   | 0.43           | 0.32           |
| ROA                  | 10.8%          | 8.2%           |
| ROE                  | 11.0%          | 9.1%           |

|                        |   |  |
|------------------------|---|--|
| 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.