

February 22nd, 2021

Subject: Management Discussion & Analysis (MD&A) for the year 2020
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 year 2020. The MD&A would enable the investors to better understand the Company and its subsidiary's 2020 reviewed financial statements.

An Analysis of Performance *

Analysis of Income

The Company and its subsidiary recorded the total revenues of 17,074 MTHB of which 16,907 MTHB earned from sales revenues. Total sales revenues decreased by 1,699 MTHB or 9.1% comparing to the year 2019. The revenues continued to be weighed down by impacts and sluggish economic recovery from ongoing COVID-19 pandemic which can be attributed to a substantial price decrease and a decline in sales volume of the products, especially in Caustic soda and Epichlorohydrin due to weak global demand and uncertain global economic outlook. There was no significant change in the share of domestic and export sales compared to the prior year.

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

Sales Revenues	2020		2019	
	MTHB	%	MTHB	%
Domestic Sales				
1. PVC Resins	5,841	34.5	5,385	28.9
2. Caustic Soda	1,996	11.8	2,753	14.8
3. VCM	1,333	7.9	1,450	7.8
4. ECH	791	4.7	888	4.8
5. Others	68	0.4	126	0.7
Total Domestic Sales	10,029	59.3	10,602	57.0
Export Sales				
1. PVC Resins	3,457	20.4	3,662	19.7
2. Caustic Soda	19	0.1	-	-
3. VCM	-	-	-	-
4. ECH	3,401	20.1	4,342	23.3
Total Export Sales	6,877	40.7	8,003	43.0
Domestic and Export Sales				
1. PVC Resins	9,299	55.0	9,046	48.6
2. Caustic Soda	2,015	11.9	2,753	14.8
3. VCM	1,333	7.9	1,450	7.8
4. ECH	4,192	24.8	5,230	28.1
5. Others	68	0.4	126	0.7
Total Domestic and Export Sales	16,907	100.0	18,605	100.0

Analysis of Cost and Expenses

1. In 2020, Cost of sales was 13,316 MTHB, decreased by 870 MTHB or 6.1% comparing to the year 2019 which was consistent with the lower sales volume and the drastic decrease of Ethylene from ample supply and lower crude oil price.
2. In 2020, Distribution costs and Administrative Expenses was 1,234 MTHB, decreased by 164 MTHB or 11.7% comparing to 2019 mainly from lower transportation costs, which led by decrease of export sales volume, plus lower loss from assets disposal.
3. The company and its subsidiary recorded income tax expense of 256 MTHB which mainly from reversal of deferred tax assets due to utilization of unused tax losses brought forward from previous year.

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Summary of Performance

For the year 2020, the Company and its subsidiary recorded gross profit of 3,590 MTHB, decreased by 828 MTHB or 18.7% comparing to 2019. This decrease was mainly attributable to the significant drop in Caustic Soda price and Epichlorohydrin spread margin plus the impact of lower sales volume from the COVID-19 pandemic.

The Company and its subsidiary recorded net profit of 2,173 MTHB, dropped by 40.2 % or 1,463 MTHB comparing to the previous year, this was due mainly to unpleasant gross profit as mentioned above, plus income tax expense from reversal of deferred tax assets.

An Analysis of Financial Status *

Analysis of Assets

As at 31 December 2020, the Company and its subsidiary had 26,401 MTHB of the total assets, which was increased 2,843 MTHB or 12% from prior year.

Details of the major changes were following:

1. As at 31 December 2020, the Company and its subsidiary had net cash and cash equivalents amounting to 7,759 MTHB, decreasing 2,751 MTHB or 26.2% comparing to 10,510 MTHB at the end of 2019 due to classification of short-term investment to be “Other current financial asset” amounting 4,350 MTHB. (see further information in analysis of cash flow)
2. The balance of trade and other current receivables at the end of 2020 was 2,641 MTHB, increasing by 266 MTHB comparing to 2,376 MTHB at the end of 2019. Most of the receivables were not yet due. For the corresponding bad debt, the Company and its subsidiary had already set sufficient provision.
3. The Company and its subsidiary had net inventories at the end of 2020 amounting to 1,136 MTHB, aligned with the value as of the year 2019.
4. At the end of 2020, the Company and its subsidiary had net property, plant and equipment, right-of-use assets and intangible assets amount of 9,758 MTHB or increasing by 1,252 MTHB

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

comparing to 8,505 MTHB at the end of 2019, mainly from recognition of right-of-use assets from TFRS16-Leases adoption in 2020 and normal depreciation offset with asset acquisitions during the year.

5. The balance of deferred tax assets at the end of 2020 was 275 MTHB, decreasing by 235 MTHB compared to 511 MTHB in the prior year due to the utilization of tax losses carry forward.

Analysis of Liabilities

The Company and its subsidiary had total liabilities at the end of 2020 amount of 4,045 MTHB which increased by 2,327 MTHB or 135% compared to the previous year. The main factors for the increase in the liabilities attributable to lease liabilities resulting from TFRS16-Leases adoption.

Analysis of Shareholders' Equity

As at 31 December 2020, the shareholders' equity was 22,356 MTHB which increased by 516 MTHB or 2.4% comparing to 21,840 MTHB at the end of 2019. The change was due to recording of net profit of 2020, partially offset with dividend paid to its shareholders.

Analysis of Cash Flow

As of 31 December 2020, the Company and its subsidiary's Statement of cash flows presented 7,759 MTHB of cash and cash equivalents. The sources and uses of funds were following:

1. In 2020, the Company and its subsidiary generated positive cash flow from operating activities of 4,050 MTHB which decreased by 822 MTHB or 17% comparing to 2019. This was due mainly to a decrease in operating profit this year.
2. In 2020, the net cash flow used in investing activities was 4,933 MTHB, increased by 4,572 MTHB comparing to its amount of 362 MTHB in 2019 mainly due to investment in time deposit and bill of exchange.

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3. In 2020, the net cash flow used in financing activities amounting to 1,866 MTHB which was the dividends paid to shareholders and payment of lease liabilities.

Net cash flow from operating activities	4,050	MTHB
Net cash flow used in investing activities	(4,933)	MTHB
Net cash flows used in financing activities	(1,866)	MTHB
Effect of exchange rate changes on cash and cash equivalents	<u>(2)</u>	MTHB
Net increase in cash and cash equivalents	<u>(2,751)</u>	MTHB

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Financial Ratios

	<u>2020</u>	<u>2019</u>
Gross profit margin	21.2%	23.7%
Net profit margin	12.7%	19.3%
Debt to Equity ratio	0.18	0.08
Earnings per share	1.83	3.07
ROA	9.9%	14.4%
ROE	9.8%	17.5%

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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