

August 11<sup>th</sup>, 2020

Subject: Management Discussion & Analysis (MD&A) for the 2<sup>nd</sup> quarter of 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 2<sup>nd</sup> quarter of 2020. The MD&A would enable the investors to better understand the Company and its subsidiary's 2<sup>nd</sup> quarter of 2020 reviewed financial statements.

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

#### Analysis of Income

The Company and its subsidiary recorded the total revenues of 3,627 MTHB of which 3,572 MTHB earned from sales revenues. Sales revenues decreased by 1,086 MTHB or 23.3% comparing to the same period of the year 2019. The revenues were weighed down by impacts from COVID-19 pandemic, which included a decline in sales prices of all the products reflecting deteriorating market conditions, except PVC-Emulsion and a decrease in sales volume due to weak global demand, especially exports of Epichlorohydrin decreased caused by lockdown restrictions in several countries.

#### Analysis of Cost and Expenses

1. In Q2 2020, Cost of sales was 2,898 MTHB, decreased by 798 MTHB or 21.6% comparing to Q2 2019 due to the drastic decline in Ethylene price from ample supply and lower crude oil price, plus a result from lower sale volume as mentioned above.
2. In Q2 2020, Selling and Administrative Expenses was 330 MTHB, aligned with Q2 2019, from lower transportation costs which led by decrease of export sales volume offset by unrealized loss on exchange rate.
3. The company and its subsidiary recorded tax expense of 73 MTHB which mostly from reversal of deferred tax assets due to utilization of unused tax losses brought forward from previous year.

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

### Summary of Performance

For Q2 2020, the Company and its subsidiary recorded net profit of 308 MTHB, decreased by 362 MTHB or 54.1% comparing to Q2 2019. This diminishing was mostly caused by decrease of Epichlorohydrin's spread margins, lower sales volume as a result of the spread of COVID-19 infection and recording of tax expense from reversal of deferred tax assets.

### Financial Ratios

	<u>Q2 2020</u>	<u>Q2 2019</u>
Gross profit margin	18.9%	20.7%
Net profit margin	8.5%	14.3%
Debt to Equity ratio	0.18	0.10
Earnings per share	0.26	0.57
ROA	6.1%	12.2%
ROE	5.6%	13.5%

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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