

8th August, 2019

Subject: Management Discussion & Analysis (MD&A) for the 2nd quarter of 2019
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 2nd quarter of 2019. The MD&A would enable the investors to better understand the Company and its subsidiaries' 2nd quarter of 2019 reviewed financial statements.

An Analysis of Performance *

Analysis of Income

The Company and its subsidiaries recorded the total revenues of 4,700 MTHB of which 4,658 MTHB earned from sales revenues. Sales revenues increased by 468 MTHB or 11.2% comparing to the same period of the year 2018. Such increase was mostly from greater sales volume across all products because of major plant turnaround in Q2 2018. The overall selling price decreased, especially for Caustic Soda due to the fall of its market price trend and for Epichlorohydrin from the weak Epoxy demand.

Analysis of Cost and Expenses

1. In Q2 2019, Cost of sales was 3,696 MTHB, increased by 292 MTHB comparing to 2018 or 8.6% due to higher sales volume despite of the drastically decline in Ethylene and Glycerin price from ample supply plus lower crude oil price.
2. In Q2 2019, Selling and Administrative Expenses was 338 MTHB, increased by 59 MTHB or 21.1% comparing to 2018 mostly from warehouse costs and commission expenses, aligning with the increased of sales volume.
3. In this quarter, the Company recorded additional provision for employee benefits by 50 MTHB according to the change of severance payment policy following the amended Labor Protection Act.

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

Summary of Performance

For Q2 2019, the Company and its subsidiaries recorded net profit of 670 MTHB, increased by 160 MTHB or 2.2% of net profit margin comparing with Q2 2018. This improvement was mostly a result of higher sales volume and lower prices of raw materials in Q2 this year.

Financial Ratios

	<u>Q2 2019</u>	<u>Q2 2018</u>
Gross profit margin	20.7%	18.8%
Net profit margin	14.3%	12.0%
Debt to Equity ratio	0.10	0.10
Earnings per share	0.57	0.43
ROA	12.2%	10.8%
ROE	13.5%	11.0%

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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