

February 21<sup>st</sup>, 2020

Subject: Management Discussion & Analysis (MD&A) for the year 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 year 2019. The MD&A would enable the investors to better understand the Company and its subsidiary's 2019 audited financial statements.

**An Analysis of Performance** \*

Analysis of Income

The Company and its subsidiary recorded the total revenue of 18,830 MTHB of which 18,605 MTHB earned from sales revenue. The sales revenue decreased by 1,341 MTHB or 6.7% comparing to the year 2018. Such decrement was due to the overall selling price decrease, especially for Caustic Soda due to the fall of its market price trend, plus impact from appreciation of Thai Baht against US Dollar. However, those negative impacts were partially offset by higher sales volume of all main products as a result of stable operation. The share of domestic and export sales has no significant change comparing with the previous year.

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

Sales Revenues	2019		2018	
	MTHB	%	MTHB	%
<b>Domestic Sales</b>				
1. PVC Resins	5,385	28.9	5,375	26.9
2. Caustic Soda	2,753	14.8	3,920	19.7
3. VCM	1,450	7.8	1,492	7.5
4. ECH	888	4.8	905	4.5
5. Others	126	0.7	102	0.5
<b>Total Domestic Sales</b>	<b>10,602</b>	<b>57.0</b>	<b>11,795</b>	<b>59.1</b>
<b>Export Sales</b>				
1. PVC Resins	3,662	19.7	3,606	18.1
2. Caustic Soda	-	-	102	0.5
3. VCM	-	-	-	-
4. ECH	4,342	23.3	4,444	22.3
<b>Total Export Sales</b>	<b>8,003</b>	<b>43.0</b>	<b>8,152</b>	<b>40.9</b>
<b>Domestic and Export Sales</b>				
1. PVC Resins	9,046	48.6	8,981	45.0
2. Caustic Soda	2,753	14.8	4,022	20.2
3. VCM	1,450	7.8	1,492	7.5
4. ECH	5,230	28.1	5,348	26.8
5. Others	126	0.7	102	0.5
<b>Total Domestic and Export Sales</b>	<b>18,605</b>	<b>100.0</b>	<b>19,946</b>	<b>100.0</b>

#### Analysis of Costs and Expenses

1. In 2019, Cost of sales was 14,187 MTHB, decreased by 1,462 MTHB comparing to 2018 or 9.3% due the drastic decline in Ethylene and Glycerin price from ample supply plus lower crude oil price.
2. In 2019, distribution costs, administrative expenses, and doubtful debt expenses was 1,390 MTHB, increased by 137 MTHB from 2018 due to higher distribution costs from higher export portion, plus loss from unused assets disposal.
3. In October 2019, the Company completed the dissolution of Vinythai Holding Pte. Limited (“VNTH”), its subsidiary in Singapore, and then realized loss on foreign currency differences on dissolution amounting to -13 MB from other comprehensive income to the loss for the year.

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

Comparing to the previous year, the Company realized gain on foreign currency differences on dissolution of Solvay Biochemicals (Taixing) Limited amounting to 89 MB from other comprehensive income to the profit of the year 2018.

#### Summary of Performance

For the year 2019, the Company and its subsidiary recorded gross profit of 4,418 MTHB, improved by 2.8% from the year 2018 due to lower prices of raw materials this year and improvement of production reliability. However, such improvement was diminished by the increment of distribution costs and administrative expenses, plus foreign currency differences on dissolution of its subsidiaries as mentioned above.

At the bottom line, the Company and its subsidiary recorded net profit of 3,635 MTHB, increased by 576 MTHB or 18.8% comparing to year 2018, which due to the recognition of deferred tax assets from loss carried forward of the Company and its subsidiary.

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## **An Analysis of Financial Status** \*

### Analysis of Assets

As at 31 December 2019, the Company and its subsidiary had 23,558 MTHB of the total assets, which was increased 1,962 MTHB or 9% from previous year.

Details of the major changes were following:

1. As at 31 December 2019, the Company and its subsidiary had net cash and cash equivalents amounting to 10,510 MTHB, increasing 2,970 MTHB or 39% comparing to 7,540 MTHB at the end of 2018. (see further information in analysis of cash flow)
2. The balance of trade receivables at the end of 2019 was 2,332 MTHB, decreasing by 280 MTHB comparing to 2,612 MTHB at the end of 2018 due to decline of products' selling price with good collection performance. 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 2019 amounting to 1,128 MTHB, decreasing from 1,374 MTHB of the year 2018 which mainly due to decline of main raw materials' price.
4. At the end of 2019, the Company and its subsidiary had net property, plant and equipment, and intangible assets amounting to 8,505 MTHB or decreasing by 823 MTHB comparing to 9,328 MTHB at the end of 2018, mainly from normal depreciation offset with asset acquisitions during the year.
5. The balance of deferred tax assets at the end of 2019 was 511 MTHB, increasing by 409 MTHB comparing to 102 MTHB at the end of 2018 following the recognition of deferred tax assets from loss carried forward in 2019.

### Analysis of Liabilities

The Company and its subsidiary had total liabilities at the end of 2019 amounting to 1,718 MTHB which decreased by 110 MTHB or 6% comparing to 2018. The major change of the liabilities was from lower of trade accounts payable due to lower prices of raw materials, offset with higher

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

provisions for employee benefits due to the change of severance payment policy following the amended Labor Protection Act.

#### Analysis of Shareholders' Equity

As at 31 December 2019, the shareholders' equity was 21,840 MTHB which increased by 2,072 MTHB or 10.5% comparing to 19,768 MTHB at the end of 2018. The increment was mainly from the net profit of 2019 offset with dividend paid to its shareholders.

#### Analysis of Cash Flow

As of 31 December 2019, the Company and its subsidiary's Statement of cash flows presented 10,510 MTHB of cash and cash equivalents. The sources and uses of funds were following:

1. In 2019, the net cash flow from operating activities was 4,877 MTHB which increased by 837 MTHB or 21% comparing to 2018 from Company and its subsidiary's better operating results and working capital management.
2. In 2019, the net cash flow used in investing activities was 361 MTHB, decreased by 190 MTHB comparing to its amount of 551 MTHB in 2018 due to lower acquisition of machinery and equipment, plus more interest received from short term investment on excess cash.
3. In 2019, the net cash flow used in financing activities amounting to 1,541 MTHB which was the dividends paid to shareholders.

Net cash flow from operating activities	4,877	MTHB
Net cash flow used in investing activities	(361)	MTHB
Net cash flows used in financing activities	(1,541)	MTHB
Translation adjustments of its subsidiary	<u>(5)</u>	MTHB
Net increase in cash and cash equivalents	<u>2,970</u>	MTHB

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## Financial Ratios

	<u>2019</u>	<u>2018</u>
Gross profit margin	23.7%	21.5%
Net profit margin	19.3%	15.2%
Debt to Equity ratio	0.08	0.09
Earnings per share	3.07	2.58
ROA	14.4%	15.8%
ROE	17.5%	16.3%

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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