

February 24th, 2022

Subject: Management Discussion & Analysis (MD&A) for the year 2021
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 2021. The MD&A would enable the investors to better understand the Company and its subsidiary's 2021 reviewed financial statements.

An Analysis of Performance *

Analysis of Income

For the year 2021, the Company and its subsidiary recorded the total revenues of 26,885 MTHB of which 26,627 MTHB earned from sales revenues, an increase of 9,720 MTHB or 57.5% comparing to the previous year. The significant increase in sales revenue was attributable to increases in average product selling price. Throughout the year, global supply tightness from output constraints and strong demand along with higher raw material costs have contributed to higher selling prices across all the products especially for Polyvinyl Chloride and Epichlorohydrin. Moreover, the depreciation of Thai baht against the US dollar also had a positive impact on the selling prices. The strong rebound in global economic activity boosted demand for the products resulting in higher sales volume for Caustic Soda and Epichlorohydrin. As shown in the below table, there was a higher proportion of export sales compared to the previous year.

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

Sales Revenues	2021		2020	
	MTHB	%	MTHB	%
Domestic Sales				
1. PVC Resins	8,045	30.2	5,841	34.5
2. Caustic Soda	2,810	10.6	1,996	11.8
3. VCM	1,946	7.3	1,333	7.9
4. ECH	1,093	4.1	791	4.7
5. Others	86	0.3	68	0.4
Total Domestic Sales	13,980	52.5	10,029	59.3
Export Sales				
1. PVC Resins	6,311	23.7	3,457	20.4
2. Caustic Soda	-	-	19	0.1
3. VCM	-	-	-	-
4. ECH	6,335	23.8	3,401	20.1
Total Export Sales	12,647	47.5	6,877	40.7
Domestic and Export Sales				
1. PVC Resins	14,356	53.9	9,299	55.0
2. Caustic Soda	2,810	10.6	2,015	11.9
3. VCM	1,946	7.3	1,333	7.9
4. ECH	7,428	27.9	4,192	24.8
5. Others	86	0.3	68	0.4
Total Domestic and Export Sales	26,627	100.0	16,907	100.0

Analysis of Cost and Expenses

1. In 2021, Cost of sales was 16,722 MTHB, increased by 3,367 MTHB or 25.2% comparing to the year 2020. This increase was in the line with higher sales volume and the sharp rise of Ethylene and Glycerin due to tight supply and higher crude oil price.
2. In 2021, Distribution costs and Administrative Expenses was 1,570 MTHB, increased by 373 MTHB or 31.2% comparing to 2020 due to transportation costs increased significantly, aligning with higher export sales volume and surging freight rate.
3. The company and its subsidiary recorded income tax expense of 1,315 MTHB, increased by 1,059 MTHB comparing to 2020 which mainly related to the increase in taxable income and the reversal of deferred tax assets.

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

Summary of Performance

For the year 2021, the Company and its subsidiary recorded gross profit of 9,905 MTHB, increased by 6,352 MTHB or 178.8% comparing to 2020. This drastic increase was mainly attributable to the drastic increase in overall selling price, Polyvinyl Chloride and Epichlorohydrin in particular plus the impact of higher sales volume of Caustic Soda and Epichlorohydrin from the ongoing global economic recovery. However, the improvement was partially offset by increased prices of raw materials.

The Company and its subsidiary recorded net profit of 7,126 MTHB, rose by 228 % or 4,953 MTHB comparing to the previous year, this was due mainly to higher gross profit as mentioned above offset with income tax expense.

An Analysis of Financial Status *

Analysis of Assets

As at 31 December 2021, the Company and its subsidiary had 33,650 MTHB of the total assets, which was increased 7,249 MTHB or 27.5% from prior year.

Details of the major changes were following:

1. As at 31 December 2021, the Company and its subsidiary had net cash and cash equivalents amounting to 13,601 MTHB, an increase of 5,842 MTHB or 75.3% from 7,759 MTHB reported in 2020. (see further information in analysis of cash flow)
2. The balance of trade and other current receivables at the end of 2021 was 3,509 MTHB, an increase of 868 MTHB from 2,641 MTHB reported in 2020 as a result of higher selling price. 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 2021 amounting to 2,225 MTHB, an increase of 1,089 MTHB from 1,136 MTHB reported in 2020 mainly due to higher value of finished goods resulted from higher raw material prices.
4. At the end of 2021, the Company and its subsidiary had net property, plant and equipment, right-of-use assets and intangible assets amount of 9,802 MTHB, an increase of 44 MTHB

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

from 9,758 MTHB reported in 2020, was related to the increase in acquisition of assets for major maintenance in the year.

5. The balance of deferred tax assets at the end of 2021 was 86 MTHB, a decrease of 189 MTHB from 275 MTHB reported in 2020 mainly due to the utilization of tax losses carry forward.

Analysis of Liabilities

The Company and its subsidiary had total liabilities at the end of 2021 amount of 5,224 MTHB which increased by 1,179 MTHB or 29.1% compared to the previous year, primarily due to increase in income tax payable and trade and other payables due to higher prices of raw material.

Analysis of Shareholders' Equity

As at 31 December 2021, the shareholders' equity was 28,426 MTHB which increased by 6,070 MTHB or 27.2% comparing to 22,356 MTHB at the end of 2020. The increase was due to recording of net profit of 2021, partially offset with dividend paid to its shareholders at the rate of 0.90 baht per share.

Analysis of Cash Flow

As of 31 December 2021, the Company and its subsidiary's Statement of cash flows presented 13,601 MTHB of cash and cash equivalents. The sources and uses of funds were following:

1. In 2021, the Company and its subsidiary generated positive cash flow from operating activities of 8,206 MTHB which increased by 4,156 MTHB comparing to 2020, substantially due to an increase in operating profit this year as a result of factors discussed above.
2. In 2021, the net cash flow used in investing activities was 1,092 MTHB, decreased by 3,841 MTHB comparing to its amount of 4,933 MTHB reported in 2020, mainly related to withdrawal of time deposits this year.

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

3. In 2021, the net cash flow used in financing activities was 1,278 MTHB, decreased by 588 MTHB comparing to 2020 mainly due to the decrease in annual dividend from 1.40 baht per share to 0.90 baht per share.

Net cash flow from operating activities	8,206	MTHB
Net cash flow used in investing activities	(1,092)	MTHB
Net cash flows used in financing activities	(1,278)	MTHB
Effect of exchange rate changes on cash and cash equivalents	<u>7</u>	MTHB
Net increase in cash and cash equivalents	<u>5,842</u>	MTHB

Financial Ratios

	<u>2021</u>	<u>2020</u>
Gross profit margin	37.2%	21.0%
Net profit margin	26.5%	12.7%
Debt to Equity ratio	0.18	0.18
Earnings per share	6.01	1.83
ROA	28.3%	9.9%
ROE	28.1%	9.8%

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. Kazuaki Koga)
Managing Director

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