CHEMEMAN PUBLIC COMPANY LIMITED

Management Discussion and Analysis

For three-month period ended 31 March 2022

First Quarter 2022 Highlights

- Due to the healthy domestic and international sales backlog, our international sales in the first quarter of 2022 equaled THB 605 million, up 5% compared to the previous quarter and up 52.8% over the first quarter of last year; furthermore, as the Thai sugar industry was in its peak harvesting season, our domestic sales equaled THB 335 million, up 36.4% and 18.2% over the previous quarter and the same quarter of last year, respectively.
- Even though price increases were agreed with most customers, gross margins on lime sales decreased to 39% in the first quarter of 2022, compared to 43% in the same quarter of last year, due to higher production costs, especially coal and electricity, but were relatively flat compared to the previous quarter.
- Operations were affected by higher coal, energy, and transport costs; cost of coal for our Thailand and Vietnam production facilities rose 53.4% and 95.3%, respectively over the first quarter of last year, and rose 35.1% and 5.7% respectively over the previous quarter, while cost of gas for our Thailand plant rose 29.9% over the first quarter of last year and rose 0.4% over the previous quarter. Transportation costs rose 15.9% over the first quarter of last year because of higher sales volume.
- While container shipping rates remained high, the availability of vessels improved and allowed us to meet most of our export orders.
- Consolidated revenues equaled THB 983 million, up 10.6% and 44.7% over the previous quarter and the same quarter of last year, respectively.
- EBITDA equaled THB 226 million, up 78% and 40.3% over the previous quarter and the same quarter of last year, respectively.
- Capacity utilization of quicklime at our main Kangkoi production facility reached 88% to support peak customer demand during the Thai sugar harvesting season and strong demand from our aluminum, gold, nickel, iron and steel and pulp and paper customers.
- Capacity utilization of at our Rayong hydrated lime production facility reached 99% production capacity due to strong demand from the bioplastics and chemical industries.
- Operations of our “state of the art” Hope Valley Distribution Center (“Hope Valley”) in Western Australia continued to grow to 78% capacity utilization in March 2022, compared to 70% in the previous quarter.
- While our overall Thailand business unit was profitable, Hope Valley generated THB 22 million of gross losses (after deduction of special breakbulk shipment costs), as throughput volumes remained below breakeven levels and start-up costs remained high.

- Ha Long QN Lime reported THB 3 million of net losses, as gross margins fell to THB 68 million due to higher energy costs.
- Consolidated net profits were positively impacted by two special factors: (1) THB 47 million partial compensation from one major Australian customer for inland logistics costs of previous breakbulk shipments (with paid and accrued costs and disputed claims of approximately USD 6.55 million, the customer's special payment covers only 26% of these costs), and (2) unrealized (non-cash) foreign exchange gains of THB 17 million from balance sheet translations due to the higher USD/THB exchange rate.
- Without these special factors, normalized net profits would have been THB 19 million, down 79.1% from the same quarter of last year.

Financial Results

Unit: Million Baht, Except per share amounts	1Q22	4Q21	1Q21	%QoQ	%YoY
Revenues	**983**	**888**	**679**	*+10.6%*	*+44.7%*
Net income (loss) attributable to CMAN	**83**	**(13)**	**57**	*+751.1%*	*+46.2%*
Earnings (loss) per share attributable to CMAN	**0.09**	**(0.01)**	**0.06**	*+751.1%*	*+46.2%*
Adjusted net income (loss) attributable to CMAN (*)	**19**	**(36)**	**92**	*+154.3%*	*-79.1%*
Adjusted earnings (loss) per share (*)	**0.02**	**(0.04)**	**0.10**	*+154.3%*	*-79.1%*
Adjusted EBITDA excluding special items (*)	**163**	**95**	**198**	*+70.9%*	*-17.4%*

(*) Excludes all significant non-cash items, such as unrealized foreign exchange gains/losses from translation adjustments and mark-to-market gains/losses from forward contracts

"Chememan's results were significantly affected by higher operating costs across the board, including coal, oil, natural gas, transport, etc. While we increased customer prices to a certain extent, not all cost increases have been fully passed through to our customers, resulting in lower gross profit margins on lime sales of 39% as compared to 43% in the same quarter of last year. Excluding all non-cash items, normalized net profits fell 79.1% compared to the same quarter of last year, even though revenues rose 44.7%. As developed countries have begun to increase interest rates and reduce money supply to combat hyperinflation and slow down economic growth, we remain confident that our active risk management strategies will allow Chememan to successfully navigate this volatile business environment", said Chememan CEO Adisak Lowjun.

First Quarter 2022 Results

- **Revenues:** Higher sales volumes, service revenues from Hope Valley, and higher USD/ THB exchange rates drove the 10.6% quarter-on-quarter increase in revenues and the 44.7% increase over the same quarter of last year to THB 983 million, as we exported 64% of our total sales that are priced in US Dollars.

- **Service Revenues:** Service revenues equaled THB 43 million, a 36.1% decrease from the previous quarter, in which the company recorded a one-time service revenue item of THB 10 million. If this amount were excluded from the previous quarter, service revenues would be at the same level as this quarter.

- **Shipments (domestic and exports):** Customer shipment volumes for quicklime increased to 187,462 tons, up 26.6% from the previous quarter due to increased demand from the Thai sugar harvesting season and a strong sales backlog. Customer shipment volume for hydrated lime decreased to 35,934 tons, down 8.0% from the previous quarter, but demand from the bioplastics and chemical industries remains strong.

- **Cost of Goods Sold and Service:** Per-unit cost of goods sold increased from the previous quarter due to higher energy costs but was offset with higher production volumes and production cost management and controls. The company aims to optimize the overall cost structure at Hope Valley to stabilize its cost of service.

- **Production**: Capacity utilization at our main Kangkoi production facility reached 88% and the production facility in Vietnam reached 78% capacity utilization.

- **Selling & Administrative Expenses:** These expenses were at the same rate as the previous quarter. Even though the company had higher transportation and logistics costs, labor costs, and operating expenses at Hope Valley, these were offset by effective cost optimization management for other expenses in other business units.

- **Net Income (Loss) attributable to CMAN** of THB 83 million, or THB 0.09 per share, up 751.1% from the previous quarter’s net loss of THB 13 million, or THB (0.01) per share.

- **Cash:** The company ended the quarter with cash in hand of THB 213 million. Cash flow from operations was THB 248 million primarily due to higher sales. Cash flow for investing activities was THB (23) million, primarily to complete Hope Valley. Cash flow from financing activities was THB (179) million primarily due to higher long-term loan repayments.

- **Debt:** Total interest-bearing debt as of 31 March 2022 was THB 3,880 million, a 2.7% decrease from the previous quarter. We repaid THB 294 million of bank debt and drew down THB 173 million of new bank debt.

- **Working Capital:** The company reported 49 days of working capital, the same level as the previous quarter, but 34 days lower than the same quarter of last year. The decrease in working capital is due primarily to shorter inventory and collection periods.

2022 Outlook

The global economy is experiencing significant volatility, and all businesses are being forced to analyze and limit their risks. Hyperinflation has caused demand for goods and services to decrease and forced the central banks of major developed countries, such as the United States of America, the United Kingdom, and Australia, to initiate a series of interest rate increases, which will lead to slower economic growth (or a recession).

Most recently, the US announced a 1.4% decline in its GDP for the first quarter of 2022, while the UK announced a 0.1% GDP decline in March 2022, and both expect further contractions and lower demand for goods and services in 2022 and 2023.

The escalating Russia-Ukraine conflict has resulted in significant business disruptions, such as boycott of agricultural goods and energy sources from Russia. By reducing the global supply of many commodities, their prices remain high, as the world is potentially entering into recession.

In this highly volatile environment, Chememan anticipates that lime demand will remain high for certain sectors, especially “green” industries, while more traditional sectors will see a decrease in production capacity.

As the end of sugar season is approaching in the second quarter of every year, Chememan projects quicklime capacity utilization at our Thailand and Vietnam will decrease. For hydrated lime, Chememan is currently increasing the capacity utilization of our Rayong plant in Thailand due to the positive outlook from the bioplastics sector and demand from chemical sector.

2022 is the first year that Chememan will experience significant increases in its long-term loan repayments which were borrowed to fund the Vietnam and Australia investments. Because of the COVID-19 pandemic, these investments have not performed according to original projections. Over the next 12 months, Chememan has scheduled loan repayments of THB 481 million that will strain our overall liquidity position. The company will experience higher costs of production as coal and natural gas prices remain high. Higher interest rates will also result in higher interest expenses.

At the same time, as Chememan operates in Australia and Vietnam, foreign exchange risks have increased. With higher US Dollar interest rates, the financial markets expect the US Dollar to remain strong against other currencies in the near future, which could negatively impact our local production costs, as coal is imported into Thailand and Vietnam from other regions.

For long-term growth prospects, Chememan continues to pursue a series of strategic initiatives to strengthen efficient solutions to meet customers’ diverse needs, drive cost optimization in many areas, adopt modern technology and innovation to enhance efficiency, initiate people strategy to enhance organization capability, plus other initiatives to address key environment, social and governance issues.

Uncertainty around the global business environment and the COVID-19 pandemic’s continuing impact on the company’s business, financial condition, operating results, and cash flows could cause actual results to differ from this outlook.

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About Chememan Public Company Limited

Chememan Public Company Limited (SET: CMAN) is one of the world's ten largest lime companies with more than 1 million tons of annual production capacity. With high chemical-grade limestone quarries in Thailand and Vietnam and modern production facilities in Thailand, Vietnam, and India, CMAN can focus on high value-added end users, particularly in the mining sector (gold, aluminum, copper, nickel, lithium), pulp and paper, sugar, and bioplastics. CMAN exports around 70% of its capacity across 30 countries in Asia, Australia, and Africa. With over 500 experienced and dedicated professionals, CMAN plans to expand further in the coming years with a goal to become the leading lime company in the Asia-Pacific region.