

Management Discussion and Analysis

Management Discussion and Analysis for Quarter 2 Ending 30 June 2022

1. Highlights

	Unit : million Baht	Q 2/2022	Q 2/2021 (Restated)
Performance	Total Revenues	5,021	3,702
	Total Gross Profit (Loss)	417	589
	Total Net Profit (Loss)	(37)	223
	Unit : million Baht	30-Jun-22	31-Dec-21
Financial Status	Total Assets	12,448	12,340
	Total Liabilities	6,561	6,561
	Equity Attributable to Owners of the Parent	5,887	5,779
	Non-controlling interests	0	0

2. Business Outlook

The overall domestic consumption of Hot Rolled products decreased by 9% for Q2 2022 when compared with Q2 2021 and by 16% for H1 2022 when compared to H1 2021.

(Source: Iron and Steel Institute of Thailand)

While several steps are being taken by the government to boost the economy, high inflationary pressures and strong headwinds faced by the steel sector Globally and in Thailand have subdued the consumption of Hot Rolled Coils.

3. Performance of the Company

- **Revenue from sale**

The Company reported revenue from sales of Baht 5,021 million which increased by Baht 1,319 million mainly due to increase in selling price by 6,351 Baht per ton or 25% while sales volume increased by 12 k Mt or 9% compared to last year.

- **Operating Results**

The Company reported a gross profit of Baht 417 million, which decreased from last year by Baht 172 million. This resulted mainly due to increase in cost of goods sold resulting from raw materials price increase and conversion cost increase mainly from the increase of electricity price as well as natural gas price.

The Company reported a net loss of Baht 35 million compared with net profit Baht 223 million last year, which decreased by Baht 258 million. The consolidated net loss for Q2-22 was recorded at Baht 37 million compared with net profit Baht 223 million last year, decrease by Baht 260 million mainly as explained above.

- **Selling Expenses**

The Company recorded selling expense of Baht 44 million, which increased by Baht 4 million compared to last year due to increase in sales volume.

- **Administrative Expenses**

Administrative expenses of Q2-22 decrease by Baht 56 million from Q2-21 mainly due to reduction in incentives due to expiration of management incentive plan partially offset by the increase in medical expense (ATK) and consultant fee.

- **Net loss on foreign exchange rate**

The Company reported a net loss on foreign exchange of Baht 249 million due to the depreciation of the Thai Baht versus the US dollar from 33.45 THB/USD on 31 March 2022 to 35.46 THB/USD on 30 June 2022.

- **Finance cost**

The Company recorded finance cost of Baht 74 million for Q2-22 compared to Baht 127 million for Q2-21, a decrease of Baht 53 million mainly due to the repayment of short-term borrowings which helped in the reduction in interest expense.

4. Statement of financial positions

- **Total Assets**

As of 30 June 2022, the consolidated total assets amounted to Baht 12,448 million, which increased by Baht 109 million or 1% from year ended 2021.

Out of the total assets, Current Assets amounted to Baht 3,104 million or 25% of total assets, which increased by Baht 437 million or 16% mainly due to increase in Cash and cash equivalents by Baht 438 million. Non-current assets amounted to Baht 9,344 million or 75% of total assets, which decreased by Baht 328 million or 3% from year ended 2021 mainly due to the decrease in Other long-term investment resulting from the decrease of GJ Steel share price and decrease in Machinery & Equipment due to depreciation.

Cash and cash equivalent

As at 30 June 2022, the Consolidated cash and cash equivalent balance was Baht 857 million, which increased by Baht 438 million from year ended 2021.

Consolidated Cash Flow

- Net cash flows provided by operating activities is Baht 963 million.
- Net cash flows used in investing activities stood at Baht 39 million.
- Net cash flows used in financing activities is Baht 487 million.

(For further details please refer to the Statement of cash flows)

- **Inventories**

Value of Inventories in the consolidated Financial Statement amounted to Baht 1,994 million or 16% of total assets, which increased by Baht 45 million or 2% from year ended 2021 mainly due to the increase in raw materials and finished goods.

- **Total liabilities**

Total liabilities in the consolidated Financial Statement as at 30 June 2022 amounted to Baht 6,561 million, which increased by Baht 1 million or 0.01% from year ended 2021 mainly due to decrease in short-term borrowings from related parties and partly offset by the increase in Trade accounts payable, Accrued interest expense.

Consolidated Current liabilities increased Baht 25 million mainly due to:

- Short-term borrowings from related parties decreased by Baht 348 million due to repayment.
- Other payables and accrued expenses decreased by Baht 87 million due to repayment.
- Trade accounts payable increased by Baht 232 million from normal business operation and accrued interest expense increased by Baht 185 million.

Consolidated Non-current liabilities decreased Baht 24 million mainly derived from:

- Long-term borrowings from related parties and Other payables and accrued expenses increased by Baht 50 million mainly due to depreciation of THB leading to increase in the USD denominated liabilities.
- Liabilities under rehabilitation plan and compromise agreement decreased Baht 70 million mainly due to repayment.

Shareholders' equity

As of 30 June 2022, the Consolidated Financial Statement recorded shareholders' equity of Baht 5,887 million which increased by Baht 108 million from last year due to net profit Baht 276 million and Loss on change in fair value of equity security designated at fair value through other comprehensive income Baht 169 million on account of GJ Steel investment.