

Management Discussion and Analysis Quarter 3 Ending 30 September 2020

1. Operating Result Highlights

| | Unit : million Baht | Q3/2020 | Q3/2019 |
|-----------|-------------------------------------|-----------|-----------|
| Group | Group Revenues | 5,541 | 4,520 |
| | Group Gross Profit (Loss) | 97 | (692) |
| | Group Net Profit (Loss) | (503) | (869) |
| Group HRC | HRC Sales (k tons) | 345 | 252 |
| | HRC Production Volume (k tons) | 350 | 242 |
| | HRC Average Selling Price (Bht/Ton) | 16,065 | 17,953 |
| | Unit : million Baht | 30-Sep-20 | 31-Dec-19 |
| Group | Total Assets | 25,849 | 26,400 |
| | Total Liabilities | 10,437 | 9,219 |
| | Total Equity | 5,864 | 7,014 |
| | Minority | 9,547 | 10,168 |

2. Changes in Accounting Estimates

As reported during the last Quarter in the interim financial information, the Company has reviewed and changed the estimated useful lives of buildings, machinery and equipment in accordance with their conditions and the proper estimation of useful lives with reference to the Health Study Report of the plant and machineries from an independent engineering expert. The effect of such change in the estimated useful lives of assets to the depreciation charge during the quarter is as below;

| | Unit: Million Baht | |
|---------------------------------------------------|----------------------------------------------------|---------------------------------------------------|
| Period of <u>Separated</u> Financial Statements | Depreciation using previous estimated useful lives | Depreciation using current estimated useful lives |
| For Q3 2020 | 139 | 51 |
| For the nine-month period ended 30 September 2020 | 526 | 267 |

| Period of <u>Consolidated</u> Financial Statements | Depreciation using previous estimated useful lives | Depreciation using current estimated useful lives |
|----------------------------------------------------|----------------------------------------------------|---------------------------------------------------|
| For Q3 2020 | 333 | 141 |
| For the nine-month period ended 30 September 2020 | 1,104 | 536 |

3. Business Outlook

The overall domestic Hot Rolled Steel consumption reduced by 28% during the 3rd Quarter 2020, while imports declined by 46%, the domestic production gained some traction and increased by 2%.

| Total Hot Roll (Unit : Tons) | Q3 19 | Q3 20 | % Change |
|------------------------------|-----------|-----------|----------|
| Production | 647,965 | 660,130 | 2% |
| Import | 1,030,380 | 552,986 | -46% |
| Export | 2,467 | 1,398 | -43% |
| Consumption | 1,675,878 | 1,211,718 | -28% |

However, the consumption increased by 10% for 3rd Quarter 2020 when compared with the 2nd Quarter of 2020 reflecting the improving conditions.

4. Performance for Q3 2020

1. Revenue

Total revenue from sales of the Company and subsidiary amounted to Baht 5,541 million, which increased by Baht 1,021 million or 23% YoY mainly due to the increase in sale volume. The sales volumes increased in Q3 2020 by 93 thousand tons or 37% YoY.

2. Cost of sale

Consolidated cost of goods sold amounted to Baht 5,444 million and increased by 4% YoY mainly due to increase sale volume offset by reduction in metallic cost.

3. Selling expenses

Total selling expenses of the Company and subsidiary amounting to Baht 85 million and increased by Baht 23 million YoY or 37% due to the increase in sale volume.

4. Administrative expense

Total administrative expense of the Company and subsidiary was Baht 224 million, increased by Baht 5 million or 2% YoY, mainly due to the voluntary resignation program in the subsidiary to reduce staff costs in the long run of the subsidiary offset by several cost saving measures.

5. Net gain (loss) from exchange rate

Total net loss from exchange rate amounted to Baht 149 million due to weakening of the Thai Baht against the US Dollar. Whilst in last year quarter there was gain from exchange rate amounting to Baht 83 million.

6. Finance cost

The Company and subsidiary had total finance cost of Baht 215 million which decreased by Baht 80 million or 27% YoY. Total finance cost decreased post DE Conversion program in the Company in Dec19 partly offset by increase due to interest on account default in repayment of Loan and Standby Letter of Credit (SBLC).

5. Financial Position

1. Total Assets

As of 30 September 2020, the Company and subsidiary had total asset amounting to Baht 25,849 million, which reduced by Baht 551 million or 2% from year ended 2019.

Total current assets amounted to Baht 3,637 million, increased 1% from year 2019 mainly due to increase in Trade accounts receivable by Baht 123 million (mainly from the Company).

Total non-current assets amounted to Baht 22,213 million and reduced by 3% from year 2019 mainly due to depreciation of Property, plant and equipment.

2. Total Liabilities

Total liabilities of the Company and subsidiary as at 30 September 2020 at Baht 10,437 million, increased by Baht 1,219 million or 13% from year ended 2019.

Total current liabilities at Baht 6,992 million, increased by Baht 1,248 million or 22% from year 2019 mainly due to Short-term borrowing from related parties which increased by Baht 699 million resulting from default in payment of SBLC by the Company, increase in accrued interest expenses by Baht 464 million mainly increased for the Company due to non payment of interest on Loan.

Total non-current liabilities amounted to Baht 3,445 million, decreased by Baht 29 million or 1% from year 2019.

3. Shareholders' Equity

As of 30 September 2020, the Company and its subsidiaries had the shareholders' equity of Baht 15,412 million which decreased by Baht 1,770 million or 10% from year ended 2019 due to net loss.