

Management Discussion and Analysis Yearly Ending 31 December 2020

1. Highlights

	Unit : million Baht	Y2020	Y2019
Group	Group Revenues	20,693	17,416
	Group Gross Profit (Loss)	183	(1,861)
	Group Net Profit (Loss)	(1,203)	1,457
Group HRC	HRC Sales (k tons)	1,287	970
	HRC Production Volume (k tons)	1,293	976
	HRC Average Selling Price (Bht/Ton)	16,083	17,950
	Unit : million Baht	31-Dec-20	31-Dec-19
Group	Total Assets	25,460	26,400
	Total Liabilities	9,526	9,219
	Total Equity	6,339	7,014
	Minority	9,594	10,168

2. Change in Accounting Estimates

As reported during the 2nd 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 from an independent engineering expert. The effect of such change in the estimated useful lives of assets to the depreciation charge for the year 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 Y 2020	703	357

Period of <u>Consolidated</u> Financial Statements	Depreciation using previous estimated useful lives	Depreciation using current estimated useful lives
For Y 2020	1,466	716

3. Business Outlook

Due to the severe impact of COVID 19 pandemic, the overall domestic Hot Rolled Steel consumption reduced by 21% during the year 2020. While imports declined by 31%, the domestic production declined by 6% when compared to last year.

Total Hot Roll (Unit: Million Tons) Excluding Stainless Steel	Year 2019	Year 2020	% Change 2020 vs 2019
Production	2.76	2.60	-6%
Import	4.04	2.79	-31%
Export	0.01	0.02	186%
Consumption	6.79	5.37	-21%

Following the global cues and the several steps taken by the Thai Government, the conditions have been improving over the last few months and as per ISIT projections the steel consumption is expected to increase by 4.6% in 2021.

4. Performance of the Company

Revenue from sale

The Company reported revenue from sales of Baht 9,314 million which increased by Baht 4,820 million mainly due to increase in sales volume by 317 k Mt or 122% partly offset by drop in selling prices by 7% compared to last year. The consolidated sale revenue of Baht 20,693 million increased by Baht 3,277 million or 19% compared to last year due to the increase of 33% in sale volume partly offset by 10% decrease in selling price.

Operating Results

The Company reported a gross profit of Baht 11 million, significantly improving from last year which saw a gross loss of Baht 1,157 million. This resulted mainly due to the increase in production and sales volume coupled with the reduction of depreciation cost as explained above.

The Company reported a net loss of Baht 604 million compared to reported net profit of Baht 3,345 million last year and compared to Net loss of Baht 2,672 million last year after excluding extra ordinary items. The consolidated net loss for the year 2020 was recorded at Baht 1,203 million compared to the reported net profit of Baht 1,457 million last year and compared to Net Loss of Baht 3,188 million last year after excluding extra ordinary items.

Several cost saving initiatives coupled with improving market conditions have helped the Company to post recovery in the 4th Quarter of 2020 with a positive gross profit of Baht 115 million.

Selling Expenses

The Company recorded selling expense of Baht 148 million, which increased by Baht 83 million compared to last year due to increase in sales volume.

Consolidated selling expenses for the year 2020 amounted to Baht 318 million which increased by Baht 79 million compared to last year due to increase in sales volume.

Administrative Expenses

The Company recorded administrative expenses of Baht 235 million for year 2020 compared with Baht 378 million for 2019. The decrease by Baht 143 million mainly came from the termination of Financial Advisory fees and several cost reduction initiatives taken to make the company more competitive in the long run.

Total consolidated administrative expense for the year 2020 and 2019 amounted to Baht 724 million and Baht 940 million, respectively, which decreased by Baht 216 million mainly due to reduction in the Company as explained above and voluntary resignation program and other cost saving measures in the Subsidiary.

Net gain on foreign exchange rate

The consolidated financials recorded a net gain on foreign exchange amounting to Baht 76 million due to the appreciation of the Thai Baht versus the US dollar, while the Company reported a net gain on foreign exchange of Baht 38 million.

Finance cost

The Company recorded finance cost of Baht 623 million for year 2020 and Baht 837 million for 2019, a decrease of Baht 214 million. Total finance cost decreased post DE Conversion program in the Company in Dec 2019 but was partly offset by higher interest on account of default in repayment of Loan and Standby Letter of Credit (SBLC).

Total consolidated finance cost for the year 2020 and 2019 amounting to Baht 872 million and Baht 1,139 million, respectively, which decreased by Baht 267 million mainly due to reduction in the Company as explained above and reduction in Subsidiary due to repayment of loan in 2019.

5. Statement of financial positions

Total Assets

As of 31 December 2020, the consolidated total assets amounted to Baht 25,460 million, which decreased by Baht 940 million or 4% from year ended 2019. Out of the total assets, Current Assets amounted to Baht 3,467 million, which decreased by 3% mainly due to reduction in Inventory. Non-current assets amounted to Baht 21,993 million, which decreased by 4% from year ended 2019 mainly due to depreciation in Property, Plant & Equipment.

Cash and cash equivalent

As at 31 December 2020, the Consolidated cash and cash equivalent balance was Baht 437 million, which decreased by Baht 27 million or 6% from year ended 2019.

Consolidated Cash Flow

- Net cash flows provided by operating activities Baht 150 million
- Net cash flows provided by investing activities Baht 113 million.
- Net cash flows used in financing activities Baht 290 million.

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

Inventories

Value of Inventories in the consolidated Financial Statement amounted to Baht 2,595 million or 10% of total assets, which reduced by Baht 37 million from year ended 2019. Total Inventory of the Company decreased by Baht 31 million due to the reduction in finish goods.

Total liabilities

Total liabilities in the consolidated Financial Statement as at 31 December 2020 amounted to Baht 9,526 million, which increased by Baht 308 million or 3% from year ended 2019 mainly due to increase in accrued interest expenses.

Consolidated Current liabilities increased Baht 139 million due to:

- Trade accounts payable decreased by Baht 431 million and Other payables and accrued expenses decreased by Baht 254 million mainly due to the repayment of liabilities by the Company and subsidiary and reclassification of payables to Liabilities from terminated rehabilitation plan and compromise on entering into Settlement Agreement with a creditor.
- Short-term borrowings from related parties increased by Baht 622 million due to debt from Standby LC devolvement of USD 20.5 million in 2020 in the Company.
- Accrued interest expenses increased by Baht 501 million since the Company could not pay interest due to the tight cash flow situation.
- Other current liabilities decreased by Baht 271 million mainly due to write back of liabilities no longer required.

Consolidated Non-current liabilities increased Baht 169 million derived from:

- Liabilities under rehabilitation plan and compromise agreement increased Baht 431 million due to Settlement Agreement and Compromise Agreement entered with some creditors.
- Long-term borrowings from related parties decreased by Baht 308 million due to reclassification to short-term borrowing as the amount falls due within one year in the subsidiary.
- Non-current provision for employee retirement benefit increased Baht 46 million.

Shareholders' equity

As of 31 December 2020, the Consolidated Financial Statement recorded shareholders' equity of Baht 15,934 million which decreased by Baht 1,248 million YoY due to net loss Baht 1,203 million and additional Actuarial provision for Employee Benefit of Baht 45 million.