

Management Discussion and Analysis Q2/2021

1. Highlights

	Unit: million Baht	2 nd Quarter 2021	2 nd Quarter 2020
Performance	Revenues	4,702	2,752
	Gross Profit (Loss)	1,122	(83)
	Net Profit (Loss)	789	(179)
HRC	HRC Sales (k tons)	172	184
	HRC Production Volume (k tons)	190	170
	HRC Average Selling Price (THB/ton)	27,338	14,986
	Unit: million Baht	30 June 2021	31 December 2020
Financial Status	Total Liabilities	2,732	2,197
	Total Asset	16,452	14,857
	Total Equity	13,720	12,660

2. Business Outlook

Improvement in market conditions led to increased demand in the current quarter. The Hot Rolled consumption increased by 62.6% in Q2 2021 compared to Q2 2020 (referred to the information from Iron and Steel Institute of Thailand). However, the stricter government measures starting from end June 2021 to curb the increasing Covid cases is resulting in a slowdown in the economy and the Steel Industry in particular, due to the temporary shutdown of the construction activities.

3. Performance of the Company

- Revenue from sales and cost of goods sold**

The Company reported revenue from sales at THB 4,702 million which was higher than last year quarter mainly due to an increase in average selling price by 82%. The cost of goods sold increased by 26% (mainly due to increase in raw material prices) leading to a gross margin increase of THB 1,205 million compared to last year quarter.

While HRC production increased by 20k tons as compared to last year quarter, the sales dropped marginally mainly due to reduced construction activities starting from end July 2021 and delay export shipment which was already produced.

- **Administrative expenses**

Administrative expenses for the 2nd Quarter 2021 at 224 THB million was higher by THB 103 million compared to last year quarter mainly due to higher charges on account of incentive program.

- **Net loss from exchange rate**

The Company recorded a loss from exchange rate of THB 25 million during the quarter due to weakening of the Thai Baht against the US Dollar compared to gain from exchange rate of THB 102 million in last year quarter.

- **Financial costs**

The financial costs for the 2nd Quarter 2021 and 2020 amounted to THB 54 million and THB 67 million, respectively and reduced due to reduction in usage of external working capital facilities. During the quarter, the Company reduced its Standby Letter of Credit by USD 30 million and terminated all financial support agreements for procurement of raw materials (Collateral Management Agreements) while deploying its own cash accrued during the year.

4. Statement of financial positions

- **Total Assets**

As of 30 June 2021, the Company had total assets amounting to THB 16,452 million which increased from the year ended 2020 by THB 1,594 million. The current assets amounted to THB 3,432 million, increased by 108% from the year ended 2020 mainly due to increase in inventories by THB 1,371 million and increase in cash and cash equivalents by THB 337 million, whilst total non-current assets amounted to THB 13,020 which decreased by 1% from the year ended 2020 mainly due to decrease in property, plant and equipment resulting from depreciation.

- **Total Liabilities**

As of 30 June 2021, the Company had total liability amounting to THB 2,732 million. Total current liabilities amounted to THB 2,485 million and total non-current liabilities amounted to THB 247 million. As compared with the year ended 2020, the total liability increased by THB 535 million or 24% as below:

1. Trade accounts payable increased by THB 151 million.
2. Other payables and accrued expenses increased by THB 141 million.
3. Advance received from customer increased by THB 104 million.
4. Accrued interest expenses increased by THB 47 million.
5. Current portion of long-term loan from related party increased by THB 700 million due to reclassification from non-current portion as the amount now falls due within 12 months.

- **Total equity**

As of 30 June 2021, the Company had total equity of THB 13,720 million which increased by THB 1,059 million or 8% from year ended 2020 due to accumulation of net profit for the period of six months.