

Management Discussion and Analysis Yearly Ending 31 December 2021

1. **Highlights**

	Unit : million Baht	Y2021	Y2020 Restate
<b>Performance</b>	Group Revenues	15,814	9,314
	Group Gross Profit (Loss)	2,751	11
	Group Net Profit (Loss)	1,325	(600)
<b>HRC</b>	HRC Sales (k tons)	592	577
	HRC Production Volume (k tons)	595	574
	HRC Average Selling Price (Bht/Ton)	26,713	16,131
	Unit : million Baht	31-Dec-21	31-Dec-20 Restate
<b>Financial Status</b>	Total Assets	12,340	10,989
	Total Liabilities	6,561	7,330
	Equity Attributable to Owners of the Parent	5,779	3,659
	Non-controlling interests	0	0

2. **Business Outlook**

The overall HRC and sheets consumption saw an increase of 31% during 2021 when compared to 2020. However, the domestic production grew only by 14% and larger portion of the increase was captured by imports which grew at 48%.

Total Hot Roll (Unit: Million Tons) Excluding Stainless Steel	Year 2021	Year 2020	% Change
Production	2.97	2.60	14%
Import	4.13	2.79	48%
Export	0.05	0.02	188%
Consumption	7.05	5.37	31%

### **3. Deconsolidation of Subsidiary – Retrospective Adjustment**

Following conversion of Debt to Equity since 2017 to 2019 of G J Steel Company Limited (“G J Steel”), the shareholding of the Company in G J Steel reduced from 25.70% to 18.72% in 2017, 17.28% in 2018 and 9.54% since 2019 (8.24% held directly by the Company and 1.21% held by its subsidiary, GS Securities). Based on these circumstances, the Securities and Exchange Commission and the Stock Exchange of Thailand considered that the management control over G J Steel was transferred to ACO I and the G Steel (Company) lost its control since 2017.

As a result, the Company has deconsolidated the accounts of G J Steel with itself and treated the investment in G J Steel under “Other long-term investment” and measured at fair value through other comprehensive income. Hence, the consolidated financial statements for the years ended December 31, 2021 and 2020 (restated), have been prepared based on loss of control of the Company over G J Steel after the incremental of share capital to ACO I in 2017. The treatment on this matter was approved by the Audit Committee’s meeting and the Board of Directors’ meeting held on February 25, 2022.

Please refer to note no 1.2, note no 4 and note no 11 of the Financial Statements for the year ended 31<sup>st</sup> December, 2021 for further details.

### **4. Performance of the Company**

- **Revenue from sale**

The Company reported revenue from sales of Baht 15,814 million which increased by Baht 6,500 million mainly due to increase in selling price by 10,581 Baht per ton or 66% while sales volume increase by 15 k Mt or 3% compared to last year.

- **Operating Results**

The Company reported a gross profit of Baht 2,751 million, significantly improving from last year which saw a gross profit of Baht 11 million. This resulted mainly due to the increase in selling price resulting from a global uptrend in the prices and improvement in Raw Material mix.

The Company reported a net profit of Baht 1,323 million compared to reported net loss of Baht 551 million last year, increased by Baht 1,874 million. The consolidated net profit for the year 2021 was recorded at Baht 1,325 million compared to the reported net loss of Baht 600 million last year, an increase by Baht 1,925 million mainly due to the increase in selling price.

- **Selling Expenses**

The Company recorded selling expense of Baht 164 million, which increased by Baht 16 million compared to last year due to increase in sales volume and increased transportation cost resulting from the increase of oil prices.

- **Administrative Expenses**

Administrative expenses of 2021 increase by Baht 168 million from 2020 mainly due to higher charges on account of incentive program.

- **Net loss on foreign exchange rate**

The Company reported a net loss on foreign exchange of Baht 523 million due to the depreciation of the Thai Baht versus the US dollar from 30.2068 THB/USD on 30 December 2020 to 33.5929 THB/USD on 30 December 2021.

- **Finance cost**

The Company recorded finance cost of Baht 478 million for year 2021 and Baht 623 million for 2020, a decrease of Baht 145 million due to write-off of the accrued interest crossed the time limit of the legal prescription of debts. The Company also repaid short term loan USD 37.1 million which helped in the reduction in interest expense.

## 5. Statement of financial positions

- **Total Assets**

As of 31 December 2021, the consolidated total assets amounted to Baht 12,340 million, which increased by Baht 1,351 million or 12% from year ended 2020.

Out of the total assets, Current Assets amounted to Baht 2,668 million or 22% of total assets, which increased by Baht 847 million or 47% mainly due to increase in Inventory by Baht 715 million and Cash and cash equivalents by Baht 88 million. Non-current assets amounted to Baht 9,672 million or 78% of total assets, which increased by Baht 503 million or 5% from year ended 2020 mainly due to the increase in Other long-term investment due to reclassification of Investment in GJ Steel as explained above and decreased in Machinery & Equipment from depreciation.

### **Cash and cash equivalent**

As at 31 December 2021, the Consolidated cash and cash equivalent balance was Baht 419 million, which increased by Baht 88 million from year ended 2020.

### **Consolidated Cash Flow**

- Net cash flows provided by operating activities is Baht 1,655 million.
- Net cash flows used in investing activities stood at Baht 189 million.
- Net cash flows used in financing activities is Baht 1,381 million.

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

- **Inventories**

Value of Inventories in the consolidated Financial Statement amounted to Baht 1,949 million or 16% of total assets, which increased by Baht 715 million or 58% from year ended 2020 due to the increase in raw materials and finished goods.

- **Total liabilities**

Total liabilities in the consolidated Financial Statement as at 31 December 2021 amounted to Baht 6,561 million, which decreased by Baht 769 million or 10% from year ended 2020 mainly due to decrease in short-term borrowings from related parties and Other payables and accrued expenses.

**Consolidated Current liabilities decreased Baht 1,416 million due to:**

- Short-term borrowings from related parties decreased by Baht 1,086 million due to the repayment by the Company.
- Other payables and accrued expenses decreased by Baht 443 million due to the repayment and restructuring of debts with a creditor and reclassification of part of the liabilities to non-current liabilities.
- Current portion of long-term borrowings from related parties decreased by Baht 267 million due to the repayment and restructuring of debts with a creditor and reclassification of part of the liabilities to non-current liabilities.

**Consolidated Non-current liabilities increased Baht 648 million derived from:**

- Long-term borrowings from related parties increased by Baht 359 million due to reclassification from current liabilities as explained above and depreciation of THB leading to increase in the USD denominated liabilities.
- Liabilities under rehabilitation plan and compromise agreement decreased Baht 139 million due to repayment.
- Other payables and accrued expenses increased Baht 301 million due to reclassification from current liabilities as explained above and depreciation of THB leading to increase in the USD denominated liabilities.

**Shareholders' equity**

As of 31 December 2021, the Consolidated Financial Statement recorded shareholders' equity of Baht 5,779 million which increased by Baht 2,120 million from last year due to net profit Baht 1,325 million and Gain on change in fair value of equity security designated at fair value through other comprehensive income Baht 794 million on account of GJ Steel investment.