

Management Discussion and Analysis

Management Discussion and Analysis for Quarter 3 Ending 30 September 2022

1. Highlights

	Unit : million Baht	Q 3/2022	Q 3/2021 (Restated)
Performance	Total Revenues	2,741	4,114
	Total Gross Profit (Loss)	(140)	907
	Total Net Profit (Loss)	(838)	406
	Unit : million Baht	30-Sep-22	31-Dec-21
Financial Status	Total Assets	11,750	12,340
	Total Liabilities	6,821	6,561
	Equity Attributable to Owners of the Parent	4,929	5,779

2. Business Outlook

The overall domestic consumption of Hot Rolled products decreased by 22% during Q3 2022 and by 18% up to Sep 2022*. Further, during Q3 2022 the domestic production of Hot rolled products fell by 31% mainly due to reduced demand.

Russia and Ukraine conflict, High inflationary pressures, and Continuing Zero Covid Policy by China have resulted in sharp reduction in global consumption and pricing which continues to impact Thailand domestic market as well.

* (As per Iron and Steel Institute of Thailand)

3. Performance of the Company

- **Revenue from sale**

The Company reported revenue from sales of Baht 2,741 million which decreased by Baht 1,373 million mainly due to the decrease in both selling price by 17% and sales volume by 20% compared to last year.

- **Operating Results**

The Company reported a gross loss of Baht 140 million, which decreased from last year by Baht 1,047 million. This resulted mainly due to reduction in metal spread (margin between selling price and metal cost) and increase in cost of goods sold resulting from conversion cost increase mainly from the increase of sub raw materials price, electricity price as well as natural gas price.

The Company reported a net loss of Baht 838 million compared with net profit Baht 406 million last year, which decreased by Baht 1,244 million. The consolidated net loss for Q3-22 was recorded at Baht 838 million compared with net profit Baht 406 million last year, decrease by Baht 1,244 million

mainly as explained above and foreign exchange loss and Provision for unsettled debts under arbitral award as per explanation below.

- **Selling Expenses**

The Company recorded selling expense of Baht 32 million, which decreased by Baht 8 million compared to last year due to decrease in sales volume.

- **Administrative Expenses**

Administrative expenses of Q3-22 decreased by Baht 59 million from Q3-21 mainly due to reduction in incentives due to expiration of management incentive plan and reduction in other fee.

- **Net loss on foreign exchange rate**

The Company reported a net loss on foreign exchange of Baht 320 million due to the depreciation of the Thai Baht versus the US dollar from 35.46 THB/USD on 30 June 2022 to 38.07 THB/USD on 30 September 2022.

- **Other expenses**

The Company recorded other expenses of Baht 375 million due to Arbitration Award against the Company in the ongoing case against one creditor of the Company. The Company will consider further action as per legal opinion.

- **Finance cost**

The Company recorded finance cost of Baht 78 million for Q3-22 compared to Baht 123 million for Q3-21, a decrease of Baht 45 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 September 2022, the consolidated total assets amounted to Baht 11,750 million, which decreased by Baht 589 million or 5% from year ended 2021.

Out of the total assets, Current Assets amounted to Baht 2,628 million or 22% of total assets, which decreased by Baht 40 million or 1% mainly due to decrease in inventories by Baht 190 million. Non-current assets amounted to Baht 9,122 million or 78% of total assets, which decreased by Baht 550 million or 6% 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 September 2022, the Consolidated cash and cash equivalent balance was Baht 539 million, which increased by Baht 120 million from year ended 2021.

Consolidated Cash Flow

- Net cash flows provided by operating activities is Baht 720 million.
- Net cash flows used in investing activities stood at Baht 45 million.
- Net cash flows used in financing activities is Baht 555 million.

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

- **Total liabilities**

Total liabilities in the consolidated Financial Statement as at 30 September 2022 amounted to Baht 6,821 million, which increased by Baht 261 million or 4% from year ended 2021 mainly due to the increase in Accrued interest expense, provision for unsettled debts under arbitral award and partly offset by the decrease in short-term borrowings from related parties, Liabilities from terminated rehabilitation plan and compromise.

Consolidated Current liabilities decreased Baht 33 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 69 million mainly due to repayment.
- Income tax payable decreased by Baht 107 million due to payment of the tax dues.
- Current portion of debentures and Accrued interest expenses increased by Baht 384 million mainly due to depreciation of THB leading to increase in the USD denominated liabilities and outstanding Long-term borrowings from related parties.

Consolidated Non-current liabilities increased Baht 294 million mainly derived from:

- Long-term borrowings from related parties and Other payables and accrued expenses increased by Baht 209 million mainly due to depreciation of THB leading to increase in the USD denominated liabilities.
- Liabilities under rehabilitation plan and compromise agreement decreased Baht 89 million mainly due to repayment.
- Provision for unsettled debts under arbitral award increased as explained above.

Shareholders' equity

As of 30 September 2022, the Consolidated Financial Statement recorded shareholders' equity of Baht 4,929 million which decreased by Baht 850 million from last year due to net loss Baht 561 million and Loss on change in fair value of equity security designated at fair value through other comprehensive income Baht 289 million on account of GJ Steel investment.