



K. W. METAL WORK PUBLIC COMPANY LIMITED

Head office 259/83 Sukhumvit 71 road, Phrakhanong-nur, Wattana, Bangkok

Branch 1 300/142 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

Branch 2 300/138 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

(Translation)

KWM 012/2563

August 13th, 2020

Subject : Management Discussion and Analysis for the 3-month and 6-month period ended June 30, 2020

To : President

The Stock Exchange of Thailand

K. W. Metal Work Public Company Limited (the "Company") would like to submit management discussion and analysis of significant changes for the 3-month and 6-month period ended June 30, 2020 with details as follow;

unit: million baht

Items	Q2/2019		Q2/2020		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	87.61	100.00	118.75	100.00	31.14	35.54
Cost of sales of goods	68.69	78.40	88.84	74.81	20.15	29.33
Gross profit	18.92	21.60	29.91	25.19	10.99	58.09
Other income	1.07	1.22	0.51	0.43	(0.56)	(52.34)
Gain on exchange rate	0.22	0.25	0.13	0.11	(0.09)	(40.91)
Profit before expenses, finance cost and taxes	20.21	23.07	30.55	25.73	10.34	51.16
Distribution costs	2.36	2.69	2.33	1.96	(0.03)	(1.27)
Administrative expenses	10.14	11.57	8.79	7.40	(1.35)	(13.31)
Profit before finance cost and taxes	7.71	8.80	19.43	16.36	11.72	152.01
Finance Cost	0.86	0.98	0.74	0.62	(0.12)	(13.95)
Profit before income tax expenses	6.85	7.82	18.69	15.74	11.84	172.85
Income tax expense	0.38	0.43	1.82	1.53	1.44	378.95
Net profit	6.46	7.37	16.87	14.21	10.41	161.15



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Items	6M/2019		6M/2020		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	200.62	100.00	193.94	100.00	(6.68)	(3.33)
Cost of sales of goods	158.09	78.80	147.33	75.97	(10.76)	(6.81)
Gross profit	42.53	21.20	46.61	24.03	4.08	9.59
Other income	1.92	0.96	1.24	0.64	(0.68)	(35.42)
Gain on exchange rate	0.33	0.16	0.21	0.11	(0.12)	(36.36)
Profit before expenses, finance cost and taxes	44.78	22.32	48.06	24.78	3.28	7.32
Distribution costs	4.49	2.24	4.62	2.38	0.13	2.90
Administrative expenses	19.64	9.79	18.10	9.33	(1.54)	(7.84)
Profit before finance cost and taxes	20.64	10.29	25.34	13.07	4.69	22.71
Finance Cost	1.74	0.87	1.45	0.75	(0.29)	(16.67)
Profit before income tax expenses	18.91	9.43	23.89	12.32	4.98	26.34
Income tax expense	1.26	0.63	2.07	1.07	0.81	64.29
Net profit	17.65	8.80	21.82	11.25	4.17	23.63

1. Revenue from sales of goods

For the 3-month period ended June 30, 2020, the Company and its subsidiary's revenue from sales of goods was in the amount of 118.75 million baht, increased by 31.14 million baht or 35.54% of the same period of sales in 2019. This resulted from an increase in Sales of the product Disc plough by 31.30 million baht or 52.73% when compares to the sales of disc plough from same period of last year, this was due to planting season has shifted to this quarter and the raining season has started so the water situation was getting better even though a severe drought is still causing extensive damage in some areas. Moreover, with the effect of COVID-19 outbreak, the labor has temporary moved from service sector back to agriculture sector which led to more demand in agriculture equipment. Other that the above reasons, in Q2/2020 the Company and its subsidiary also have sales from Rotary product which was first launched in Q3/2019 so when compares sales of this quarter and last year, the sales were increased by these reasons.

However, as for the 6-month period ended June 30, 2020 the Company and its subsidiary's revenue from sales of goods was in the amount of 193.94 million baht, decreased by 6.68 million baht or 3.33% of the same period of



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sales in 2019. This was due to the fact that the Company still has an effect from a severe drought since the beginning of this year even though the situation seems to get better in this quarter but the overall sales of 6 month-period of this year were still less than last year.

2. Cost of sales of goods and Expenses

- 2.1. Cost of sales of goods for the 3-month period ended June 30, 2020 increased from the same period of last year around 29.33% or in the amount of 20.15 million baht, which in line with a rise of sales. Moreover, gross profit margin in Q2/2020 had a better performance with 25.19% while in Q2/2019 was at 21.20%. The main reason was from an increased from sales proportion of Disc Plough to 75% of the total sales in this quarter and lessen in sales of Plough which has the lowest in gross profit margin among all the products. Therefore, it resulted to a higher in overall gross profit margin in this quarter. Cost of sales of goods for the 6-month period ended June 30, 2020 was in the amount of 147.33 million baht decreased by 6.81% or in the amount of 10.76 million baht in accordance with a drop of sales for 6 month-period ended June 30, 2020. As for the gross profit margin of the first 6 months of 2020, the Company and its subsidiary's gross profit margin was at 24.03% while in 2019 was only 21.20%, main reason was from a significant rise of sales in the 2nd quarter of 2020.
- 2.2. Distribution costs for 3-month and 6-month period ended June 30, 2020 had no significant change due to the ongoing of COVID-19 pandemic situation, the Company could not hold a promotional event such as factory visit for customers therefore there was not much change in selling expenses.
- 2.3. Administration expenses for the 3-month period ended June 30, 2020, was in the amount of 8.79 million baht, dropped by 1.35 million baht or 13.31% when compares to the same period of last year. As for the 6-month period ended June 30, 2020 the administration expense was in the amount of 18.10 million baht, decreased by 1.54 million baht or 7.84% with a decreased in employee expenses that the Company decided to revise budget in some expenses such as bonus due to the unforeseen circumstances that might happen in the future. There was also financial support policy from Social Security Board for COVID-19 by reduced 5% employer's monthly contribution to 4% in March to May. Moreover, in 2019 there was loss in disposal of fixed assets while there is no such expense in this quarter.

3. Finance costs

Finance cost for the 3-month and 6-month period ended June 30, 2020 was 0.74 million baht and 1.45 million baht accordingly. Only a slight dropped from 2019 which mainly came from the fact that the Company made repayments to short-term loan amounting of 2.00 million baht in early of 2020 and the Monetary Policy Committee lowered down the policy rate to 0.50% in May 2020.



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4. Net Profit

For the 3-month period ended June 30, 2020 the Company financial statement represents net profit in the amount of 16.87 million baht or considered as net profit margin of 14.21%, increased from last year by 10.41 million baht or 161.15% of the same period of last year. A rise in net profit was from an increase of sales, a higher in gross profit margin and a less in administration expenses and finance cost in this period.

For the 6-month period ended June 30, 2020 the Company financial statement represents net profit in the amount of 21.82 million baht or considered as net profit margin of 11.25%, increased from last year by 4.17 million baht or 23.63% of the same period of last year. Even though there was a drop of sales for the 6-month period but with a better performance in gross profit margin and a less in administration expenses and finance cost in this period which resulted to an increase in net profit.

5. Statement of financial positions

Items	31 Dec 2019	30 June 2020	Changes	
	Million baht	Million baht	Million baht	%
Total Assets	429.19	441.93	12.74	2.97
Cash and cash equivalents	67.72	80.20	12.48	18.43
Trade and other account receivables	58.62	81.76	23.14	39.47
Inventories	123.14	106.54	(16.60)	(13.4)
Property, plant, and equipment	172.74	153.86	(18.88)	(10.93)
Right-of-use assets	0.00	14.94	14.94	-
Other non-current assets	4.83	2.49	(2.34)	(48.45)
Total Liabilities	84.16	100.28	16.12	19.15
Short-term borrowings from financial institutions	49.59	66.96	17.37	35.03
Trade and other account payables	17.23	17.68	0.45	2.61
Current portion of lease liabilities	4.16	4.28	0.12	2.88
Lease liabilities	5.61	3.44	(2.17)	(38.68)
Total shareholders' equity	345.03	341.65	(3.38)	(0.98)

As of June 30, 2020, the Company and its subsidiary's total assets was in the amount of 441.93 million baht, increased by 12.748 million baht when compared to total assets as of December 31, 2019. A change in total assets of the Company and its subsidiary came from details as follow.



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Cash and cash equivalent increased by 12.48 million baht or 18.43% from December 31, 2019. The Company and its subsidiary had cash from operating activities amounting to 31.91 million baht and cash used in investing activities amounting to 6.09 million baht. The Company also had dividend paid in the amount of 25.20 million baht but with a rise in short-term borrowings from financial institutions resulting to net cash used in financing activities in the amount of 13.33 million baht.

Trade and other account receivables as of June 30, 2020 was in the amount of 81.76 million baht, increased by 23.14 million baht from December 31, 2019. Due to a higher in sales of this quarter and some customers also requested to extend their credit terms which resulted to an increased in trade and other account receivables at the end of this period.

Inventories as of June 30, 2020 was in the amount of 106.60 million baht decreased by 16.60 million baht when compare to last year. Due to a higher in demand of Company's products in this quarter which inline with an increased in revenue from sales of goods in this period.

Property, plant and equipments as of June 30, 2020 was in the amount of 153.86 million baht declined from last year in the amount of 18.88 million baht or 10.93%. This year the Company has adopted Thai Financial Reporting Standards no. 16 Lease, resulted to a reclassification of Right-of-use assets under all leases (except short-term leases and leases of low-value assets) to presented seperately under the account name as "Right-of-use assets" which was in the amount of 14.94 million baht as of June 30, 2020.

As of June 30, 2020, the Company and its subsidiary had a rise in short-term borrowing from financial institutions in the amount of 17.37 million baht or 35.03% when compare to the end of 2019. There was a higher in demand of Company's products and due to uncertian situations that might occur from the COVID-19, the Company delayed payment to financial institutions in order to carefully manage Company's Cashflow.

Total shareholder's equity of the Company and its subsidiary as of June 30, 2020 was in the amount of 341.65 million baht, decreased by 3.38 million baht or 0.98%. The change came from an increase in net profit from the Company's performance of the first 6 months of 2020 and the dividend payment of 25.20 million baht in May 2020.

Please be informed accordingly

Yours sincerely

Miss Tiyaophon Vanagosoom

Managing Director

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