

ACC-O-2010004

October 1, 2020

To: President
The Stock Exchange of Thailand

Subject: Management Discussion and Analysis for the six-month period ended 30 June 2020

Thai Energy Storage Technology Public Company Limited (the "Company" or "3K-BAT") hereby submits Pro forma consolidated financial information the six-month period ended 30 June 2020.

Because the Company is the result of the amalgamation between Hitachi Chemical Storage (Thailand) Public Company Limited ("BAT-3K") and Hitachi Chemical Gateway Battery (Thailand) Company Limited at October 1, 2020 in accordance with the Public Limited Act B.E. 2535 (1992), as amended. This Amalgamation is considered as business combination under common control, and to illustrate the impact of the amalgamation, the Company and the auditor have prepared the Pro Forma Consolidated Financial Information by combining the interests of the amalgamated companies (pooling of interest), total assets and liabilities of the amalgamated companies at their book values, eliminated by significant inter-company transactions, and the goodwill from the Amalgamation will not be occurred.

Operating Results

Total Revenues

For the 6-month period ending on June 2019 – 2020, the Company's sales revenues were THB 2,789.82 million and THB 2,319.89, respectively. The sales revenue from the first 6-month period of 2020 decreased by THB 469.94 million percent from the same period of 2019 amounting to a decrease rate of 16.84. The revenue decrease was caused mainly by the contraction of Thai economy and automotive industry in Thailand that was resulted from the impacts of the COVID-19 outbreak. Also, several car factories temporarily shut down causing the decrease in the volume of battery sales in both the REM and the OEM by 20.4 percent during the first 6-month period of 2020 in comparison with the same period of 2019. This was despite the fact that the average battery price increased due to the Company's price adjustment with respect to OEM sales during the 1st quarter of 2020 and the Bath depreciation during the 2nd quarter of 2020.

For the first 6-month period of 2019 – 2020, the Company's other revenues were THB 97.77 million and THB 21.01 million, respectively. For the first 6-month period of 2019, they were mainly from, such as, the profits from the sales of land, buildings, equipment and immovable assets for investment in the amount of THB 44.99 million, including the revenue from the sales of plate remains in the amount of THB 26.97 million. While, for the first 6-month period of 2020, the other revenues were mainly from the profits from the exchange rates in the amount of THB 9.42 million and the revenue from the sales of plate remains in the amount of THB 4.01 million. In this regard, other revenues in the first 6-month period of 2020 decreased from those of the same period of the previous year mainly because the Company did not have any profit from fixed asset sales during the first 6-month period of 2020.

Cost of Sales and Gross Profit

For the 6-month period ending on 30 June of 2019 – 2020, the Company's costs of sales were THB 2,270.98 million and THB 1,839.67 million, respectively. The cost of sales for the first 6-month period of 2020 decreased by THB 431.32 million or 18.99 percent from the same period of 2019. Such decrease in the cost of sales was mainly because the volume of batteries sold decreased due to the impact of COVID-19. The Company's gross profit margins for the first 6-month period of 2019 – 2020 were equal to 18.60 percent and 20.70 percent, respectively. The increase in gross profit margin was mainly because the average unit selling price increased at a higher rate than the increase in the average cost of sales per unit. Such increase in the average cost of sales per unit was resulted from the cost for importing lead from foreign countries increased from the impact of the Bath depreciation during the 2nd quarter of 2020 even though the global lead price had continuously decreased.

Net Profit

For the 6-month period ending on 30 June 2019 – 2020, the Company's net profits were THB 15.07 million and THB 15.36 million, respectively, equivalent to the net profit margins of 0.51 percent and 0.66 percent, respectively. Although the Company had less revenue and gross profit due to the impact of COVID-19 outbreak in 2020, the profits from the normal operation before financial expenses and taxes excluding other revenues for the first 6-month period of 2019 – 2020 were a loss of THB 51.28 million and a profit of THB 9.90 million, respectively. The Company had a profit from its normal operation during the first 6-month period of 2020 because the Company controlled its expenses better than in the first 6-month period of 2019 causing a decrease in the total expenses by 17.50 percent which was at a higher rate than the decrease in gross profit at 7.44 percent. However, because in the first 6-month period of 2020, the Company's other income were significantly less than the first 6-month period of 2019 the net profit of the first 6-month period of 2020 was relatively close to that of the first 6-month period of 2019.

With respect to the first 6-month period of 2019, the Company suffered a loss from its management due to lower revenues as well as higher selling expenses and administrative expenses in comparison with the selling expenses and the administrative expenses in the first 6-month period of 2020 which decreased by over 16.08 percent. However, the net profits in both periods were similar. That was because in the first 6-month period of 2019, the Company had other revenues of THB 97.77 million which were higher than THB 21.01 million for the first 6-month period of 2020.

Financial Positions

Assets

As at 30 June 2020, the Company's total assets were THB 3,646.29 million which increased from the total assets as at 31 December 2019 by THB 153.50 million or 4.39 percent. The main changes were the increase in cash and cash equivalents in the amount of THB 450.39 million. This was pursuant to the Company's policy in maintaining liquidity and setting aside cash reserves to be used as working capital in order to prepare for the economic contraction due to the COVID-19 outbreak. The changes also included the decrease in trade receivables and other debtors in the amount of THB 202.38 million and the decrease in inventories in the amount of THB 120.34 million, corresponding to the decrease in sales revenues.

Land, Building and Equipment

As at 30 June 2020, the Company's fixed assets (land, buildings and equipment) were THB 1,577.91 million which increased from those as at 31 December 2019 by THB 4.52 million or 0.29 percent. That was due to the adjustment to the right of use in accordance to the adoption of the Financial Reporting Standards No. 16 on leases, which caused an increase in fixed assets (land, buildings and equipment) as at 1 January 2020 by THB 41.66 million. Moreover, in the first 6-month period of 2020, the Company invested in purchasing

machineries in accordance with the plan on increasing forklift battery (traction battery) production capacity which had been continued from 2018, in the amount of THB 93.00 million.

Liabilities

As at 30 June 2020, the Company's total liabilities were THB 1,592.81 million, which increased from the liabilities as at 31 December 2019 by THB 68.77 million or 4.51 percent. Such change was mainly because of the decrease in short-term loans from related companies, the increase in short-term loans from financial institutions, and the recognition of liabilities under lease agreements from the adoption of the Financial Reporting Standards No. 16 on leases which caused the Company to recognize obligation of lease agreements that had previously been categorized as operating leases, with the present value of payments under the remaining leases discounted by the Company's marginal loan interest rate as at 1 January 2020 in the amount of THB 43.06 million. The Company's lease obligation as at 30 June 2020 were equal to THB 39.41 million.

Shareholders' equity

For the end of 2019 and on 30 June 2020, the shareholders' equity of the Company was equal to THB 1,965.84 million and THB 2,050.49 million, respectively. It decreased by THB 84.65 million in the first 6-month period of 2020. The changes in shareholders' equity were mainly caused by the annual net profits and the deficits from business combinations under common control. In compiling the pro forma financial information of HCGB, which forms part of the pro forma consolidated financial information of the Company, the Management decided to use deficits from business combinations under common control as a balancing account. The change in this account in each reporting period was due to the difference between the amount that the Company paid for the partial business transfer and the net assets and liabilities of the battery business received in each reporting period, the operating results of HCGB in each reporting period and the difference between the registered and paid-up share capital of HCGB and the cash paid for the transfer of the battery business based on the application of the assumptions used in preparation of the pro forma financial information of HCGB.

Liquidity and Appropriateness of Capital Structure

As at 31 December 2019 and 30 June 2020, the Company had the current ratios of 1.14 and 1.19 and the quick ratios of 0.55 and 0.70, respectively. The increases were because the Company had less inventories corresponding to the decreased sales values.

In its business operation, the Company uses the working capital from operating activities that have low financial costs to invest in fixed assets (land, buildings and equipment) and repay loans. The Company has various types of credits from several financial institutions as to support the Company's business operation. The total credit facility that has not yet been utilized as at 31 December 2019 and 30 June 2020 was THB 2,105 million and THB 3,654 million, respectively.

- Translation -

As at 31 December 2019 and 30 June 2020, the Company's debt-to-equity ratios were 0.77 and 0.78, respectively. They were at a low level as the Company only had short-term loans which were current liabilities used for its ordinary course of business.

Please be informed accordingly

Yours faithfully,

- Signed -

(Mr. Toshinori Osumi)

Director