

Management Discussion and Analysis Q3/2020

1. Operating Result Highlights

	Unit: million Baht	3 rd Quarter 2020	3 rd Quarter 2019
Performance	Revenues	3,080	3,083
	Gross Profit (Loss)	56	(219)
	Net Profit (Loss)	(180)	(433)
HRC	HRC Sales (k tons)	192	172
	HRC Production Volume (k tons)	194	179
	HRC Average Selling Price (THB./ton)	16,050	17,930
	Unit: million Baht	30 September 2020	31 December 2019
Financial Status	Total Liabilities	2,538	2,194
	Total Asset	15,146	15,488
	Total Equity	12,608	13,294

2. Changes in Accounting Estimates

As reported during the last Quarter in the interim financial information, the Company has reviewed and changed the estimated useful lives of buildings, machinery and equipment in accordance with their conditions and the proper estimation of useful lives with reference to the Health Study Report from an independent engineering expert and the repair and maintenance of buildings, machinery and equipment. The effect of such change in the estimated useful lives of assets to the depreciation charge during the quarter is as below:

Unit: Million Baht

Period of Separated Financial Statements	Depreciation according to the previous estimated useful lives	Depreciation according to current estimated useful lives
For Q3 2020	194	90
For the nine-month period ended 30 th Sep 2020	578	269

3. Business Outlook

The overall domestic Hot Rolled Steel consumption reduced by 28% during the 3rd Quarter 2020, while imports declined by 46%. The domestic production gained some traction and increased by 2% when compared to same quarter last year.

Total Hot Roll (Unit : Tons) (Excluding Stainless Steel)	Q3 19	Q3 20	% Change
Production	647,965	660,130	2%
Import	1,030,380	552,986	-46%
Export	2,467	1,398	-43%
Consumption	1,675,878	1,211,718	-28%

However, the consumption increased by 10% for 3rd Quarter 2020 when compared with the 2nd Quarter of 2020 reflecting the improving conditions.

4. Performance of the Company for Q3 2020

The Company reported a Gross Profit of THB 56 million during the quarter compared to a Gross Loss of THB 219 million in last year quarter while the net loss was at THB 180 million and THB 433 million for the 3rd Quarter 2020 and 2019, respectively. This is primarily due to:

- **Revenue from sales**

HRC Shipment increased by 12% from last year quarter offset by reduction in average HRC selling prices by 10%. Domestic HRC prices remained under pressure due to reduced demand as markets remained impacted due to COVID 19 outbreak.

- **Cost of goods sold**

Cost of goods sold reduced from last year quarter by Baht 279 million or 8% mainly due reduction in metallic cost coupled with reduction in depreciation as explained above.

- **Selling expenses**

Selling expenses increased from last year quarter by 6% mainly due to increase in shipment by 12% with average delivery expenses cost per ton reducing by 5% due to reduced fuel prices.

- **Administrative expenses**

Administrative expenses for the 3rd Quarter 2020 and 2019 amounted to THB 139 million and THB 130 million respectively. It is higher from last year quarter by THB 9 million mainly due to expenses incurred for voluntary early retirement program undertaken by the Company during the quarter partially offset by savings in salary.

- **Financial costs**

The financial costs for the 3rd Quarter 2020 and 2019 amounted to THB 65 million and THB 59 million, respectively. The increase of financial by THB 6 million mainly resulted from weakening of the Thai Baht against the US Dollar compared to previous quarter.

- **Net loss (gain) from exchange rate**

The Company had recorded loss from exchange rate for the 3rd Quarter 2020 amounting to THB 28 million due to weakening of the Thai Baht against the US Dollar. Whilst in last year quarter there was gain from exchange rate amounting to THB 19 million due to strengthening of Thai Baht against US Dollar.

5. **Statement of financial positions**

- **Total assets**

As of 30 September 2020, the Company has total assets amounting to THB 15,146 million which decreased from the year ended 2019 by THB 342 million. The current assets amounted to THB 1,825 million, decreased by 3% or THB 57 million mainly due to a decrease in cash and cash equivalent by THB 247 million partially offset with an increase in inventories by THB 107 million. Total non-current assets amounted to THB 13,322 which decrease by 2% from the year ended 2019 mainly due to a decreased in property, plant and equipment.

- **Total Liabilities**

As of 30 September 2020, the Company has total liability amounting to THB 2,538 million. Total current liabilities amounted to THB 1,611 million and total non-current liabilities amounted to THB 927 million. As compared with the year ended 2019, the total liability increased by THB 344 million or 16%, on account of:

1. Increase in trade accounts payable by THB 281 million.
2. Increase in short term and long-term loan by THB 57 million due to weakening of Thai Baht.

- **Total equity**

As of 30 September 2020, the Company has total equity of THB 12,608 million which decreased by THB 686 million or 5% from year ended 2019 due to net loss for the nine month period of THB 686 million.