

## **Management Discussion and Analysis for year 2022**

### **1. Highlights**

	Unit: million Baht	Year 2022	Year 2021
<b>Performance</b>	Revenues	17,403	18,407
	Gross Profit (Loss)	1,200	4,022
	Net Profit (Loss) before tax	(3,107)	3,178
	Unit: million Baht	31 December 2022	31 December 2021
<b>Financial Status</b>	Total Liabilities	792	783
	Total Asset	13,495	16,622
	Total Equity	12,703	15,839

### **2. Business Outlook**

The domestic consumption of Hot Rolled products decreased by 16% during Q4 2022 resulting in an annual decline of 17% consumption for the full year of 2022 as per Iron and Steel Institute of Thailand.

The reduced market demand, continuing geopolitical tensions, high inflationary pressures (especially increased costs of electricity and natural gas) and higher scrap prices have resulted in an overall difficult operating environment in Thailand and global steel markets.

Though the Company could limit its sales volume drop to 7% for the full year of 2022 compared to 17% decline in the industry, high cost of raw materials and increased utility prices led to reduced profitability in 2022. The Company has embarked upon several countermeasures to overcome this situation and make the business more sustainable in future.

### **3. Performance of the Company**

#### **• Impairment of Asset under Construction**

The Company had engaged technical experts to carry out a review of the Galvanizing Line lying under construction in progress. Based on such technical review the investment required for making the Galvanizing Line operational including replacement of electrical and automation parts and replacement/purchase of new items to complete the commissioning was significant. Further, despite this investment, it will be difficult to achieve the desired production capacities, quality parameters and subsequent guarantee figures with continuing risks of operational stability, high maintenance/operational costs, and importantly quality and safety issues.

After considering various other factors like the operational stability, maintenance costs, quality and safety issues, the management decided not to continue with the commissioning of the existing Galvanizing line as such additional investment is not feasible and to impair the balance carrying amount of Baht 3,617 million net of residual value in the books.

- **Revenue from sales and cost of goods sold**

The Company reported revenue from sales at THB 17,403 million which was lower than last year mainly due to a drop in sale volume by 7% partially offset by an increase in average selling price by 2%. However, the cost of goods sold increased by 22% (mainly due to increase in raw material prices) which resulted in a gross margin decrease of THB 2,822 million as compared to last year.

HRC production decreased by 35 k tons as compared to 2022 and the sales volumes dropped by 49 k tons as compared to last year mainly due to poor market conditions in H2 2022.

- **Net gain from write-off expired legal prescription of debts**

The Company has recorded net gain of THB 43 million from write-off of debts exceeding the legal prescription period of 10 years and accrued interest thereon compared to THB 279 million recorded last year.

- **Other income**

Other income for year 2022 amounted to THB 74 million and was higher by THB 13 million compared to last year mainly due to higher sales of waste from the operation by THB 10 million and interest income by THB 3 million.

- **Administrative expenses**

Administrative expenses for year 2022 amounted to THB 631 million and was lower by THB 134 million compared to last year mainly due to lower charges on account of incentive program by THB 271 million partial offset with an increase in loss from write-off of old assets by THB 109 million replaced by new equipment.

- **Net loss from exchange rate**

The Company has recorded loss from exchange rate for year 2022 and 2021 by THB 6 million and THB 110 million respectively. The lower forex loss compared to last year resulted primarily from reduced foreign exchange liabilities due to full repayment of foreign currency long-term loan in 2021.

- **Financial costs**

The financial costs for year 2022 amounted to THB 3 million was lower by THB 139 million compared to last year mainly due to reduction in Standby Letter of Credit and repayment of full debt during third quarter last year.

#### 4. **Statement of financial positions**

- **Total assets**

As of 31 December 2022, the Company had total assets amounting to THB 13,495 million. Total current assets amounted to THB 4,637 million and total non-current assets amounted to THB 8,857 million. As compared with year ended 2021, the total assets decreased by THB 3,128 million or 19% as below:

1. Cash and cash equivalent increased by THB 1,415 million.
2. Accounts receivable increased by THB 60 million.
3. Inventory decreased by THB 572 million.
4. Other current assets increased by THB 87 million. (mainly increased from a tax receivable from Revenue Department by THB 71 million).
5. Property, plant and equipment decreased by THB 3,960 million. (mainly decreased from loss on impairment by THB 3,617 million, decreased from depreciation of THB 519 million and partial offset with an increased from purchase of PPE by THB 212 million).
6. Other non-current assets decreased by THB 158 million (mainly due to withdrawal of cash deposit to issuing of bank guarantee for using electricity and natural gas by THB 157 million).

- **Total Liabilities**

As of 31 December 2022, the Company had total liability amounting to THB 792 million. Total current liabilities amounted to THB 642 million and total non-current liabilities amounted to THB 149 million. As compared with the year ended 2021, the total liability increased by THB 9 million or 1% as below:

1. Trade accounts payable decreased by THB 37 million.
2. Other payables and accrued expenses increased by THB 55 million
3. Accrued interest expenses decreased by THB 13 million.
4. Liabilities from terminated rehabilitation plan decreased by THB 17 million.
5. Non-current provision for employee benefit obligation increased by THB 10 million.

- **Total equity**

As of 31 December 2022, the Company has total equity of THB 12,703 million which decreased by THB 3,136 million or 20% lower from year ended 2021 mainly due to net loss for the year of THB 3,136 million.