



5 August 2020

Subject: Management Discussion and Analysis of the Operating Performance for the three-month period ended June 30, 2020

To: The President  
 The Stock Exchange of Thailand

### Quarterly Summary

(Unit: Million Baht)

Statement of comprehensive income	Q2/2020	Q1/2020	Q2/2019	% QoQ	% YoY
Sales Revenue	1,257	1,513	1,722	(16.9)	(27.0)
Cost of Sales	1,195	1,447	1,776	(17.4)	(32.7)
Gross Profit	62	66	(54)	(6.1)	232
Selling Expenses	19	19	26	-	(26.9)
Administrative expenses	116	124	164	(6.5)	(29.3)
Profit (Loss) on exchange	(1)	(20)	(1.7)	(95)	(41.2)
Allowance for impairment of assets	65	-	-	100.0	100.0
Finance Cost	55	58	55	(5.2)	-
Loss for the period	177	162	288	9.3	(38.5)

### Operating Performance for the three-month period ended June 30, 2020

- Sales revenue of Baht 1,257 million decreased by 16.9% QoQ or Baht 256 million and 27% YoY or Baht 465 million, as a result of a significant decrease in compressor sales and subsidiaries' sales consisting of enameled wire, steel sheet, steel coil center and casted iron as many customers have been affected from the situation of Coronavirus disease (COVID-19) outbreak.
- Cost of sales was Baht 1,195 million which was 95.1% of sales revenue, decreasing from 95.6% QoQ and 103% YoY. This turned the Company's gross profit to be positive continuously.
- Gross profit of Baht 62 million decreased by 6.1% QoQ as sales dropped. Comparing to last year, gross profit dramatically increased by 232% due to more effective cost control of production management.
- Administrative expenses of Baht 116 million decreased by 6.5% QoQ or Baht 8 million and 29.3% YoY or Baht 48 million due to lower travelling expenses, consultant fee and provision of employee benefit.
- Loss on exchange decreased by Baht 19 million QoQ and Baht 1.7 million YoY due to more effective risk management of exchange rate.
- Allowance for impairment of assets of Baht 65 million resulted from the change in Thai Accounting Standard No. 16 (Revised 2018), Property, Plant and Equipment.



- Net Loss increased by 9.3% QoQ from Baht 162 million to Baht 177 million, the main reason came from allowance for impairment of fixed assets for Warehouse. Comparing to last year, net loss significantly decreased by 38.5% due to a strictly control of costs and expenses.

## Financial Position

(Unit: Million Baht)

	30 June 2020		31 December 2019		Change	
	Amount	%	Amount	%	Amount	%
<b>Current Assets</b>	<b>2,672</b>	<b>38</b>	<b>2,772</b>	<b>44.3</b>	<b>(100)</b>	<b>(3.6)</b>
<b>Non-current assets</b>	<b>4,364</b>	<b>62</b>	<b>3,491</b>	<b>55.7</b>	<b>873</b>	<b>25</b>
<b>Total Assets</b>	<b>7,036</b>	<b>100.0</b>	<b>6,263</b>	<b>100.0</b>	<b>773</b>	<b>12.3</b>
<b>Current liabilities</b>	<b>4,529</b>	<b>64.5</b>	<b>5,226</b>	<b>83.4</b>	<b>(697)</b>	<b>(13.3)</b>
<b>Non-current liabilities</b>	<b>1,202</b>	<b>17.1</b>	<b>298</b>	<b>4.8</b>	<b>904</b>	<b>303.4</b>
<b>Total liabilities</b>	<b>5,731</b>	<b>81.6</b>	<b>5,524</b>	<b>88.2</b>	<b>207</b>	<b>3.7</b>
<b>Total shareholders' equity</b>	<b>1,305</b>	<b>18.4</b>	<b>739</b>	<b>11.8</b>	<b>566</b>	<b>76.6</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,036</b>	<b>100.0</b>	<b>6,263</b>	<b>100.0</b>	<b>773</b>	<b>12.3</b>

- Total assets as of 30 June 2020 increased by Baht 773 million from 31 December 2019 as a result of change in Thai Accounting Standard No. 16 (Revised 2018), Property, Plant and Equipment. This change caused an increase in property, plant and equipment's value of Baht 975 million while deferred tax assets declined by Baht 189 million.
- Total liabilities as of June 2020 increased by Baht 207 million from 31 December 2019 due to the adoption of new financial reporting standards related to TFRS 16.
- Total shareholders' equity as of 30 June 2020 increased by Baht 566 million from 31 December 2019, equivalent to 76.6% as a result of change in Thai Accounting Standard No. 16 (Revised 2018), Property, Plant and Equipment.

## Significant changes in accounting policies

1. The group has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are TFRS 7 (Financial Instruments: Disclosures) and TFRS 9 (Financial Instruments) TAS 32 (Financial Instruments: Presentation) and TFRS 16 (Hedges of a Net Investment in a Foreign Operation) and TFRS 19 (Extinguishing Financial Liabilities with Equity Instruments).



The cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

Statement of financial position	31 December 2019	The impacts of Financial reporting standards	1 January 2020
<b>Assets</b>			
Trade and other receivables	938,946	(9,611)	929,335
Property, plant and equipment	3,177,221	(74,610)	3,102,611
Right-of-use assets	-	115,914	115,914
<b>Liabilities and Shareholder's equity</b>			
Current portion of liabilities under financial lease agreements	15,827	(15,827)	-
Current portion of lease liabilities	-	36,040	36,040
Other current financial liabilities	-	2,186	2,186
Liabilities under financial lease agreements, net of current portion	30,148	(30,148)	-
Lease liabilities, net of current portion	-	51,239	51,239
Deficit - unappropriated	(1,794,367)	(11,797)	(1,806,164)

- The company reviewed the suitability and impacts from the change of Thai Accounting Standard No. 16 (Revised 2018), Property, Plant and Equipment in order to make the financial statements of the company reflects the fair value of land, land improvement, building and building improvement. the company has considered the suitability of the change of accounting policy for recording the value of land, land improvement, building and building improvement in company's consolidated financial statements from costing method to fair value method which will affect to company's consolidated financial statements for six-month period operating performance ended 30 June 2020 onwards.

Yours Sincerely,  
 Kulthorn Kirby Public Company Limited

(Mr. Surath Pralongsil)  
 Executive Vice President Finance