posco
THAINOX

7 August 2026

To: Director and Manager
The Stock Exchange of Thailand

Subject: Management Discussion and Analysis of Operating Results for The three-month (Q2/2026) and the six-month period ended 30 June 2026

POSCO-Thainox Public Company Limited would like to provide clarification on its operating results for The three-month (Q2/2026) and the six-month period ended 30 June 2026 in order to explain the key factors affecting the Company's operating results, changes in financial position, shareholders' equity, and liquidity. This information is intended to assist shareholders, investors, and stakeholders in assessing the Company's business performance. The key points are summarized as follows:

In the second quarter of 2026 and the first six months of 2026, the Company's revenue from sales and services increased compared to the same period of the previous year, driven by growth in stainless steel product sales. Net profit also improved due to the recognition of foreign exchange gains, support from a partial reversal of Expected Credit Loss following a credit risk assessment of trade receivables that reflected improving credit quality and better collection performance, and the absence of surcharges and other taxes as incurred in the same period of the previous year.

As at 30 June 2026, the Company continued to maintain a strong financial position, with a high level of cash and cash equivalents, sound liquidity, and a low debt-to-equity ratio.

1. Overview of Operating Results

1.1 Summary of Operating Results for Q2/2026

Description	Q2/2026 (THB million)	Q2/2025 (THB million)	% YoY	Q1/2026 (THB million)	% QoQ
Revenue from sales and services	3,664.99	3,373.59	8.64	3,589.96	2.09
Gain on foreign exchange	23.65	-	N/A	42.87	(44.83)
Other income	7.46	12.65	(41.03)	13.29	(43.87)
Total revenues	3,696.10	3,386.24	9.15	3,646.12	1.37
Cost of sales and services	3,521.63	3,185.73	10.54	3,417.23	3.06
Selling and distribution expenses	34.24	30.85	10.99	32.64	4.90
Administrative expenses	75.35	100.05	(24.69)	71.59	5.25
Loss on foreign exchange	-	10.27	(100.00)	-	N/A
Total expenses	3,631.22	3,326.90	9.15	3,521.46	3.12
Operating profit	64.88	59.34	9.34	124.66	(47.96)
Share of profit (loss) from investment in associate	0.72	(1.06)	167.92	(0.28)	357.14
Finance costs	(0.38)	(0.48)	(20.83)	(0.38)	0.00
Profit before income tax expense	65.22	57.80	12.84	123.99	(47.40)
Income tax expense	(14.48)	(12.48)	16.03	(25.39)	(42.97)
Net profit	50.74	45.32	11.96	98.60	(48.54)
Basic earnings per share (Baht)	0.065	0.058	12.07	0.126	(48.41)

In second quarter of 2026 (Q2/2026), the Company reported revenue from sales and services of THB 3,664.99 million, an increase of THB 291.39 million or 8.64% from the same period of the previous year, and an increase of THB 75.03 million or 2.09% from Q1/2026. As a result, total revenues amounted to THB 3,696.10 million, increasing by 9.15% year-on-year and 1.37% quarter-on-quarter.

Compared with the second quarter of 2025, the increase in total revenue was supported by higher sales and the recognition of a foreign exchange gain of THB 23.65 million, whereas in the second quarter of 2025, the Company recognized a foreign exchange loss of THB 10.27 million. However, other income decreased by THB 5.19 million, or 41.03%.

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On the expense side, cost of sales and services increased by 10.54% from the same period of the previous year and by 3.06% from the previous quarter. Selling and distribution expenses increased both year-on-year and quarter-on-quarter in line with business activity levels. Administrative expenses decreased by 24.69% from the same period of the previous year, but increased by 5.22% from the previous quarter.

As a result, operating profit in Q2/2026 was THB 64.88 million, increasing by 9.34% from the same period of the previous year, but decreasing by 47.96% from the previous quarter. Net profit was THB 50.74 million, increasing by 11.96% from the same period of the previous year, but decreasing by 48.54% from Q1/2026. The main reasons for the QoQ decline were lower foreign exchange gain and higher total costs.

1.2 Operating Results for the Six-Month Period Ended 30 June 2026

Description	6M/2026 (THB million)	6M/2025 (THB million)	Change (THB million)	% YoY
Revenue from sales and services	7,254.95	6,989.53	265.42	3.80
Gain on foreign exchange	66.52	6.31	60.21	954.49
Other income	20.75	31.84	(11.09)	(34.83)
Total revenues	7,342.22	7,027.68	314.54	4.48
Cost of sales and services	6,938.86	6,532.36	406.50	6.22
Selling and distribution expenses	66.89	60.03	6.86	11.42
Administrative expenses	146.93	177.72	(30.79)	(17.33)
Surcharges and other taxes	-	168.11	(168.11)	(100.00)
Total expenses	7,152.68	6,938.22	214.46	3.09
Operating profit	189.54	89.46	100.08	111.86
Share of profit (loss) from investment in associate	0.44	(0.04)	0.48	1,149.26
Finance costs	(0.76)	(0.92)	0.16	(17.07)
Profit before income tax expense	189.22	88.50	100.71	113.80
Income tax expense	(39.88)	(162.82)	122.94	(75.51)
Net profit (loss)	149.34	(74.32)	223.66	300.95
Basic earnings (loss) per share (Baht)	0.192	(0.095)	0.287	302.11

In the first six months of 2026, the Company's operating results improved significantly compared with the same period of the previous year, clearly turning from a net loss to a net profit. This improvement was attributable to growth in sales revenue, the recognition of higher foreign exchange gains, increased revenue despite a lower gross profit, and the absence of tax surcharges and related taxes such as those incurred in the previous year

For the first six months of 2026, the Company reported revenue from sales and services of THB 7,254.95 million, an increase of THB 265.42 million or 3.80% from the same period of the previous year, while total revenues increased to THB 7,342.22 million, up 4.48%.

Although cost of sales and services increased by 6.22%, which exceeded the rate of revenue growth, causing the gross profit margin to decline from 6.54% to 4.36%, the Company benefited from higher foreign exchange gain, lower administrative expenses, and the absence of surcharges and other taxes of THB 168.11 million as recorded in the same period of the previous year.

As a result, operating profit increased by 111.86%, and the Company turned around from a net loss of THB 74.32 million in the first six months of 2025 to a net profit of THB 149.34 million in the first six months of 2026.

Although cost of sales and services increased in line with business volume and raw material cost conditions, overall performance improved due to management of indirect costs, administrative expenses, and the positive impact from foreign exchange.

1.3 Margin Analysis

Description	Q2/2026	Q2/2025	Change	6M/2026	6M/2025	% YoY
Gross profit margin (%)	3.91	5.57	(1.66)	4.36	6.54	(2.18)
Operating profit margin (%)	1.77	1.76	0.02	2.61	1.28	1.34
Net profit margin (%)	1.38	1.34	0.03	2.06	(1.06)	3.12

The Company's gross profit margin declined both on a quarterly basis and for the six-month period as cost of sales increased at a higher rate than revenue from sales and services. However, operating profit margin and net profit margin improved due to effective control of administrative expenses and the positive impact from the absence of surcharges and other taxes as incurred in the previous year.

2. Financial Position

2.1 Assets

As at 30 June 2026, the Company had total assets of THB 11,951.15 million, increasing from THB 11,317.69 million as at 31 December 2025, or by THB 633.46 million, representing 5.6%. The main reason was the increase in trade accounts receivable of THB 988.20 million or 47.64%, in line with higher sales during the period, while inventories decreased by THB 187.10 million or 4.64%, reflecting effective inventory management and improved inventory turnover.

- Cash and cash equivalents amounted to THB 2,319.88 million, decreasing from THB 2,366.28 million by THB 46.41 million or 1.96%.
- Trade accounts receivable amounted to THB 3,062.40 million, increasing from THB 2,074.21 million by THB 988.20 million or 47.64%, in line with higher sales and trading activities, and may partly reflect a longer collection period.
- Inventories amounted to THB 3,847.27 million, decreasing from THB 4,034.37 million by THB 187.10 million or 4.64%, reflecting improved inventory management or accelerated inventory clearance.
- Other current assets amounted to THB 51.36 million, decreasing from THB 86.32 million by THB 34.96 million or 40.5%.
- Non-current assets amounted to THB 2,458.59 million, decreasing from THB 2,550.02 million by THB 91.43 million or 3.59%, mainly due to:
    - Property, plant and equipment decreasing from THB 2,351.57 million to THB 2,257.91 million, or by THB 93.66 million, in line with depreciation during the period despite additional investment.
    - Right-of-use assets increasing from THB 17.52 million to THB 25.71 million.

Description	30 Jun 2026 (THB million)	31 Dec 2025 (THB million)	Change (THB million)	% YoY
Cash and cash equivalents	2,319.88	2,366.28	(46.41)	(1.96)
Trade accounts receivable	3,062.40	2,074.21	988.20	47.64
Current portion of debt restructuring receivables	12.30	11.40	0.90	7.94
Other current receivables	108.35	104.09	4.26	4.09
Short-term loans to related parties	91.00	91.00	-	-
Inventories	3,847.27	4,034.37	(187.10)	(4.64)
Other current assets	51.36	86.32	(34.96)	(40.50)
Total current assets	9,492.56	8,767.67	724.89	8.27
Investment in associate	59.65	59.75	(0.09)	(0.16)
Debt restructuring receivables, net of current portion	-	1.80	(1.80)	(100.00)
Property, plant and equipment	2,257.91	2,351.57	(93.66)	(3.98)
Right-of-use assets	25.71	17.52	8.19	46.75
Intangible assets	9.38	10.71	(1.33)	(12.38)
Deferred tax assets	60.32	60.61	(0.28)	(0.47)
Other non-current assets	45.61	48.07	(2.46)	(5.11)
Total non-current assets	2,458.59	2,550.02	(91.43)	(3.59)
Total assets	11,951.15	11,317.69	633.46	5.60

2.2 Liabilities

As at 30 June 2026, the Company had total liabilities of THB 2,757.52 million, increasing from THB 2,273.41 million as at 31 December 2025 by THB 484.12 million or 21%. The main reason was the increase in trade accounts payable of THB 447.16 million or 23.91%, in line with higher purchase volume and business activity levels. In addition, both current and non-current lease liabilities increased due to additional lease agreements, while provisions for employee benefits increased in line with the Company's long-term obligations.

- Current liabilities amounted to THB 2,550.17 million, increasing from THB 2,080.53 million by THB 469.64 million, mainly due to the increase in trade accounts payable of THB 447.16 million, in line with higher raw material purchases.
- Non-current liabilities amounted to THB 207.35 million, increasing from THB 192.87 million by THB 14.48 million, mainly due to the increase in provisions for employee benefits.

Description	30 Jun 2026 (THB million)	31 Dec 2025 (THB million)	Change (THB million)	% YoY
Trade accounts payable	2,317.40	1,870.25	447.16	23.91
Other current payables	197.53	176.15	21.38	12.14
Current portion of lease liabilities	13.74	12.63	1.10	8.74
Current provisions for employee benefits	21.51	21.51	-	-
Total current liabilities	2,550.17	2,080.53	469.64	22.57
Lease liabilities, net of current portion	12.25	5.17	7.08	137.03
Non-current provisions for employee benefits	195.10	187.70	7.40	3.94
Total non-current liabilities	207.35	192.87	14.48	7.51
Total liabilities	2,757.52	2,273.41	484.12	21.30

2.3 Shareholders' Equity

- As at 30 June 2026, the Company's total shareholders' equity amounted to THB 9,193.62 million, increasing from THB 9,044.28 million by THB 149.34 million, mainly due to the increase in unappropriated retained earnings in line with the net profit for the period. The Company did not pay dividends during the first six months of 2026.
- In the separate financial statements, the Company's total shareholders' equity amounted to THB 9,138.87 million, increasing from THB 8,989.43 million by THB 149.43 million.

Description	30 Jun 2026 (THB million)	31 Dec 2025 (THB million)	Change (THB million)	% YoY
Issued and paid-up share capital	7,795.71	7,795.71	-	-
Share premium on ordinary shares	332.13	332.13	-	-
Legal reserve	589.17	589.17	-	-
Unappropriated retained earnings	476.61	327.27	149.34	45.63
Total shareholders' equity	9,193.62	9,044.28	149.34	1.65

2.4. Analysis of Key Financial Ratios as at 30 June 2026

Ratio	Result
Gross profit margin	4.36%
Operating profit margin	2.61%
Net profit margin	2.06%
Debt-to-equity ratio (D/E)	0.30 times
Debt-to-total assets ratio	23.07%
Current ratio	3.72 times
Book value per share	THB 11.79
Basic earnings per share	THB 0.192

The Company has clear strengths in financial stability, with a low debt-to-equity ratio (D/E of 0.30 times and debt-to-total assets ratio of 23.07%), reflecting a prudent capital structure, reducing risk from interest-bearing obligations and enhancing flexibility to cope with economic volatility. At the same time, the Company maintained a high level of liquidity (current ratio of 3.72 times), supporting its ability to manage working capital and accommodate operating plans and investment opportunities appropriately.

In terms of operating performance, although the Company's net profit margin remained at a modest level of 2.06%, it continued to generate profit. If the Company is able to further improve efficiency in cost and expense management, it will have the opportunity to enhance profitability and generate better returns for shareholders in the periods ahead.

3. Cash Flows

In the first six months of 2026, the Company recorded net cash generated from operating activities of THB 18.60 million, improving from net cash used in operating activities of THB 223.70 million in the same period of the previous year. This improvement was supported by better operating results, lower inventories, and higher trade accounts payable. Although the Company used working capital as a result of the increase in trade accounts receivable of THB 968.79 million, this was offset by:

- a decrease in inventories of THB 188.95 million,
- an increase in trade accounts payable of THB 440.65 million, and
- a decrease in other current assets of THB 34.96 million.

Net cash used in investing activities amounted to THB 57.83 million, mainly for investment in property, plant and equipment, while net cash used in financing activities amounted to THB 13.70 million, mainly for repayment of lease liabilities and finance costs.

As at 30 June 2026, the Company had cash and cash equivalents of THB 2,319.88 million, which remained at a high level and was sufficient for business operations.

Summary of Cash Flows

Description	6M/2026 (THB million)	6M/2025 (THB million)	Change (THB million)	Remarks
Net cash from (used in) operating activities	18.60	(223.70)	242.30	Turned to net cash inflow
Net cash used in investing activities	(57.83)	(156.38)	98.55	Lower cash outflow
Net cash used in financing activities	(13.70)	(194.39)	180.69	Lower cash outflow
Effect of exchange rate changes on cash and cash equivalents	6.53	7.47	(0.95)	Decreased by 12.72%
Net decrease in cash and cash equivalents	(46.41)	(567.00)	520.59	Smaller decrease in cash
Cash and cash equivalents at beginning of period	2,366.28	3,046.62	(680.34)	Decreased by 22.33%
Cash and cash equivalents at end of period	2,319.88	2,479.62	(159.74)	Decreased by 6.44%

4. Factors Affecting Operating Results and Business Outlook for 2026

The Company's operating results for this period were affected by the following key factors:

- **Increase in stainless steel product sales**
  This resulted in higher revenue from sales and services compared with the same period of the previous year.

- **Volatility in product costs and raw material prices**
  This caused the gross profit margin to decline, as cost of sales increased at a higher rate than revenue.

- **Exchange rate**
  In 2026, the Company recognized a significant increase in foreign exchange gain compared with the previous year.

- **Efficiency in expense control**
  Administrative expenses decreased from the same period of the previous year, supporting profitability.

- **Absence of surcharges and other taxes**
  In the first six months of 2026, there were no surcharges and other taxes as incurred in the same period of the previous year, which was a key factor behind the recovery in operating results.

The Company expects that the outlook for the stainless steel business in Thailand during the remainder of the year will continue to depend on economic conditions, the direction of raw material prices, exchange rate volatility, and the level of competition in the market. Nevertheless, the Company will continue to focus on efficient cost management, maintaining domestic sales volume, adjusting product mix to suit customer demand, and closely managing inventories and trade receivables in order to sustain profitability and financial liquidity on a continuous basis.

5. Sustainability Development

Environment: The Company continues to undertake environmental initiatives, focusing on efficient resource utilization, the use of renewable energy, water reuse, and improvements in production processes to reduce energy consumption and waste.

Social: The Company places importance on safety, occupational health, and human rights, while continuously promoting social contribution activities and community engagement.

Corporate Governance: The Company remains committed to conducting business in accordance with good corporate governance principles by promoting ESG assessment of suppliers, transparent disclosure, and continuous implementation of anti-corruption practices.

6. Conclusion

Management is of the opinion that although the stainless steel business continues to face challenges from raw material cost volatility, price competition, and uncertainty in economic conditions, the Company will continue to focus on maintaining domestic sales volume, managing selling prices in line with costs, increasing the proportion of value-added products, continuously controlling costs and expenses, and prudently managing inventories, trade receivables, and liquidity. The Company believes that it will be able to maintain financial stability and continuously strengthen its competitiveness.

Please be informed accordingly.

Yours sincerely,

(Ms. Yaowapha Komiantaksin)
Company Secretary