

Registration Number 0107555000341

AUCT-OP 21/2020

-Translations-

May 14, 2020

Subject : Management Discussion and Analysis for the Operating Results of the first quarter of 2020, ended on March 31, 2020

To : The President of the Stock Exchange of Thailand

Union Auction Public Company Limited ("Company") would like to submit the financial statements for the first quarter of 2020, which ended on March 31, 2020. They were reviewed by the Company's external auditor together with the explanation of the Management Discussion and Analysis for the Company's operating results as follows.

The Impact of COVID-19 Pandemic in 2019

The Covid-19 pandemic (COVID-19) started at the beginning of 2020 and continued to expand which affected most businesses and industries. This caused the global economic to slow down, including the Thai economy. In late March, the government issued measures to prevent the spread of COVID-19 by enforcing a temporary lockdown, restriction of travel and temporary cessation of certain businesses. This included curfew measures, etc. These measures have affected the majority of businesses and people's lifestyles. However, the Company has been continually monitoring the impact of the Covid-19 pandemic and has prepared a plan to deal with any situations that may occur which may affect the Company's business operations. The main mission is to focus on increasing the efficiency of online bidding in order to build the confidence of buyers and sellers in order to have an agile auction, payment and overall operations. The Company is also speeding up public relations in order to reach target group so that customers will use online auctions instead of onsite auction during the outbreak of COVID-19. The government has released various measures such as social distancing, which does not have much impact to the Company. The Company is still capable to generate income and good cash flow continuously.

The Overall Company Performance in the First Quarter of 2020

The Company's total revenue for the first quarter of 2020 was 234.13 million Baht. When compared to the same quarter in the previous year, it increased by 18.0%, and increased by 1.9% from the 4th quarter of 2019 because the Company has more vehicles from various financial institutions since the end of 2019, increases more auction yards and selling dates in accordance with the potential of the Company. This caused vehicle auctions to continue to expand well. However, the COVID-19 pandemic has affected the macro and micro economy and the automobile industry to slowdown or disrupted. In addition, the Company was assigned to conduct a frequency

auction for telecommunications (5G) to use the frequency spectrum for a universal mobile telecommunications business in the 700 MHz, 1800 MHz, 2600 MHz, and 2.6 GHz range in February 2020 in the amount of 14.53 million Baht.

Most of the Company's costs are still semi-fixed costs which caused saving in regards to the size of the business. However, the Company's net profit in the first quarter of 2020 decreased by 12.9% compared to the same quarter of the previous year and decreased by 29.9% compared to the 4th quarter of 2019 because the Company implemented the Thai Financial Reporting Standard No. 16 regarding lease agreement for the first time in 2020. The Company recognized the cumulative effect of these changes on January 1, 2020 without adjusting the retroactive financial statements for comparative purpose. Lease liabilities were previously classified as operating leases with the present value of the remaining lease payment, discounted by the interest rates.

The financial statements of the first quarter of 2020 are shown in accordance with the new financial reporting standards. The effects of the accounting policy changes are shown in the "Impact from TRFS 16" in this report.

(Unit: Millions of Baht)

Statement of Comprehensive Income	Previous Accounting Policy Q1/2020	Quarter 1			Quarter 4	
		2020	2019	%YoY	2019	%QoQ
Service Revenue	233.01	233.01	197.91	17.7%	225.38	3.4%
Other Revenue	1.12	1.12	0.53	111.3%	4.28	(73.8%)
Total Revenue	234.13	234.13	198.44	18.0%	229.66	1.9%
Cost of Service	(115.83)	(118.34)	(89.81)	(31.8%)	(102.24)	(15.7%)
Gross Profit	117.18	114.67	108.10	6.1%	123.14	(6.9%)
Gross Profit Margin (%)	0.50	49.2%	54.6%	(5.4%)	54.6%	(5.4%)
Sales and Administrative Expenses	(38.34)	(40.99)	(34.74)	(18.0%)	(34.37)	(19.3%)
Profit from operating activities	79.96	74.79	73.91	(1.2%)	93.05	19.6%
Financial Income	1.11	1.11	0.83	(33.7%)	-	-
Financial Costs	-	(5.11)	0.00	(100.0%)	-	-
Income Tax	(16.52)	(18.91)	(15.18)	(24.6%)	(19.02)	0.6%
Net Profit	64.55	51.87	59.56	12.9%	74.03	(29.9%)
Other Comprehensive Income:						
Actuarial loss-net of income tax	(2.80)	(2.80)	-	(100.0%)	-	-
Comprehensive Income for the Period	61.75	49.07	59.56	17.6%	74.03	(33.7%)
Net Profit Margin (%)	27.6%	22.2%	30.0%	(7.9%)	32.2%	(10.1%)

Remarks: %YoY is the rate of change compared to the previous year and %QoQ is the rate of change compared to the previous quarter.

For the first quarter of 2020, there were various factors that affected the Company's auction management, especially external factors that could not be controlled. This included the decreased growth of the automobile industry from the end of 2019 until the first quarter of 2020, the stringent measures of financial institutions in approving loans while consumer loan quality deteriorated and COVID-19 pandemic which is one of the most important factors that was more severe since the beginning of 2020. This affected the vehicle industry from production to distribution which included the vehicle auction business. In addition, the accounting policy changed to the Thai Financial Reporting Standard No.16 regarding lease agreement for the first time. In this latter issue, it affected the Company's accounting net profit of Q1/2020 as shown in above table for comparison.

Revenue

The Company had service revenue in the first quarter of 2020 of 233.01 million Baht, an increase of 35.10 million Baht or 17.7% from the same quarter of the previous year and an increase of 7.63 million Baht or 3.4% from the fourth quarter of 2019.

Service Revenue Consists of:

(Unit: Millions of Baht)

Service Income	Quarter 1			Quarter 4	
	2020	2019	% YoY	2019	% QoQ
1) Revenue from Vehicle and Agricultural Vehicle Auctions	169.40	155.84	8.7%	179.27	(5.5%)
2) Revenue from Motorcycle Auctions	20.21	16.49	22.5%	19.39	4.2%
3) Relocation Fee Income	25.76	22.70	13.5%	22.95	12.2%
4) Revenue from Other Auctions	17.65	2.88	512.1%	3.77	368.1%
	233.01	197.91	17.7%	225.38	3.4%

As the Company continually followed up on the impact of COVID-19 pandemic, the Company planned and prepared to handle various situations that may occur which could severely affect the Company, sellers and buyers as mentioned regarding the impact of the Corona Virus pandemic above.

The slowdown of the automobile industry and the automobile hire purchase loans had a lower growth rate in 2019. They had a decrease of 7.7% in 2019 while non-performing loans (NPL) increased by 1.66% in 2018 and 1.86% in 2019. This resulted in more vehicles entering the auction system. The Company is ready to support vehicles in this category because of its potential and ability to increase market share.

Quarterly New Vehicle Sales

	2020				2019				2018				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No of Vehicles	200,064	260,221	238,077	245,705	263,549	257,466	295,155	252,025	237,093	250,935	210,732	199,490	210,490			
%QoQ Difference	-18.6%	-1.3%	-8.5%	+3.2%	-10.7%	+6.3%	+14.6%	+2.2%	-5.5%	+19.1%	+5.6%	-5.2%				
%YoY Difference	-24.1%	+3.3%	-7.5%	-16.8%	+11.2%	+22.2%	+26.3%	+12.6%								

Source: Toyota Motor Thailand Company Limited Website

Gross Profit

The gross profit for the first quarter of 2020 was 114.67 million Baht, an increase of 6.1% from the first quarter of 2019 and a decrease of 6.9% from the fourth quarter of 2019. This was the direct result of increased revenue, especially due to the increased number of auctioned vehicles by 10% in the first quarter of 2020 when compared to the fourth quarter of 2019 and decreased by 3% during the first 3 months of 2020 compared to the same period in the previous year.

In this regard, the gross profit margin decreased to 49.2% in the first 3 months of 2020, compared to 54.6% in the same period of the previous year. The decreasing profitability rate is due to the adoption of Thai Accounting Standard No. 16 (TFRS16), which resulted in an increase in the Company's cost of sales from the right-of-use asset record and the depreciation in this quarter affected the cost of sales in the amount of 19.6 million Baht.

Cost of Service

The cost of service in the first quarter of 2020 was 118.34 million Baht, an increase of 31.8% from the first quarter of 2019 due to depreciation from the application of accounting standards No. 16. Most of the service costs consist of the higher cost of moving vehicles as a result of an increasing number of vehicles entering the auction system. Therefore, there are many vehicles moving into the auction yard, especially at headquarters and Rangsit Branch. The increase in personnel expenses was a result of the increased personnel in order to support the growth of the business and the increasing workload.

Services and Administrative Expenses

Services and administrative expenses in the first quarter of 2020 were 41 million Baht, an increase from 34.73 million Baht from the first quarter of 2019 or 18.0%. This was due to the adoption of accounting standards No.

16 in this quarter. Finance cost from right-of-use assets was 5.1 million Baht and the depreciation was 2.13 million Baht.

Net Profit

For the first quarter of 2020, the Company's net profit was 51.87 million Baht, a decrease of 12.9% from the same period in 2019. This was mainly due to the adoption of accounting standards No. 16 in this quarter. This resulted in the Company's profit decreasing by 12.69 million Baht.

Statement of Financial Position

(Unit: Millions of Baht)

Statement of Financial Position	March 31, 2020	December 31, 2019	%YoY
Total Assets	1,646.23	845.40	94.7%
Total Liabilities	1,217.36	328.12	271.0%
Owner's Equity	428.87	517.28	(17.1%)
Unappropriated Retained Earnings	93.62	182.03	(48.6%)
ROA (%)	22.71	37.00	
ROE (%)	47.01	47.19	

The total assets as of March 31, 2020 were 1,646.23 million Baht, an increase of 800.83 million Baht or an increase of 94.7% from December 31, 2019 due to the application of Thai Accounting Standard No. 16. This resulted in the assets and liabilities being affected from the right-of-use assets in the amount of 820.30 million Baht.

The total liabilities were 1,217.36 million Baht, an increase of 889.24 million Baht or an increase of 271% from December 31, 2019 due to the application of the Thai Accounting Standard No. 16 for lease liabilities in the amount of 776.91 million Baht.

The total shareholders' equity equaled 428.87 million Baht, a decrease of 88.41 million Baht or a 17.1% decrease from December 31, 2019 due to a decrease in retained earnings from the allocation of 137.5 million Baht dividends in 2019.

Cash Flows Statement

(Unit: Millions of Baht)

Cash Flows Statement	For the first 3 months period			
	2020	2019	Difference	%YoY
Net Cash from Operating Activities	108.57	184.38	(75.81)	(41.1%)
Net Cash (Used) from Investing Activities	(55.00)	(87.89)	32.89	(37.4%)
Net Cash (Used) from Financing Activities	(8.50)	0.00	(8.50)	(100.0%)
Cash Increase (Decrease)	45.07	96.49	(51.42)	(53.3%)
Beginning Cash	68.69	111.15	(42.46)	(38.2%)
Ending Cash at December 31, 2019	113.76	207.64	(93.88)	(45.2%)

For the first 3 months of 2020, the Company had net cash flow from operating activities in the amount of 108.57 million Baht, net cash flow used from investing activities of 55 million Baht, most of which was paid in cash for short-term investments for fixed deposits with banks of 10 million Baht and investment in property, plant and equipment of 13.2 million Baht. According to the business development plan of 2019, the net cash flow used from financing activities was affected by the TFRS16, with the payment of the lease liabilities was in the amount of 8.50 million Baht. The cash flow from the above activities, resulted in the Company's cash and cash equivalents at the end of the period December 31, 2019 to equal to 113.76 million Baht or a decrease of 45.2% from the same period in the previous year. The change in this accounting standard does not have any impact on cash flows.

Impact of TFRS 16: Leases

On January 1, 2020, operating leases were recognized as "right-of-use assets" and "lease liabilities" at the present value of the remaining lease payment.

Lease Liabilities will be recorded at the present value of the remaining lease fee that has to be paid under the lease agreement with a discount rate. The liabilities under the lease will decrease when the rental is paid throughout the contract.

Right-of-Use Assets will be recorded under 'assets' in the same amount as lease liabilities and will depreciate according to the contract period using the straight-line method.

Details of the changes are as follows:

Financial Position (million Baht)	Previous Accounting Policy	TFRS16 Standard Adjustment	Current Accounting Policy TFRS16
Assets			
Prepayment land leases and rental compensation	81.20	-	-
Right-of-use assets -net	-	820.30	820.30
Liabilities			
Lease liabilities	-	776.91	776.91
Profit and Loss Statement (million Baht)			
	Previous Accounting Policy	TFRS16 Standard Adjustment	Current Accounting Policy TFRS16
Revenues	234.13	-	234.13
Expenses			
Cost of services	(98.71)	-	(98.71)
Depreciation of right-of-use assets	-	(19.63)	(19.63)
Land leases and rental compensation	(17.12)	17.12	-
Total cost of services	(115.83)	(2.51)	(118.34)
Service and administrative expenses	(37.09)	(1.78)	(38.87)
Depreciation of right-of-use assets	-	(2.13)	(2.13)
Land leases and rental compensation	(1.24)	1.24	-
Finance income	1.11	-	1.11
Finance cost	-	(5.11)	(5.11)
Income tax expenses	(16.52)	(2.40)	(18.92)
Net profit	64.55	(12.69)	51.87

Statement of cash flows (million Baht)	Previous Accounting Policy	TFRS16 Standard Adjustment	Current Accounting Policy TFRS16
Net cash flows from operating activities	113.68	-	113.68
Net cash flows from investing activities	(55.00)		(55.00)
Net cash flows from financing activity	-	-	-
Cash paid for liabilities under lease agreements	-	(8.50)	(8.50)
Cash paid for interest expenses		(5.11)	(5.11)
Land leases and rental compensation	(13.61)		
Net change in cash	45.07	-	45.07

Appointment of the Company's Auditor for the Fiscal Year ended on December 31, 2020

Due to the impact of the COVID-19 pandemic, the Union Auction Public Company Limited had to postpone the Annual General Meeting of Shareholders for 2020. Shareholders were informed through the Stock Exchange of Thailand's news disclosure system on April 28, 2020. Thus, the agenda item to appoint an auditor and approve the annual audit fees for 2020 was postponed. However, the Board of Directors held a meeting No. 1/2020 on February 28, 2020 and resolved to appoint an auditor from EY Office Limited to be the Company's auditor for the fiscal year ending on December 31, 2020. The list of auditors is as follows:

1. Mr. Wichat Loketkrawee, certified public accountant No. 4451 or
2. Mrs. Sarinda Hiranprasertwut certified Public Accountant No. 4799 or
3. Mr. Samran Tangsham, certified Public Accountant No. 8021

This requires that one of the auditors has the authority to audit and sign the Company's financial statements with an audit fee of 2,150,000 Baht. The Company will propose it to the 2020 Annual General Meeting of Shareholders for further approval. This was in accordance with the announcement of the Capital Market Supervisory Board (SEC) No. Thor Chor. 28/2563 on March 27, 2020. The waiver is granted in the event that the securities issuing company is unable to hold the Annual General Meeting of Shareholders to appoint an auditor due to Covid-19 pandemic. The Company is able to submit the financial statement of the first quarter, 2020 which was reviewed by an

auditor approved by the SEC and appointed by the Board of Directors which the company has to propose to the next General Shareholders' Meeting to appoint the auditor.

Trends for the Second Quarter of 2020

Due to the spreading of COVID-19 that affected the economy and people's life style, the vehicle market forecast for the year 2020 is expected to decrease from 2019. The Company already prepared various areas to handle the situation. If the situation does not change even more negatively, the Company expects that the operations in the second quarter will likely be similar to the company's projection.

Please be informed accordingly.

Best regards,

-Varunyoo Sila-

(Mr. Varunyoo Sila)

Deputy Managing Director

Authorized signatory