

Thailand Market Update

Negative economic impacts still limited

- The flooding situation in Thailand in 2024 is currently affecting about 23 provinces, particularly in the northern and northeastern regions.
- The impact on GDP is expected to be around 0.3%, significantly lower than in 2011, and could offset cash handouts.
- The operations and performance of listed companies, as well as the EPS of the SET, remain limited.

Update on Thailand's 2024 flooding situation

As of October 2024, heavy flooding continues to impact multiple regions in Thailand, particularly in the North and Northeast. The Department of Disaster Prevention and Mitigation (DDPM) reports flooding in 23 provinces, affecting over 66,000 households. Northern provinces like Chiang Mai, Chiang Rai, and Sukhothai have been hit hard, with flood levels either declining or stabilizing, but still causing disruptions to transportation and daily life. Central provinces, including Ayutthaya and Ang Thong, are also seeing rising water levels. The flooding is linked to the annual southwest monsoon, and further rainfall is expected, which may exacerbate the situation. Overall, while water levels are starting to decline in some areas, the flood risk remains high, as more rain is forecast in October.

Water level in reservoirs is still lower than in 2011

As shown in Exhibit 2, the overall water level in key reservoirs is still lower compared to the same period in 2011. There are some dams such as Mae Ngud, Mae Mok, and Huai Luang, which have high water levels exceeding the 2011 ones. However, there is no reservoir that currently has a critical water level (more than 100% of storage), while the aggregate storage of regional reservoirs is at 62-81% vs c90-104% in 2011. Hence, Thailand's water situation in 2024, while serious, appears less critical and severe compared to 2011.

Impact on the Thai economy is significantly less severe than in 2011

Overall, the flooding situation in Thailand in 2024 shows that the current impact on the economy is significantly less than in 2011, as there are fewer affected areas or provinces. Additionally, there has been no flooding in industrial estates, unlike in 2011 when the Ayutthaya and Pathum Thani industrial zones were inundated. The market estimates that the economic impact will be around c0.3% of GDP, which might potentially be offset by the THB145b cash handout in late September. However, the impact might be larger and we recommend investors to keep watching the further rainfall, which may worsen the situation.

Downside on companies' earnings still limited

We anticipate the current flooding situation to be significantly less severe compared to 2011. We have provided details in Exhibit 1 for some sectors and stocks that might endure some impacts on businesses in some specific areas, especially in the North, but these are still limited. Hence, we expect the downside for overall companies' earnings and the SET's EPS in 2024 of THB90 (+15% y-y) to be currently limited.



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Exhibit 1: Flooding updates and impacts by sector

Sector	Company	Details of flooding impact	Impact
Banking		Due to the impact of flooding in several areas across the country during August-October 2024, most banks under our coverage have introduced financial measures to assist affected individual customers and SME business customers impacted by the situation. These measures aim to provide immediate financial relief, which covers personal loans, home loans, small business loans, and SME business loans that have been directly or indirectly affected by the flooding. The measures include 1) a debt payment moratorium by the temporary suspension of principal and interest payments for a certain period to help debtors cope with immediate financial difficulties caused by the flooding; 2) lowering interest rates on existing loans for affected debtors to ease their financial burden; 3) offering tailored debt restructuring options, such as extending repayment periods or reducing installment amounts, to suit the financial capacity of each debtor; 4) providing special emergency loans with low interest rates to help affected individuals and businesses recover and rebuild after the flooding; 5) exempting fees and penalties for late payments or other related banking services for those affected by the floods; 6) offering financial counseling and support services to help debtors manage their finances and navigate the recovery process; and 7) offering loans for the repair, renovation, or replacement of damaged business assets. Debtors seeking assistance must contact their financial institutions to receive support.	The impact is limited. This is because flooding occurs annually, and this year is less severe than the major floods of 2011. Most relief measures are short term, primarily allowing debtors to delay payments without significantly altering their repayment capacity.
Finance		Although non-banks under our coverage have not issued clear relief measures like banks, inquiries with various companies reveal that they have assisted debtors affected by the floods. This includes debt moratoriums, debt extensions, and additional loans to help debtors through this crisis. The overall impact on each company is limited. Moreover, most companies indicate that if customers have home insurance, which typically covers flood damage, they will assist in processing claims, further reducing the impact of losses.	
	MTC	MTC, despite having over 100-200 branches in Chiang Mai and Chiang Rai, has only temporarily closed 10-20 branches.	Limited impact
	SAWAD	SAWAD has only a few branches in the northern region.	Limited impact
	TIDLOR	TIDLOR confirms that the loans issued in Chiang Mai and Chiang Rai provinces account for less than 2%, and not all customers are affected.	Limited impact
	SAK	Although most of its branches are in the upper and central northern regions, some branches, particularly in Chiang Mai (a tourist destination rather than an agricultural area) have temporarily closed.	Limited impact
Property	ORN	All residential properties for sale are located in Chiang Mai including low-rise and condos totaling 23 ongoing projects.	The flooding has affected its two condos on Chang Klan road and the water has risen in both projects. However, ORN has taken out insurance to cover all possible damages sufficiently.
	SPALI	There are a total of eight ongoing projects in Chiang Mai, comprising seven low-rises and one condo.	The water has not risen in all projects, but it might affect the housing demand and presales in the short term.
	SIRI	There are a total of five ongoing projects in Chiang Mai, comprising three low-rises and two condos.	The water has not risen in all projects, but it might affect the housing demand and presales in the short term.
	CPN	Out of a total 42 shopping malls, CPN has five malls in the northern region of Thailand including Central Chiangmai Airport, Central Chiangmai, Central Chiangrai, Central Phitsanulok, and Central Lampang. Up to the present, CPN's malls have been not affected by the flooding, and their malls are still open as usual. Some branches may close a bit earlier depending on the situation. However, the flooding in the nearby areas has resulted in lighter traffic than usual, but the overall impact is still quite limited.	Limited impact
Electronics	HANA	Flood warnings are currently in effect for the two subdistricts in Lamphun - Umong and Nong Chang Khuen (bordering Chiang Mai). If the floodwater reaches Ban Klang and Pa Sak, it will be concerning for HANA. HANA has two factories in Lamphun: the first is located in the Northern Industrial Estate in Ban Klang, and the second is in the Saha Pathana Industry Park in Pa Sak. Together, these two factories account for 50% of HANA's total revenue, making them the main plants. Currently, they are not flooded, but we need to monitor the movement of the water mass over the next 1-2 days.	No impact yet
	DELTA	DELTA has factories located in the Bang Pu Industrial Estate in Samut Prakan and the Welgrow Industrial Estate in Chachoengsao. Currently, these areas are not in high-risk zones.	No impact yet
	KCE	KCE has two factories located in the Lat Krabang Industrial Estate in Bangkok and the Hi-Tech Industrial Estate in Ayutthaya. Currently, there are no flood warnings in effect, but Ayutthaya is considered a risk area due to previous flooding incidents.	No impact yet
Hotel	MINT	Only one managed hotel, Anantara Chiang Mai Resort has been impacted. The hotel has insurance to cover both property damage and business interruption.	Limited impact
	ERW	Three Hop Inn hotels are in Chiang Mai. However, the hotels are not affected by water.	Limited impact
	CENTEL	Only one managed hotel in Chiang Mai and has no affect from water.	Limited impact
	AWC	Three hotels and one retail in Chiang Mai. Melia has taken water in multiple areas and guests have been moved to other hotels. Marriott and Intercontinental are not affected by water.	Revenue contribution from hotels and retail in Chiang Mai was 5% in 2023 and 6% in 2Q24
Healthcare	BDMS	Bangkok Chiang Mai is surrounded by water, but the hospital is not affected.	Limited impact
	BCH	KH Maesai is surrounded by water, but the hospital is not affected. The revenue contribution is only 1% of total revenue.	Limited impact
Commerce	GLOBAL	GLOBAL's Chiang Mai branch experienced some flooding and was closed for about 3-4 days but has since reopened. The damage is expected to be minimal, and all is covered by insurance.	Limited impact
	CPALL	Smaller branches (CVS) have been impacted, but typically they are able to reopen within 2-3 days.	Limited impact
	CPAXT	Only the CVS format "Go Fresh" has been impacted; about 7 stores of Lotus's Go Fresh	Limited impact

Source: FSSIA summarize

Exhibit 2: Thailand's hydro situation as of 8 October 2024

Reservoir name	Capacity NPL (MCM)	Storage				Inflow				Release	
		Storage		Usable Water		Annual Average		Water Volume		Water Volume	
		(MCM)	(MCM)	(MCM)	(MCM)	(MCM)	(MCM)	(MCM)	(MCM)	(MCM)	(MCM)
		2024	2011	2024	2011	2024	2011	2024	2011	2024	2011
North (8)											
Mae Ngud	265	297 (112%)	268 (101%)	284 (107%)	243 (92%)	302.74	332	2.72	1.44	4.55	2.11
Mae Mok	110	105 (96%)	n/a	89 (81%)	n/a	233.48	n/a	0.95	n/a	0.67	n/a
Sirikit	9,510	8,942 (94%)	9,394 (99%)	6,092 (64%)	6,544 (69%)	5,652.79	5391	28.36	40.59	4.97	55.15
Kiew Kor Mah	170	159 (93%)	169 (99%)	152 (90%)	163 (96%)	224.7	297	3.37	1.61	6.86	0.16
Kheaw Noi	939	746 (79%)	948 (101%)	703 (75%)	905 (96%)	1,338.44	1653	8.57	28.32	0.43	21.6
Kiew Lom	106	83 (79%)	83 (74%)	80 (75%)	79 (71%)	546.37	281	11.13	5.2	11.4	1.49
Mae Kuang	263	203 (77%)	263 (100%)	189 (72%)	249 (95%)	184.6	186	1.03	1.92	0.39	2.44
Bhumibol	13,462	9,478 (70%)	13,341 (99%)	5,678 (42%)	9,541 (71%)	5,511.86	5602	157.78	136.97	1	101.73
Total North	24,825	20,013 (81%)	24,466 (99%)	13,268 (53%)	17,724 (72%)	13,995	13742	213.91	216.05	30.27	184.68
Northeast (12)											
Huai Luang	136	132 (98%)	118 (87%)	126 (93%)	111 (82%)	160.52	161	1.06	0.07	0.9	4.2
Lam Pao	1,980	1,861 (94%)	1,980 (100%)	1,761 (89%)	1,880 (95%)	2,212.54	1,985.00	12.44	18.44	8.25	34.44
Nam Oum	520	486 (93%)	583 (112%)	441 (85%)	540 (104%)	445.79	443	0.93	5.8	2.12	4.5
Ubonrat	2,431	2,087 (86%)	2,896 (119%)	1,505 (62%)	2,315 (95%)	2,475.94	2,271.00	43.3	65.82	9.14	45.32
Sirindhorn	1,966	1,491 (76%)	1,864 (95%)	659 (34%)	1,033 (53%)	1,668.27	1,664.00	3.78	6.07	0.52	10.71
Chulaporn	164	108 (66%)	174 (106%)	71 (43%)	120 (73%)	160.16	165	0.34	1.73	0	0.58
Mun Bon	141	85 (60%)	149 (106%)	78 (55%)	134 (95%)	97.18	82	0.41	2.64	0.09	1.02
Lam Sae	275	154 (56%)	273 (99%)	147 (54%)	266 (97%)	199.54	193	1.26	4.12	0.03	0.27
Lam Phra Ploeng	155	85 (55%)	107 (97%)	84 (54%)	106 (96%)	170.71	184	0.4	2.12	0.24	1.04
Nam Pong	165	79 (48%)	167 (101%)	71 (43%)	158 (96%)	134.34	103	0.34	0.75	0	1.31
Lam Nang Rong	121	43 (36%)	79 (65%)	40 (33%)	76 (63%)	51.73	30	0.16	0.37	0	0
Lam Takhong	314	107 (34%)	321 (102%)	84 (27%)	287 (91%)	265.01	270	0.28	5.66	0.09	1.94
Total Northeast	8,369	6,719 (80%)	8,711 (104%)	5,067 (61%)	7,026 (84%)	8,042	7551	64.7	113.59	21.38	105.33
Central (3)											
Pa Sak Jorasit	960	686 (71%)	1,047 (133%)	683 (71%)	1,044 (133%)	2,239.24	2,200.00	25.36	76.09	8.66	82.09
Kra Siew	299	147 (49%)	199 (83%)	107 (36%)	159 (66%)	327.3	256	1.17	3.57	0.04	0.41
Thapsalao	160	41 (26%)	137 (86%)	24 (15%)	129 (81%)	131.62	124	0	3.51	0	0.00
Total Central	1,419	874 (62%)	1,383 (97%)	814 (57%)	1,332 (94%)	2,698	2,580	26.53	83.17	8.7	82.50
West (2)											
Wachiralongkorn	8,860	7,817 (88%)	7,488 (85%)	4,805 (54%)	4,476 (51%)	5,417.29	5,369.00	16.05	42.72	15.07	10.02
Srinakarin	17,745	14,467 (82%)	15,678 (88%)	4,202 (24%)	5,413 (31%)	4,616.93	4,339.00	28.91	92.13	4.79	21.44
Total West	26,605	22,283 (84%)	23,166 (87%)	9,006 (34%)	9,889 (37%)	10,034	9,708	44.96	134.85	19.86	31.46
East (6)											
Pra Sae	295	279 (95%)	267 (108%)	259 (88%)	247 (100%)	271.4	295	0.45	7.02	0.28	2.84
Khun Dan Prakan Chon	224	208 (93%)	202 (90%)	203 (91%)	197 (88%)	307.99	337	0.53	1.89	0.04	0.32
Naruebodindrachinda	295	263 (89%)	n/a	249 (84%)	n/a	323.12	n/a	1.03	n/a	0.7	n/a
Bang Phra	117	89 (76%)	102 (87%)	77 (66%)	90 (77%)	52	44	0.14	2.29	0.32	0.08
Nong Pla Lai	164	125 (76%)	172 (105%)	112 (68%)	158 (96%)	215.33	203	0.55	4.59	0.6	0.46
khlong Siyat	420	202 (48%)	432 (103%)	172 (41%)	402 (96%)	282.53	204	0	2.63	0.16	2.63
Total East	1,515	1,168 (77%)	1,175 (96%)	1,073 (71%)	1,094 (90%)	1,452	1,083	2.7	18.42	2.1	6.33
South (4)											
Ratchaprapa	5,639	3,869 (69%)	4,700 (83%)	2,517 (45%)	3,348 (59%)	2,645.11	2,598.00	7.53	22.61	0	15.69
Kaeng Kachan	710	429 (60%)	518 (73%)	364 (51%)	451 (64%)	904.57	929	1.98	6.17	2.59	3.1
Bang Lang	1,454	686 (47%)	643 (44%)	409 (28%)	383 (26%)	1,588.85	1,545.00	9.01	2.89	12.08	1.77
Pranburi	391	145 (37%)	167 (48%)	128 (33%)	149 (43%)	455.61	436	1.02	1.63	1.2	1.38
Total South	8,194	5,129 (63%)	6,028 (74%)	3,419 (42%)	4,331 (53%)	5,594	5,508	19.54	33.3	15.87	21.94
Total (35)	70,928	56,185 (79%)	64,929 (92%)	32,646 (46%)	41,396 (59%)	41,816	40,172	372.34	599.38	98.18	432.24

Note: <=30% Critically Low, >30% Low, >50% Moderate, >80% High, >100% Critical

Source: National Hydroinformatics Data Center

Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																												
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (50-59), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
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ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																												
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td>Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td>Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																													
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																													
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																													
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																												
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																												

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

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All share prices are as at market close on, unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.