

February 25, 2022

Subject : Management's Discussion and Analysis for the year ended December 31, 2021

Change in operation results, over 20 percent

Attn : The President

The Stock Exchange of Thailand

Siam Steel International Public Company Limited has submitted the consolidated financial statements of the year ended December 31, 2021. It is noted that for the Company's operation results, the change in net profit (loss) was over 20% compared with the previous year. The Company would like to explain about the Management's Discussion and Analysis for the year ended December 31, 2021 as follows:

1. Operating Results

Consolidated Statements of Comprehensive Income for the year ended December 31, 2021 and 2020

Consolidated Financial Statements	For Year Ended December 31, 2021		For Year Ended December 31, 2020		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues of sales and services	1,641	95%	1,577	91%	64	4%
Revenues of construction services	90	5%	164	9%	(74)	(45%)
Total Revenues	1,731	100%	1,741	100%	(10)	(1%)
Costs of sales and services	1,406		1,280		126	10%
Costs of construction services	78		114		(36)	(32%)
Total Costs of Sales and Services	1,484	86%	1,394	80%	90	6%
Sales and services gross income	235		297		(62)	(21%)
Construction services gross income	12		50		(38)	(76%)
Total Gross Income	247	14%	347	20%	(100)	(29%)
Other income	92	5%	329	19%	(237)	(72%)
Selling and administrative expenses	(394)	(23%)	(536)	(31%)	142	26%
Profit (Loss) from Operations	(55)	(3%)	140	8%	(195)	(139%)
Profit in associated companies on equity method	57	3%	14	1%	43	307%
Finance costs	(4)	(0%)	(19)	(1%)	15	79%
Profit (Loss) before Income Tax	(2)	(0%)	135	8%	(137)	(101%)
Income tax	3	0%	(6)	(0%)	9	150%
Profit (loss) from discontinued operation	0	0%	29	2%	(29)	(100%)
Equity in non - controlling interests in subsidiaries	(6)	(0%)	(4)	(0%)	(2)	(50%)
Net Profit (Loss) attributable to the Company	(5)	(0.29%)	154	8.85%	(159)	(103%)
Net Profit (Loss) per share attributable to the Company (Baht)	(0.008)		0.260		(0.268)	(103%)

1.1 Analysis of Overall Operating Results

For the fiscal year ended December 31, 2021, the consolidated financial statements of the Company presented total revenues amounting to Baht 1,731 million, decreased by Baht 10 million or decreased 1 percent from the previous year. Such change resulted from the decrease in sales volume of domestic construction service and renewable energy business. This year the Company still has the action plan of human resources development in marketing and production, as well as increasing new products to response the customer's requirements to increase sales volume, including to expand investment in renewable energy business continuously in order to generate stable income in the future. Even with the effect of COVID-19 situation in 2021, the Company believe that the revenues will be increasing.

Total Revenues

For the fiscal year ended December 31, 2021, the consolidated financial statements of the Company's presented total revenues amounting to Baht 1,731 million, decreased by Baht 10 million or decreased 1 percent. This was mainly resulted from the decrease of domestic construction services and renewable energy business. Total revenues in this year consisted of the following income:

- Revenues from sales of furniture, "LUCKY" Hi-tech Building System and flood protection wall, it was Baht 1,636 million in total, increased by Baht 110 million or increased 7 percent from previous year.

- Revenues from renewable energy groups, it was Baht 5 million, decreased by Baht 46 million or decreased 90 percent from previous year.

- Revenues from domestic construction services of this year, the Company had five jobs amounting to Bath 90 million, decreased by Baht 74 million or decreased 45 percent from previous year.

Other Income

The consolidated financial statements of the Company for the 1 year period ending at December 31, 2021 presented other income decreased from previous year by Baht 237 million, or 72 percent. Other income in this year were mainly from dividends, rents and profit from the foreign exchange rate. Regarding other income from last year, it was mainly from a profit of investment sales of solar cell farm in Japan, owned by Bangphra Green Energy Company Limited which is the Company's indirect subsidiary. Also, the other income was from a profit of the fair value adjustment of investment.

Cost of Sales and Expenses

- The consolidated financial statements of the Company presented total cost of sales for the 1 year period ending at December 31, 2021 amounting to Baht 1,484 million, increased by Baht 90 million or increased 6 percent from previous year. The ratio of total cost of sales to total revenue for the year 2021 and the year 2020 was 86 percent and 80 percent, respectively. The increase of sales cost resulting from the total revenue decrease and raw material (steel) price continuous increase.

- The consolidated financial statements of the Company presented selling and administrative expenses for 1 year period ending at December 31, 2021 amounting to Baht 394 million, decreased by Baht 142 million or decreased 26 percent from the previous year. This mostly resulted from decreases of salary and welfare expenses and administrative expenses of renewable energy business group. Also, there was fire damages of an

indirect subsidiary of the Company amounting to Baht 12 million last year. The ratio of selling and administrative expenses to total revenues for the year 2021 and the year 2020 was 23 percent and 31 percent, respectively.

- The consolidated financial statements of the Company presented finance cost for the 1 year period ending at December 31, 2021 amounting to Baht 4 million, decreased by Baht 15 million from the previous year. This was resulted from the repayment of loans of domestic financial institutions for the construction of solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company at the end of 2020.

Profit in Associated Companies on Equity Method

The consolidated financial statements of the Company for the 1 year period ending at December 31, 2021 presented the profit in associated companies on equity method amounting to Baht 57 million, increased by Baht 43 million or increased 307 percent from the previous year.

Gross Profit

- The consolidated financial statements of the Company for the 1 year period ending at December 31, 2021 presented gross profit amounting to Baht 247 million, decreased by Baht 100 million or decreased 29 percent from the previous year. The gross profit ratio for the 1 year period ending at December 31, 2021 and year 2020 was 14 percent and 20 percent, respectively. This was mostly resulted from the decreasing of total revenues and the continuous increasing of raw material (steel) pricing.

Profit (loss) from Discontinued Operation

- As a result of Bangphra Green Energy Company Limited, an indirect subsidiary of the Company sold the investment of solar cell farm in Japan in the 4th quarter of the year 2020, the Company has no profit from this discontinued operation in this year.

Equity in non - Controlling Interests in Subsidiaries

- The consolidated financial statements of the Company for the 1 year period ending at December 31, 2021 presented the Equity in non - controlling interests in subsidiaries amounting to Baht 6 million, increased by Baht 2 million or increased 50 percent from the previous year.

Net Profit (Loss)

- The consolidated financial statements of the Company presented net loss amounting to Baht 5 million for the 1 year period ending at December 31, 2021, and net profit amounting to Baht 154 million for the year 2020. Net profit of this year decreased from previous year by Baht 159 million or decreased 103 percent. This resulted from the decreasing of main revenue and other revenue and the increasing of selling cost. For the ratio of net profit (loss) for the 1 year period ending at December 31, 2021, the ratio of net loss was 0.29 percent and in 2020, the ratio of net profit was 8.85 percent.

2. Financial Positions

Statements of financial positions as at December 31, 2021 and 2020

Consolidated Financial Statement	December 31, 2021		December 31, 2020		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	250	7%	461	13%	(211)	(46%)
Trade accounts receivable - net	219	6%	224	6%	(5)	(2%)
Inventories – net	350	10%	242	7%	108	45%
Other current assets	155	4%	216	6%	(61)	(28%)
Total Current Assets	974	27%	1,143	32%	(169)	(15%)
Investments	962	27%	893	24%	69	8%
Property, plant and equipment - net	1,512	43%	1,546	42%	(34)	(2%)
Other non - current assets	90	3%	85	2%	5	6%
Total Non - Current Assets	2,564	73%	2,524	68%	40	2%
Total Assets	3,538	100%	3,667	100%	(129)	(4%)
Liabilities and Shareholders' Equity						
Short-term loans from financial institutions	65	2%	40	1%	25	63%
Short-term loans from related company	51	1%	65	2%	(14)	(22%)
Long-term loans from financial institutions; due within 1 year	15	0%	16	0%	(1)	(6%)
Trade accounts payable	207	6%	212	6%	(5)	(2%)
Other current liabilities	195	6%	245	7%	(50)	(20%)
Total Current Liabilities	533	15%	578	16%	(45)	(8%)
Long-term loans from financial institutions	1	0%	70	2%	(69)	(99%)
Employee benefits obligation	52	2%	52	1%	0	0%
Other non - current liabilities	109	3%	99	3%	10	10%
Total Non - Current Liabilities	162	5%	221	6%	(59)	(27%)
Total Liabilities	695	20%	799	22%	(104)	(13%)
Shareholders' equity to the Company's	2,622	74%	2,649	72%	(27)	(1%)
Shareholders' equity non-controlling interests' equity	221	6%	219	6%	2	1%
Total Shareholders' equity	2,843	80%	2,868	78%	(25)	(1%)
Total Liabilities and Shareholders' Equity	3,538	100%	3,667	100%	(129)	(4%)

2.1 Analysis of the Financial Position of the Company and its Subsidiaries as at December 31, 2021 and December 31, 2020

Total Assets

As at December 31, 2021, the consolidated financial statements of the Company presented total assets amounting to Baht 3,538 million, decreased by Baht 129 million or decreased 4 percent from the end of December 31, 2020. This was mainly from the decrease in cash and cash equivalents, other current assets including property, plant and equipment.

Total assets presented in the consolidated financial statements of the Company as at the end of this year consisted of 7% of cash and cash equivalents, 6% of trade accounts receivable, 10% of net inventories and other 4% of current assets, 27% of investment in associated companies and other companies, 43% of property, plant and equipment and 3% of other non-current assets. Whereby total assets at the end of previous year consisted of 13% of cash and cash equivalents, 6% of trade accounts receivable, 7% of net inventories and 6% of other current assets, 24% of investment in associated companies and other companies, 42% of property, plant and equipment and 2% of other non-current assets.

- Cash and cash equivalents at the end of the year 2021 was Baht 250 million, decreased from the end of previous year by Baht 211 million, the details are as follows:

Cash used for operating activities was Baht 58 million. This is mostly from the payment for the goods and the repayment of other current liabilities.

Cash used for investing activities was Baht 50 million. This mostly used for construction and machinery at Surat Thani province for expansion of investment in renewable energy and the investments in associated company's ordinary shares.

Cash used for financing activities was Baht 103 million. This mostly derived from short-term loans of related company, long term loan of financial institution and the dividend payment.

- Trade accounts receivable at the end of the year 2021 was Baht 219 million, decreased from the end of previous year of Baht 5 million. The balance of trade accounts receivable at the end of the year 2021 was divided into 90% of such receivable was not yet due, 6% of overdue less than or equal 3 months and 4% of overdue more than 3 months. However, the Company and its subsidiaries have monitored debtors closely for the debts collection. The company will consider the possibility of receiving the payment of debt. In addition, in the case of some debtors being in the process of collection, the Company will provide the appropriate proceed to record the allowance for doubtful accounts. At the end of this year, balance of allowance for doubtful account was Baht 4 million. Receivable turnover rate at the end of the year 2021 was 7.81 times and 7.02 times at the end of previous year. Average debt collection at the end of the year 2021 was 47 days, the end of previous year was 52 days. Receivable turnover rate was increased and average debt collection period was decreased because the average of receivable at the end of this year was decreased.

- Inventories balance at the end of the year 2021 was Baht 350 million, increased by Baht 108 million or increased 45 percent from the end of previous year. It mostly increased from furniture product and flood protection wall. The inventory turnover rate at the end of the year 2021 was 5.02 times, and was 6.03 times at the end of previous year. The decreasing from previous year caused by the increasing in the average inventory value.

- Other current assets as at the end of the year 2021 was Baht 155 million decreased by Baht 61 million or decreased 28 percent from previous year. This was mainly resulted from the other current receivables-general companies and trade accounts receivable from construction work and advance payment for product purchasing.

- Investments at the end of the year 2021 were Baht 962 million, increased by Baht 69 million or increased 8 percent from the end of previous year. This was resulted from recognition of increasing in profit on equity method from associated company and adjustment of fair value of other companies.

- Property, plant and equipment - net as at the end of the year 2021 was Baht 1,512 million, decreased by Baht 34 million or decreased 2 percent from the end of previous year. It was mostly from property, plant and equipment of furniture business including with the buildings and machines for investment expansion in biomass business in Surat Thani province and the construction for model of prefabricated houses in the Modular Construction & Housing Project which some parts calculated for the depreciation in 2021.

Total liabilities

As at the end of this year the consolidated financial statements of the Company presented total liabilities of Baht 695 million, decreased by Baht 104 million or decreased 13 percent. It mostly decreased from other current liabilities and long-term loans from financial institutions.

- As at the end of this year, short term loan from financial institutions was Baht 65 million, increased by Baht 25 million or increased 63 percent. It mostly increased from the promissory note issued by the subsidiary company for the operation.

- As at the end of this year, short term loan from the related companies was Baht 51 million, decreased by Baht 14 million or decreased 22 percent from previous year. Most are loans of companies in the renewable energy group which is an indirect subsidiary of the company, loans from related companies to spend in the business and has been partially paid this year.

- As at the end of this year, other current liabilities were Baht 195 million, decreased by Baht 50 million or decreased 20 percent from previous year. It was decreased from the advance payment of bathroom pods group and the payment for accrued expense.

- As at the end of this year, long term loan from financial institution was Baht 1 million, decreased by Baht 69 million. Caused by the repayment of the indirect subsidiary of the company for long term loan from financial institution in the 1st and 2nd quarter of this year.

- As at the end of this year, other non-current liabilities were Baht 109 million. This was mainly resulted from the recognition of the liabilities according to the deferred tax liabilities, other non-current liabilities and the lease agreement for car and the land for operation in relation with the IFRS 16 Leases, which is effective since the year 2020.

Shareholders' equity

At the end of this year, the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,843 million, and at the end of previous year was Baht 2,868 million, decreased by Baht 25 million. The causes are the group of the Company has net loss in this year and the payment for the dividend last year.

Book value as at the end of this year was Baht 4.79 per share and the end of previous year was Baht 4.84 per share, decreased by Baht 0.05 per share.

2.2 Liquidity and Significant Financial Ratios

Statements of Cash flows for the year ended December 31, 2021

Consolidated financial statements	Unit : Million Baht
Net cash from (used for) operating activities	(58)
Net cash from (used for) investing activities	(50)
Net cash from (used for) in financing activities	(103)
Increase (Decrease) in cash and cash equivalents - net	(211)
Cash and cash equivalents at beginning of period	461
Cash and cash equivalents at end of period	250

Liquidity of the consolidated financial statement of the Company as at the end of this year, the Company held cash amounting to Baht 250 million, Baht 461 million at the end of previous year. Cash flow decreased by Baht 211 million, this was related to:

- Cash used for operating activities was Baht 58 million. This mostly resulted from the payment for the goods amounting to Baht 112 million and repayment of other current liabilities amounting to Baht 53 million.

- Cash used for investing activities was Baht 50 million. This mostly used for construction and machinery at Surat Thani province for expansion of investment in renewable energy business amounting to Baht 64 million and investments in associated company's ordinary shares amounting to Baht 26 million.

- Cash used for financing activities was Baht 103 million. This mostly derived from short-term loans of related company amounting to Baht 28 million, long-term loans of financial institutions amounting to Baht 70 million and the payment for dividend amounting to Baht 30 million.

The current ratio was decreased from 1.98 times as at the end of previous year to 1.83 times as at the end of this year. The quick ratio was decreased from 1.19 times as at the end of previous year to 0.88 times as at the end of this year. However, both ratios represented positive favorable liquidity of the Company and its subsidiaries.

In consideration of the ability for debt repayment as at the end of this year and the end of previous year, the Company and its subsidiaries still maintained good ability for debt payment. Considering from the debt to equity ratio, showing from 0.28 times at the end of previous year to 0.24 times at the end of this year. The debt to equity ratio as at the end of this year was decreased from the end of previous year, resulting from the amount of total liabilities decreased from the debt repayment.

3. Significant factors that may affect the financial position or operation results in the future.

The stability of local politics

If local politics is not stable, it will result in the government's spending. The government spending to stimulate the economy will be reduced. As a result, the industrial growth will be shrunken, the purchase order will also be reduced.

Foreign market

There was shrunken in foreign market due to Covid-19 situation, the purchase order may be reduced.

Raw material pricing

Steel is core raw material for production. If steel price are highly fluctuated, it may affect the orders and production costs.

Foreign Exchange Rate

In case Thai Baht appreciates against foreign currency, this may affect the Company's sales in Baht value. In addition, the Company may lose ability in its competitiveness compared to competitors and may get loss from exchange rates.

Please be informed,

Yours sincerely,

(Mr. Surapol Kunanantakul)
President
Siam Steel International Public Company Limited