

May 14, 2019

Subject : Management's Discussion and Analysis for the 1<sup>st</sup> quarter ending March 31, 2019,  
Change in operation results was 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 1<sup>st</sup> quarter for the three-month period ended March 31, 2019. It is noted that the change in net profit (loss) was over than 20% compared with the previous year. The Company would explain in the Management's Discussion and Analysis for the 1<sup>st</sup> quarter period ending March 31, 2019 as follows:

### 1. Operating Results

Consolidated Statements of Comprehensive Income for the three-month period ended March 31, 2019 and 2018

Consolidated Financial Statements	The First quarter 2019		The First quarter 2018		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales and services	468	96%	419	98%	49	12%
Construction services	17	4%	9	2%	8	89%
<b>Total Revenues</b>	<b>485</b>	<b>100%</b>	<b>428</b>	<b>100%</b>	<b>57</b>	<b>13%</b>
Costs of sales and services	357		316		41	13%
Costs of Construction services	13		8		5	63%
<b>Total Costs of Sales and Services</b>	<b>370</b>	<b>76%</b>	<b>324</b>	<b>76%</b>	<b>46</b>	<b>14%</b>
Sales and services gross income	111		103		8	8%
Construction services gross income	4		1		3	300%
<b>Total Gross Income</b>	<b>115</b>	<b>24%</b>	<b>104</b>	<b>24%</b>	<b>11</b>	<b>11%</b>
Other income	36	7%	117	27%	(81)	(69%)
Selling and administrative expenses	(113)	(23%)	(123)	(29%)	10	8%
<b>Profit (Loss) from Operations</b>	<b>38</b>	<b>8%</b>	<b>98</b>	<b>23%</b>	<b>(60)</b>	<b>(61%)</b>
Profit in associated companies on equity method	9	2%	11	3%	(2)	(18%)
Finance costs	(9)	(2%)	(3)	(1%)	(6)	(200%)
<b>Profit (Loss) before Income Tax</b>	<b>38</b>	<b>8%</b>	<b>106</b>	<b>25%</b>	<b>(68)</b>	<b>(64%)</b>
Income tax	(2)	(0%)	(104)	(24%)	102	98%
Equity in non - controlling interests in subsidiaries	(13)	(3%)	2	1%	(15)	(750%)
<b>Net Profit (Loss) attributable to the Company</b>	<b>23</b>	<b>4.74%</b>	<b>4</b>	<b>0.93%</b>	<b>19</b>	<b>402%</b>
<b>Net Profit (Loss) per share attributable to the Company (Baht)</b>	<b>0.039</b>		<b>0.008</b>		<b>0.031</b>	<b>402%</b>

## 1.1 Analysis of overall Operating Results

For the 1<sup>st</sup> quarter of the year 2019, the consolidated financial statements of the Company presented total revenues amounting to Baht 485 million, increased by Baht 57 million or increased 13 percent from same quarter of previous year. Such change resulted from the increase in domestic sales of “Lucky” hi-tech buildings and domestic construction service. However, 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 needs to enable sales volume increase, including to expand investment in renewable energy business in order to generate stable income in the future, thus the revenues trend to be increasing.

### Total Revenues

For the 1<sup>st</sup> quarter of this year, The consolidated financial statements of the Company’s presented total revenues amounting to Baht 485 million, increased by Baht 57 million or increased 13 percent. This was mainly resulted from the increase in domestic sales of “Lucky” hi-tech buildings and domestic construction services. Total revenues in the 1<sup>st</sup> quarter of this year consisted of following income:

- Revenues from domestic sales of furniture, “LUCKY” Hi-tech Building System and flood protection wall totaling Baht 401 million, increased by Baht 51 million or increased 15 percent from the 1<sup>st</sup> quarter of previous year.

- Revenues from export sales of furniture and “LUCKY” Hi-tech Building System totaling Baht 67 million, decreased by Baht 2 million or decreased 3 percent from the 1<sup>st</sup> quarter of previous year.

- Revenues from domestic construction services of this year has one job amounting to Bath 17 million, increased by Baht 8 million or increased 89 percent from the 1<sup>st</sup> quarter of previous year.

### Other Income

The consolidated financial statements of the Company for the 1<sup>st</sup> quarter of this year presented other income decreasing from the 1<sup>st</sup> quarter of previous year by Baht 81 million, or decreased 69 percent. Because in the 1<sup>st</sup> quarter of previous year, the company had profit from the sale of assets in Phra Khanong showroom, which was an unused assets amounting to Baht 88 million and increased amounting to Baht 18 million from revenue from reversal of liabilities that the Company recorded from the litigation that one contractor sued the company. the result of the judgment of Supreme Court.

## **Cost of Sales and Expenses**

- The consolidated financial statements of the Company presented total cost of sales for the 1<sup>st</sup> quarter of this year amounting to Baht 370 million, increased by Baht 46 million or increased 14 percent from the 1<sup>st</sup> quarter of previous year. The ratio of total cost of sales to total revenue for the 1<sup>st</sup> quarter of year 2019 and the 1<sup>st</sup> quarter of year 2018 was 76 percent equally.

- The consolidated financial statements of the Company presented selling and administrative expenses of the 1<sup>st</sup> quarter of this year amounting to Baht 113 million, decreased by Baht 10 million or decreased 8 percent from the 1<sup>st</sup> quarter of previous year. This was mostly resulted from decreases of salary expenses. The ratio of selling and administrative expenses to total revenues for the year 2019 in the 1<sup>st</sup> quarter and year 2018 in the 1<sup>st</sup> quarter was 23 percent and 29 percent, respectively.

- The consolidated financial statements of the Company presented finance cost for the 1<sup>st</sup> quarter of this year amounting to Baht 9 million, increased by Baht 6 million from the 1<sup>st</sup> quarter of previous year. This was resulted from construction of solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, completed construction in the 4<sup>th</sup> Quarter of 2018, so in the 1<sup>st</sup> quarter of this year, the interest accrued from the loan for construction is recognized as an expense, from the former that was recognized as the cost of construction work.

## **Gross Profit**

- The consolidated financial statements of the Company for the 1<sup>st</sup> quarter of the year 2019 presented gross profit amounting to Baht 115 million, increased by Baht 11 million or increased 11 percent from the 1<sup>st</sup> quarter of previous year, The gross profit ratio for the 1<sup>st</sup> quarter of the year 2019 and the 1<sup>st</sup> quarter of the year 2018 was 24 percent equally. The gross profit for the 1<sup>st</sup> quarter in this year was increasing because the increase in domestic sales of “Lucky” hi-tech buildings.

## **Net Profit (Loss)**

- The consolidated financial statements of the Company presented net profit amounting to Baht 23 million for the 1<sup>st</sup> quarter of the year 2019, and Baht 4 million for the 1<sup>st</sup> quarter of the year 2018. Net profit of this year increased from previous year by Baht 19 million or increased by 402 percent. This resulted from increase in total revenues, selling and administrative expenses decreased and Income tax decreased from the 1<sup>st</sup> quarter of previous year, which the company recorded the reversal of deferred tax assets are expenses amounting to Baht 100 million. Net profit ratio for the 1<sup>st</sup> quarter of the year 2019 was 4.74 percent, the 1<sup>st</sup> quarter of the year 2018 was 0.93 percent.

## 2. Financial positions

Statements of Financial positions as at March 31, 2019 and December 31, 2018

Consolidated financial statement	March 31, 2019		December 31, 2018		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Assets</b>						
Cash and cash equivalents	886	16%	1,127	21%	(241)	(21%)
Trade accounts receivable - net	309	6%	258	5%	51	20%
Inventories – net	447	8%	384	7%	63	16%
Other current assets	353	7%	362	6%	(9)	(2%)
<b>Total Current Assets</b>	<b>1,995</b>	<b>37%</b>	<b>2,131</b>	<b>39%</b>	<b>(136)</b>	<b>(6%)</b>
Investments	842	16%	834	15%	8	1%
Property, plant and equipment - net	2,476	46%	2,432	45%	44	2%
Other non - current assets	59	1%	56	1%	3	5%
Total Non - Current Assets	3,377	63%	3,322	61%	55	2%
<b>Total Assets</b>	<b>5,372</b>	<b>100%</b>	<b>5,453</b>	<b>100%</b>	<b>(81)</b>	<b>(1%)</b>
<b>Liabilities and Shareholders' Equity</b>						
Short-term loans from related company	91	2%	54	1%	37	69%
Long-term loans from financial institutions; due within 1 year	65	1%	68	1%	(3)	(4%)
Trade accounts payable	165	3%	253	5%	(88)	(35%)
Other current liabilities	400	7%	509	9%	(109)	(21%)
<b>Total Current Liabilities</b>	<b>721</b>	<b>13%</b>	<b>884</b>	<b>16%</b>	<b>(163)</b>	<b>(18%)</b>
Long-term loans from financial institutions	1,764	33%	1,722	32%	42	2%
Employee benefits obligation	34	1%	33	1%	1	3%
Other non - current liabilities	20	0%	8	0%	12	150%
Total Non - Current Liabilities	1,818	34%	1,763	33%	55	3%
Total Liabilities	2,539	47%	2,647	49%	(108)	(4%)
Shareholders' equity to the Company's	2,512	47%	2,491	45%	21	1%
Shareholders' equity non-controlling interests' equity	321	6%	315	6%	6	2%
Total Shareholders' equity	2,833	53%	2,806	51%	27	1%
<b>Total Liabilities and Shareholders' Equity</b>	<b>5,372</b>	<b>100%</b>	<b>5,453</b>	<b>100%</b>	<b>(81)</b>	<b>(1%)</b>

## **2.1 Analysis of the financial position of the Company and its subsidiaries as at March 31, 2019 and December 31, 2018**

### **Total Assets**

As at the end of the 1<sup>st</sup> quarter of the year 2019, the consolidated financial statements of the Company presented total assets amounting to Baht 5,372 million, decreased by Baht 81 million or decreased 1 percent from the end of December 31, 2018. This was mainly from the decrease in cash and cash equivalents.

Total assets presented in the consolidated financial statements of the Company as at the end of the 1<sup>st</sup> quarter of this year consisted of cash and cash equivalents 16 percent, trade accounts receivable 6 percent, net inventories 8 percent and other current assets 7 percent, investment in associated companies and other companies 16 percent, property, plant and equipment 46 percent and other non-current assets 1 percent. Whereby total assets at the end of previous year consisted of cash and cash equivalents 21 percent, trade accounts receivable 5 percent, net inventories 7 percent and other current assets 6 percent, investment in associated companies and other companies 15 percent, property, plant and equipment 45 percent and other non-current assets 1 percent.

- Cash and cash equivalents at the end of the 1<sup>st</sup> quarter of the year 2019 was Baht 886 million, decreased from the end of previous year by Baht 241 million, as follow:

Cash used for operating activities was Baht 254 million. This mostly used for purchase inventory, pay creditors and pay current liabilities from construction of solar cell farm in Japan, which invested by an indirect subsidiary of the Company.

Cash used for investing activities was Baht 85 million. This mostly used for land and property at Uthai Thani and Surat thani for expand investment in renewable energy.

Cash from financing activities was Baht 90 million. This mostly derived loan from Financial institutions in Japan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the purpose of investment in construction of solar cell farm in Japan.

Cash from exchange differences on translating foreign currency financial statement of indirect subsidiaries was Baht 8 million, from the investment in solar cell farm in Japan by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company.

- Trade accounts receivable at the end of the 1<sup>st</sup> quarter of the year 2019 was Baht 309 million, increased from the end of previous year of Baht 51 million. The balance of trade receivable at the end of the 1<sup>st</sup> quarter of the year 2019 of which 70% of such receivable was not yet due, 25% was overdue less than 3 months and 5% was overdue more than 3 months. However, the Company and its subsidiaries have monitored closely for the debts collection. The Company would consider take up an allowance for doubtful accounts for some debtors who were in the process of debt collection. At the end of the 1<sup>st</sup> quarter of this year, balance of allowance for doubtful account was Baht 5 million. The Company and its subsidiaries were of the opinion that such allowance were adequate. Receivable turnover rate at the end of the 1<sup>st</sup> quarter of the year 2019 was 6.39, 6.19 at the end of previous year. Average debt collection at the end of the 1<sup>st</sup> quarter of the year 2019 was 57 days, end of previous year was 59 days. Receivable turnover was increased and average debt collection period was decrease because revenue at the end of the 1<sup>st</sup> quarter of this year was increased.

- Inventories balance at the end of the 1<sup>st</sup> quarter of the year 2019 was Baht 447 million, increased by Baht 63 million or increased 16 percent from the end of previous year. Mostly increased from products during the production of renewable energy groups. The inventory turnover rate at the end of the 1<sup>st</sup> quarter of the year 2019 was 3.50, and was 4.20 at the end of previous year. The decrease from previous year caused by increase in the average inventory value.

- Investments at the end of the 1<sup>st</sup> quarter of the year 2019 were Baht 842 million, increased by Baht 8 million or increased 1 percent from the end of previous year. This was resulted from increase in profit on equity method from one associated company.

- Property, plant and equipment - net as at the end of the 1<sup>st</sup> quarter of the year 2019 was Baht 2,476 million, increased by Baht 44 million or increased 2 percent from the end of previous year. Mostly resulted from purchase of land and buildings for expansion of biomass production business in Uthai Thani and Surat Thani.

- Non-current assets as at the end of the 1<sup>st</sup> quarter of the year 2019 was Baht 59 million, increased by Baht 3 million or increased 5 percent from previous year. This was mainly resulted from retention receivables of the domestic sales of “Lucky” hi-tech buildings.

### **Total liabilities**

As at the end of the 1<sup>st</sup> quarter of this year the consolidated financial statements of the Company presented total liabilities of Baht 2,539 million, decreased by Baht 108 million or decreased 4 percent. Mostly decreased from trade accounts payable and other current liabilities.

- As at the ended of the 1<sup>st</sup> quarter of this year, short term loan from related companies was Baht 91 million. 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.

- As at the ended of the 1<sup>st</sup> quarter of this year, long term loan from financial institution due within one year was Baht 65 million. This was loan borrowed for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the use in solar cell farm project in Japan and loans from financial institutions in Japan to invest in this project.

- As at the ended of the 1<sup>st</sup> quarter of this year, other current liabilities was Baht 400 million, decreased by Baht 109 million from previous year. Caused by payment of liabilities arising from construction of solar cell farm project in Japan, which invested by indirect subsidiaries.

- As at the ended of the 1<sup>st</sup> quarter of this year, long term loan from financial institution was Baht 1,764 million, increased by Baht 42 million. This was loan from financial institutions in Japan, borrowed for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the use in solar cell farm project in Japan.

### **Shareholders' equity**

At the ended of the 1<sup>st</sup> quarter of this year, the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,833 million, as at the ended of previous year was Baht 2,806 million, increased by Baht 27 million or increased 1 percent. Because in the 1<sup>st</sup> quarter of this year, the consolidated financial statements of the company have a net profit.

Book value as at the ended of the 1<sup>st</sup> quarter of this year was Baht 4.78 per share, end of previous year Baht 4.73 per share, increased by Baht 0.05 per share or increased 1 percent.

## 2.2 Liquidity and significant financial ratios

Statements of Cash flows for the three-month period ended March 31, 2019

<b>Consolidated financial statements</b>	<b>Unit : Million Baht</b>
Net cash from (used for) operating activities	(254)
Net cash from (used for) investing activities	(85)
Net cash from (used for) in financing activities	90
Exchange differences on translating foreign currency financial statement of indirect subsidiaries	8
<b>Increase (Decrease) in cash and cash equivalents - net</b>	<b>(241)</b>
Cash and cash equivalents at beginning of period	<b>1,127</b>
<b>Cash and cash equivalents at end of period</b>	<b>886</b>

Liquidity of the consolidated financial statement of the Company as at the end of the 1<sup>st</sup> quarter of this year, the Company held cash and cash equivalents amounting to Baht 886 million, Baht 1,127 million at the end of previous year. Cash flow decreased by Baht 241 million, this was related to:

Cash used for operating activities was Baht 254 million. This mostly resulted from increased of trade accounts receivable amounting to Baht 48 million, Inventories increased amounting to Baht 57 million, repayment of general creditors amounting to Baht 86 million, advance payment for goods amounting to Baht 30 million and payment of other current liabilities in the 1<sup>st</sup> quarter of this year amounting to Baht 183 million.

Cash used for investing activities was Baht 85 million. This mostly resulted from use cash for land and property at Uthai Thani and Surat Thani for expand investment in renewable energy amounting to Baht 98 million.

Cash from financing activities was Baht 90 million derived loan from Financial institutions in Japan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the purpose in business operations of solar cell farm in Japan.

Cash from exchange differences on translating foreign currency financial statement of indirect subsidiaries was Baht 8 million, from the investment in solar cell farm in Japan by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company.

The current ratio was increased from 2.41 times as at the end of previous year to 2.77 times as at the end of the 1<sup>st</sup> quarter of this year. The quick ratio was increased from 1.57 times as at the end of previous year to 1.66 times as at the end of the 1<sup>st</sup> quarter of this year. However, both ratios represented positive favorable liquidity of the Company and its subsidiaries.

In consideration of the ability for the debt repayment as at the end of the 1<sup>st</sup> quarter 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 0.94 times at the end of previous year to 0.90 times at the end of the 1<sup>st</sup> quarter of this year. The debt to equity ratio as at the end of the 1<sup>st</sup> quarter of this year was decreased from the end of previous year, This was effect from the amount of creditors and other current liabilities decreased from the end of the previous year, together with the increase in shareholders' equity from net profit in the first quarter of this year.

### **3. Significant factors that may affect the future of finance position or future operation**

#### **The stability of local political**

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

#### **Foreign market**

There was shrunken in foreign market because the world economy has not been recovered yet, there will be contraction in foreign market. As a result, the industrial growth will be shrunken and the order is also reduced.

#### **Raw material pricing**

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

#### **Foreign Exchange Rate**

If the Baht is strengthens against foreign currency continuously, 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