

February 28, 2019

Subject : Management's Discussion and Analysis for the year ended December 31, 2018,

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 year ending December 31, 2018. 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 year ending December 31, 2018 as follows:

### 1. Operating Results

Consolidated Statements of Comprehensive Income for the year ended December 31, 2018 and December 31, 2017

Consolidated Financial Statements	For Year Ended December 31, 2018		For Year Ended December 31, 2017		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic sales and services	1,689	96%	1,516	96%	173	11%
Export sales and services	68	4%	69	4%	(1)	(1%)
<b>Total Revenues</b>	<b>1,757</b>	<b>100%</b>	<b>1,585</b>	<b>100%</b>	<b>172</b>	<b>11%</b>
Domestic costs of sales and services	1,327		1,183		144	12%
Export costs of sales and services	82		62		20	32%
<b>Total Costs of Sales and Services</b>	<b>1,409</b>	<b>80%</b>	<b>1,245</b>	<b>79%</b>	<b>164</b>	<b>13%</b>
Domestic gross income	362		333		29	9%
Export gross income	(14)		7		(21)	(300%)
<b>Total Gross Income</b>	<b>348</b>	<b>20%</b>	<b>340</b>	<b>21%</b>	<b>8</b>	<b>2%</b>
Other income	452	26%	58	4%	394	679%
Selling and administrative expenses	(484)	(28%)	(492)	(31%)	8	2%
<b>Profit (Loss) from Operations</b>	<b>316</b>	<b>18%</b>	<b>(94)</b>	<b>(6%)</b>	<b>410</b>	<b>436%</b>
Profit in associated companies on equity method	35	2%	50	3%	(15)	(30%)
Finance costs	(11)	(1%)	(1)	(0%)	(10)	(1,000%)
<b>Profit (Loss) before Income Tax</b>	<b>340</b>	<b>19%</b>	<b>(45)</b>	<b>(3%)</b>	<b>385</b>	<b>856%</b>
Income tax	(101)	(6%)	(8)	(1%)	(93)	(1,163%)
Equity in non - controlling interests in subsidiaries	6	0%	6	0%	0	0%
<b>Net Profit (Loss) attributable to the Company</b>	<b>245</b>	<b>14%</b>	<b>(47)</b>	<b>(3%)</b>	<b>292</b>	<b>617%</b>
<b>Net Profit (Loss) per share attributable to the Company (Baht)</b>	<b>0.41</b>		<b>(0.08)</b>		<b>0.49</b>	<b>617%</b>

## **1.1 Analysis of overall Operating Results**

For the fiscal year ended December 31, 2018, the consolidated financial statements of the Company presented total revenues amounting to Baht 1,757 million, increased by Baht 172 million or increased 11 percent from previous year. Such change resulted from the increase in domestic sales of furniture, domestic sales of “Lucky” hi-tech buildings and domestic construction service. However, Next 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 fiscal year ended December 31, 2018, The consolidated financial statements of the Company’s presented total revenues amounting to Baht 1,757 million, increased by Baht 172 million or increased 11 percent. This was mainly resulted from the increase in domestic sales of furniture, domestic sales of “Lucky” hi-tech buildings and domestic construction services. Total revenues of this year consisted of following income:

- Revenues from domestic sales of furniture, “LUCKY” Hi-tech Building System and flood protection wall totaling Baht 1,636 million, increased by Baht 150 million or increased 10 percent from previous year. This was mostly resulted from the increase in project sales of furniture and flood protection wall.

- Revenues from export sales and services of furniture and “LUCKY” Hi-tech Building System totaling Baht 68 million, decreased by Baht 1 million or decreased 1 percent.

- Revenues from domestic construction services of this year totaling Baht 53 million or increased 77 percent from previous year.

### **Other Income**

The consolidated financial statements of the Company for the 1 year period ending at December 31, 2018 presented other income increasing from the 1 year of previous year by Baht 394 million, or increased 679 percent. This was resulted from Profit from the sale of land, factory buildings and showrooms totaling Baht 350 million. Which was originally an Unused assets.

## **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, 2018 amounting to Baht 1,409 million, increased by Baht 164 million or increased 13 percent from the 1 year of previous year. The ratio of total cost of sales to total revenue for the year 2018 and the year 2017 was 80 percent and 79 percent, respectively.

- The consolidated financial statements of the Company presented selling and administrative expenses for the 1 year period ending at December 31, 2018 amounting to Baht 484 million, decreased by Baht 8 million or decreased 2 percent from the 1 year of previous year. This was mostly resulted from decreases of salary expenses and promotion expenses. The ratio of selling and administrative expenses to total revenues for the year 2018 and the year 2017 was 28 percent and 31 percent, respectively.

- The consolidated financial statements of the Company presented finance cost for the 1 year period ending at December 31, 2018 amounting to Baht 11 million, increased by Baht 10 million from previous year. Due to this year solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company. Completed construction in the fourth quarter of 2018. The company therefore recognizes some interest as expenses. From the former that was recognized as the cost of all construction work.

## **Gross Profit**

- The consolidated financial statements of the Company for the 1 year period ending at December 31, 2018 presented gross profit amounting to Baht 348 million, increased by Baht 8 million or increased 2 percent from previous year, The gross profit ratio for the year 2018 and the year 2017 was 20 percent and 21 percent, respectively. The gross profit ratio was decreasing because this year, there is an increase in sales of the products purchased for sale, which is a low gross profit sales. And loss from the sale of raw materials that are deteriorated in special projects, multi-purpose prefabricated buildings for customers in Australia, the project has ended in 2013.

## **Net Profit (Loss)**

- The consolidated financial statements of the Company presented net profit amounting to Baht 245 million for the 1 year period ending at December 31, 2018, and loss Baht 47 million for the year 2017. Net profit of this year increased from previous year by Baht 292 million or increased by 617 percent. This resulted from increase in total revenues from sales of furniture, flood protection wall and domestic construction services. Combine with Profit from the sale of land, factory buildings and showrooms totaling Baht 350 million. Which was originally an Unused assets. And the loss incurred in the first quarter of this year due to the reversal of deferred tax assets as expenses of 100 million baht. Net profit ratio for the year 2018 was 14 percent, net loss ratio for the year 2017 was 3 percent.

## 2. Financial positions

Statements of Financial positions as at December 31, 2018 and December 31, 2017

Consolidated financial statement	December 31, 2018		December 31, 2017		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Assets</b>						
Cash and cash equivalents	1,127	21%	425	12%	702	165%
Trade accounts receivable - net	258	5%	309	9%	(51)	(17%)
Inventories – net	384	7%	287	8%	97	34%
Other current assets	362	6%	65	3%	297	457%
<b>Total Current Assets</b>	<b>2,131</b>	<b>39%</b>	<b>1,086</b>	<b>32%</b>	<b>1,045</b>	<b>96%</b>
Investments	834	15%	824	24%	10	1%
Property, plant and equipment - net	2,432	45%	1,369	40%	1,063	78%
Other non - current assets	60	1%	158	4%	(98)	(62%)
Total Non - Current Assets	3,326	61%	2,351	68%	975	41%
<b>Total Assets</b>	<b>5,457</b>	<b>100%</b>	<b>3,437</b>	<b>100%</b>	<b>2,020</b>	<b>59%</b>
<b>Liabilities and Shareholders' Equity</b>						
Short-term loans from others person	0	0%	100	3%	(100)	(100%)
Short-term loans from related company	54	1%	57	2%	(3)	(5%)
Long-term loans from financial institutions; due within 1 year	68	1%	6	0%	62	1,033%
Trade accounts payable	253	5%	133	4%	120	90%
Other current liabilities	509	9%	168	5%	341	203%
<b>Total Current Liabilities</b>	<b>884</b>	<b>16%</b>	<b>464</b>	<b>14%</b>	<b>420</b>	<b>91%</b>
Long-term loans from financial institutions	1,722	32%	216	6%	1,506	697%
Employee benefits obligation	33	1%	22	1%	11	50%
Other non - current liabilities	12	0%	21	1%	(9)	(43%)
Total Non - Current Liabilities	1,767	33%	259	8%	1,508	582%
Total Liabilities	2,651	49%	723	21%	1,928	267%
Shareholders' equity to the Company's	2,491	45%	2,250	65%	241	11%
Shareholders' equity non-controlling interests' equity	315	6%	464	14%	(149)	(32%)
Total Shareholders' equity	2,806	51%	2,714	79%	92	3%
<b>Total Liabilities and Shareholders' Equity</b>	<b>5,457</b>	<b>100%</b>	<b>3,437</b>	<b>100%</b>	<b>2,020</b>	<b>59%</b>

## **2.1 Analysis of the financial position of the Company and its subsidiaries as at December 31, 2018 and December 31, 2017**

### **Total Assets**

As at December 31, 2018 the consolidated financial statements of the Company presented total assets amounting to Baht 5,457 million, increased by Baht 2,020 million or increased 59 percent from the end of December 31, 2017. This was mainly from the increase in cash and cash equivalents, other current assets and property, plant and equipment.

Total assets presented in the consolidated financial statements of the Company as at the end of this year consisted of cash and cash equivalents 21 percent, trade accounts receivable - net 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. Whereby total assets at the end of previous year consisted of cash and cash equivalents 12 percent, trade accounts receivable 9 percent, net inventories 8 percent and other current assets 3 percent, investment in associated companies and other companies 24 percent, property, plant and equipment 40 percent and other non-current assets 4 percent.

- Cash and cash equivalents at the end of the year 2018 was Baht 1,127 million, increased from the end of previous year by Baht 702 million, as follow:

Cash from operating activities was Baht 104 million. This mostly resulted from deposit received for goods In the bathroom pods group and other current liabilities increased from the construction of solar cell farm in Japan, which invested by an indirect subsidiary of the Company.

Cash used for investing activities was Baht 915 million. This mostly resulted from assets in construction of solar cell farm in Japan, which invested by an indirect subsidiary of the Company and use cash for land and property at Uthai Thani and Surat Thani for expand investment in renewable energy business.

Cash from financing activities was Baht 1,498 million 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 15 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 year 2018 was Baht 258 million, decreased from the end of previous year of Baht 51 million. The balance of trade receivable at the end of the year 2018 of which 63% of such receivable was not yet due, 33% was overdue less than 3 months and 4% 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 this year, balance of allowance for doubtful account was Baht 6 million. The Company and its subsidiaries were of the opinion that such allowance were adequate. Receivable turnover rate at the end of the year 2018 was 6.19, end of previous year was 4.12. Average debt collection at the end of the year 2018 was 59 days, end of previous year was 89 days. Receivable turnover was increased and average debt collection period was decrease because increased revenue and decreased average trade accounts receivable at the end of this year.

- Inventories balance at the end of the year 2018 was Baht 384 million, increased by Baht 97 million or increased 34 percent from the end of previous year, mostly result from work in progress of renewable energy group. The inventory turnover rate at the end of the year 2018 was 4.20, and was 3.60 at the end of previous year. The increase caused by increased sales and decreased average inventories.

- Other current assets at the year 2018 was Baht 362 million, increased by Baht 297 million or increased 457 percent, mostly result from advance payment for purchase of bathroom pods group, Receivables from billing for research and development projects in the renewable energy group. Operated by indirect subsidiaries and consumption tax waiting to be restored for construction solar cell farm in Japan which invested by indirect subsidiary of the Company.

- Investments at the end of the year 2018 was Baht 834 million, increased by Baht 10 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 year 2018 was Baht 2,432 million, increased by Baht 1,063 million or increased 78 percent. Mostly resulted from construction work of solar cell farm in Japan, held by an indirect subsidiary of the Company. And purchase of land and buildings for expand investment of renewable energy business in Uthai Thani and Surat Thani.

- Other non-current assets as at the end of the year 2018 was Baht 60 million, decreased by Baht 98 million or decreased 62 percent from previous year. This was mainly resulted from reversal of deferred tax assets are expenses, Because the company will recognize the deferred tax assets when it is quite possible that the tax will be used in the future.

### **Total liabilities**

As at the end of this year the consolidated financial statements of the Company presented total liabilities of Baht 2,651 million, increased by Baht 1,928 million or increased 267 percent. This was mainly from increase loan from Financial institutions in Japan for solar cell farm project in Japan.

- As at the end of this year, short term loan from other person decrease from previous year was Baht 100 million. Since the first quarter of this year, there is a loan repayment from Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the purpose of investment in construction of solar cell farm in Japan.

- As at the end of this year, short term loan from related Company was Baht 54 million. This was loan borrowed for renewable energy company, an indirect subsidiary of the Company, for spending in business.

- As at the end of this year, long term loan from financial institution due within one year was Baht 68 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 loan from Financial institutions in Japan.

- As at the end of this year, Other current liabilities was Baht 509 million, increased from previous year by Baht 341 million. Mostly result from increased in deposit received for goods of bathroom pods group, and liabilities from construction of solar cell farm in Japan which invested by an indirect subsidiary of the Company.

- As at the end of this year, long term loan from financial institution was Baht 1,722 million, increased by Baht 1,506 million. This was loan borrowed from financial institute in japan 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 end of this year, the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,806 million, as at the end of previous year was Baht 2,714 million, increased by Baht 92 million or increased 3 percent. This was this year the company has a net profit and there was decrease in equity of non-controlling interests in subsidiaries. Cause of the return of investment from solar cell farm project in Japan, invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company. Still 50% of investment, not change.

Book value as at the end of this year was Baht 4.73 per share, end of previous year Baht 4.58 per share, increased by Baht 0.15 per share or increased 3 percent.

## 2.2 Liquidity and significant financial ratios

Statements of Cash flows for the year ended December 31, 2018

<b>Consolidated financial statements</b>	<b>Unit : Million Baht</b>
Net cash from (used for) operating activities	104
Net cash from (used for) investing activities	(915)
Net cash from (used for) in financing activities	1,498
Exchange differences on translating foreign currency financial statement of indirect subsidiaries	15
<b>Increase (Decrease) in cash and cash equivalents - net</b>	<b>702</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>425</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,127</b>

Liquidity of the consolidated financial statement of the Company as at the end of this year, the Company held cash and cash equivalents amounting to Baht 1,127 million, Baht 425 million at the end of previous year. Cash flow increased by Baht 702 million, this was related to:

Cash from operating activities was Baht 104 million. This mostly resulted from deposit received for goods of bathroom pods group by Baht 128 million. And increased in other current liabilities was Baht 231 million. Come from construction of solar cell farm in Japan which invested by an indirect subsidiary of the Company.

Cash used for investing activities was Baht 915 million. This mostly resulted used for construction of solar cell farm in Japan. Which invested by an indirect subsidiary of the Company amounting to Baht 1,066 million and use cash for land and property at Uthai Thani and Surat Thani for expand investment in renewable energy business amounting to Baht 82 million and solar cell farm project in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, Refund to Japanese investor which were unrelated company amounting to Baht 150 million. Even if the company received money from sales of unused assets amounting to Baht 501 million.

Cash from financing activities was Baht 1,498 million 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 15 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 2.34 times as at the end of previous year to 2.41 times as at the end of this year. The quick ratio was little decreased from 1.58 times as at the end of previous year to 1.57 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 the 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, the ratios were rather low between 0.94 and 0.27 times, respectively. The debt to equity ratio as at the end of this year was increased from the end of previous year, This was effect from loan borrowed from financial institute in japan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the use in solar cell farm project in Japan.

### **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