

February 27, 2020

Subject : Management's Discussion and Analysis for the year ended December 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 year ending December 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 year ending December 31, 2019 as follows:

## 1. Operating Results

Consolidated Statements of Comprehensive Income for the year ended December 31, 2019 and December 31, 2018

Consolidated Financial Statements	For Year Ended December 31, 2019		For Year Ended December 31, 2018		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales and services	2,201	96%	1,707	97%	494	29%
Construction services	86	4%	52	3%	34	65%
<b>Total Revenues</b>	<b>2,287</b>	<b>100%</b>	<b>1,759</b>	<b>100%</b>	<b>528</b>	<b>30%</b>
Costs of sales and services	1,667		1,364		303	22%
Costs of Construction services	68		46		22	48%
<b>Total Costs of Sales and Services</b>	<b>1,735</b>	<b>76%</b>	<b>1,410</b>	<b>80%</b>	<b>325</b>	<b>23%</b>
Sales and services gross income	534		343		191	56%
Construction services gross income	18		6		12	200%
<b>Total Gross Income</b>	<b>552</b>	<b>24%</b>	<b>349</b>	<b>20%</b>	<b>203</b>	<b>58%</b>
Other income	117	5%	452	26%	(335)	(74%)
Selling and administrative expenses	(600)	(26%)	(484)	(28%)	(116)	(24%)
<b>Profit (Loss) from Operations</b>	<b>69</b>	<b>3%</b>	<b>317</b>	<b>18%</b>	<b>(248)</b>	<b>(78%)</b>
Profit in associated companies on equity method	25	1%	35	2%	(10)	(29%)
Finance costs	(40)	(2%)	(11)	(1%)	(29)	(264%)
<b>Profit (Loss) before Income Tax</b>	<b>54</b>	<b>2%</b>	<b>341</b>	<b>19%</b>	<b>(287)</b>	<b>(84%)</b>
Income tax	(3)	(0%)	(101)	(6%)	98	97%
Equity in non - controlling interests in subsidiaries	(38)	(2%)	6	0%	(44)	(733%)
<b>Net Profit (Loss) attributable to the Company</b>	<b>13</b>	<b>0.57%</b>	<b>246</b>	<b>13.99%</b>	<b>(233)</b>	<b>(95%)</b>
<b>Net Profit (Loss) per share attributable to the Company (Baht)</b>	<b>0.022</b>		<b>0.415</b>		<b>(0.393)</b>	<b>(95%)</b>

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

For the fiscal year ended December 31, 2019, the consolidated financial statements of the Company presented total revenues amounting to Baht 2,287 million, increased by Baht 528 million or increased 30 percent from previous year. Such change resulted from the increase in renewable energy business, domestic sales of “Lucky” hi-tech buildings and sales of furniture. This year, the Company 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, 2019, The consolidated financial statements of the Company’s presented total revenues amounting to Baht 2,287 million, increased by Baht 528 million or increased 30 percent. This was mainly resulted from the increase in renewable energy business, domestic sales of “Lucky” hi-tech buildings and sales of furniture. 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 1,896 million, increased by Baht 246 million or increased 15 percent from previous year.

- Revenues from renewable energy business totaling Baht 305 million, increased by Baht 248 million or increased 435 percent from previous year.

- Revenues from 3 domestic construction services of this year totaling Baht 86 million, increased by Baht 34 million or increased 65 percent from previous year.

### **Other Income**

The consolidated financial statements of the Company for the 1 year period ending at December 31, 2019 presented other income decreasing from the 1 year of previous year by Baht 335 million, or decreased 74 percent. This was resulted from Profit from the sale of land, factory buildings and showrooms totaling Baht 350 million in last year.

### **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, 2019 amounting to Baht 1,735 million, increased by Baht 325 million or increased 23 percent from the 1 year of previous year. The ratio of total cost of sales to total revenue for the year 2019 and the year 2018 was 76 percent and 80 percent, respectively.

- The consolidated financial statements of the Company presented selling and administrative expenses for the 1 year period ending at December 31, 2019 amounting to Baht 600 million, increased by Baht 116 million or increased 24 percent from the 1 year of previous year. This was mostly resulted from increases of transportation and installation expenses for bathroom pods group and administrative expenses. The ratio of selling and administrative expenses to total revenues for the year 2019 and the year 2018 was 26 percent and 28 percent, respectively.

- The consolidated financial statements of the Company presented finance cost for the 1 year period ending at December 31, 2019 amounting to Baht 40 million, increased by Baht 29 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, 2019 presented gross profit amounting to Baht 552 million, increased by Baht 203 million or increased 58 percent from previous year, The gross profit ratio for the year 2019 and the year 2018 was 24 percent and 20 percent, respectively. The gross profit ratio was increasing because this year, there is an increase in sales of the domestic sales of “Lucky” hi-tech buildings, sales of furniture and renewable energy business.

### **Net Profit (Loss)**

- The consolidated financial statements of the Company presented net profit amounting to Baht 13 million for the 1 year period ending at December 31, 2019, and net profit Baht 246 million for the year 2018. Net profit of this year decreased from previous year by Baht 233 million or decreased by 95 percent. This resulted from selling and administrative expenses and finance cost. Combine with Profit from the sale of land, factory buildings and showrooms totaling Baht 350 million. Net profit ratio for the year 2019 was 0.57 percent, net profit ratio for the year 2018 was 13.99 percent.

## 2. Financial positions

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

Consolidated financial statement	December 31, 2019		December 31, 2018		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Assets</b>						
Cash and cash equivalents	826	16%	1,127	21%	(301)	(27%)
Trade accounts receivable - net	272	5%	223	4%	49	22%
Inventories – net	220	4%	244	5%	(24)	(10%)
Other current assets	215	4%	361	7%	(146)	(40%)
<b>Total Current Assets</b>	<b>1,533</b>	<b>29%</b>	<b>1,955</b>	<b>37%</b>	<b>(422)</b>	<b>(22%)</b>
Investments	833	16%	834	15%	(1)	(0%)
Property, plant and equipment - net	2,787	53%	2,565	47%	222	9%
Other non - current assets	87	2%	68	1%	19	28%
Total Non - Current Assets	3,707	71%	3,467	63%	240	7%
<b>Total Assets</b>	<b>5,240</b>	<b>100%</b>	<b>5,422</b>	<b>100%</b>	<b>(182)</b>	<b>(3%)</b>
<b>Liabilities and Shareholders' Equity</b>						
Short-term loans from related company	53	1%	54	1%	(1)	(2%)
Long-term loans from financial institutions; due within 1 year	261	5%	68	1%	193	284%
Trade accounts payable	197	4%	253	5%	(56)	(22%)
Other current liabilities	433	7%	482	9%	(49)	(10%)
<b>Total Current Liabilities</b>	<b>944</b>	<b>17%</b>	<b>857</b>	<b>16%</b>	<b>87</b>	<b>10%</b>
Long-term loans from financial institutions	1,396	27%	1,722	32%	(326)	(19%)
Employee benefits obligation	39	1%	33	1%	6	18
Other non - current liabilities	37	1%	8	0%	29	363%
Total Non - Current Liabilities	1,472	29%	1,763	33%	(291)	(17%)
Total Liabilities	2,416	46%	2,620	49%	(204)	(8%)
Shareholders' equity to the Company's	2,481	47%	2,488	45%	(7)	(0%)
Shareholders' equity non-controlling interests' equity	343	7%	314	6%	29	9%
Total Shareholders' equity	2,824	54%	2,802	51%	22	1%
<b>Total Liabilities and Shareholders' Equity</b>	<b>5,240</b>	<b>100%</b>	<b>5,422</b>	<b>100%</b>	<b>(182)</b>	<b>(3%)</b>

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

### **Total Assets**

As at December 31, 2019 the consolidated financial statements of the Company presented total assets amounting to Baht 5,240 million, decreased by Baht 182 million or decreased 3 percent from the end of December 31, 2018. This was mainly from the decrease in cash, cash equivalents, and other current assets.

Total assets presented in the consolidated financial statements of the Company as at the end of this year consisted of cash and cash equivalents 16 percent, trade accounts receivable - net 5 percent, net inventories 4 percent and other current assets 4 percent, investment in associated companies and other companies 16 percent, property, plant and equipment 53 percent and other non-current assets 2 percent. Whereby total assets at the end of previous year consisted of cash and cash equivalents 21 percent, trade accounts receivable 4 percent, net inventories 5 percent and other current assets 7 percent, investment in associated companies and other companies 15 percent, property, plant and equipment 47 percent and other non-current assets 1 percent.

- Cash and cash equivalents at the end of the year 2019 was Baht 826 million, decreased from the end of previous year by Baht 301 million, as follow:

Cash from operating activities was Baht 194 million. This mostly resulted from operating activities, decreasing of inventories, deposit received for goods in domestic sales of “Lucky” hi-tech buildings and sales of furniture and restored the consumption tax for construction solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company.

Cash used for investing activities was Baht 405 million. This mostly resulted from buying for land and property at Uthai Thani and Surat Thani for expand investment in renewable energy business.

Cash from financing activities was Baht 75 million. This mostly resulted from the repayment for loan from financial institute in japan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company

Cash decrease form differences of conversion foreign exchange currency of 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 2019 was Baht 272 million, increased from the end of previous year of Baht 49 million. The balance of trade receivable at the end of the year 2019 of which 76% of such receivable was not yet due, 22% was overdue less than 3 months and 2% 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 3 million. The Company and its subsidiaries were of the opinion that such allowance were adequate. Receivable turnover rate at the end of the year 2019 was 9.22, end of previous year was 6.19. Average debt collection at the end of the year 2019 was 40 days, end of previous year was 59 days. Receivable turnover was increased and average debt collection period was decrease because increased revenue and collected the deposit from some customers in this year.

- Inventories balance at the end of the year 2019 was Baht 220 million, decreased by Baht 24 million or decreased 10 percent from the end of previous year, mostly result from finished product and work in progress of product. The inventory turnover rate at the end of the year 2019 was 7.48, and was 4.20 at the end of previous year. The increasing caused by increased sales and decreased average inventories.

- Other current assets at the year 2019 was Baht 215 million, decreased by Baht 146 million or decreased 40 percent, mostly result from advance payment for purchasing, advance receivable and restored the consumption tax for construction solar cell farm in Japan which invested by indirect subsidiary of the Company.

- Investments at the end of the year 2019 was Baht 833 million, decreased by Baht 1 million from the end of previous year. This was resulted from decrease in profit on equity method from one associated company.

- Property, plant and equipment - net as at the end of the year 2019 was Baht 2,787 million, increased by Baht 222 million or increased 9 percent. Mostly resulted from 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 2019 was Baht 87 million, increased by Baht 19 million or increased 28 percent from previous year. This was mainly resulted from increasing of the retention money from domestic sales of “Lucky” hi-tech buildings.

### **Total liabilities**

As at the end of this year the consolidated financial statements of the Company presented total liabilities of Baht 2,416 million, decreased by Baht 204 million or decreased 8 percent. This was mainly from decrease of trade account payable and long-term loans from financial institutions.

- As at the end of this year, short term loan from related Company was Baht 53 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 261 million, increased by Baht 193 million or decreased 284 percent. This was mainly from the long term loan from financial institution shall due in 2020.

- As at the end of this year, Other current liabilities was Baht 433 million, decreased from previous year by Baht 49 million. Mostly result from the payment for 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 1,396 million, decreased by Baht 326 million. This was from the repayment for loan from financial institute in japan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company and the long term loan from financial institution already reclassified to current liabilities.

### **Shareholders' equity**

At the end of this year, the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,824 million, as at the end of previous year was Baht 2,802 million, increased by Baht 22 million. This was increase in equity of non-controlling interests in subsidiaries.

Book value as at the end of this year was Baht 4.76 per share, end of previous year Baht 4.73 per share, increased by Baht 0.04 per share.

## 2.2 Liquidity and significant financial ratios

Statements of Cash flows for the year ended December 31, 2019

<b>Consolidated financial statements</b>	<b>Unit : Million Baht</b>
Net cash from (used for) operating activities	194
Net cash from (used for) investing activities	(405)
Net cash from (used for) in financing activities	(75)
Cash from differences of conversion foreign exchange currency of financial statement of indirect subsidiaries	(15)
<b>Increase (Decrease) in cash and cash equivalents - net</b>	<b>(301)</b>
Cash and cash equivalents at beginning of period	<b>1,127</b>
<b>Cash and cash equivalents at end of period</b>	<b>826</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 826 million, Baht 1,127 million at the end of previous year. Cash flow decreased by Baht 301 million, this was related to:

Cash from operating activities was Baht 194 million. This mostly resulted from operating activities was Baht 222 million ,decreasing of inventories, deposit received for goods in domestic sales of “Lucky” hi-tech buildings and sales of furniture was Baht 14 million and restored the consumption tax in the amount of Baht 138 million for construction solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company.

Cash used for investing activities was Baht 405 million. This mostly resulted from buying for land and property at Uthai Thani and Surat Thani for expand investment in renewable energy business, net total amount Baht 438 million.

Cash from financing activities was Baht 75 million. This mostly resulted from the repayment for loan from financial institute in japan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company

Cash decrease from differences of conversion foreign exchange currency of 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 decreased from 2.28 times as at the end of previous year to 1.62 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 1.16 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 0.94 times at the end of previous year, 0.86 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, this was effect from the decreasing of trade accounts payable and long-term loans from financial institutions.

### **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