

November 13, 2020

Subject : Management's Discussion and Analysis for the 3<sup>rd</sup> quarter ending September 30, 2020,  
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 3<sup>rd</sup> quarter for the three-month period ended September 30, 2020. It is noted that the change in net profit (loss) was over than 20 percent compared with the previous year. The Company would explain in the Management's Discussion and Analysis for the 3<sup>rd</sup> quarter period ending September 30, 2020 as follows:

### 1. Operating Results

Consolidated Statements of Comprehensive Income for the three-month period ended September 30, 2020 and 2019

Consolidated Financial Statements	The Third quarter 2020		The Third quarter 2019		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales and services	421	98%	651	97%	(230)	(35%)
Construction services	10	2%	21	3%	(11)	(52%)
<b>Total Revenues</b>	<b>431</b>	<b>100%</b>	<b>672</b>	<b>100%</b>	<b>(241)</b>	<b>(36%)</b>
Costs of sales and services	311		496		(185)	(37%)
Costs of Construction services	9		19		(10)	(53%)
<b>Total Costs of Sales and Services</b>	<b>320</b>	<b>74%</b>	<b>515</b>	<b>77%</b>	<b>(195)</b>	<b>(38%)</b>
Sales and services gross income	110		155		(45)	(29%)
Construction services gross income	1		2		(1)	(50%)
<b>Total Gross Income</b>	<b>111</b>	<b>26%</b>	<b>157</b>	<b>23%</b>	<b>(46)</b>	<b>(29%)</b>
Other income	24	6%	23	3%	1	4%
Selling and administrative expenses	(184)	(43%)	(138)	(21%)	(46)	(33%)
<b>Profit (Loss) from Operations</b>	<b>(49)</b>	<b>(11%)</b>	<b>42</b>	<b>6%</b>	<b>(91)</b>	<b>(217%)</b>
Profit in associated companies on equity method	1	0%	8	1%	(7)	(88%)
Finance costs	(10)	(2%)	(11)	(2%)	1	9%
<b>Profit (Loss) before Income Tax</b>	<b>(58)</b>	<b>(13%)</b>	<b>39</b>	<b>6%</b>	<b>(97)</b>	<b>(249%)</b>
Income tax	(1)	(0%)	(3)	(0%)	2	67%
Equity in non - controlling interests in subsidiaries	(3)	(1%)	(14)	(2%)	11	79%
<b>Net Profit (Loss) attributable to the Company</b>	<b>(62)</b>	<b>(14.39%)</b>	<b>22</b>	<b>3.27%</b>	<b>(84)</b>	<b>(378%)</b>
<b>Net Profit (Loss) per share attributable to the Company (Baht)</b>	<b>(0.104)</b>		<b>0.037</b>		<b>(0.142)</b>	<b>(378%)</b>

## 1.1 Analysis of overall Operating Results

For the 3<sup>rd</sup> quarter of the year 2020, the consolidated financial statements of the Company presented total revenues amounting to Baht 431 million, decreased by Baht 241 million or decreased 36 percent from same quarter of previous year. Such change resulted from the decrease in domestic sales of furniture, “Lucky” hi-tech buildings System and renewable energy business. 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 requirements to enable sales volume increase, including to expand investment in renewable energy business in order to generate stable income in the future. Even with the effect of the COVID-19 spreading situation in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter but the Company believe that the revenues trend will be increasing.

### Total Revenues

For the 3<sup>rd</sup> quarter of this year, the consolidated financial statements of the Company’s presented total revenues amounting to Baht 431 million, decreased by Baht 241 million or decreased 36 percent from the same quarter of previous year. This was mainly resulted from the decrease in domestic sales of furniture, “Lucky” hi-tech buildings and renewable energy business. Total revenues in the 3<sup>rd</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 368 million, decreased by Baht 182 million or decreased 33 percent from the 3<sup>rd</sup> quarter of previous year.

- Revenues from renewable energy groups totaling Baht 53 million, decreased by Baht 48 million or decreased 48 percent from the 3<sup>rd</sup> quarter of previous year.

- Revenues from domestic construction services of this year has two jobs amounting to Bath 10 million, decreased by Baht 11 million or decreased 52 percent from the 3<sup>rd</sup> quarter of previous year.

### Other Income

The consolidated financial statements of the Company for the 3<sup>rd</sup> quarter of this year presented other income increasing from the 3<sup>rd</sup> quarter of previous year by Baht 1 million, or increased 4 percent. Other income in the 3<sup>rd</sup> quarter of this year were mainly from rents and service charges.

### Cost of Sales and Expenses

- The consolidated financial statements of the Company presented total cost of sales for the 3<sup>rd</sup> quarter of this year amounting to Baht 320 million, decreased by Baht 195 million or decreased 38 percent from the 3<sup>rd</sup> quarter of previous year. The ratio of total cost of sales to total revenue for the 3<sup>rd</sup> quarter of year 2020 and the 3<sup>rd</sup> quarter of year 2019 was 74 percent and 77 percent, respectively.

- The consolidated financial statements of the Company presented selling and administrative expenses for the 3<sup>rd</sup> quarter of this year amounting to Baht 184 million, increased by Baht 46 million or increased 33 percent from the 3<sup>rd</sup> quarter of previous year. This was mostly resulted from the fire damage of an indirect subsidiary of the Company amounting to Baht 51 million in August, the claim shall be approved, the Company believes that it will sufficient for compensation the damages. The ratio of selling and administrative expenses to total revenues for the year 2020 in the 3<sup>rd</sup> quarter and year 2019 in the 3<sup>rd</sup> quarter was 43 percent and 21 percent, respectively.

- The consolidated financial statements of the Company presented finance cost for the 3<sup>rd</sup> quarter of this year amounting to Baht 10 million. This was resulted from interest expenses of loans from financial institutions in Japan and construction of solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, and loan from domestic financial institution for investment in renewable energy business.

### **Gross Profit**

- The consolidated financial statements of the Company for the 3<sup>rd</sup> quarter of the year 2020 presented gross profit amounting to Baht 111 million, decreased by Baht 46 million or decreased 29 percent from the 3<sup>rd</sup> quarter of previous year, The gross profit ratio for the 3<sup>rd</sup> quarter of the year 2020 and the 3<sup>rd</sup> quarter of the year 2019 was 26 percent and 23 percent, respectively. The gross profit for the 3<sup>rd</sup> quarter in this year was increasing because the increasing of sales in products with relatively high gross margins.

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

- The consolidated financial statements of the Company presented net loss amounting to Baht 62 million for the 3<sup>rd</sup> quarter of the year 2020 but net profit amounting to Baht 22 million for the 3<sup>rd</sup> quarter of the year 2019. Net profit (Loss) of this year decreased from previous year by Baht 84 million or decreased by 378 percent. This resulted from the decreasing of costs of sales with the effect of the COVID-19 spreading situation and the fire damage of an indirect subsidiary of the Company. Net loss ratio for the 3<sup>rd</sup> quarter of the year 2020 was 14.39 percent, net profit for the 3<sup>rd</sup> quarter of the year 2019 was 3.27 percent.

## 2. Financial positions

Statements of Financial positions as at September 30, 2020 and December 31, 2019

Consolidated financial statement	September 30, 2020		December 31, 2019		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Assets</b>						
Cash and cash equivalents	637	12%	826	16%	(189)	(23%)
Trade accounts receivable - net	168	3%	272	5%	(104)	(38%)
Inventories – net	249	5%	220	4%	29	13%
Other current assets	181	3%	215	4%	(34)	(16%)
<b>Total Current Assets</b>	<b>1,235</b>	<b>23%</b>	<b>1,533</b>	<b>29%</b>	<b>(298)</b>	<b>(19%)</b>
Investments	860	16%	833	16%	27	3%
Property, plant and equipment - net	3,022	56%	2,787	53%	235	8%
Other non - current assets	298	5%	87	2%	211	243%
Total Non - Current Assets	4,180	77%	3,707	71%	473	13%
<b>Total Assets</b>	<b>5,415</b>	<b>100%</b>	<b>5,240</b>	<b>100%</b>	<b>175</b>	<b>3%</b>
<b>Liabilities and Shareholders' Equity</b>						
Short-term loans from financial institutions	62	1%	0	0%	62	100%
Short-term loans from related company	87	2%	53	1%	34	64%
Long-term loans from financial institutions; due within 1 year	244	5%	261	5%	(17)	(7%)
Trade accounts payable	118	2%	203	4%	(85)	(42%)
Other current liabilities	401	7%	427	8%	(26)	(6%)
<b>Total Current Liabilities</b>	<b>912</b>	<b>17%</b>	<b>944</b>	<b>18%</b>	<b>(32)</b>	<b>(3%)</b>
Long-term loans from financial institutions	1,483	27%	1,396	26%	87	6%
Employee benefits obligation	47	1%	39	1%	8	21%
Other non - current liabilities	220	4%	37	1%	183	495%
Total Non - Current Liabilities	1,750	32%	1,472	28%	278	19%
Total Liabilities	2,662	49%	2,416	46%	246	10%
Shareholders' equity to the Company's	2,427	45%	2,481	47%	(54)	(2%)
Shareholders' equity non-controlling interests' equity	326	6%	343	7%	(17)	(5%)
Total Shareholders' equity	2,753	51%	2,824	54%	(71)	(3%)
<b>Total Liabilities and Shareholders' Equity</b>	<b>5,415</b>	<b>100%</b>	<b>5,240</b>	<b>100%</b>	<b>175</b>	<b>3%</b>

## **2.1 Analysis of the financial position of the Company and its subsidiaries as at September 30, 2020 and December 31, 2019**

### **Total Assets**

As at the end of the 3<sup>rd</sup> quarter of the year 2020, the consolidated financial statements of the Company presented total assets amounting to Baht 5,415 million, increased by Baht 175 million or increased 3 percent from the end of December 31, 2019. This was mainly from the increase in inventories, property, plant, equipment and other non-current assets.

Total assets presented in the consolidated financial statements of the Company as at the end of the 3<sup>rd</sup> quarter of this year consisted of cash and cash equivalents 12 percent, trade accounts receivable 3 percent, net inventories 5 percent and other current assets 3 percent, investment in associated companies and other companies 16 percent, property, plant and equipment 56 percent and other non-current assets 5 percent. Whereby total assets at the end of previous year consisted of cash and cash equivalents 16 percent, trade accounts receivable 5 percent, net inventories 4 percent, 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.

- Cash and cash equivalents at the end of the 3<sup>rd</sup> quarter of the year 2020 was Baht 637 million, decreased from the end of previous year by Baht 189 million, as follow:

Cash from operating activities was Baht 116 million. This mostly from the operating, payment from trade accounts receivable and the changing in the inventories.

Cash used for investing activities was Baht 279 million. This mostly used for construction and machinery at Uthai Thani and Surat Thani for expand investment in renewable energy and the sales of some investments in subsidiary company's ordinary shares, which caused subsidiary company transformed into associated company and cash flow decreased form the consolidated financial statement.

Cash used for financing activities was Baht 53 million. This mostly used for long term loan from financial institution and the dividend payment.

Cash from differences of conversion foreign exchange currency of financial statement of indirect subsidiaries was Baht 29 million, from the investment in solar cell farm in Japan by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company and get loss from exchange rate in foreign currency deposit with Baht 2 million.

- Trade accounts receivable at the end of the 3<sup>rd</sup> quarter of the year 2020 was Baht 168 million, decreased from the end of previous year of Baht 104 million. The balance of trade accounts receivable at the end of the 3<sup>rd</sup> quarter of the year 2020 of which 90 percent of such receivable was not yet due, 5 percent was overdue less than 3 months and 5 percent was overdue more than 3 months. However, the Company and its subsidiaries have monitored 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 the 3<sup>rd</sup> quarter of this year, balance of allowance for doubtful account was Baht 3 million. Receivable turnover rate at the end of the 3<sup>rd</sup> quarter of the year 2020 was 8.93, 9.22 at the end of previous year. Average debt collection at the end of the 3<sup>rd</sup> quarter of the year 2020 was 41 days, at the end of previous year was 40 days. Receivable turnover was decreased and average debt collection period was increased because the amount of sales at the end of the 3<sup>rd</sup> quarter of this year was decreased.

- Inventories balance at the end of the 3<sup>rd</sup> quarter of the year 2020 was Baht 249 million, increased by Baht 29 million or increased 13 percent from the end of previous year. Mostly increased from products of furniture. The inventory turnover rate at the end of the 3<sup>rd</sup> quarter of the year 2020 was 6.29, and was 7.48 at the end of previous year. The decreasing from previous year caused by the decreasing of the amount of sales.

- Investments at the end of the 3<sup>rd</sup> quarter of the year 2020 were Baht 860 million, increased by Baht 27 million or increased 3 percent from the end of previous year. This was resulted from recognition of increasing in profit on equity method from associated company.

- Property, plant and equipment - net as at the end of the 3<sup>rd</sup> quarter of the year 2020 was Baht 3,022 million, increased by Baht 235 million or increased 8 percent from the end of previous year. Mostly resulted from investment in buildings and machines for expansion of renewable energy business in Uthai Thani and Surat Thani and the investment in an associated company's ordinary shares, which caused associated company transformed into subsidiary company

- Non-current assets as at the end of the 3<sup>rd</sup> quarter of the year 2020 was Baht 298 million, increased by Baht 211 million or increased 243 percent from previous year. This was mainly resulted from the recognition of the right according to the lease agreement for solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, IFRS 16 Leases, which effected from the year 2020.

### **Total liabilities**

As at the end of the 3<sup>rd</sup> quarter of this year the consolidated financial statements of the Company presented total liabilities of Baht 2,662 million, increased by Baht 246 million or increased 10 percent. Mostly increased from short-term loans from financial institutions and the related companies including the other non-current liabilities.

- As at the ended of the 3<sup>rd</sup> quarter of this year, short term loan from financial institutions was Baht 62 million. Most are loans in the renewable energy group for purchasing the machines and the promissory note of the subsidiary company for the operation.

- As at the ended of the 3<sup>rd</sup> quarter of this year, short term loan from related companies was Baht 87 million, increased by Baht 34 million or increased 64 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.

- As at the ended of the 3<sup>rd</sup> quarter of this year, long term loan from financial institution due within one year was Baht 244 million. This loan borrowed from financial institution in domestic for investment in solar cell farm project in Japan and the loan from financial institutions in Japan for the construction of this project which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company.

- As at the ended of the 3<sup>rd</sup> quarter of this year, trade accounts payable was Baht 118 million, decreased by Baht 85 million or decreased 42 percent from previous year.

- As at the ended of the 3<sup>rd</sup> quarter of this year, other current liabilities was Baht 401 million, decreased by Baht 26 million from previous year. Caused by liabilities arising from the advance payment of bathroom pods group and the debts of companies in the renewable energy group .

- As at the ended of the 3<sup>rd</sup> quarter of this year, long term loan from financial institution in Japan for solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company was Baht 1,483 million, increased by Baht 87 million. .

- As at the ended of the 3<sup>rd</sup> quarter of this year, other non-current liabilities was Baht 220 million, increased by Baht 183 million or increased 495 percent from previous year. This was mainly resulted from the recognition of the liabilities according to the lease agreement for solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, IFRS 16 Leases, which effected from the year 2020.

### **Shareholders' equity**

At the ended of the 3<sup>rd</sup> quarter of this year, the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,753 million, as at the ended of previous year was Baht 2,824 million, decreased by Baht 71 million. This resulted from the 3<sup>rd</sup> quarter of this year, the consolidated financial statements of the company have a net loss.

Book value as at the ended of the 3<sup>rd</sup> quarter of this year was Baht 4.64 per share, at the end of previous year Baht 4.76 per share, decreased by Baht 0.12 per share.

## 2.2 Liquidity and significant financial ratios

Statements of Cash flows for the nine-month period ended September 30, 2020

<b>Consolidated financial statements</b>	<b>Unit : Million Baht</b>
Net cash from (used for) operating activities	116
Net cash from (used for) investing activities	(279)
Net cash from (used for) in financing activities	(53)
Cash from differences of conversion foreign exchange currency of financial statement of indirect subsidiaries and foreign currency deposit	27
<b>Increase (Decrease) in cash and cash equivalents - net</b>	<b>(189)</b>
Cash and cash equivalents at beginning of period	<b>826</b>
<b>Cash and cash equivalents at end of period</b>	<b>637</b>

Liquidity of the consolidated financial statement of the Company as at the end of the 3<sup>rd</sup> quarter of this year, the Company held cash amounting to Baht 637 million, Baht 826 million at the end of previous year. Cash flow decreased by Baht 189 million, this was related to:

- Cash from operating activities was Baht 116 million. This mostly resulted from the operating amounting to Baht 132 million, payment from trade accounts receivable amounting to Baht 24 million and the changing in the inventories amounting to Baht 58 million.

- Cash used for investing activities was Baht 279 million. This mostly used for construction and machinery at Uthai Thani and Surat Thani for expand investment in renewable energy amounting to Baht 113 million and the sales of some investments in subsidiary company's ordinary shares, which caused subsidiary company transformed into associated company and cash flow decreased form the consolidated financial statement amounting to Baht 192 million.

- Cash used for financing activities was Baht 53 million. This mostly used for long term loan from financial institution amounting to Baht 80 million and the dividend payment amounting to Baht 63 million.

- Cash from differences of conversion foreign exchange currency of financial statement of indirect subsidiaries was Baht 29 million, from the investment in solar cell farm in Japan by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company and get loss from exchange rate in foreign currency deposit with Baht 2 million.

The current ratio was decreased from 1.62 times as at the end of previous year to 1.35 times as at the end of the 3<sup>rd</sup> quarter of this year. The quick ratio was decreased from 1.16 times as at the end of previous year to 0.88 times as at the end of the 3<sup>rd</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 3<sup>rd</sup> quarter of this year and the end of previous year, the Company and its subsidiaries still maintained middle ability for debt payment. Considering from the debt to equity ratio, Showing 0.86 times at the end of previous year to 0.97 times at the end of the 3<sup>rd</sup> quarter of this year. The debt to equity ratio as at the end of the 3<sup>rd</sup> quarter of this year was increased from the end of previous year, This was effect from the amount of total liabilities increased from the end of the previous year.

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

#### **The spread of COVID-19**

The spread of COVID-19 has impacted the business operations of the Company and its subsidiaries especially for the domestic sales of furniture and “Lucky” hi-tech building System, thus the sales trend in 2<sup>nd</sup> and 3<sup>rd</sup> quarter also with the revenue to be decreasing around 30 percent. Thus, the Company has plan by reducing production costs and operating expenses in accordance with the expected revenue in which the Company expects that the impact of the COVID-19 should affect the business operations of the Company only in the short term.

For the funding sources, the financial institutions still support the operations of the Company as usual as the Company has collateral pledged with the financial institutions to cover the credit limit. For the liquidity of operation, the Company expects that the impact of the COVID-19 should affect the Company only in the short term

The Company is believed that the value of assets in the financial statements of the Company will not be affected by the consideration of impairment of assets, the Company will not record the provision for impairment and the financial statements already reflect the true value for the benefit of the all relevant parties.

#### **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 Covid-19 is not ease up, the purchase order may be 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