

February 27, 2023

Subject : Management's Discussion and Analysis for year ended December 31, 2022.

Changing 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 ended December 31, 2022. 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 year ended December 31, 2022 as follows:

## 1. Operating Results

Consolidated Statements of Comprehensive Income for the year ended December 31, 2022 and 2021

| Consolidated Financial Statements                                     | For Year Ended<br>December 31, 2022 |                | For Year Ended<br>December 31, 2021 |                | Change          |                 |
|---|-------------------------------------|----------------|-------------------------------------|----------------|-----------------|-----------------|
|   | Million<br>Baht                     | %              | Million<br>Baht                     | %              | Million<br>Baht | %               |
| Sales and services  | 1,812                               | 94%            | 1,647                               | 95%            | 165             | 10%             |
| Construction services   | 107                                 | 6%             | 90                                  | 5%             | 17              | 19%             |
| <b>Total Revenues</b>   | <b>1,919</b>                        | <b>100%</b>    | <b>1,737</b>                        | <b>100%</b>    | <b>182</b>      | <b>10%</b>      |
| Costs of sales and services   | 1,590                               |                | 1,406                               |                | 184             | 13%             |
| Costs of Construction services  | 99                                  |                | 78                                  |                | 21              | 27%             |
| <b>Total Costs of Sales and Services</b>                              | <b>1,689</b>                        | <b>88%</b>     | <b>1,484</b>                        | <b>85%</b>     | <b>205</b>      | <b>14%</b>      |
| Sales and services gross profit                                       | 222                                 |                | 241                                 |                | (19)            | (8%)            |
| Construction services gross profit                                    | 8                                   |                | 12                                  |                | (4)             | (33%)           |
| <b>Total Gross Profit</b>   | <b>230</b>                          | <b>12%</b>     | <b>253</b>                          | <b>15%</b>     | <b>(23)</b>     | <b>(9%)</b>     |
| Other income  | 88                                  | 5%             | 92                                  | 5%             | (4)             | (4%)            |
| Selling and administrative expenses                                   | (433)                               | (23%)          | (400)                               | (23%)          | (33)            | (8%)            |
| <b>Profit (Loss) from Operations</b>                                  | <b>(115)</b>                        | <b>(6%)</b>    | <b>(55)</b>                         | <b>(3%)</b>    | <b>(60)</b>     | <b>(109%)</b>   |
| Profit in associated companies on equity method                       | 66                                  | 3%             | 57                                  | 3%             | 9               | 16%             |
| Financial costs   | (4)                                 | (0%)           | (4)                                 | (0%)           | 0               | 0%              |
| <b>Profit (Loss) before Income Tax</b>                                | <b>(53)</b>                         | <b>(3%)</b>    | <b>(2)</b>                          | <b>(0%)</b>    | <b>(51)</b>     | <b>(2,550%)</b> |
| Income tax  | 0                                   | 0%             | 3                                   | 0%             | (3)             | (100%)          |
| Equity in non – controlling interests in subsidiaries                 | (1)                                 | (0%)           | (6)                                 | (0%)           | 5               | 83%             |
| <b>Net Profit (Loss) attributable to the Company</b>                  | <b>(54)</b>                         | <b>(2.81%)</b> | <b>(5)</b>                          | <b>(0.29%)</b> | <b>(49)</b>     | <b>(978%)</b>   |
| <b>Net Profit (Loss) per share attributable to the Company (Baht)</b> | <b>(0.091)</b>                      |                | <b>(0.008)</b>                      |                | <b>(0.083)</b>  | <b>(978%)</b>   |

## 1.1 Analysis of Overall Operating Results

For the fiscal year ended December 31, 2022, the consolidated financial statements of the Company presented total revenues amounting to 1,919 million baht, increased by 182 million baht or increased 10 percent from the previous year. Such change resulted from the increase in sales volume of domestic construction service, renewable energy business and Flood Protection Wall group. 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 at the beginning of the year 2022, the Company believe that the revenues will be increasing.

### Total Revenues

For the fiscal year ended December 31, 2022, the consolidated financial statements of the Company's presented total revenues amounting to 1,919 million baht, increased by 182 million baht or increased 10 percent. This was mainly resulted from the increase of domestic construction services, renewable energy business and Flood Protection Wall group. 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 1,759 million baht in total, increased by 116 million baht or increased 7 percent from the previous year.
- Revenues from renewable energy groups, it was 53 million baht, increased by 49 million baht or increased 1,225 percent from the previous year.
- Revenues from domestic construction services of this year, the Company had four projects amounting to 107 million baht, increased by 17 million baht or increased 19 percent from the previous year.

### Other Income

The consolidated financial statements of the Company for the 1-year period ending at December 31, 2022 presented other income decreased from the previous year by 4 million baht, or 4 percent. Other income in this year were mainly from dividends and rents which is the same income group as the previous 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, 2022 amounting to 1,689 million baht, increased by 205 million baht or increased 14 percent from the previous year. The ratio of total cost of sales to total revenue for the year 2022 and the year 2021 was 88 percent and 85 percent, respectively. The increase of sales cost resulting from the total revenue increase and raw material (steel) cost is turning high at the beginning of this year.
- The consolidated financial statements of the Company presented selling and administrative expenses for 1-year period ending at December 31, 2022 amounting to 433 million baht, increased by 33 million baht or increased 8 percent from the previous year. This mostly resulted from increasing of

promotional expenses, repair cost and fixed asset depreciation. The ratio of selling and administrative expenses to total revenues for the year 2022 and the year 2021 was equal rate at 23 percent.

- The consolidated financial statements of the Company presented finance cost for the 1-year period ending at December 31, 2022 amounting to 4 million baht which same as the previous year. This was resulted from the loan interest of subsidiaries and indirect subsidiaries of company for operation.

#### **Profit in Associated Companies on Equity Method**

The consolidated financial statements of the Company for the 1-year period ending at December 31, 2022 presented the profit in associated companies on equity method amounting to 66 million baht, increased by 9 million baht or increased 16 percent from the previous year.

#### **Gross Profit**

- The consolidated financial statements of the Company for the 1-year period ending at December 31, 2022 presented gross profit amounting to 230 million baht, decreased by 23 million baht or decreased 9 percent from the previous year. The gross profit ratio for the 1-year period ending at December 31, 2022 and year 2021 was 12 percent and 15 percent, respectively. This was mostly resulted from the product groups which high cost of sales have increased revenue and raw material (steel) cost is turning high at the beginning of 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, 2022 presented the Equity in non - controlling interests in subsidiaries amounting to 1 million baht which different 5 million baht or 83 percent from the previous year.

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

- The consolidated financial statements of the Company for the 1-year period ending at December 31, 2022 presented net loss amounting to 54 million baht, and net loss amounting to 5 million baht for the year 2021. Net loss of this year increased from the previous year by 49 million baht or increased 978 percent. This resulted from the increasing of selling cost and selling and administrative expenses for this year. For the ratio of net profit (loss) for the 1-year period ending at December 31, 2022, the ratio of net loss was 2.81 percent and in 2021, the ratio of net loss was 0.29 percent.

## 2. Financial positions

Statements of Financial positions as of December 31, 2022 and December 31, 2021

| Consolidated financial statement                               | December 31, 2022 |             | December 31, 2021 |             | Change       |             |
|--|-------------------|-------------|-------------------|-------------|--------------|-------------|
|  | Million Baht      | %           | Million Baht      | %           | Million Baht | %           |
| <b>Assets</b>  |                   |             |                   |             |              |             |
| Cash and cash equivalents                                      | 280               | 8%          | 250               | 7%          | 30           | 12%         |
| Trade accounts receivable - net                                | 207               | 6%          | 219               | 6%          | (12)         | (5%)        |
| Inventories – net  | 310               | 9%          | 350               | 10%         | (40)         | (11%)       |
| Other current assets   | 184               | 5%          | 155               | 4%          | 29           | 19%         |
| <b>Total Current Assets</b>                                    | <b>981</b>        | <b>28%</b>  | <b>974</b>        | <b>27%</b>  | <b>7</b>     | <b>1%</b>   |
| Investments  | 1,006             | 29%         | 962               | 27%         | 44           | 5%          |
| Property, plant and equipment - net                            | 1,406             | 40%         | 1,512             | 43%         | (106)        | (7%)        |
| Other non - current assets                                     | 98                | 3%          | 90                | 3%          | 8            | 9%          |
| Total Non - Current Assets                                     | 2,510             | 72%         | 2,564             | 73%         | (54)         | (2%)        |
| <b>Total Assets</b>  | <b>3,491</b>      | <b>100%</b> | <b>3,538</b>      | <b>100%</b> | <b>(47)</b>  | <b>(1%)</b> |
| <b>Liabilities and Shareholders' Equity</b>                    |                   |             |                   |             |              |             |
| Short-term loans from financial institutions                   | 63                | 2%          | 65                | 2%          | (2)          | (3%)        |
| Short-term loans from related company                          | 101               | 3%          | 51                | 1%          | 50           | 98%         |
| Long-term loans from financial institutions; due within 1 year | 10                | 0%          | 15                | 0%          | (5)          | (33%)       |
| Trade accounts payable   | 193               | 6%          | 207               | 6%          | (14)         | (7%)        |
| Other current liabilities                                      | 178               | 5%          | 195               | 6%          | (17)         | (9%)        |
| <b>Total Current Liabilities</b>                               | <b>545</b>        | <b>16%</b>  | <b>533</b>        | <b>15%</b>  | <b>12</b>    | <b>2%</b>   |
| Long-term loans from financial institutions                    | 0                 | 0%          | 1                 | 0%          | (1)          | (100%)      |
| Employee benefits obligation                                   | 48                | 1%          | 52                | 2%          | (4)          | (8%)        |
| Other non - current liabilities                                | 105               | 3%          | 109               | 3%          | (4)          | (4%)        |
| Total Non - Current Liabilities                                | 153               | 4%          | 162               | 5%          | (9)          | (6%)        |
| Total Liabilities  | 698               | 20%         | 695               | 20%         | 3            | 0%          |
| Shareholders' equity to the Company's                          | 2,576             | 74%         | 2,622             | 74%         | (46)         | (2%)        |
| Shareholders' equity non-controlling interests' equity         | 217               | 6%          | 221               | 6%          | (4)          | (2%)        |
| Total Shareholders' equity                                     | 2,793             | 80%         | 2,843             | 80%         | (50)         | (2%)        |
| <b>Total Liabilities and Shareholders' Equity</b>              | <b>3,491</b>      | <b>100%</b> | <b>3,538</b>      | <b>100%</b> | <b>(47)</b>  | <b>(1%)</b> |

## **2.1 Analysis of the financial position of the Company and its subsidiaries as at December 31, 2022 and December 31, 2021**

### **Total Assets**

As at December 31, 2022, the consolidated financial statements of the Company present total assets amounting to 3,491 million baht, decreased by 47 million baht from the end of December 31, 2021. This was mainly from the net inventories and Property, plant and equipment.

The structure of Total assets presented in the consolidated financial statements of the Company as at the end of this year consist of cash and cash equivalents 8 percent, trade accounts receivable 6 percent, net inventories 9 percent, other current assets 5 percent, investments in associated companies and other companies 29 percent, Property, plant and equipment 40 percent and other non-current assets 3 percent. Whereby the structure of total assets at the end of previous year consists of cash and cash equivalents 7 percent, trade accounts receivable 6 percent, net inventories 10 percent and other current assets 4 percent, investments in associated companies and other companies 27 percent, property, plant and equipment 43 percent and other non-current assets 3 percent.

- Cash and cash equivalents at the end of year 2022 was 280 million baht, increased from the end of previous year by 30 million baht, as follow:

Cash used for operating activities was 34 million baht. This was mostly from the increasing of the other general company current receivables and repayment of general company trade payable and liabilities caused by contracts of Flood Protection Wall group.

Cash from investing activities was 44 million baht. This was mostly gained from dividend.

Cash from financing activities was 20 million baht. This was mostly gained from short-term loan from related companies.

- Trade accounts receivable at the end of year 2022 was 207 million baht, decreased from the end of the previous year 12 million baht. The balance of trade accounts receivable at the end of year 2022 of which separated as 90 percent of current accounts receivable, 9 percent of account receivable with less than 3-month-overdue and 1 percent of account receivable with over 3-month-overdue. However, the Company and its subsidiaries have monitored closely for the debts collection. The company 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 provide the appropriate proceed to record the allowance for doubtful accounts. At the end of this

year, balance of allowance for doubtful account was 5 million baht. Receivable turnover rate at the end of year 2022 was 9.01 times and at the end of the previous year was 7.84 times. Average debt collection at the end of year 2022 was 41 days and at the end of the previous year was 47 days. Receivable turnover was increased and average debt collection period was decreased because the average of revenue at the end of this year was increased and the average balance of receivable was decreased.

- Inventories balance at the end of year 2022 was 310 million baht, decreased by 40 million baht or decreased 11 percent from the end of the previous year. This is mostly decreased from furniture group. The inventory turnover rate at the end of year 2022 was 5.12 times, and was 5.01 times at the end of the previous year. The increasing from the previous year was due to increased sales.

- Other current assets as of the end of year 2022 was 184 million baht, increased by 29 million baht or 19 percent from the previous year. This increase was mainly resulted from deferred income from construction service and advance payment for product purchasing.

- Investments at the end of year 2022 were 1,006 million baht, increased by 44 million baht or 5 percent from the end of the previous year. This was resulted from the recognition of profit sharing under the equity method of associated company this year and the price adjustment of investments in other companies.

- Property, plant and equipment – net as at the end of year 2022 was 1,406 million baht, decreased by 106 million baht or 7 percent from the end of the previous year. Most assets were property, plant and equipment in furniture business and renewable energy business of building and machines in Surat Thani and Uthai Thani province that gradually decreased from depreciation.

### **Total liabilities**

As at the end of this year, the consolidated financial statements of the Company presented total liabilities of 698 million baht, increased by 3 million baht or 0 percent from the previous year. This increase was mostly from short-term loan of related companies.

- As at the end of this year, short-term loan from financial institution was 63 million baht, decreased by 2 million baht or 3 percent from the previous year. Most are the promissory note of the subsidiary company for the operation and has partially payment.

- As at the end of this year, short-term loan from related companies was 101 million baht, increased by 50 million baht or increased 98 percent from the previous year. Most are loans of companies in the renewable energy business group which was an indirect subsidiary of the company, loans from related companies to spend in the business.

- As at the end of this year, other current liabilities were 178 million baht, decreased by 17 million baht or 9 percent from the previous year. This was mostly caused by liabilities arising from the advance payment of bathroom pods business group.

- As at the end of this year, long-term loan from financial institution was no balance. This was caused by the repayment of the indirect subsidiary of the Company for long term loan from financial institution. The remaining balance is due within 1 year by 10 million baht.

- As at the end of this year, other non-current liabilities were 105 million baht, decreased by 4 million baht or decreased 4 percent from the previous year. This was mainly resulted from the recognition of the liabilities according to the lease agreement of car and land for operation, deferred tax liabilities and retention creditors that are not yet due.

### **Shareholders' equity**

As at the end of this year, the consolidated financial statements of the Company presented the shareholders' equity of 2,793 million baht, as at the end of the previous year was 2,843 million baht, decreased by 50 million baht from the previous year. This was caused by the turnover of group of companies has the net loss and dividend payment in this year.

Book value as at the end of this year was 4.71 baht per share, the end of the previous year 4.79 baht per share, decreased by 0.08 baht per share from the previous year.

## 2.2 Liquidity and significant financial ratios

Statements of Cash flows for 12-month period as ended December 31, 2022

| <b>Consolidated financial statements</b>                      | <b>Unit : Million Baht</b> |
|---|----------------------------|
| Net cash from (used for) operating activities                 | (34)                       |
| Net cash from (used for) investing activities                 | 44                         |
| Net cash from (used for) in financing activities              | 20                         |
| <b>Increase (Decrease) in cash and cash equivalents - net</b> | <b>30</b>                  |
| Cash and cash equivalents at the beginning of period          | <b>250</b>                 |
| <b>Cash and cash equivalents at the end of period</b>         | <b>280</b>                 |

Liquidity of the consolidated financial statement of the Company as at the end of this year, the Company held cash amounting to 280 million baht, 250 million baht at the end of the previous year. Cash flow increased by 30 million baht, this was related to:

- Cash flow used for operating activities was 34 million baht. This was mostly resulted from increasing of repayment of other general company current receivables amounting to 31 million baht and payment of general company account payables amounting to 19 million baht and liabilities caused by contracts of Flood Protection Wall group amounting to 17 million baht.

- Cash flow gained from investing activities was 44 million baht. This was mostly gained from dividend amounting to 61 million baht.

- Cash flow gained from financing activities was 20 million baht which gained in short-term loans from related companies amounting to 53 million baht.

The current ratio was decreased from 1.83 times as at the end of the previous year to 1.80 times as at the end of this year. The quick ratio as at the end of the previous year was equivalent 0.88 times, increased 0.89 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 the previous year, the Company and its subsidiaries still maintained good ability for debt payment. Considering from the debt-to-equity ratio, showing the figure at the end of this year was equivalent to 0.25 times, increased from the end of the previous year 0.01 times.



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

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

If domestic politics 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 purchase order will also be reduced.

#### **Foreign market**

The International market is recovering due to the situation of the Covid-19 starts to unravel in many countries, which may lead to more purchase orders for the Company.

#### **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 strengthened 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