

November 11, 2019

Subject : Management's Discussion and Analysis for the 3rd quarter ending September 30, 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 3rd quarter for the three-month period ended September 30, 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 3rd quarter period ending September 30, 2019 as follows:

1. Operating Results

Consolidated Statements of Comprehensive Income for the three-month period ended September 30, 2019 and 2018

Consolidated Financial Statements	The Third quarter 2019		The Third quarter 2018		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales and services	652	97%	455	96%	197	43%
Construction services	21	3%	20	4%	1	5%
Total Revenues	673	100%	475	100%	198	42%
Costs of sales and services	497		343		154	45%
Costs of Construction services	19		18		1	6%
Total Costs of Sales and Services	516	77%	361	76%	155	43%
Sales and services gross income	155		112		43	38%
Construction services gross income	2		2		0	0%
Total Gross Income	157	23%	114	24%	43	38%
Other income	23	3%	12	3%	11	92%
Selling and administrative expenses	(138)	(21%)	(104)	(22%)	(34)	(33%)
Profit (Loss) from Operations	42	6%	22	5%	20	91%
Profit in associated companies on equity method	8	1%	9	2%	(1)	(11%)
Finance costs	(11)	(2%)	(1)	(0%)	(10)	(1,000%)
Profit (Loss) before Income Tax	39	6%	30	6%	9	30%
Income tax	(3)	(0%)	(2)	(0%)	(1)	(50%)
Equity in non - controlling interests in subsidiaries	(14)	(2%)	(1)	(0%)	(13)	(1,300%)
Net Profit (Loss) attributable to the Company	22	3.27%	27	5.68%	(5)	(20%)
Net Profit (Loss) per share attributable to the Company (Baht)	0.037		0.047		(0.010)	(20%)

1.1 Analysis of overall Operating Results

For the 3rd quarter of the year 2019, the consolidated financial statements of the Company presented total revenues amounting to Baht 673 million, increased by Baht 198 million or increased 42 percent from same quarter of previous year. Such change resulted from the increase in domestic sales of renewable energy business, “Lucky” hi-tech buildings and furniture. 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 3rd quarter of this year, the consolidated financial statements of the Company’s presented total revenues amounting to Baht 673 million, increased by Baht 198 million or increased 42 percent from same quarter of previous year. This was mainly resulted from the increase in domestic sales of renewable energy business, “Lucky” hi-tech buildings and furniture. Total revenues in the 3rd 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 551 million, increased by Baht 96 million or increased 21 percent from the 3rd quarter of previous year.

- Revenues from renewable energy business totaling Baht 101 million, increased by Baht 101 million or increased 100 percent from the 3rd quarter of previous year.

- Revenues from domestic construction services of this year has one job amounting to Bath 21 million, increased by Baht 1 million or increased 5 percent from the 3rd quarter of previous year.

Other Income

The consolidated financial statements of the Company for the 3rd quarter of this year presented other income increasing from the 3rd quarter of previous year by Baht 11 million, or increased 92 percent. Because in the 3rd quarter of this year, the Company’s income had increased from rent.

Cost of Sales and Expenses

- The consolidated financial statements of the Company presented total cost of sales for the 3rd quarter of this year amounting to Baht 516 million, increased by Baht 155 million or increased 43 percent from the 3rd quarter of previous year. The ratio of total cost of sales to total revenue for the 3rd quarter of year 2019 and the 3rd quarter of year 2018 was 77 percent and 76 percent, respectively.

- The consolidated financial statements of the Company presented selling and administrative expenses of the 3rd quarter of this year amounting to Baht 138 million, increased by Baht 34 million or increased 33 percent from the 3rd quarter of previous year. This was mostly resulted from increases of transportation expense, installation expense for bathroom pods group and consulting fee for the administration. The ratio of selling and administrative expenses to total revenues for the year 2019 in the 3rd quarter and year 2018 in the 3rd quarter was 21 percent and 22 percent, respectively.

- The consolidated financial statements of the Company presented finance cost for the 3rd quarter of this year amounting to Baht 11 million, increased by Baht 10 million from the 3rd 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 4th Quarter of 2018, so in the 3rd 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 3rd quarter of the year 2019 presented gross profit amounting to Baht 157 million, increased by Baht 43 million or increased 38 percent from the 3rd quarter of previous year. The gross profit ratio for the 3rd quarter of the year 2019 and the 3rd quarter of the year 2018 was 23 percent and 24 percent, respectively. The gross profit for the 3rd quarter in this year was increasing because the increase in domestic sales of “Lucky” hi-tech buildings, furniture and renewable energy business.

Net Profit (Loss)

- The consolidated financial statements of the Company presented net profit amounting to Baht 22 million for the 3rd quarter of the year 2019, and Baht 27 million for the 3rd quarter of the year 2018. Net profit of this year decreased from previous year by Baht 5 million or decreased by 20 percent. This resulted from selling and administrative expenses, finance costs and equity in non-controlling interests in subsidiaries increased. Net profit ratio for the 3rd quarter of the year 2019 was 3.27 percent, the 3rd quarter of the year 2018 was 5.68 percent.

2. Financial positions

Statements of Financial positions as at September 30, 2019 and December 31, 2018

Consolidated financial statement	September 30, 2019		December 31, 2018		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	872	16%	1,127	21%	(255)	(23%)
Trade accounts receivable - net	346	6%	258	5%	88	34%
Inventories – net	234	5%	240	4%	(6)	(3%)
Other current assets	250	5%	362	6%	(112)	(31%)
Total Current Assets	1,702	32%	1,987	36%	(285)	(14%)
Investments	829	15%	834	16%	(5)	(1%)
Property, plant and equipment - net	2,769	52%	2,576	47%	193	7%
Other non - current assets	61	1%	56	1%	5	9%
Total Non - Current Assets	3,659	68%	3,466	64%	193	6%
Total Assets	5,361	100%	5,453	100%	(92)	(2%)
Liabilities and Shareholders' Equity						
Short-term loans from related company	75	1%	54	1%	21	39%
Long-term loans from financial institutions; due within 1 year	39	1%	68	1%	(29)	(43%)
Trade accounts payable	177	3%	253	5%	(76)	(30%)
Other current liabilities	480	9%	509	9%	(29)	(6%)
Total Current Liabilities	771	14%	884	16%	(113)	(13%)
Long-term loans from financial institutions	1,641	30%	1,722	32%	(81)	(5%)
Employee benefits obligation	35	1%	33	1%	2	6%
Other non - current liabilities	30	1%	8	0%	22	275%
Total Non - Current Liabilities	1,706	32%	1,763	33%	(57)	(3%)
Total Liabilities	2,477	46%	2,647	49%	(170)	(6%)
Shareholders' equity to the Company's	2,534	47%	2,491	45%	43	2%
Shareholders' equity non-controlling interests' equity	350	7%	315	6%	35	11%
Total Shareholders' equity	2,884	54%	2,806	51%	78	3%
Total Liabilities and Shareholders' Equity	5,361	100%	5,453	100%	(92)	(2%)

2.1 Analysis of the financial position of the Company and its subsidiaries as at September 30, 2019 and December 31, 2018

Total Assets

As at the end of the 3rd quarter of the year 2019, the consolidated financial statements of the Company presented total assets amounting to Baht 5,361 million, decreased by Baht 92 million or decreased 2 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 the 3rd quarter of this year consisted of cash and cash equivalents 16 percent, trade accounts receivable 6 percent, net inventories 5 percent and other current assets 5 percent, investment in associated companies and other companies 15 percent, property, plant and equipment 52 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 4 percent and other current assets 6 percent, investment in associated companies and other companies 16 percent, property, plant and equipment 47 percent and other non-current assets 1 percent.

- Cash and cash equivalents at the end of the 3rd quarter of the year 2019 was Baht 872 million, decreased from the end of previous year by Baht 255 million, as follow:

- Cash from operating activities was Baht 67 million. This mostly resulted from deposit received for domestic sales of “Lucky” hi-tech buildings and Consumption Tax refund from solar cell farm in Japan, which invested by an indirect subsidiary of the Company.

- Cash used for investing activities was Baht 296 million. This mostly used for land and property at Uthai Thani and Surat thani for expand investment in renewable energy.

- Cash used for financing activities was Baht 68 million. This mostly resulted from long term loan’s repayment for the 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 42 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 3rd quarter of the year 2019 was Baht 346 million, increased from the end of previous year of Baht 88 million. The balance of trade receivable at the end of the 3rd quarter of the year 2019 of which 74% of such receivable was not yet due, 21% 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 3rd 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 3rd quarter of the year 2019 was 7.49, 6.19 at the end of previous year. Average debt collection at the end of the 3rd quarter of the year 2019 was 49 days, end of previous year was 59 days. Receivable turnover was increased and average debt collection period was decrease because revenue of the company and its subsidiaries at the end of the 3rd quarter of this year was increased.

- Inventories balance at the end of the 3rd quarter of the year 2019 was Baht 234 million, decreased by Baht 6 million or decreased 3 percent from the end of previous year. Mostly decreased from products and raw material. The inventory turnover rate at the end of the 3rd quarter of the year 2019 was 7.41, and was 4.20 at the end of previous year. The increase from previous year caused by increase in the sale.

- Investments at the end of the 3rd quarter of the year 2019 were Baht 829 million, decreased by Baht 5 million or decreased 1 percent from the end of previous year. This was resulted from decrease in profit on equity method after deduction of the dividend from one associated company.

- Property, plant and equipment - net as at the end of the 3rd quarter of the year 2019 was Baht 2,769 million, increased by Baht 193 million or increased 7 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 3rd quarter of the year 2019 was Baht 61 million, increased by Baht 5 million or increased 9 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 3rd quarter of this year the consolidated financial statements of the Company presented total liabilities of Baht 2,477 million, decreased by Baht 170 million or decreased 6 percent. Mostly decreased from trade accounts payable and long term loan from financial institution.

- As at the ended of the 3rd quarter of this year, short term loan from related companies was Baht 75 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 3rd quarter of this year, long term loan from financial institution due within one year was Baht 39 million. This loan was 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 3rd quarter of this year, other current liabilities was Baht 480 million, decreased by Baht 29 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 3rd quarter of this year, long term loan from financial institution was Baht 1,641 million, decreased by Baht 81 million according to loan's repayment. This loan was 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 3rd quarter of this year, the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,884 million, as at the ended of previous year was Baht 2,806 million, increased by Baht 78 million or increased 3 percent. Because in the 1st, 2nd and 3rd quarter of this year, the consolidated financial statements of the company have a net profit.

Book value as at the ended of the 3rd quarter of this year was Baht 4.86 per share, end of previous year Baht 4.73 per share, increased by Baht 0.13 per share or increased 3 percent.

2.2 Liquidity and significant financial ratios

Statements of Cash flows for the nine-month period ended September 30, 2019

Consolidated financial statements	Unit : Million Baht
Net cash from (used for) operating activities	67
Net cash from (used for) investing activities	(296)
Net cash from (used for) in financing activities	(68)
Exchange differences on translating foreign currency financial statement of indirect subsidiaries	42
Increase (Decrease) in cash and cash equivalents - net	(255)
Cash and cash equivalents at beginning of period	1,127
Cash and cash equivalents at end of period	872

Liquidity of the consolidated financial statement of the Company as at the end of the 3rd quarter of this year, the Company held cash and cash equivalents amounting to Baht 872 million, Baht 1,127 million at the end of previous year. Cash flow decreased by Baht 255 million, this was related to:

Cash from operating activities was Baht 67 million. This mostly resulted from operating activities amounting to Baht 172 million, deposit received for domestics sales of “Lucky” hi-tech buildings amounting to Baht 46 million and Consumption Tax refund from solar cell farm in Japan, which invested by an indirect subsidiary of the Company amounting to Baht 132 million.

Cash used for investing activities was Baht 296 million. This mostly use for land and property at Uthai Thani and Surat Thani for expand investment in renewable energy amounting to Baht 316 million.

Cash used for financing activities was Baht 68 million. This mostly resulted from long term loan’s repayment for the 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 42 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 2.25 times as at the end of previous year to 2.21 times as at the end of the 3rd quarter of this year. The quick ratio was increased from 1.57 times as at the end of previous year to 1.58 times as at the end of the 3rd 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 3rd quarter of this year and the end of previous year, the Company and its subsidiaries still maintained good ability for debt repayment. Considering from the debt to equity ratio, Showing 0.94 times at the end of previous year to 0.86 times at the end of the 3rd quarter of this year. The debt to equity ratio as at the end of the 3rd quarter of this year was decreased from the end of previous year, This was effect from the amount of creditors and long term loan from financial institution decreased from the end of the previous year, together with the increase in shareholders' equity from net profit in the 1st, 2nd and 3rd 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