

May 13, 2021

Subject : Management's Discussion and Analysis for the 1st quarter ending March 31, 2021,
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 1st quarter for the three-month period ended March 31, 2021. 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 1st quarter period ending March 31, 2021 as follows:

1. Operating Results

Consolidated Statements of Comprehensive Income for the three-month period ended March 31, 2021 and 2020

Consolidated Financial Statements	The First quarter 2021		The First quarter 2020		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales and services	459	96%	426	92%	33	8%
Construction services	19	4%	35	8%	(16)	(46%)
Total Revenues	478	100%	461	100%	17	4%
Costs of sales and services	390		342		48	14%
Costs of Construction services	14		27		(13)	(48%)
Total Costs of Sales and Services	404	85%	369	80%	35	9%
Sales and services gross income	69		84		(15)	(18%)
Construction services gross income	5		8		(3)	(38%)
Total Gross Income	74	15%	92	20%	(18)	(20%)
Other income	35	7%	112	24%	(77)	(69%)
Selling and administrative expenses	(109)	(23%)	(123)	(27%)	14	11%
Profit (Loss) from Operations	0	0%	81	18%	(81)	(100%)
Profit in associated companies on equity method	13	3%	12	3%	1	8%
Finance costs	(1)	(0%)	(5)	(1%)	4	80%
Profit (Loss) before Income Tax	12	3%	88	19%	(76)	(86%)
Income tax	0	0%	2	0%	(2)	(100%)
Profit (loss) from discontinued operation	0	0%	1	0%	(1)	(100%)
Equity in non - controlling interests in subsidiaries	(4)	(1%)	(5)	(1%)	1	20%
Net Profit (Loss) attributable to the Company	8	1.67%	86	18.66%	(78)	(91%)
Net Profit (Loss) per share attributable to the Company (Baht)	0.013		0.144		(0.132)	(91%)

1.1 Analysis of overall Operating Results

For the 1st quarter of the year 2021, the consolidated financial statements of the Company presented total revenues amounting to Baht 478 million, increased by Baht 17 million or increased 4 percent from same quarter of previous year. Such change resulted from the increase in “LUCKY” Hi-tech Building System and flood protection. 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 1st and 2nd quarter but the Company believe that the revenues trend will be increasing.

Total Revenues

For the 1st quarter of this year, the consolidated financial statements of the Company’s presented total revenues amounting to Baht 478 million, increased by Baht 17 million or increased 4 percent. This was mainly resulted from the increase in “LUCKY” Hi-tech Building System and flood protection. Total revenues in the 1st 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 459 million, increased by Baht 33 million or increased 8 percent from the 1st quarter of previous year.

- Revenues from domestic construction services of this year has three jobs amounting to Bath 19 million, decreased by Baht 16 million or decreased 46 percent from the 1st quarter of previous year. Revenues from domestic construction services decreased from previous year by one job is in the initial stage of construction and another job is on the last stage to complete the construction.

Other Income

The consolidated financial statements of the Company for the 1st quarter of this year presented other income decreasing from the 1st quarter of previous year by Baht 77 million, or decreased 69 percent. Other income in the 1st quarter of this year were mainly from dividends and rents. The other income was decreasing because the 1st quarter of previous year the Company had profit from investment in an associated company’s ordinary shares, which caused associated company transformed into subsidiary company and profit from fair value adjustment of the investment.

Cost of Sales and Expenses

- The consolidated financial statements of the Company presented total cost of sales for the 1st quarter of this year amounting to Baht 404 million, increased by Baht 35 million or increased 9 percent from the 1st quarter of previous year. The ratio of total cost of sales to total revenue for the 1st quarter of year 2021 and the 1st quarter of year 2020 was 85 percent and 80 percent, respectively.

- The consolidated financial statements of the Company presented selling and administrative expenses of the 1st quarter of this year amounting to Baht 109 million, decreased by Baht 14 million or decreased 11 percent from the 1st quarter of previous year. This was mostly resulted from decreases of salary and welfare expenses. The ratio of selling and administrative expenses to total revenues for the year 2021 in the 1st quarter and year 2020 in the 1st quarter was 23 percent and 27 percent, respectively.

- The consolidated financial statements of the Company presented finance cost for the 1st quarter of this year amounting to Baht 1 million, decreased by Baht 4 million from the 1st quarter of previous year. This was resulted from the interest expenses of loans from domestic financial institutions for the construction of solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company.

Gross Profit

- The consolidated financial statements of the Company for the 1st quarter of the year 2021 presented gross profit amounting to Baht 74 million, decreased by Baht 18 million or decreased 20 percent from the 1st quarter of previous year, The gross profit ratio for the 1st quarter of the year 2021 and the 1st quarter of the year 2020 was 15 percent and 20 percent, respectively. The gross profit for the 1st quarter in this year was decreasing because the increasing of sales in products with relatively low gross margins.

Net Profit (Loss)

- The consolidated financial statements of the Company presented net profit amounting to Baht 8 million for the 1st quarter of the year 2021, and Baht 86 million for the 1st quarter of the year 2020. Net profit of this year decreased from previous year by Baht 78 million or decreased by 91 percent. This resulted from the increasing of costs of sales and the decreasing of other income from the 1st quarter of previous year. Net profit ratio for the 1st quarter of the year 2021 was 1.67 percent, the 1st quarter of the year 2020 was 18.66 percent.

2. Financial positions

Statements of Financial positions as at March 31, 2021 and December 31, 2020

Consolidated financial statement	March 31, 2021		December 31, 2020		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	414	12%	461	13%	(47)	(10%)
Trade accounts receivable - net	203	6%	224	6%	(21)	(9%)
Inventories – net	250	7%	242	7%	8	3%
Other current assets	161	4%	216	6%	(55)	(25%)
Total Current Assets	1,028	29%	1,143	32%	(115)	(10%)
Investments	928	26%	893	24%	35	4%
Property, plant and equipment - net	1,553	43%	1,546	42%	7	0%
Other non - current assets	84	2%	85	2%	(1)	(1%)
Total Non - Current Assets	2,565	71%	2,524	68%	41	2%
Total Assets	3,593	100%	3,667	100%	(74)	(2%)
Liabilities and Shareholders' Equity						
Short-term loans from financial institutions	40	1%	40	1%	0	0%
Short-term loans from related company	46	1%	65	2%	(19)	(29%)
Long-term loans from financial institutions; due within 1 year	14	1%	16	0%	(2)	(13%)
Trade accounts payable	234	7%	206	6%	28	14%
Other current liabilities	227	6%	251	7%	(24)	(10%)
Total Current Liabilities	561	16%	578	16%	(17)	(3%)
Long-term loans from financial institutions	6	0%	70	2%	(64)	(91%)
Employee benefits obligation	53	1%	52	1%	1	2%
Other non - current liabilities	98	3%	99	3%	(1)	(1%)
Total Non - Current Liabilities	157	4%	221	6%	(64)	(29%)
Total Liabilities	718	20%	799	22%	(81)	(10%)
Shareholders' equity to the Company's	2,656	74%	2,649	72%	7	0%
Shareholders' equity non-controlling interests' equity	219	6%	219	6%	0	0%
Total Shareholders' equity	2,875	80%	2,868	78%	7	0%
Total Liabilities and Shareholders' Equity	3,593	100%	3,667	100%	(74)	(2%)

2.1 Analysis of the financial position of the Company and its subsidiaries as at March 31, 2021 and December 31, 2020

Total Assets

As at the end of the 1st quarter of the year 2021, the consolidated financial statements of the Company presented total assets amounting to Baht 3,593 million, decreased by Baht 74 million or decreased 2 percent from the end of December 31, 2020. This was mainly from the decrease in cash and cash equivalents including the other current assets.

Total assets presented in the consolidated financial statements of the Company as at the end of the 1st quarter of this year consisted of cash and cash equivalents 12 percent, trade accounts receivable 6 percent, net inventories 7 percent and other current assets 4 percent, investment in associated companies and other companies 26 percent, property, plant and equipment 43 percent and other non-current assets 2 percent. Whereby total assets at the end of previous year consisted of cash and cash equivalents 13 percent, trade accounts receivable 6 percent, net inventories 7 percent and other current assets 6 percent, investment in associated companies and other companies 24 percent, property, plant and equipment 42 percent and other non-current assets 2 percent.

- Cash and cash equivalents at the end of the 1st quarter of the year 2021 was Baht 414 million, decreased from the end of previous year by Baht 47 million, as follow:

Cash from operating activities was Baht 78 million. This mostly from the repayment of other current receivables-general companies and trade accounts receivable from construction work. .

Cash used for investing activities was Baht 39 million. This mostly used for construction and machinery at Surat Thani for expand investment in renewable energy and the investments in associated company's ordinary shares.

Cash used for financing activities was Baht 86 million. This mostly derived from short-term loans of related company and long term loan of financial institution.

- Trade accounts receivable at the end of the 1st quarter of the year 2021 was Baht 203 million, decreased from the end of previous year of Baht 21 million. The balance of trade accounts receivable at the end of the 1st quarter of the year 2021 of which 87% of such receivable was not yet due, 11% 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 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 1st quarter of this year, balance of allowance for doubtful account was Baht 4 million. Receivable turnover rate at the end of the 1st quarter of the year 2021 was 8.03, 7.02 at the end of previous year. Average debt collection at the end of the 1st quarter of the year 2021 was 45 days, end of previous year was 52 days. Receivable turnover was increased and average debt collection period was decrease because the average of receivable at the end of the 1st quarter of this year was decreased and the revenue increased.

- Inventories balance at the end of the 1st quarter of the year 2021 was Baht 250 million, increased by Baht 8 million or increased 3 percent from the end of previous year. Mostly increased from products of furniture. The inventory turnover rate at the end of the 1st quarter of the year 2021 was 5.72, and was 6.03 at the end of previous year. The decreasing from previous year caused by the increasing in the average inventory value.

- Other current assets as at the end of the 1st quarter of the year 2021 was Baht 161 million, decreased by Baht 55 million or decreased 25 percent from previous year. This was mainly resulted from the other current receivables-general companies, trade accounts receivable from construction work and advance payment for purchase inventory of bathroom pod.

- Investments at the end of the 1st quarter of the year 2021 were Baht 928 million, increased by Baht 35 million or increased 4 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 1st quarter of the year 2021 was Baht 1,553 million, increased by Baht 7 million or increased 0 percent from the end of previous year. Mostly resulted from purchase of buildings and machines for expansion of biomass production business in Surat Thani and construction of prefabricated houses in the Modular Construction & Housing Project

Total liabilities

As at the end of the 1st quarter of this year the consolidated financial statements of the Company presented total liabilities of Baht 718 million, decreased by Baht 81 million or decreased 10 percent. Mostly decreased from other current liabilities and long-term loans from financial institutions.

- As at the ended of the 1st quarter of this year, short term loan from financial institutions was Baht 40 million. Most are the promissory note of the subsidiary company for the operation.

- As at the ended of the 1st quarter of this year, short term loan from related companies was Baht 46 million, decreased by Baht 19 million or decreased 29 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 and has been partially payment in the 1st quarter of this year.

- As at the ended of the 1st quarter of this year, other current liabilities was Baht 227 million, decreased by Baht 24 million or decreased 10 percent from previous year. Caused by liabilities arising from the advance payment of bathroom pods group.

- As at the ended of the 1st quarter of this year, long term loan from financial institution was Baht 6 million, decreased by Baht 64 million. Caused by the repayment of the indirect subsidiary of the Company for long term loan from financial institution.

- As at the ended of the 1st quarter of this year, other non-current liabilities was Baht 98 million. This was mainly resulted from the recognition of the liabilities according to the lease agreement for car and the land for operation, IFRS 16 Leases, which effected from the year 2020.

Shareholders' equity

At the ended of the 1st quarter of this year, the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,875 million, as at the ended of previous year was Baht 2,868 million, increased by Baht 7 million. The cause is the increasing of the net profit in the 1st quarter of this year.

Book value as at the ended of the 1st quarter of this year was Baht 4.85 per share, end of previous year Baht 4.84 per share, increased by Baht 0.01 per share.

2.2 Liquidity and significant financial ratios

Statements of Cash flows for the three-month period ended March 31, 2021

Consolidated financial statements	Unit : Million Baht
Net cash from (used for) operating activities	78
Net cash from (used for) investing activities	(39)
Net cash from (used for) in financing activities	(86)
Increase (Decrease) in cash and cash equivalents - net	(47)
Cash and cash equivalents at beginning of period	461
Cash and cash equivalents at end of period	414

Liquidity of the consolidated financial statement of the Company as at the end of the 1st quarter of this year, the Company held cash amounting to Baht 414 million, Baht 461 million at the end of previous year. Cash flow decreased by Baht 47 million, this was related to:

- Cash from operating activities was Baht 78 million. This mostly resulted from repayment of other current receivables-general companies amounting to Baht 44 million and trade accounts receivable from construction work amounting to Baht 20 million.

- Cash used for investing activities was Baht 39 million. This mostly used for construction and machinery at Surat Thani for expand investment in renewable energy amounting to Baht 20 million and investments in associated company's ordinary shares amounting to Baht 26 million.

- Cash used for financing activities was Baht 86 million. This mostly derived from short-term loans of related company amounting to Baht 22 million and long-term loans of financial institutions amounting to Baht 66 million.

The current ratio was decreased from 1.98 times as at the end of previous year to 1.83 times as at the end of the 1st quarter of this year. The quick ratio was decreased from 1.19 times as at the end of previous year to 1.10 times as at the end of the 1st 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 1st quarter 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, Showing 0.28 times at the end of previous year to 0.25 times at the end of the 1st quarter of this year. The debt to equity ratio as at the end of the 1st quarter of this year was decreased from the end of previous year, This was effect from the amount of total liabilities decreased from the end of the previous year, together with the increase in shareholders' equity.

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 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