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70 หมู่ 2 ด.ช้างใหญ่ อ.บางไทร จ.พระนครศรีอยุธยา ประเทศไทย 13290  
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( Translation )

Ref. No. MCS 009/2019  
May 9,2019

Subject : Management Discussion and Analysis of Q1/2019

To : Director and Manager The Stock Exchange of Thailand

M.C.S. Steel Public Company Limited would like to clarify the operating result for the consolidated financial statements of company and subsidiary of Quarter 1/2019 periods ended 31 March 2019 that reviewed by the Independent Auditor , details are as followings ;

1. In Q2/2019, the company's Profit was 69.10 Million Baht , decreased of 103.56 Million Baht. from Q1/2018 that was the profit in the separate financial statements of 68.48 Million Baht.
2. In Q1/2019, the company's gross profit in the separate financial statements was 106.76 Million Baht , decreased of 220.37 Million Baht from same period of last year. If included the gross profit from subsidiary companies it will be 137.21 Million Baht ,decreased of 211.40 Million Baht.
3. In Q1/2019, the company's sale revenue in the separate financial statements was 414.88 Million Baht, decreased 233.42 Million Baht or 36.01% from same period of last year. If included the sale revenue from subsidiary companies it will be 434.09 Million Baht ,decreased of 257.46 Million Baht or 37.23%.

### **Management Discussion and Analysis of Q1/2019**

- 1) The profit in the separate financial statements was 68.48 Million Baht which include :
  - A. The revenue from delivery works of 6,819 tons.
  - B. In Q1/2019 ,the company reversed the provision of warranty for projects around 11.53 Million Baht and reversed the provision for damage of accident of transportation in Japan that the company estimated on Q2/2018 around 34.45 Million Baht which not paid ( the total estimated were 36.44 Million Baht).
  - C. Due to our financial report system , we had limited recognized income due to limited delivery , however, Our whole year income forecast still remain as reported during shareholders meeting last April.
- 2) In Q1/2019, the delivery work (separate financial statements) was 6,819 tons that was export work was around 4,570 tons which included from xiamen factory 1,815 tons and domestic work (AOT Project) was around 2,249 tons ,the delivery work decreased of 2,705 tons or 28.40% from same period of last year. As a result, the sales revenue decreased 233.42 Million Baht or 36.01%.

If included the sale revenue from subsidiary companies, it will be 434.09 Million Baht ,decreased of 257.46 Million Baht.

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- 3) In Q1/2019, Cost for sales of goods decreased by 13.05 Million Baht which was due to decrease the delivery work around 2,705 tons from same period of last year.

And if included the subsidiary companies ,cost for sales of goods was 296.89 Million Baht that decreased of 46.07 Million Baht.

- 4) In Q1/2019, the selling expenses decreased by 59.41 Million Baht which was due to decreased the delivery work.

The Administrative expenses decreased by 29.86 Million Baht which was due to the administrative expenses from subsidiary companies and the company reserved of employees 's bonus for M.C.S. Steel in this quarter.

- 5) At 31 March 2019, Inventories increased by 172.29 Million Baht from 31 December 2018 which was work in process(WIP) that was waiting to delivery in Q2/2019 and the material for Q2/2019.
- 6) At 31 March 2019, Property, plant and equipment decreased by 6.47 Million Baht from 31 December 2018 due to depreciation and the conversion of financial statements in this period.
- 7) In Q1/2019, Finance costs decreased by 0.60 Million Baht due to the conversion of financial statements.

As stated as above No.1 - 5 , In Q1/2019, the. company's profit in Consolidated financial statements was 69.10 Million Baht.

Yours Sincerely

  
.....  
( Dr.Naiyuan Chi )  
Chief Executive Officer