

November 14, 2022

Subject : Management's Discussion and Analysis for the 3<sup>rd</sup> quarter ending September 30, 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 3<sup>rd</sup> quarter for the three-month period ended September 30, 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 3<sup>rd</sup> quarter period ending September 30, 2022 as follows:

### 1. Operating Results

Consolidated Statements of Comprehensive Income for the three-month period ended September 30, 2022 and 2021

Consolidated Financial Statements	The Third quarter 2022		The Third quarter 2021		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales and services	455	95%	364	95%	91	25%
Construction services	24	5%	20	5%	4	20%
<b>Total Revenues</b>	<b>479</b>	<b>100%</b>	<b>384</b>	<b>100%</b>	<b>95</b>	<b>25%</b>
Costs of sales and services	400		307		93	30%
Costs of Construction services	23		18		5	28%
<b>Total Costs of Sales and Services</b>	<b>423</b>	<b>88%</b>	<b>325</b>	<b>85%</b>	<b>98</b>	<b>30%</b>
Sales and services gross profit	55		57		(2)	(4%)
Construction services gross profit	1		2		(1)	(50%)
<b>Total Gross Profit</b>	<b>56</b>	<b>12%</b>	<b>59</b>	<b>15%</b>	<b>(3)</b>	<b>(5%)</b>
Other income	26	5%	18	5%	8	44%
Selling and administrative expenses	(101)	(21%)	(89)	(23%)	(12)	(13%)
<b>Profit (Loss) from Operations</b>	<b>(19)</b>	<b>(4%)</b>	<b>(12)</b>	<b>(3%)</b>	<b>(7)</b>	<b>(58%)</b>
Profit in associated companies on equity method	19	4%	22	6%	(3)	(14%)
Financial costs	(1)	(0%)	(1)	(0%)	0	0%
<b>Profit (Loss) before Income Tax</b>	<b>(1)</b>	<b>(0%)</b>	<b>9</b>	<b>2%</b>	<b>(10)</b>	<b>(111%)</b>
Income tax	(1)	(0%)	1	0%	(2)	(200%)
Equity in non – controlling interests in subsidiaries	0	0%	1	0%	(1)	(100%)
<b>Net Profit (Loss) attributable to the Company</b>	<b>(2)</b>	<b>(0.42%)</b>	<b>11</b>	<b>2.86%</b>	<b>(13)</b>	<b>(118%)</b>
<b>Net Profit (Loss) per share attributable to the Company (Baht)</b>	<b>(0.003)</b>		<b>0.018</b>		<b>(0.021)</b>	<b>(118%)</b>

## 1.1 Analysis of overall Operating Results

For the 3<sup>rd</sup> quarter of the year 2022, the consolidated financial statements of the Company presented total revenues amounting to 479 million baht, increased by 95 million baht or increased 25 percent from the same quarter of previous year. Such mainly change resulted from the increase in Furniture group, Flood Protection Wall group and Renewable Energy group. However, this year the Company has the action plan of human resources development in marketing and production, increase new products to response the customer's requirements to enable sales volume increase, and 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 , the Company still believe that the revenue trend will increase.

### **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 479 million baht, increased by 95 million baht or increased 25 percent. This was mainly resulted from the increase in Furniture group, Flood Protection Wall group and Renewable Energy group. Total revenues in the 3<sup>rd</sup> quarter of this year consist of the following incomes:

- Revenues from domestic sales of furniture, "LUCKY" Hi-tech Building System and flood protection wall totaling 413 million baht, increased by 52 million baht or increased 14 percent from the 3<sup>rd</sup> quarter of previous year.

- Revenues from renewable energy business group totaling in this year 42 million baht, increased by 39 million baht or increased 1,300 percent from the 3<sup>rd</sup> quarter of previous year.

- Revenues from domestic construction services of this year are mainly from 4 jobs amounting to 24 million baht, increased by 4 million baht or increased 20 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 8 million baht, or increased 44 percent. Other income in the 3<sup>rd</sup> quarter of this year mainly comes from dividends, rents and other services.

## **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 423 million baht, increased by 98 million baht or increased 30 percent from the 3<sup>rd</sup> quarter of previous year. For the ratio of total cost of sales to total revenue for the 3<sup>rd</sup> quarter of year 2022 and the 3<sup>rd</sup> quarter of year 2021 was equally 88 percent and 85 percent, respectively. Cost of Goods Sold is increased due to the impact of increasing cost of steel price and business groups with a high proportion of cost of Sales increased their revenue.

- The consolidated financial statements of the Company presented selling and administrative expenses of the 3<sup>rd</sup> quarter of this year amounting to 101 million baht, increased by 12 million baht or increased 13 percent from the 3<sup>rd</sup> quarter of previous year. This was mostly resulted from increases of administrative expenses of renewable energy business group. For the ratio of selling and administrative expenses to total revenues for the 3<sup>rd</sup> quarter of year 2022 and the 3<sup>rd</sup> quarter of year 2021 was 21 percent and 23 percent, respectively.

- The consolidated financial statements of the Company presented financial cost for the 3<sup>rd</sup> quarter of this year amounting to 1 million baht, equal to the 3<sup>rd</sup> quarter of previous year. This was mainly resulted from the interest expenses of loans from domestic financial institutions for operating in renewable energy business group.

## **Gross Profit**

- The consolidated financial statements of the Company for the 3<sup>rd</sup> quarter of the year 2022 presented gross profit amounting to 56 million baht, decreased by 3 million baht or decreased 5 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 2022 and the 3<sup>rd</sup> quarter of the year 2021 was 12 percent and 15 percent, respectively.

## **Profit in associated companies on equity method**

- The company's consolidated financial statements of the 3<sup>rd</sup> quarter of the year 2022 presented the profit in associated companies with the equity method amounting to 19 million baht. It was decreased by 3 million baht or 14 percent from the 3<sup>rd</sup> quarter of previous year. This is caused by a decrease in net profit of an associated company.

## **Net Profit (Loss)**

- The consolidated financial statements of the Company presented net loss amounting to 2 million baht for the 3<sup>rd</sup> quarter of the year 2022 and amounting to 11 million baht for the 3<sup>rd</sup> quarter of the year 2021, decreased by 13 million baht or decrease by 118 percent from previous year. This was resulted from the increasing of sales costs and administrative expenses. The Net Profit (Loss) ratio of the 3<sup>rd</sup> quarter of the year 2022 was loss 0.42 percent and the 3<sup>rd</sup> quarter of the year 2021 was profit 2.86 percent.

## 2. Financial positions

Statements of Financial positions as of September 30, 2022 and December 31, 2021

Consolidated financial statement	September 30, 2022		December 31, 2021		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Assets</b>						
Cash and cash equivalents	289	8%	250	7%	39	16%
Trade accounts receivable - net	164	5%	219	6%	(55)	(25%)
Inventories – net	331	10%	350	10%	(19)	(5%)
Other current assets	163	5%	155	4%	8	5%
<b>Total Current Assets</b>	<b>947</b>	<b>28%</b>	<b>974</b>	<b>27%</b>	<b>(27)</b>	<b>(3%)</b>
Investments	983	28%	962	27%	21	2%
Property, plant and equipment - net	1,439	41%	1,512	43%	(73)	(5%)
Other non - current assets	106	3%	90	3%	16	18%
Total Non - Current Assets	2,528	72%	2,564	73%	(36)	(1%)
<b>Total Assets</b>	<b>3,475</b>	<b>100%</b>	<b>3,538</b>	<b>100%</b>	<b>(63)</b>	<b>(2%)</b>
<b>Liabilities and Shareholders' Equity</b>						
Short-term loans from financial institutions	53	2%	65	2%	(12)	(18%)
Short-term loans from related company	85	2%	51	1%	34	67%
Long-term loans from financial institutions; due within 1 year	13	0%	15	0%	(2)	(13%)
Trade accounts payable	179	5%	207	6%	(28)	(14%)
Other current liabilities	173	5%	195	6%	(22)	(11%)
<b>Total Current Liabilities</b>	<b>503</b>	<b>14%</b>	<b>533</b>	<b>15%</b>	<b>(30)</b>	<b>(6%)</b>
Long-term loans from financial institutions	0	0%	1	0%	(1)	(100%)
Employee benefits obligation	55	2%	52	2%	3	6%
Other non - current liabilities	92	3%	109	3%	(17)	(16%)
Total Non - Current Liabilities	147	5%	162	5%	(15)	(9%)
Total Liabilities	650	19%	695	20%	(45)	(6%)
Shareholders' equity to the Company's	2,607	75%	2,622	74%	(15)	(1%)
Shareholders' equity non-controlling interests' equity	218	6%	221	6%	(3)	(1%)
Total Shareholders' equity	2,825	81%	2,843	80%	(18)	(1%)
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,475</b>	<b>100%</b>	<b>3,538</b>	<b>100%</b>	<b>(63)</b>	<b>(2%)</b>

## **2.1 Analysis of the financial position of the Company and its subsidiaries as at September 30, 2022 and December 31, 2021**

### **Total Assets**

As at the end of the 3<sup>rd</sup> quarter of the year 2022, the consolidated financial statements of the Company present total assets amounting to 3,475 million baht, decreased by 63 million baht from the end of December 31, 2021. This was mainly from trade account receivables and Property, plant and equipment.

The structure of 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 consist of cash and cash equivalents 8 percent, trade accounts receivable 5 percent, net inventories 10 percent, other current assets 5 percent, investments in associated companies and other companies 28 percent, Property, plant and equipment 41 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 the 3<sup>rd</sup> quarter of the year 2022 was 289 million baht, increased from the end of previous year by 39 million baht, as follow:

Cash used for operating activities was 11 million baht. This was mostly from an increasing of the repayment of other current receivables-general companies and pay off the liabilities of agreement.

Cash from investing activities was 52 million baht. This was mostly gained from dividend.

Cash used for financing activities was 2 million baht. This was mostly gained from short-term loans of related company.

- Trade accounts receivable at the end of the 3<sup>rd</sup> quarter of the year 2022 was 164 million baht, decreased from the end of previous year 55 million baht. The balance of trade accounts receivable at the end of the 3<sup>rd</sup> quarter of the year 2022 of which separated as 89 percent of current accounts receivable, 4 percent of account receivable with less than 3-month-overdue and 7 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 the 3<sup>rd</sup> quarter of this year, balance of allowance for

doubtful account was 5 million baht. Receivable turnover rate at the end of the 3<sup>rd</sup> quarter of the year 2022 was 9.86 times and at the end of previous year was 7.83 times. Average debt collection at the end of the 3<sup>rd</sup> quarter of the year 2022 was 37 days and at the end of 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 the 3<sup>rd</sup> quarter of this year was increased and the average balance of receivable was decreased.

- Inventories balance at the end of the 3<sup>rd</sup> quarter of the year 2022 was 331 million baht, decreased by 19 million baht or decreased 5 percent from the end of previous year, mostly decreased from furniture group. The inventory turnover rate at the end of the 3<sup>rd</sup> quarter of the year 2022 was 4.89 times, and was 5.02 times at the end of previous year. The decreasing from previous year was due to the increasing in the average inventory value.

- Other current assets as of the end of the 3<sup>rd</sup> quarter of the year 2022 was 163 million baht, increased by 8 million baht or 5 percent from previous year. This increase was mainly resulted from deferred income from construction service and advance payment for product purchasing.

- Investments at the end of the 3<sup>rd</sup> quarter of the year 2022 were 983 million baht, increased by 21 million baht or 2 percent from the end of previous year. This was resulted from recognition of increasing in profit on equity method from associated company in the 1<sup>st</sup> to 3<sup>rd</sup> quarter of this year.

- Property, plant and equipment – net as at the end of the 3<sup>rd</sup> quarter of the year 2022 was 1,439 million baht, decreased by 73 million baht or 5 percent from the end of previous year. Most assets were property, plant and equipment in furniture business and from investment in renewable energy business of building and machines in Surat Thani and Uthai Thani province that has gradually depreciated since 2021.

### **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 650 million baht, decreased by 45 million baht or 6 percent from the previous year. This decrease was mostly from other non-current liabilities.

- As at the end of the 3<sup>rd</sup> quarter of this year, short-term loan from financial institution was 53 million baht, decreased by 12 million baht or 18 percent from previous year. Most are the promissory note of the subsidiary company for the operation.

- As at the end of the 3<sup>rd</sup> quarter of this year, short-term loan from related companies was 85 million baht, increased by 34 million baht or increased 67 percent from 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 and has been partially payment in the 3<sup>rd</sup> quarter of this year.

- As at the end of the 3<sup>rd</sup> quarter of this year, other current liabilities were 173 million baht, decreased by 22 million baht or 11 percent from previous year. This was mostly caused by liabilities arising from the advance payment of bathroom pods business group.

- As at the end of the 3<sup>rd</sup> quarter 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.

- As at the end of the 3<sup>rd</sup> quarter of this year, other non-current liabilities were 92 million baht, decreased by 17 million baht or decreased 16 percent from 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 the 3<sup>rd</sup> quarter of this year, the consolidated financial statements of the Company presented the shareholders' equity of 2,825 million baht, as at the end of previous year was 2,843 million baht, decreased by 18 million baht from previous year. This was caused by the turnover of group of companies has the net loss and dividend payment in the 1<sup>st</sup> to 3<sup>rd</sup> quarter of this year.

Book value as at the end of the 3<sup>rd</sup> quarter of this year was 4.76 baht per share, the end of previous year 4.79 baht per share, decreased by 0.03 baht per share from previous year.



## 2.2 Liquidity and significant financial ratios

Statements of Cash flows for the nine-month period ended September 30, 2022

<b>Consolidated financial statements</b>	<b>Unit : Million Baht</b>
Net cash from (used for) operating activities	(11)
Net cash from (used for) investing activities	52
Net cash from (used for) in financing activities	(2)
<b>Increase (Decrease) in cash and cash equivalents - net</b>	<b>39</b>
Cash and cash equivalents at beginning of period	<b>250</b>
<b>Cash and cash equivalents at end of period</b>	<b>289</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 289 million baht, 250 million baht at the end of previous year. Cash flow increased by 39 million baht, this was related to:

- Cash flow used for operating activities was 11 million baht. This was mostly resulted from increasing of repayment of other current receivables-general companies amounting to 29 million baht and payment of account payables of general companies amounting to 26 million baht, other current payables of general companies amounting to 24 million baht.

- Cash flow gained from investing activities was 52 million baht. This was mostly gained from dividend amounting to 60 million baht.

- Cash flow used for financing activities was 2 million baht which gained in short-term loans from financial institutions amounting to 15 million baht and repayment of the lease agreement amounting to 9 million baht.

The current ratio was increased from 1.83 times as at the end of previous year to 1.88 times as at the end of the 3<sup>rd</sup> quarter of this year. The quick ratio as at the end of previous year was equivalent 0.88 times, increased 0.90 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 good ability for debt payment. Considering from the debt-to-equity ratio, showing the figure at the end of the 3<sup>rd</sup> quarter of this year was equivalent to 0.23 times, decreased from the end of 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 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