

November 14, 2017

Attn : The President
The Stock Exchange of Thailand

Subject : Management's Discussion and Analysis for the 3rd quarter ending 30 September 2017,
the changed performance was over 20 percent

As shown in the financial statements of the 3rd quarter for the three-month period ended 30 September, 2017 for Siam Steel International Public Company Limited, it indicated the changed performance over 20% compared with the same quarter of last year.

We would like to report on Management's Discussion and Analysis for the 3rd quarter period ending 30 September 2017 as follows:

1. Operating Results

Statements of Comprehensive Income for the three-month period ended 30 September, 2017 and 2016

Consolidated F/S	The third quarter 2017		The third quarter 2016 (Restated)		Change	
	Million Baht	%	Million Baht		Million Baht	%
Domestic sales and services - net	317	95%	450	96%	(133)	(30%)
Export sales and services - net	15	5%	20	4%	(5)	(25%)
Total Revenues	332	100%	470	100%	(138)	(29%)
Domestic costs of sales and services	239		344		(105)	(31%)
Export costs of sales and services	14		17		(3)	(18%)
Total Costs of Sales and Services	253	76%	361	77%	(108)	(30%)
Domestic gross income	78		106		(28)	(26%)
Export gross income	1		3		(2)	(67%)
Total Gross Income	79	24%	109	23%	(30)	(28%)
Other income	14	4%	8	2%	6	75%
Selling and administrative expenses	(113)	(34%)	(133)	(28%)	20	15%
Income (Loss) from Operations	(20)	(6%)	(16)	(3%)	(4)	(25%)
Equity in net income of associated companies	11	3%	18	4%	(7)	(39%)
Financial costs	(11)	(3%)	(8)	(2%)	(3)	(38%)
Income (Loss) before Income Tax	(20)	(6%)	(6)	(1%)	(14)	(233%)
Income tax	1	0.3%	(0)	0%	1	433%
Non - controlling interests in subsidiaries	2	0.6%	7	1%	(5)	(71%)
Net Profit (Loss) of The Company's shareholders	(17)	(5%)	1	0.15%	(18)	(1,323%)
Net Profit (Loss) of The Company's per share (Baht)	(0.028)		0.002		(0.031)	(1,323%)

1.1 Analysis of Operating Results

For the 3rd quarter 2017, the consolidated financial statements of the Company's total revenues amounted to Baht 332 million, decreased by Baht 138 million or 29 percent from the same quarter of last year, resulted to the decrease of domestic and export sales and services of furniture and "LUCKY" Hi-tech Building System and decrease of flood protection wall and construction service. However, the Company still has the action plan of human resources development in marketing and production, as well as increasing new products to response to customer's needs and to increase sales volume, including to expand the investment in the renewable energy business in order to get stable income in the future, thus the revenues should be increased.

Total Revenues

The consolidated financial statements of the Company's total revenues in the 3rd quarter of this year amounted to Baht 332 million, decreased by Baht 138 million or 29 percent from the 3rd quarter of last year. This was mainly resulted from the decrease of domestic and export sales of furniture and "LUCKY" Hi-tech Building System and decrease of flood protection wall and construction service. Total revenues of the 3rd quarter of this year were as the followings;

- Revenues from domestic sales and services of furniture, "LUCKY" Hi-tech Building System, and flood protection wall amounted to Baht 317 million, decreased by Baht 93 million or 23 percent from last year. This was resulted from the decrease of domestic sales of furniture from sales project and sales agent of the Company and sales of flood protection wall.

- Revenues from export sales and services of furniture and "LUCKY" Hi-tech Building System amounted to Baht 15 million, decreased by Baht 5 million or 25 percent from last year, resulted from the increase of export sales and services of furniture.

- Revenues from domestic sales and services of construction, the 3rd quarter of this year there was not construction services, and the 3rd quarter of last year which had 2 clients amounted at Bath 40 million.

Other Income

The consolidated financial statements of the Company's other income of the 3rd quarter of this year was increased by Baht 6 million, or 75 percent, mostly resulted from a subsidiary reversed allowance for decline value of investments in a company as income.

Cost of Sales and Expenses

- The consolidated financial statements of the Company's total cost of sales in the 3rd quarter of this year was Baht 253 million, decreased by Baht 108 million or 30 percent from the 3rd quarter of last year, this was mainly resulted from a decrease in total revenues. For the ratio of total cost of sales to total revenue of the 3rd quarter of year 2017 and the 3rd quarter of year 2016 were 76 percent and 77 percent respectively.

- The consolidated financial statements of the Company's selling and administrative expenses in the 3rd quarter of 2017 amounted to Baht 113 million, decreased by Baht 20 million or 15 percent from last year. For the ratio of selling and administrative expenses per total revenues in the 3rd quarter of year 2017 and the 3rd quarter of year 2016 were 34 percent and 28 percent respectively, increased of the ratio of selling and administrative expenses this was mainly resulted from a decrease in total revenues.

- The consolidated financial statements of the Company's financial cost in the 3rd quarter of this year amounted to Baht 11 million, increased by Baht 3 million from last year, mostly resulted from the interest of short and long term loan that the Company has getting loan in order to expand the investment in renewable energy business.

Gross Profit

- The consolidated financial statements of the Company's gross profit in the 3rd quarter of 2017 amounted to Baht 79 million, decreased by Baht 30 million or 28 percent from the 3rd quarter of 2016, this was mainly resulted from a decrease in total revenues. The gross profit ratio of the 3rd quarter of 2017 and the 3rd quarter of 2016 were 24 percent and 23 percent respectively.

Net Profit (Loss)

- The consolidated financial statements of the Company's net loss in the 3rd quarter 2017 amounted at Baht 17 million, and the 3rd quarter of year 2016 was net profit amounted at Baht 1 million. Net profit of this year decreased from last year by Baht 18 million or decreased by 1,323 percent, resulted in net loss because the 3rd quarter of this year decrease in total revenues, increase in fixed cost rate resulted from the burden fixed cost amount while the total revenues decreased. Thus, the equity in net income of associated companies with equity method decreased by Baht 7 million. For the 3rd quarter 2017, net loss ratio was 5 percent and the 3rd quarter 2016, net profit ratio was 0.15 percent.

2. Financial positions

Statements of Financial positions as at 30 September 2017 and 31 December 2016

Consolidated F/S	30 September 2017		31 December 2016		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	335	10%	380	11%	(45)	(12%)
Trade accounts receivable - net	308	9%	461	12%	(153)	(33%)
Inventories - net	356	11%	404	11%	(48)	(12%)
Other current assets	53	2%	55	2%	(2)	(4%)
Total Current Assets	1,052	32%	1,300	36%	(248)	(19%)
Investments	817	24%	810	22%	7	1%
Property, plant and equipment - net	1,311	39%	1,344	37%	(33)	(2%)
Other non - current assets	157	5%	165	5%	(8)	(5%)
Total Non-Current Assets	2,285	68%	2,319	64%	(34)	(1%)
Total Assets	3,337	100%	3,619	100%	(282)	(8%)
Liabilities and Shareholders' Equity						
Short-term loans from financial institutions	188	6%	385	11%	(197)	(51%)
Short-term loans from others person	138	4%	103	3%	35	34%
Short-term loans from related company	57	2%	-	0%	57	100%
Long-term loans from financial institutions; due for 1 year	6	0%	6	0%	0	0%
Trade accounts payable	145	4%	174	5%	(29)	(17%)
Other current liabilities	132	4%	186	5%	(54)	(29%)
Total current Liabilities	666	20%	854	24%	(188)	(22%)
Long-term loans from financial institutions	218	7%	230	6%	(12)	(5%)
Liabilities for employee benefit obligations.	30	1%	30	1%	0	0%
Other non-current liabilities	22	0.7%	26	0.7%	(4)	(15%)
Total non-current liabilities	270	8%	286	8%	(16)	(6%)
Total liabilities	936	28%	1,140	32%	(204)	(18%)
Shareholders' equity to the Company's	2,213	66%	2,289	63%	(76)	(3%)
Shareholders' equity non-controlling interests' equity	188	6%	190	5%	(2)	(1%)
Total Shareholders' equity	2,401	72%	2,479	68%	(78)	(3%)
Total Liabilities and Shareholders' Equity	3,337	100%	3,619	100%	(282)	(8%)

2.1 Analysis of the Financial Position of the Company and subsidiaries as at 30 September 2017 compared with 31 December 2016

Total Assets

As at the end of the 3rd quarter 2017, the consolidated financial statements of the Company's total assets amounted to Baht 3,337 million, decreased by Baht 282 million or 8 percent from last year as at 31 December 2016. This was mainly due to the decrease in trade account receivable by Baht 153 million, the Company has received repayment from long-term overdue debt of an Australian trade accounts receivable; prefabricated building from special project and decrease in trade account receivable resulting from a decrease in total revenues, and some was decreased from cash and cash equivalents amounted to Baht 45 million resulting from short term loan and long term loan repayment from financial institutes.

As at the end of the 3rd quarter 2017, total assets of the consolidated financial statement of the Company were comprised as the followings;

- Cash and cash equivalents were 10 percent and 11 percent respectively.
- Trade accounts receivable were 9 percent and 12 percent respectively.
- Inventories were 11 percent and 11 percent respectively.
- Other current assets were 2 percent and 2 percent respectively.
- Investment in the associated companies and other companies was 24 percent and 22 percent respectively.
- Property, plant and equipment were 39 percent and 37 percent respectively.
- Other non-current assets were 5 percent and 5 percent respectively.

Cash and cash equivalents as at the end of the 3rd quarter 2017 amounted to Baht 335 million, decreased by Baht 45 million from last year as at 31 December 2016, net cash used in financing activities amounted to Baht 127 million resulted from the repayment of short term loan and long term loan from financial institutes used for Bang Phra Green Energy Co., Ltd. which was indirect subsidiary of the company to invest in solar farm in Japan, cash getting from operation activity amounted Baht 90 million and cash getting from investment activity amounted Baht 13 million, mostly resulted from the dividend paid of associated and subsidiaries.

Trade account receivable as at 30 September 2017 amounted to Baht 308 million which were current trade accounts receivable 64 percent, overdue trade account receivable less than or equivalent to 3 months at 28 percent, and trade accounts receivable over 3 months was 8 percent. However, those trade accounts receivable of the Company and subsidiaries have been followed up closely for the collections. Some debtors have been in the process of debt collection, would be considered as the allowance for doubtful accounts by Baht 0.4 million, as the Company and subsidiary company has acknowledged that was sufficient. For the turnover of receivables as at 30 September 2017 were 4.58 times and 3.99 times from last year, and account receivable days as at the end of 3rd quarter of this year was 80 days, while 91 days at the end of last year. The turnover of receivables were increased while the account receivable days were decreased because as at 30 September 2017 the trade account receivables were decreased.

Inventories as at the end of 30 September 2017 amounted to Baht 356 million, decreased by Baht 48 million or 12 percent from the end of last year, due to one subsidiary has got inventory of finished goods decreased and some was decreased from raw material and finished goods of furniture and prefabricated building of the Company. For the inventory turnover rate as at the end of 3rd quarter of this year was 3.63 times and at the end of last year was 4.04 times, decreased from last year due to the inventories were decreased.

Investments as at the end of 3rd quarter of this year amounted to Baht 817 million, increased by Baht 7 million from the end of last year. This was due to the equity in the profit under the equity method of one associated company decreased.

Property, plant and equipment - net as at the end of 3rd quarter 2017 amounted to Baht 1,311 million, decreased by Baht 33 million or net 2 percent. This was due to depreciation of building and equipment for the accounting period.

Other non-current assets as at the end of 3rd quarter of this year amounted to Baht 157 million, decreased by Baht 8 million or 5 percent, mostly decreased from retentions receivable, resulted from the company was received from trade account receivable a one Australian customer.

Total liabilities

As at the end of the 3rd quarter 2017, the consolidated financial statements of the Company had total liabilities amounted to Baht 936 million, decreased by Baht 204 million or 18 percent, mostly decreased from short-term loan from financial institutes.

- Short term loan from financial institute as at the end of the 3rd quarter of this year, amounted to Baht 188 million, decreased by Baht 197 million resulting from the repayment of short term loan from financial institutes used for Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to invest in the solar farm project in Japan.

- Short term loan from other persons as at the end of the 3rd quarter of this year amounted to Baht 138 million, increased by Baht 35 million from loan of Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to use for the solar farm project in Japan.

- Short term loan from associated company as at the end of 3rd quarter of this year amounted Baht 57 million which was the loan of Bang Phra Green Energy Ltd., the indirect subsidiary of the Company received to use in solar farm project in Japan.

- Long term loan from financial institute that due date is one year as at the end of 3rd quarter was Baht 6 million. Such loan was for Bang Phra Green Energy Ltd., the indirect subsidiary of the Company to use in solar farm project in Japan.

- Long term loan from financial institute as at the end of 3rd quarter was Baht 218 million, decreased by Baht 12 million resulting from the repayment of long term loan from financial institutes used for Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to invest in the solar farm project in Japan.

Shareholders' equity

As at the end of 3rd quarter 2017, the consolidated financial statements of the Company's shareholders' equity amounted to Baht 2,401 million, while as at the end of last year amounted to Baht 2,479 million, decreased by Baht 78 million or 3 percent. This was resulted from the nine-month period of this year, the Company was loss.

Book value as at the end of 3rd quarter 2017 was Baht 4.05 per share, while as at 31 December 2016 was Baht 4.18 per share, decreased by Baht 0.13 per share or 3 percent

2.2 Liquidity and key financial ratios

Statements of cash flows for the nine-month period ended 30 September 2017

Consolidated F/S	Unit : Million Baht
Net cash from (used for) operating activities	90
Net cash from (used for) investment activities	13
Net cash from (used for) financing activities	(127)
Exchange differences on translating foreign currency financial statement of indirect subsidiaries	(21)
Cash and cash equivalent increased (decreased)	(45)
Cash and cash equivalents at the beginning of period	380
Cash and cash equivalents at the end of period	335

Liquidity of the consolidated financial statement of the Company as at the end of 3rd quarter of this year, the balance cash amounted to Baht 335 million, while there was Baht 380 million from the end of last year, cash flow decreased from the previous year amounted to Baht 45 million, resulting from :

- Cash flow from operating activities amounted to Baht 90 million, mostly from trade account receivable.

- Cash flow from investing activities amounted to Baht 13 million, mainly from dividend received from associated company and subsidiary company amounted to Baht 38 million, and cash flow from a subsidiary was sell investments in one company amounted to Baht 5 million, and cash flow used in property, plant and equipment amounted to Baht 30 million.

- Cash flow used for financing activities amounted Baht 127 million, mostly from repayment of short-term of loans and long term loan from financial institution amounted Baht 213 million for providing to Bang Phra Green Energy Ltd., the indirect subsidiary of the Company to use in solar farm project in Japan. Bang Phra Green Energy Ltd., also borrow money from other persons and associated company amounted Baht 35 million and Baht 57 million respectively to use in solar farm project in Japan, and the payment of a dividend amounted Baht 6 million to the common shareholders.

- Exchange differences on translating of foreign currency financial statement of indirect subsidiary amounted Baht 21 million from the investment in solar farm project in Japan through Bang Phra Green Energy Ltd. which is indirect subsidiary of the Company.

The current ratio was increased from 1.52 times as at 30 December 2016 to 1.58 times as at the end of 3rd quarter of this year. The ratio of working capital was decreased from 0.98 times as at the end of last year to 0.97 times as at the end of 3rd quarter of this year. However, both ratios have shown to the good liquidity of the Company and subsidiary of the Company.

Taking consideration of the ability for the debt repayment as at the end of last year, and at the end of 3rd quarter of this year, the company and subsidiary company still have good ability for debt payment, considered from the ratio of liability to the ratio of shareholders' equity, the debt ratios as shown the numbers rarely low at 0.46 and 0.39 times respectively. The ratio of shareholders' equity as at the end of 3rd quarter of this year was decreased from last year, resulted to this year some portion of short term loan and long term loan from financial institutes used for the support of investment expansion in renewable energy has been repaid.

3. Main factors that may affect to future operations and finance positions

The stability of local political

If local political is instable, it may lessen the government's spending to stimulate the economy. As a result, the industrial growth will be fallen and the order is also reduced.

Foreign market

If world economy has not been recovered, foreign market will have contraction. As a result, the industrial growth will be fallen and the order is also reduced.

Raw Material Pricing

Steel is the main raw material for production. If prices of steel are fluctuated, this may affect to the orders and production costs.

Foreign Exchange Rate

If the Baht is appreciating against the USD dollar continuously, this may affect to the Company's sales getting less. Also, the Company may lose their competitiveness compared to its competitors and may get loss from the exchange rate.

Please be informed accordingly.

Yours sincerely,

(Mr. Surapol Kunanantakul)

Vice President

Siam Steel International Public Company Limited