

August 14, 2018

Subject : Management's Discussion and Analysis for the 2nd quarter ending June 30, 2018,
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 2nd quarter for the three-month period ended June 30, 2018. 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 2nd quarter period ending June 30, 2018 as follows:

1. Operating Results

Consolidated Statements of Comprehensive Income for the three-month period ended June 30, 2018 and 2017

Consolidated Financial Statements	The Second quarter 2018		The Second quarter 2017		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic sales and services	351	97%	375	96%	(24)	(6%)
Export sales and services	12	3%	16	4%	(4)	(25%)
Total Revenues	363	100%	391	100%	(28)	(7%)
Domestic costs of sales and services	257		304		(47)	(15%)
Export costs of sales and services	44		15		29	193%
Total Costs of Sales and Services	301	83%	319	82%	(18)	(6%)
Domestic gross income	94		71		23	32%
Export gross income	(32)		1		(33)	(3,300%)
Total Gross Income	62	17%	72	18%	(10)	(14%)
Other income	45	12%	13	3%	32	246%
Selling and administrative expenses	(103)	(28%)	(127)	(32%)	24	19%
Profit (Loss) from Operations	4	1%	(42)	(11%)	46	110%
Profit in associated companies on equity method	11	3%	10	3%	1	10%
Finance costs	(1)	(0%)	(10)	(3%)	9	90%
Profit (Loss) before Income Tax	14	4%	(42)	(11%)	56	133%
Income tax	3	1%	(0)	(0%)	3	767%
Equity in non - controlling interests in subsidiaries	1	0%	2	1%	(1)	(50%)
Net Profit (Loss) attributable to the Company	18	5%	(40)	(10%)	58	143%
Net Profit (Loss) per share attributable to the Company (Baht)	0.030		(0.068)		0.098	143%

1.1 Analysis of overall Operating Results

For the 2nd quarter of the year 2018, the consolidated financial statements of the Company presented total revenues amounting to Baht 363 million, decreased by Baht 28 million or decreased 7 percent from same quarter of previous year. Such change resulted from the decrease in domestic sales of furniture, domestic sales of “Lucky” hi-tech buildings and domestic construction service. 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 2nd quarter of this year, The consolidated financial statements of the Company’s presented total revenues amounting to Baht 363 million, decreased by Baht 28 million or decreased 7 percent. This was mainly resulted from the decrease in domestic sales of furniture, domestic sales of “Lucky” hi-tech buildings and domestic construction services. Total revenues in the 2nd 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 351 million, decreased by Baht 13 million or decreased 4 percent from the 2nd quarter of previous year. This was resulted from the decrease in project sales of furniture and “LUCKY” Hi-tech Building System.

- Revenues from export sales and services of furniture and “LUCKY” Hi-tech Building System totaling Baht 12 million, decreased by Baht 4 million or decreased 25 percent.

- No Revenues from domestic construction services of this year, decreased by Baht 11 million or decreased 100 percent from the 2nd quarter of previous year.

Other Income

The consolidated financial statements of the Company for the 2nd quarter of this year presented other income increasing from the 2nd quarter of previous year by Baht 32 million, or increased 246 percent. This was mostly resulted from dividend income from 2 related company amounting to Baht 2 million and amounting to Baht 32 million for the 2nd quarter of this year. While dividend income from 1 related company amounting to Baht 4 million for the 2nd quarter of previous year.

Cost of Sales and Expenses

- The consolidated financial statements of the Company presented total cost of sales for the 2nd quarter of this year amounting to Baht 301 million, decreased by Baht 18 million or decreased 6 percent from the 2nd quarter of previous year. The ratio of total cost of sales to total revenue for the 2nd quarter of year 2018 and the 2nd quarter of year 2017 was 83 percent and 82 percent, respectively.

- The consolidated financial statements of the Company presented selling and administrative expenses of the 2nd quarter of this year amounting to Baht 103 million, decreased by Baht 24 million or decreased 19 percent from the 2nd quarter of previous year. This was mostly resulted from decreases of salary expenses, exhibition expenses and management consulting fees. The ratio of selling and administrative expenses to total revenues for the year 2018 in the 2nd quarter and year 2017 in the 2nd quarter was 28 percent and 32 percent, respectively.

- The consolidated financial statements of the Company presented finance cost for the 2nd quarter of this year amounting to Baht 1 million, decreased by Baht 9 million from the 2nd quarter of previous year. This was resulted from decreased of loan which the Company has borrowed for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the purpose of investment in construction of solar cell farm in Japan.

Gross Profit

- The consolidated financial statements of the Company for the 2nd quarter of the year 2018 presented gross profit amounting to Baht 62 million, decreased by Baht 10 million or decreased 14 percent from the 2nd quarter of previous year, The gross profit ratio for the 2nd quarter of the year 2018 and the 2nd quarter of the year 2017 was 17 percent and 18 percent, respectively. The gross profit ratio for the 2nd quarter in this year was decreasing because the company set allowance for diminution in value of raw materials for mobile home in Australia which ended in 2013 as cost increased by baht 34 million.

Net Profit (Loss)

- The consolidated financial statements of the Company presented net profit amounting to Baht 18 million for the 2nd quarter of the year 2018, and loss Baht 40 million for the 2nd quarter of the year 2017. Net profit of this year increased from previous year by Baht 58 million or increased by 143 percent. This resulted from dividend income from 2 related company amounting to Baht 2 million and amounting to Baht 32 million for the 2nd quarter of this year, While dividend income from 1 related company amounting to Baht 4 million for the 2nd quarter of previous year. The 2nd quarter of this year decreased in selling and administrative expenses included of salary expenses, exhibition expenses and management consulting fees and decrease in finance cost from repayment loan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the use in solar cell farm project in Japan. Net profit ratio for the 2nd quarter of the year 2018 was 4.96 percent, net loss ratio for the 2nd quarter of the year 2017 was 10.35 percent.

2. Financial positions

Statements of Financial positions as at June 30, 2018 and December 31, 2017

Consolidated financial statement	June 30, 2018		December 31, 2017		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	599	15%	425	12%	174	41%
Trade accounts receivable - net	304	8%	309	9%	(5)	(2%)
Inventories – net	268	7%	287	8%	(19)	(7%)
Other current assets	81	2%	65	3%	16	25%
Total Current Assets	1,252	32%	1,086	32%	166	15%
Investments	821	21%	824	24%	(3)	(0%)
Property, plant and equipment - net	1,790	46%	1,369	40%	421	31%
Other non - current assets	43	1%	158	4%	(115)	(73%)
Total Non - Current Assets	2,654	68%	2,351	68%	303	13%
Total Assets	3,906	100%	3,437	100%	469	14%
Liabilities and Shareholders' Equity						
Short-term loans from others person	0	0%	100	3%	(100)	(100%)
Short-term loans from related company	30	1%	57	2%	(27)	(47%)
Long-term loans from financial institutions; due within 1 year	19	1%	6	0%	13	217%
Trade accounts payable	169	4%	133	4%	36	27%
Other current liabilities	133	3%	168	5%	(35)	(21%)
Total Current Liabilities	351	9%	464	14%	(113)	(24%)
Long-term loans from financial institutions	917	23%	216	6%	701	325%
Employee benefits obligation	17	1%	22	1%	(5)	(23%)
Other non - current liabilities	25	1%	21	1%	4	19%
Total Non - Current Liabilities	959	25%	259	8%	700	270%
Total Liabilities	1,310	34%	723	21%	587	81%
Shareholders' equity to the Company's	2,274	58%	2,250	65%	24	1%
Shareholders' equity non-controlling interests' equity	322	8%	464	14%	(142)	(31%)
Total Shareholders' equity	2,596	66%	2,714	79%	(118)	(4%)
Total Liabilities and Shareholders' Equity	3,906	100%	3,437	100%	469	14%

2.1 Analysis of the financial position of the Company and its subsidiaries as at June 30, 2018 and December 31, 2017

Total Assets

As at the end of the 2nd quarter of the year 2018, the consolidated financial statements of the Company presented total assets amounting to Baht 3,906 million, increased by Baht 469 million or increased 14 percent from the end of December 31, 2017. This was mainly from the increase in cash and cash equivalents and property, plant and equipment.

Total assets presented in the consolidated financial statements of the Company as at the end of the 2nd quarter of this year consisted of cash and cash equivalents 15 percent, trade accounts receivable 8 percent, net inventories 7 percent and other current assets 2 percent, investment in associated companies and other companies 21 percent, property, plant and equipment 46 percent and other non-current assets 1 percent. Whereby total assets at the end of previous year consisted of cash and cash equivalents 12 percent, trade accounts receivable 9 percent, net inventories 8 percent and other current assets 3 percent, investment in associated companies and other companies 24 percent, property, plant and equipment 40 percent and other non-current assets 4 percent.

- Cash and cash equivalents at the end of the 2nd quarter of the year 2018 was Baht 599 million, increased from the end of previous year by Baht 174 million, as follow:

Cash from operating activities was Baht 19 million. This mostly resulted from decreased of trade accounts receivable. Increased of advance payment for “LUCKY” Hi-tech Building System and accounts payable and Advances payment from related company.

Cash used for investing activities was Baht 472 million. This mostly resulted from assets in construction of solar cell farm in Japan. Which invested by an indirect subsidiary of the Company and use cash for land and property at Uthai Thani and Surat Thani for expand investment in renewable energy.

Cash from financing activities was Baht 607 million derived loan from Financial institutions in Japan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the purpose of investment in construction of solar cell farm in Japan.

Cash from exchange differences on translating foreign currency financial statement of indirect subsidiaries was Baht 20 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 2nd quarter of the year 2018 was Baht 304 million, decreased from the end of previous year of Baht 5 million. The balance of trade receivable at the end of the 2nd quarter of the year 2018 of which 66% of such receivable was not yet due, 21% was overdue less than 3 months and 13% 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 2nd quarter of this year, balance of allowance for doubtful account was Baht 4 million. The Company and its subsidiaries were of the opinion that such allowance were adequate. Receivable turnover rate at the end of the 2nd quarter of the year 2018 was 4.92, 4.12 at the end of previous year. Average debt collection at the end of the 2nd quarter of the year 2018 was 74 days, end of previous year was 89 days. Receivable turnover was increased and average debt collection period was decrease because revenue and average trade accounts receivable at the end of the 2nd quarter of this year was decreased.

- Inventories balance at the end of the 2nd quarter of the year 2018 was Baht 268 million, decreased by Baht 19 million or decreased 7 percent from the end of previous year. The inventory turnover rate at the end of the 2nd quarter of the year 2018 was 4.25, and was 3.60 at the end of previous year. The increase caused by reduction in inventories balance.

- Investments at the end of the 2nd quarter of the year 2018 were Baht 821 million, decreased by Baht 3 million or decreased 0.4 percent from the end of previous year. This was resulted from decrease in profit on equity method from one associated company.

- Property, plant and equipment - net as at the end of the 2nd quarter of the year 2018 was Baht 1,790 million, increased by Baht 421 million or increased 31 percent. Mostly resulted from construction progress of solar cell farm in Japan, held by an indirect subsidiary of the Company. And 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 2nd quarter of the year 2018 was Baht 43 million, decreased by Baht 115 million or decreased 73 percent from previous year. This was mainly resulted from reversal of deferred tax assets are expenses, Because the company will recognize the deferred tax assets when it is quite possible that the tax will be used in the future.

Total liabilities

As at the end of the 2nd quarter of this year the consolidated financial statements of the Company presented total liabilities of Baht 1,310 million, increased by Baht 587 million or increased 81 percent. This was mainly from increase loan from Financial institutions in Japan for solar cell farm project in Japan.

- As at the ended of the 2nd quarter of this year, short term loan from other person decrease from previous year was Baht 100 million. This was loan payment from Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the purpose of investment in construction of solar cell farm in Japan.

- As at the ended of the 2nd quarter of this year, short term loan from related Company was Baht 30 million. This was loan borrowed for renewable energy company, an indirect subsidiary of the Company, for spending in business.

- As at the ended of the 2nd quarter of this year, long term loan from financial institution due within one year was Baht 19 million. This was loan borrowed for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the use in solar cell farm project in Japan. And loan from Financial institutions in Japan.

- As at the ended of the 2nd quarter of this year, long term loan from financial institution was Baht 917 million, increased by Baht 701 million. This was loan borrowed from financial institute in japan 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 2nd quarter of this year, the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,596 million, as at the ended of previous year was Baht 2,714 million, decreased by Baht 118 million or decreased 4 percent. This was the 2nd quarter of this year there was decrease in equity of non-controlling interests in subsidiaries. Cause of the return of investment from solar cell farm project in Japan, invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company. Still 50% of investment, not change.

Book value as at the ended of the 2nd quarter of this year was Baht 4.38 per share, end of previous year Baht 4.58 per share, decreased by Baht 0.20 per share or decreased 4 percent.

2.2 Liquidity and significant financial ratios

Statements of Cash flows for the six-month period ended June 30, 2018

Consolidated financial statements	Unit : Million Baht
Net cash from (used for) operating activities	19
Net cash from (used for) investing activities	(472)
Net cash from (used for) in financing activities	607
Exchange differences on translating foreign currency financial statement of indirect subsidiaries	20
Increase (Decrease) in cash and cash equivalents - net	174
Cash and cash equivalents at beginning of period	425
Cash and cash equivalents at end of period	599

Liquidity of the consolidated financial statement of the Company as at the end of the 2nd quarter of this year, the Company held cash and cash equivalents amounting to Baht 599 million, Baht 425 million at the end of previous year. Cash flow increased by Baht 174 million, this was related to:

Cash from operating activities was Baht 19 million. This mostly resulted from decreased of trade accounts receivable amounting to Baht 18 million. Increased of advance payment and deposit of goods amounting to Baht 53 million and accounts payable and advances payment from related company amounting to Baht 30 million.

Cash used for investing activities was Baht 472 million. This mostly resulted from assets in construction of solar cell farm in Japan. Which invested by an indirect subsidiary of the Company amounting to Baht 348 million and use cash for land and property at Uthai Thani and Surat Thani for expand investment in renewable energy amounting to Baht 72 million.

Cash from financing activities was Baht 607 million derived loan from Financial institutions in Japan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the purpose of investment in construction of solar cell farm in Japan.

Cash from exchange differences on translating foreign currency financial statement of indirect subsidiaries was Baht 20 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 increased from 2.34 times as at the end of previous year to 3.57 times as at the end of the 2nd quarter of this year. The quick ratio was increased from 1.58 times as at the end of previous year to 2.57 times as at the end of the 2nd 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 2nd 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, the ratios were rather low between 0.50 and 0.27 times, respectively. The debt to equity ratio as at the end of the 2nd quarter of this year was increased from the end of previous year, This was effect from loan borrowed from financial institute in japan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the use in solar cell farm project in Japan.

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