

May 15, 2018

Subject : Management's Discussion and Analysis for the 1st quarter ending March 31, 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 1st quarter for the three-month period ended March 31, 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 1st quarter period ending March 31, 2018 as follows:

1. Operating Results

Consolidated Statements of Comprehensive Income for the three-month period ended March 31, 2018 and 2017

Consolidated Financial Statements	The First quarter 2018		The First quarter 2017		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic sales and services	406	95%	454	95%	(48)	(11%)
Export sales and services	22	5%	22	5%	0	0%
Total Revenues	428	100%	476	100%	(48)	(10%)
Domestic costs of sales and services	306		350		(44)	(13%)
Export costs of sales and services	18		19		(1)	(5%)
Total Costs of Sales and Services	324	76%	369	78%	(45)	(12%)
Domestic gross income	100		104		(4)	(4%)
Export gross income	4		3		1	33%
Total Gross Income	104	24%	107	22%	(3)	(3%)
Other income	117	27%	15	3%	102	680%
Selling and administrative expenses	(123)	(29%)	(120)	(25%)	(3)	(3%)
Profit (Loss) from Operations	98	23%	2	0%	96	4,800%
Profit in associated companies on equity method	11	3%	21	4%	(10)	(48%)
Finance costs	(3)	(1%)	(11)	(2%)	8	73%
Profit (Loss) before Income Tax	106	25%	12	3%	94	783%
Income tax	(104)	(24%)	(4)	(1%)	(100)	(2,500%)
Equity in non - controlling interests in subsidiaries	2	0.5%	(1)	0%	(3)	(300%)
Net Profit (Loss) attributable to the Company	4	0.93%	7	1.47%	(3)	(39%)
Net Profit (Loss) per share attributable to the Company (Baht)	0.008		0.013		(0.005)	(39%)

1.1 Analysis of overall Operating Results

For the 1st quarter of the year 2018, the consolidated financial statements of the Company presented total revenues amounting to Baht 428 million, decreased by Baht 48 million or decreased 10 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 1st quarter of this year, The consolidated financial statements of the Company’s presented total revenues amounting to Baht 428 million, decreased by Baht 48 million or decreased 10 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 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 397 million, decreased by Baht 38 million or decreased 9 percent from the 1st quarter of previous year. This was resulted from the decrease in project sales of furniture.

- Revenues from export sales and services of furniture and “LUCKY” Hi-tech Building System totaling Baht 22 million. Equal the 1st quarter of previous year.

- Revenues from domestic construction services of this year has one job amounting to Bath 9 million, decreased by Baht 10 million or decreased 53 percent from the 1st quarter of previous year.

Other Income

The consolidated financial statements of the Company for the 1st quarter of this year presented other income increasing from the 1st quarter of previous year by Baht 102 million, or increased 680 percent. This was mostly resulted from profit from the sale of assets in Phra Khanong showroom, which was an unused assets amounting to Baht 88 million and increased amounting to Baht 18 million from revenue from reversal of liabilities that the Company recorded from the litigation that one contractor sued the company. the result of the judgment of Supreme Court.

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 324 million, decreased by Baht 45 million or decreased 12 percent from the 1st quarter of previous year. The ratio of total cost of sales to total revenue for the 1st quarter of year 2018 and the 1st quarter of year 2017 was 76 percent and 78 percent, respectively.

- The consolidated financial statements of the Company presented selling and administrative expenses of the 1st quarter of this year amounting to Baht 123 million, increased by Baht 3 million or increased 3 percent from the 1st quarter of previous year. This was mostly resulted from increases of losses on foreign exchange rates. The ratio of selling and administrative expenses to total revenues for the year 2018 in the 1st quarter and year 2017 in the 1st quarter was 29 percent and 25 percent, respectively.

- The consolidated financial statements of the Company presented finance cost for the 1st quarter of this year amounting to Baht 3 million, decreased by Baht 8 million from the 1st 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 1st quarter of the year 2018 presented gross profit amounting to Baht 104 million, decreased by Baht 3 million or decreased 3 percent from the 1st quarter of previous year, The gross profit ratio for the 1st quarter of the year 2018 and the 1st quarter of the year 2017 was 24 percent and 22 percent, respectively. The gross profit ratio for the 1st quarter in this year was increasing because some domestic revenue have high cost of sales, sales decreased.

Net Profit (Loss)

- The consolidated financial statements of the Company presented net profit amounting to Baht 4 million for the 1st quarter of the year 2018, and Baht 7 million for the 1st quarter of the year 2017. Net profit of this year decreased from previous year by Baht 3 million or decreased by 39 percent. This resulted from decrease in total revenues, equity in net income of associated companies and reversal of deferred tax assets are expenses amounting to Baht 100 million, Because the company will recognize the deferred tax assets when it is quite possible that the tax will be used in the future. And there are profit from the sale of assets in Phra Khanong showroom which was an unused assets amounting to Baht 88 million. Net profit ratio for the 1st quarter of the year 2018 was 0.93 percent, the 1st quarter of the year 2017 was 1.47 percent.

2. Financial positions

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

Consolidated financial statement	March 31, 2018		December 31, 2017		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	639	16%	425	12%	214	50%
Trade accounts receivable - net	362	9%	309	9%	53	17%
Inventories – net	288	7%	287	8%	1	0.3%
Other current assets	81	3%	74	3%	7	9%
Total Current Assets	1,370	35%	1,095	32%	275	25%
Investments	833	21%	824	24%	9	1%
Property, plant and equipment - net	1,633	42%	1,369	40%	264	19%
Other non - current assets	67	2%	149	4%	(82)	(55%)
Total Non - Current Assets	2,533	65%	2,342	68%	191	8%
Total Assets	3,903	100%	3,437	100%	466	14%
Liabilities and Shareholders' Equity						
Short-term loans from others person	100	3%	100	3%	0	0%
Short-term loans from related company	58	1%	57	2%	1	2%
Long-term loans from financial institutions; due within 1 year	6	0%	6	0%	0	0%
Trade accounts payable	174	4%	133	4%	41	31%
Other current liabilities	146	4%	168	5%	(22)	(13%)
Total Current Liabilities	484	12%	464	14%	20	4%
Long-term loans from financial institutions	796	20%	216	6%	580	269%
Employee benefits obligation	21	1%	22	1%	(1)	(5%)
Other non - current liabilities	27	1%	21	1%	6	29%
Total Non - Current Liabilities	844	22%	259	8%	585	226%
Total Liabilities	1,328	34%	723	21%	605	84%
Shareholders' equity to the Company's	2,259	58%	2,250	65%	9	0%
Shareholders' equity non-controlling interests' equity	316	8%	464	14%	(148)	(32%)
Total Shareholders' equity	2,575	66%	2,714	79%	(139)	(5%)
Total Liabilities and Shareholders' Equity	3,903	100%	3,437	100%	466	14%

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

Total Assets

As at the end of the 1st quarter of the year 2018, the consolidated financial statements of the Company presented total assets amounting to Baht 3,903 million, increased by Baht 466 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 1st quarter of this year consisted of cash and cash equivalents 16 percent, trade accounts receivable 9 percent, net inventories 7 percent and other current assets 3 percent, investment in associated companies and other companies 21 percent, property, plant and equipment 42 percent and other non-current assets 2 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 1st quarter of the year 2018 was Baht 639 million, increased from the end of previous year by Baht 214 million, as follow:

Cash used for operating activities was Baht 36 million. This mostly resulted from increased of trade accounts receivable, advance payment for goods and payment of other current liabilities in the 1st quarter of this year.

Cash used for investing activities was Baht 340 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 for expand investment in renewable energy.

Cash from financing activities was Baht 581 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 9 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 1st quarter of the year 2018 was Baht 362 million, increased from the end of previous year of Baht 53 million. Since some customers from furniture sales which revenue recognition in the end of the 1st quarter of this year. The balance of trade receivable at the end of the 1st quarter of the year 2018 of which 53% of such receivable was not yet due, 38% was overdue less than 3 months and 9% 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 1st quarter of this year, balance of allowance for doubtful account was Baht 5 million. The Company and its subsidiaries were of the opinion that such allowance were adequate. Receivable turnover rate at the end of the 1st quarter of the year 2018 was 4.57, 4.12 at the end of previous year. Average debt collection at the end of the 1st quarter of the year 2018 was 80 days, end of previous year was 89 days. Receivable turnover was increased and average debt collection period was decrease because revenue at the end of the 1st quarter of this year was decreased.

- Inventories balance at the end of the 1st quarter of the year 2018 was Baht 288 million, increased by Baht 1 million or increased 0.3 percent from the end of previous year. The inventory turnover rate at the end of the 1st quarter of the year 2018 was 4.17, and was 3.60 at the end of previous year. The increase caused by reduction in inventories balance.

- Investments at the end of the 1st quarter of the year 2018 were Baht 833 million, increased by Baht 9 million or increased 1 percent from the end of previous year. This was resulted from increase in profit on equity method from one associated company.

- Property, plant and equipment - net as at the end of the 1st quarter of the year 2018 was Baht 1,633 million, increased by Baht 264 million or increased 19 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.

- Non-current assets as at the end of the 1st quarter of the year 2018 was Baht 67 million, decreased by Baht 82 million or decreased 55 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 1st quarter of this year the consolidated financial statements of the Company presented total liabilities of Baht 1,328 million, increased by Baht 605 million or increased 84 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 1st quarter of this year, short term loan from other person was Baht 100 million. This was loan 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.

- As at the ended of the 1st quarter of this year, short term loan from related Company was Baht 58 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.

- As at the ended of the 1st quarter of this year, long term loan from financial institution due within one year was Baht 6 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.

- As at the ended of the 1st quarter of this year, long term loan from financial institution was Baht 796 million, increased by Baht 580 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.

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 2,575 million, as at the ended of previous year was Baht 2,714 million, decreased by Baht 139 million or decreased 5 percent. This was the 1st 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 1st quarter of this year was Baht 4.34 per share, end of previous year Baht 4.58 per share, decreased by Baht 0.23 per share or decreased 5 percent.

2.2 Liquidity and significant financial ratios

Statements of Cash flows for the three-month period ended March 31, 2018

Consolidated financial statements	Unit : Million Baht
Net cash from (used for) operating activities	(36)
Net cash from (used for) investing activities	(340)
Net cash from (used for) in financing activities	581
Exchange differences on translating foreign currency financial statement of indirect subsidiaries	9
Increase (Decrease) in cash and cash equivalents - net	214
Cash and cash equivalents at beginning of period	425
Cash and cash equivalents at end of period	639

Liquidity of the consolidated financial statement of the Company as at the end of the 1st quarter of this year, the Company held cash and cash equivalents amounting to Baht 639 million, Baht 425 million at the end of previous year. Cash flow increased by Baht 214 million, this was related to:

Cash used for operating activities was Baht 36 million. This mostly resulted from increased of trade accounts receivable amounting to Baht 53 million, advance payment for goods amounting to Baht 30 million and payment of other current liabilities in the 1st quarter of this year amounting to Baht 61 million.

Cash used for investing activities was Baht 340 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 218 million and use cash for land and property at Uthai Thani for expand investment in renewable energy amounting to Baht 28 million.

Cash from financing activities was Baht 581 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 9 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 2.36 times as at the end of previous year to 2.83 times as at the end of the 1st quarter of this year. The quick ratio was increased from 1.58 times as at the end of previous year to 2.07 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, the ratios were rather low between 0.52 and 0.27 times, respectively. The debt to equity ratio as at the end of the 1st quarter of this year was increased from the end of previous year, This was effect from loan borrowed 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