

August 15, 2017

Attn : The President
The Stock Exchange of Thailand

Subject : Management's Discussion and Analysis for the 2nd quarter ending 30 June 2017,
the changed performance was over 20 percent

As shown in the financial statements of the 2nd quarter for the three-month period ended 30 June 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 2nd quarter period ending 30 June 2017 as follows:

1. Operating Results

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

Consolidated F/S	The second quarter 2017		The second quarter 2016 (Restated)		Change	
	Million Baht	%	Million Baht		Million Baht	%
Domestic sales and services - net	375	96%	424	97%	(49)	(12%)
Export sales and services - net	16	4%	15	3%	1	7%
Total Revenues	391	100%	439	100%	(48)	(11%)
Domestic costs of sales and services	304		340		(36)	(11%)
Export costs of sales and services	15		13		2	15%
Total Costs of Sales and Services	319	82%	353	80%	(34)	(10%)
Domestic gross income	71		84		(13)	(15%)
Export gross income	1		2		(1)	(50%)
Total Gross Income	72	18%	86	20%	(14)	(16%)
Other income	10	3%	7	2%	3	43%
Selling and administrative expenses	(124)	(32%)	(167)	(38%)	43	26%
Income (Loss) from Operations	(42)	(11%)	(74)	(17%)	32	43%
Equity in net income of associated companies	10	3%	19	4%	(9)	(47%)
Financial costs	(10)	(3%)	(7)	(2%)	(3)	(43%)
Income (Loss) before Income Tax	(42)	(11%)	(62)	(14%)	20	32%
Income tax	(1)	(0.3%)	(1)	(0%)	0	0%
Non - controlling interests in subsidiaries	2	0.5%	2	(0%)	0	0%
Net Profit (Loss) of The Company's shareholders	(41)	(10%)	(61)	(14%)	20	33%
Net Profit (Loss) of The Company's per share (Baht)	(0.068)		(0.102)		0.034	33%

1.1 Analysis of Operating Results

For the 2nd quarter 2017, the consolidated financial statements of the Company's total revenues amounted to Baht 391 million, decreased by Baht 48 million or 11 percent from the same quarter of last year, resulted to the decrease of domestic sales of furniture, export sales of "LUCKY" Hi-tech Building System and decrease of 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 2nd quarter of this year amounted to Baht 391 million, decreased by Baht 48 million or 11 percent from the 2nd quarter of last year. This was mainly resulted from the decrease of domestic sales of furniture, export sales of "LUCKY" Hi-tech Building System and decrease of construction service. Total revenues of the 2nd 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 364 million, decreased by Baht 23 million or 6 percent from last year. This was resulted from the decrease of domestic sales of furniture from sales agent of the Company, sales amount of the subsidiary and sales of flood protection wall also decreased by Baht 47 million. Domestic sales of "Lucky" Hi-tech Building System increased by Baht 24 million, mostly resulted from Bathroom Pod.

- Revenues from export sales and services of furniture and "LUCKY" Hi-tech Building System amounted to Baht 16 million, increased by Baht 1 million or 7 percent from last year, resulted from the increase of export sales and services of furniture.

- Revenues from domestic sales and services of construction, in 2nd quarter there was 1 construction services amounted by Baht 11 million, decreased by Baht 26 million from the same quarter of last year which had 2 clients amounted at Bath 37 million.

Other Income

The consolidated financial statements of the Company's other income of the 2nd quarter of this year was increased by Baht 3 million, or 43 percent, mostly increased from loss of foreign currency exchange rate decrease from last year. Nevertheless, the profit and loss from foreign currency exchange rate was mostly resulted from the adjustable of Australian account receivable in accordance with the foreign currency exchange rate of Bank of Thailand, as at 30 June 2017, the foreign currency exchange rate was Baht 25.7830 per 1 Australian Dollars.

Cost of Sales and Expenses

- The consolidated financial statements of the Company's total cost of sales in the 2nd quarter of this year was Baht 319 million, decrease by Baht 34 million or 10 percent from the 2nd quarter of last year. For the ratio of total cost of sales to total revenue of the 2nd quarter of year 2017 and the 2nd quarter of year 2016 were 82 percent and 80 percent respectively.

- The consolidated financial statements of the Company's selling and administrative expenses in the 2nd quarter of 2017 amounted to Baht 124 million, decreased by Baht 43 million or 26 percent from last year, resulted from the 2nd quarter of last year, the Company had the administrative cost increased, they were legal advisor expenses amounted by Baht 31 million, regarding with account receivable of Australia has been unpaid for a long time and has been setting up provision expenses with interest amounted to Baht 19 million from the case of 1 subcontractor has accused to the Company, in the 2nd quarter 2017 the company did not have the costs mentioned. For the ratio of selling and administrative expenses per total revenue in the 2nd quarter of year 2017 and the 2nd quarter of year 2016 were 32 percent and 38 percent respectively.

- The consolidated financial statements of the Company's financial cost in the 2nd quarter of this year amounted to Baht 10 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.

- The consolidated financial statements of the Company's corporate income tax of the 2nd quarter 2017 were included deferred income tax recognized as expenses amounted to Baht 1 million and deferred tax expenses under the Revenue Code by Baht 1 million and corporate income tax of the 2nd quarter 2016 were included deferred income tax recognized as income amounted to Baht 4 million and deferred tax expenses under the Revenue code by Baht 1 million, net income tax recognized as income amounted to Baht 3 million.

Gross Profit

- The consolidated financial statements of the Company's gross profit in the 2nd quarter of 2017 amounted to Baht 72 million, decreased by Baht 14 million or 16 percent from the 2nd quarter of 2016. The gross profit of the 2nd quarter of 2017 and the 2nd quarter of 2016 were 18 percent and 20 percent respectively. The gross profit ratio was decreased because in the 2nd quarter of this year, sales of relatively low selling cost product that was domestic sales of furniture and revenue from construction services were decreased, resulted to gross profit decreased.

Net Profit (Loss)

- The consolidated financial statements of the Company's net loss in the 2nd quarter 2017 amounted at Baht 41 million, and the 2nd quarter of year 2016 amounted at Baht 61 million. Net loss of this year decreased from last year by Baht 20 million or decreased by 33 percent, because the 2nd quarter of last year, the Company had the administrative cost decreased, they were legal advisor expenses amounted by Baht 31 million, regarding with account receivable of Australia has been unpaid for a long time and has been setting up provision expenses with interest amounted to Baht 19 million from the case of 1 subcontractor has accused to the Company, in the 2nd quarter 2017 the company did not have the costs mentioned. Thus, the equity of profit of joint company in accordance with equity method decreased by Baht 9 million. Net loss of the 2nd quarter of year 2017 and 2016, were 10 percent and 14 percent respectively.

2. Financial positions

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

Consolidated F/S	30 June 2017		31 December 2016		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	241	7%	380	11%	(139)	(37%)
Trade accounts receivable - net	420	12%	461	12%	(41)	(9%)
Inventories - net	355	11%	404	11%	(49)	(12%)
Other current assets	52	2%	55	2%	(3)	(5%)
Total Current Assets	1,068	32%	1,300	36%	(232)	(18%)
Investments	808	24%	810	22%	(2)	(0%)
Property, plant and equipment - net	1,323	39%	1,344	37%	(21)	(2%)
Other non - current assets	171	5%	165	5%	6	4%
Total Non-Current Assets	2,302	68%	2,319	64%	(17)	(1%)
Total Assets	3,370	100%	3,619	100%	(249)	(7%)
Liabilities and Shareholders' Equity						
Short-term loans from financial institutions	195	6%	385	11%	(190)	(49%)
Short-term loans from others person	138	4%	103	3%	35	34%
Short-term loans from related company	47	1%	-	0%	47	100%
Long-term loans from financial institutions; due for 1 year	6	0%	6	0%	0	0%
Trade accounts payable	141	4%	174	5%	(33)	(19%)
Other current liabilities	136	4%	186	5%	(50)	(27%)
Total current Liabilities	663	20%	854	24%	(191)	(22%)
Long-term loans from financial institutions	219	6%	230	6%	(11)	(5%)
Liabilities for employee benefit obligations.	30	1%	30	1%	0	0%
Other non-current liabilities	25	0.7%	26	0.7%	(1)	(4%)
Total non-current liabilities	274	8%	286	8%	(12)	(4%)
Total liabilities	937	28%	1,140	32%	(203)	(18%)
Shareholders' equity to the Company's	2,242	67%	2,289	63%	(47)	(2.1%)
Shareholders' equity non-controlling interests' equity	191	6%	190	5%	1	1%
Total Shareholders' equity	2,433	72%	2,479	68%	(46)	(1.9%)
Total Liabilities and Shareholders' Equity	3,370	100%	3,619	100%	(249)	(7%)

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

Total Assets

As at the end of the 2nd quarter 2017, the consolidated financial statements of the Company's total assets amounted to Baht 3,370 million, decreased by Baht 249 million or 7 percent from last year as at 31 December 2016. This was mainly due to the decrease in cash and cash equivalents amounted to Baht 139 million resulting from short term loan and long term loan repayment.

As at the end of the 2nd quarter 2017, total assets of the consolidated financial statement of the Company were comprised as the followings;

- Cash and cash equivalents were 7 percent and 11 percent respectively.
- Trade accounts receivable were 12 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 2nd quarter 2017 amounted to Baht 241 million, decreased by Baht 139 million from last year as at 31 December 2016, net cash used in financing activities amounted to Baht 126 million resulted from the repayment of short term loan and long term loan used for Bang Phra Green Energy Co., Ltd. which was indirect subsidiary of the company to invest in solar farm in Japan cash used for operation activity amounted Baht 26 million and cash getting from investment activity amounted Baht 20 million, mostly resulted from the dividend paid of associated and subsidiaries.

Trade account receivable as at 30 June 2017 amounted to Baht 420 million which were current trade accounts receivable 66 percent, overdue trade account receivable less than or equivalent to 3 months at 20 percent, and trade accounts receivable over 3 months was 14 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 16 million who was trade account receivable from one Australian customer, for prefabricated building from special project amounted by Baht 15 million and others amounted by Baht 1 million, as the Company and subsidiary company has acknowledged that was sufficient. For the turnover of receivables as at 30 June 2017 were 4.31 times and 3.99 times from last year, and account receivable days as at the end of 2nd quarter of this year was 85 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 June 2017 the trade account receivables were decreased.

Inventories as at the end of 30 June 2017 amounted to Baht 355 million, decreased by Baht 49 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 2nd quarter of this year was 3.92 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 2nd quarter of this year amounted to Baht 808 million, decreased by Baht 2 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 2nd quarter 2017 amounted to Baht 1,323 million, decreased by Baht 21 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 2nd quarter of this year amounted to Baht 171 million, increased by Baht 6 million or 4 percent, mostly increased from restricted deposits with bank.

Total liabilities

As at the end of the 2nd quarter 2017, the consolidated financial statements of the Company had total liabilities amounted to Baht 937 million, decreased by Baht 203 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 2nd quarter of this year, amounted to Baht 195 million, decreased by Baht 190 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 2nd 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 2nd quarter of this year amounted Baht 47 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 2nd 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 2nd quarter was Baht 219 million, decreased by Baht 11 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 2nd quarter 2017, the consolidated financial statements of the Company's shareholders' equity amounted to Baht 2,433 million, while as at the end of last year amounted to Baht 2,479 million, decreased by Baht 46 million or 1.9 percent. This was resulted from the 1st quarter and the 2nd quarter of this year, the Company was loss.

Book value as at the end of 2nd quarter 2017 was Baht 4.10 per share, while as at 31 December 2016 was Baht 4.18 per share, decreased by Baht 0.08 per share or 1.9 percent

2.2 Liquidity and key financial ratios

Statements of cash flows for the six-month period ended 30 June 2017

Consolidated F/S	Unit : Million Baht
Net cash from (used for) operating activities	(26)
Net cash from (used for) investment activities	20
Net cash from (used for) financing activities	(126)
Exchange differences on translating foreign currency financial statement of indirect subsidiaries	(7)
Cash and cash equivalent increased (decreased)	(139)
Cash and cash equivalents at the beginning of period	380
Cash and cash equivalents at the end of period	241

Liquidity of the consolidated financial statement of the Company as at the end of 2nd quarter of this year, the balance cash amounted to Baht 241 million, while there was Baht 380 million from the end of last year, cash flow decreased from the previous year amounted to Baht 139 million, resulting from :

- Cash flow used for operating activities amounted to Baht 26 million, mostly from payment of interest of loan, from financial institutes, including advance payment and deposit money from clients.

- Cash flow from investing activities amounted to Baht 20 million, mainly from dividend received from associated company and subsidiary company amounted to Baht 38 million, and cash flow used in property, plant and equipment amounted to Baht 14 million.

- Cash flow from financing activities amounted Baht 126 million, mostly from repayment of short-term of loans and long term loan from financial institution amounted Baht 201 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 47 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 1.5 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 1.61 times as at the end of 2nd quarter of this year. The ratio of working capital was decreased from 0.98 times as at the end of last year to 1.00 times as at the end of 2nd 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 2nd 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 2nd 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