

February 28, 2018

Subject : Management's Discussion and Analysis for the year ended December 31, 2017,
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 for the year ended December 31, 2017. 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 year ended December 31, 2017 as follows:

1. Operating Results

Consolidated Statements of Comprehensive Income for the year ended December 31, 2017 and 2016

| Consolidated Financial Statements | For the year ended December 31, 2017 | | For the year ended December 31, 2016 | | Change | |
|-----------------------------------------------------------------------|-----------------------------------------|----------------|--------------------------------------------|---------------|---------------|--------------|
| | Million | % | Million | % | Million | % |
| Domestic sales and services | 1,516 | 96% | 1,829 | 96% | (313) | (17%) |
| Export sales and services | 69 | 4% | 74 | 4% | (5) | (7%) |
| Total Revenues | 1,585 | 100% | 1,903 | 100% | (318) | (17%) |
| Domestic costs of sales and services | 1,183 | | 1,408 | | (225) | (16%) |
| Export costs of sales and services | 62 | | 64 | | (2) | (3%) |
| Total Costs of Sales and Services | 1,245 | 79% | 1,472 | 77% | (227) | (15%) |
| Domestic gross income | 333 | | 421 | | (88) | (21%) |
| Export gross income | 7 | | 10 | | (3) | (30%) |
| Total Gross Income | 340 | 21% | 431 | 23% | (91) | (21%) |
| Other income | 56 | 4% | 80 | 4% | (24) | (30%) |
| Selling and administrative expenses | (490) | (31%) | (575) | (30%) | 85 | 15% |
| Profit (Loss) from Operations | (94) | (6%) | (64) | (3%) | (30) | (47%) |
| Profit in associated companies on equity method | 50 | 3% | 70 | 4% | (20) | (29%) |
| Finance costs | (1) | (0%) | (37) | (2%) | 36 | 97% |
| Profit (Loss) before Income Tax | (45) | (3%) | (31) | (2%) | (14) | (45%) |
| Income tax | (8) | (0.5%) | (3) | 0% | (5) | (167%) |
| Equity in non - controlling interests in subsidiaries | 6 | 0.4% | 3 | 0% | 3 | 100% |
| Net Profit (Loss) attributable to the Company | (47) | (2.97%) | (31) | (1.6%) | (16) | (51%) |
| Net Profit (Loss) per share attributable to the Company (Baht) | (0.08) | | (0.05) | | (0.03) | (51%) |

1.1 Analysis of overall Operating Results

For the year 2017, the consolidated financial statements of the Company presented total revenues amounting to Baht 1,585 million, decreased by Baht 318 million or 17 percent from previous year. Such change resulted from the decrease in domestic sales of furniture, decrease in export of “Lucky” hi-tech buildings and decrease in 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 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

The consolidated financial statements of the Company’s presented total revenues in this year amounting to Baht 1,585 million, decreased by Baht 318 million or 17 percent. This was mainly resulted from the decrease of domestic sales of furniture and export of “Lucky” hi-tech buildings and decrease in construction services. Total revenues in this year consisted of following income:

- Revenues from domestic sales of furniture, “LUCKY” Hi-tech Building System, and flood protection wall totaling Baht 1,486 million, decreased by Baht 199 million or 12 percent from previous year. This was resulted from the decrease of domestic sales of furniture by sales project and by sales agent.

- Revenues from export sales and services of furniture and “LUCKY” Hi-tech Building System totaling Baht 69 million, decreased by Baht 5 million or 7 percent from previous year. This was resulted from the decrease of export sales furniture.

- Revenues from domestic construction services of this year was Bath 30 million, decreased by Baht 114 million or 79 percent from previous year.

Other Income

The consolidated financial statements of the Company for this year presented other income decreasing from previous year by Baht 24 million, or 30 percent. This was mostly resulted from reduction in other income derived from fund supported by the Government of Japan, the Ministry of Environment (MOE) amounting to Baht 42 million in the JCM (Joint Crediting Mechanism) project. The JCM is a project aiming to generate electricity from solar cell rooftop installed at the roof of warehouse and office buildings to enhance reducing greenhouse gas.

Cost of Sales and Expenses

- The consolidated financial statements of the Company presented total cost of sales of this year amounting to Baht 1,245 million, decreased by Baht 227 million or 15 percent from previous year. This was mainly resulted from a decrease in total revenues. The ratio of total cost of sales to total revenue for the year 2017 and 2016 was 79 percent and 77percent, respectively.

- The consolidated financial statements of the Company presented selling and administrative expenses of this year amounting to Baht 490 million, decreased by Baht 85 million or 15 percent from previous year. The ratio of selling and administrative expenses to total revenues in the year 2017 and 2016 was 31 percent and 30 percent, respectively.

- The consolidated financial statements of the Company presented finance cost of this year amounting to Baht 1 million, decreased by Baht 36 million from previous year. This was mostly resulted from the loan interest expense. Since the Company has borrowed loan 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. This year, has included loan interest totaling Baht 40 million in “Land Building and Equipment-net”

Gross Profit

- The consolidated financial statements of the Company in the year 2017 presented gross profit amounting to Baht 340 million, decreased by Baht 91 million or 21 percent from previous year, this was mainly resulted from a decrease in total revenues. The gross profit ratio of the year 2017 and 2016 was 21 percent and 23 percent, respectively. The gross profit ratio in this year was decreasing because revenue of this group was decreasing significantly. Hence, average gross profit ratio of this year compared with previous year was decreased.

Net Profit (Loss)

- The consolidated financial statements of the Company presented net loss amounting to Baht 47 million in the year 2017, and Baht 31 million in 2016. Net loss of this year increased from previous year by Baht 16 million or increased by 51 percent. This resulted from significant decrease in total revenues. The fixed cost ratio was increased, accordingly. The net profit from associated companies on equity method was decreased by Baht 20 million. Net loss ratio for the year 2017 was 3 percent, 2016 was 2 percent.

2. Financial positions

Statements of Financial positions as at December 31, 2017 and 2016

| Consolidated financial statement | December 31, 2017 | | December 31, 2016 | | Change | |
|----------------------------------------------------------------|-------------------|-------------|-------------------|-------------|--------------|--------------|
| | Million | % | Million | % | Million | % |
| Assets | | | | | | |
| Cash and cash equivalents | 425 | 12% | 380 | 11% | 45 | 12% |
| Trade accounts receivable - net | 309 | 9% | 461 | 13% | (152) | (33%) |
| Inventories – net | 287 | 8% | 401 | 11% | (114) | (28%) |
| Other current assets | 65 | 2% | 55 | 2% | 10 | 18% |
| Total Current Assets | 1,086 | 32% | 1,297 | 36% | (211) | (16%) |
| Investments | 824 | 24% | 810 | 22% | 14 | 2% |
| Property, plant and equipment - net | 1,369 | 40% | 1,347 | 37% | 22 | 2% |
| Other non - current assets | 158 | 5% | 165 | 5% | (7) | (4%) |
| Total Non - Current Assets | 2,351 | 68% | 2,322 | 64% | 29 | 1% |
| Total Assets | 3,437 | 100% | 3,619 | 100% | (182) | (5%) |
| Liabilities and Shareholders' Equity | | | | | | |
| Short - term loans from financial institution | - | 0% | 385 | 11% | (385) | (100%) |
| Short-term loans from others person | 100 | 3% | 103 | 3% | (3) | (3%) |
| Short-term loans from related company | 57 | 2% | - | 0% | 57 | 100% |
| Long-term loans from financial institutions; due within 1 year | 6 | 0% | 6 | 0% | - | 0% |
| Trade accounts payable | 133 | 4% | 173 | 5% | (40) | (23%) |
| Other current liabilities | 168 | 5% | 186 | 5% | (18) | (10%) |
| Total Current Liabilities | 464 | 14% | 853 | 24% | (389) | (46%) |
| Long-term loans from financial institutions | 216 | 6% | 231 | 6% | (15) | (7%) |
| Employee benefits obligation | 22 | 1% | 30 | 1% | (8) | (27%) |
| Other non - current liabilities | 21 | 0.6% | 26 | 0.7% | (5) | (19%) |
| Total Non - Current Liabilities | 259 | 8% | 287 | 8% | (28) | 10%) |
| Total Liabilities | 723 | 21% | 1,140 | 32% | (417) | (37%) |
| Shareholders' equity to the Company's | 2,250 | 65% | 2,289 | 63% | (39) | (2%) |
| Shareholders' equity non-controlling interests' equity | 464 | 14% | 190 | 5% | 274 | 144% |
| Total Shareholders' equity | 2,714 | 79% | 2,479 | 68% | 235 | 9.5% |
| Total Liabilities and Shareholders' Equity | 3,437 | 100% | 3,619 | 100% | (182) | (5%) |

2.1 Analysis of the financial position of the Company and its subsidiaries as at December 31, 2017 and 2016

Total Assets

As at December 31, 2017, the consolidated financial statements of the Company presented total assets amounting to Baht 3,437 million, decreased by Baht 182 million or 5 percent from the end of December 31, 2016. This was mainly from the decrease in trade accounts receivable and ending inventories.

Total assets presented in the consolidated financial statements of the Company as at the end of this year consisted of cash and cash equivalents 12 percent, trade accounts receivable 9 percent, net inventories 8 percent and other current assets 2 percent, investment in associated companies and other companies 24 percent, properties, plant and equipment 40 percent and other non-current assets 5 percent. Whereby total assets at the end of previous year consisted of cash and cash equivalents 11 percent, trade accounts receivable 13 percent, net inventories 11 percent and other current assets 2 percent, investment in associated companies and other companies 22 percent, properties, plant and equipment 37 percent and other non-current assets 5 percent.

- Cash and cash equivalents at the end of the year 2017 was Baht 425 million, increased from the end of previous year by Baht 45 million. Where by cash of Baht 356 million was used in financing activities caused by loan repayment, both short term and long term borrowing from financial institution. The loan was 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. There was Cash of Baht 256 million received from investing activity. Such cash mainly generated by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company from sale of investment in solar cell farm project in Japan totaling Baht 288 million to the unrelated company. Cash derived from operating activities was Baht 119 million. Cash derived from difference in foreign currency translation of financial statements of the indirect subsidiary amounting to Baht 26 million. This was from investment in construction project of solar cell farm in Japan via Bangphra Green Energy Company Limited, an indirect subsidiary of the Company.

- Trade accounts receivable as at December 31, 2017 was Baht 309 million, decreased from the end of previous year of Baht 152 million owing to collection of long outstanding debt from one customer in Australia related to special project of “Lucky” hi-tech building. The balance of trade receivable at the end of 2017 totaling Baht 309 million of which 50% of such receivable was not yet due, 40% was overdue less than 3 months and 10% 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 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 this year was 4.12, 3.99 at the end of previous year. Average debt collection at the end of this year was 89 days, end of previous year was 91 days. Receivable turnover was increased and average debt collection period was decrease because balance of trade receivable at the end of this year was decreased.

- Inventories balance at the end of this year was Baht 287 million, decreased by Baht 114 million from previous year. This was resulted from decrease in inventories of one subsidiary, decrease in raw materials, decrease in work in process and decrease in finished products such as furniture and hi-tech building. The inventory turnover rate at the end of this year was 3.62, and was 4.06 at the end of previous year. The decrease caused by reduction in inventories balance.

- Investments at the ended of this year were Baht 824 million, increased by Baht 14 million or 2 percent net increase. This was resulted from increase in profit on equity method from one associated company.

- Property, plant and equipment - net as at the ended of this year was Baht 1,369 million, net increase from previous year of Baht 22 million or 2 percent. Partial increase was resulted from adjustment to remove loan interest from expenses to be capitalized in properties. Since the Company has borrowed loan 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. Loan interest of Baht 40 million was included in Property. Partial of decrease was resulted from depreciation of property and equipment for the year.

- Non-current assets as at the end of this year was Baht 158 million, decrease by Baht 7 million or 4 percent from previous year. This was mainly resulted from reduction in guarantee deposit with customer for completed work.

Total liabilities

As at the end of this year the consolidated financial statements of the Company presented total liabilities of Baht 723 million, decreased by Baht 417 million or 37 percent. This was mainly from reduction loan from financial institution.

- As at the ended of this year there was no balance of short term loan from financial institution. The Company has settled loan of Baht 385 million which was 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 this year short term loan from other person was Baht 100 million decrease by Baht 3 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 this year short term loan from related Company was Baht 57 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 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 this year long term loan from financial institution was Baht 216 million, decreased by Baht 15 million since there was some loan repayment. 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 this year the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,714 million, as at the ended of previous year was Baht 2,479 million, decreased by Baht 235 million or 9 percent. This was in this year there was net loss in the consolidated financial statements of the Company and increase in equity of non-controlling interests in subsidiaries.

Book value as at the ended of this year was Baht 4.58 per share, previous year Baht 4.18 per share, increased by Baht 0.40 per share or 9 percent.

2.2 Liquidity and significant financial ratios

Statements of Cash flows for the year ended December 31, 2017

| Consolidated financial statements | Unit : Million Baht |
|------------------------------------------------------------------------------------------------------|----------------------------|
| Net cash from (used for) operating activities | 119 |
| Net cash from (used for) investing activities | 256 |
| Net cash from (used for) in financing activities | (356) |
| Exchange differences on translating foreign currency financial statement of indirect subsidiaries | 26 |
| Decrease in cash and cash equivalents - net | 45 |
| Cash and cash equivalents at beginning of period | 380 |
| Cash and cash equivalents at end of period | 425 |

Liquidity of the consolidated financial statement of the Company as at the end of this year, the Company held cash and cash equivalents amounting to Baht 425 million, Baht 380 million at the end of previous year. Cash flow increased by Baht 45 million, this was related to:

- Cash flows received from operating activities amounting to Baht 119 million, mostly from trade account receivable and inventories.

- Cash flows received from investing activities amounting to Baht 256 million was mainly from sale of investment by subsidiary amounting to Baht 5 million. Bangphra Green Energy Company Limited, an indirect subsidiary of the Company has sold its investment in solar cell farm project in Japan at Baht 288 million to the unrelated company. Cash flows received from dividend income of associated and subsidiary company totaling Baht 38 million.

- Cash flows used in financing activities amounting to Baht 356 million, this was mainly used in repayment of long term and short term loan from financial institution totaling Baht 404 million. The loan was borrowed for providing to Bangphra Green Energy Company Limited an indirect subsidiary of the Company to use in solar farm project in Japan. Bangphra Green Energy Company Limited also borrowed loan from related company amounted to Baht 57 million to use in solar farm project in Japan. The Company has paid dividend to shareholders totaling Baht 6 million.

- Cash flow increased from difference in translation of foreign currency in financial statements of indirect subsidiary amounted to Baht 26 million, this resulted from the investment in solar farm project in Japan through Bangphra Green Energy Company Limited, an indirect subsidiary of the Company.

The current ratio was increased from 1.52 times as at the end of previous year to 2.34 times as at the end of this year. The ratio of working capital was increased from 0.99 times as at the end of previous year to 1.58 times as at the end 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 this year and previous year, the Company and its subsidiaries still maintained good ability for debt payment. Considering the ratio of liability to shareholders' equity, the ratios were rather low between 0.27 and 0.46 times, respectively. The ratio of liability to shareholders' equity as at the end of this year was decreased from previous year, this resulted from repayment of partial short term and long term loan from financial institution. The loan was borrowed to support investment expansion in renewable energy business.

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 appreciating 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)
Vice President
Siam Steel International Public Company Limited