

August 13, 2019

Subject : Management's Discussion and Analysis for the 2nd quarter ending June 30, 2019,
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, 2019. 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, 2019 as follows:

1. Operating Results

Consolidated Statements of Comprehensive Income for the three-month period ended June 30, 2019 and 2018

Consolidated Financial Statements	The Second quarter 2019		The Second quarter 2018		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales and services	612	100%	363	100%	249	69%
Construction services	0	0%	0	0%	0	0%
Total Revenues	612	100%	363	100%	249	69%
Costs of sales and services	445		303		142	47%
Costs of Construction services	0		0		0	0%
Total Costs of Sales and Services	445	73%	303	83%	142	47%
Sales and services gross income	167		60		107	178%
Construction services gross income	0		0		0	0%
Total Gross Income	167	27%	60	17%	107	178%
Other income	25	4%	47	13%	(22)	(47%)
Selling and administrative expenses	(162)	(26%)	(103)	(28%)	(59)	(57%)
Profit (Loss) from Operations	30	5%	4	1%	26	650%
Profit in associated companies on equity method	3	0%	11	3%	(8)	(73%)
Finance costs	(10)	(2%)	(1)	(0%)	(9)	(900%)
Profit (Loss) before Income Tax	23	4%	14	4%	9	64%
Income tax	(2)	(0%)	3	1%	(5)	(167%)
Equity in non - controlling interests in subsidiaries	(16)	(3%)	1	0%	(17)	(1,700%)
Net Profit (Loss) attributable to the Company	5	0.82%	18	4.96%	(13)	(69%)
Net Profit (Loss) per share attributable to the Company (Baht)	0.009		0.030		(0.021)	(69%)

1.1 Analysis of overall Operating Results

For the 2nd quarter of the year 2019, the consolidated financial statements of the Company presented total revenues amounting to Baht 612 million, increased by Baht 249 million or increased 69 percent from same quarter of previous year. Such change resulted from the increase in domestic sales of “Lucky” hi-tech buildings and renewable energy business. 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 612 million, increased by Baht 249 million or increased 69 percent from same quarter of previous year. This was mainly resulted from the increase in domestic sales of “Lucky” hi-tech buildings and renewable energy business. 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 489 million, increased by Baht 126 million or increased 35 percent from the 2nd quarter of previous year.

- Revenues from renewable energy business totaling Baht 123 million, increased by Baht 123 million or increased 100 percent from the 2nd quarter of previous year.

- Revenues from domestic construction services of this year has one job amounting to Bath 0.2 million, increased by Baht 0.2 million or increased 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 decreasing from the 2nd quarter of previous year by Baht 22 million, or decreased 47 percent. Because in the 2nd quarter of this year, the Company’s dividend income had decreased from 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 445 million, increased by Baht 142 million or increased 47 percent from the 2nd quarter of previous year. The ratio of total cost of sales to total revenue for the 2nd quarter of year 2019 and the 2nd quarter of year 2018 was 73 percent and 83 percent, respectively.

- The consolidated financial statements of the Company presented selling and administrative expenses of the 2nd quarter of this year amounting to Baht 162 million, increased by Baht 59 million or increased 57 percent from the 2nd quarter of previous year. This was mostly resulted from increases of transportation expense, installation expense for bathroom pods group and administrative expense for renewable energy business. The ratio of selling and administrative expenses to total revenues for the year 2019 in the 2nd quarter and year 2018 in the 2nd quarter was 26 percent and 28 percent, respectively.

- The consolidated financial statements of the Company presented finance cost for the 2nd quarter of this year amounting to Baht 10 million, increased by Baht 9 million from the 2nd quarter of previous year. This was resulted from construction of solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, completed construction in the 4th Quarter of 2018, so in the 2nd quarter of this year, the interest accrued from the loan for construction is recognized as an expense, from the former that was recognized as the cost of construction work.

Gross Profit

- The consolidated financial statements of the Company for the 2nd quarter of the year 2019 presented gross profit amounting to Baht 167 million, increased by Baht 107 million or increased 178 percent from the 2nd quarter of previous year, The gross profit ratio for the 2nd quarter of the year 2019 and the 2nd quarter of the year 2018 was 27 percent and 17 percent, respectively. The gross profit for the 2nd quarter in this year was increasing because the increase in domestic sales of “Lucky” hi-tech buildings and renewable energy business.

Net Profit (Loss)

- The consolidated financial statements of the Company presented net profit amounting to Baht 5 million for the 2nd quarter of the year 2019, and Baht 18 million for the 2nd quarter of the year 2018. Net profit of this year decreased from previous year by Baht 13 million or decreased by 69 percent. This resulted from selling and administrative expenses, finance costs and equity in non-controlling interests in subsidiaries increased. Net profit ratio for the 2nd quarter of the year 2019 was 0.82 percent, the 2nd quarter of the year 2018 was 4.96 percent.

2. Financial positions

Statements of Financial positions as at June 30, 2019 and December 31, 2018

Consolidated financial statement	June 30, 2019		December 31, 2018		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	876	17%	1,127	21%	(251)	(22%)
Trade accounts receivable - net	283	5%	258	5%	25	10%
Inventories – net	499	9%	384	7%	115	30%
Other current assets	242	5%	362	6%	(120)	(33%)
Total Current Assets	1,900	36%	2,131	39%	(231)	(11%)
Investments	821	16%	834	15%	(13)	(2%)
Property, plant and equipment - net	2,476	47%	2,432	45%	44	2%
Other non - current assets	66	1%	56	1%	10	18%
Total Non - Current Assets	3,363	64%	3,322	61%	41	1%
Total Assets	5,263	100%	5,453	100%	(190)	(3%)
Liabilities and Shareholders' Equity						
Short-term loans from related company	58	1%	54	1%	4	7%
Long-term loans from financial institutions; due within 1 year	82	2%	68	1%	14	21%
Trade accounts payable	150	3%	253	5%	(103)	(41%)
Other current liabilities	453	8%	509	9%	(56)	(11%)
Total Current Liabilities	743	14%	884	16%	(141)	(16%)
Long-term loans from financial institutions	1,608	30%	1,722	32%	(114)	(7%)
Employee benefits obligation	34	1%	33	1%	1	3%
Other non - current liabilities	29	1%	8	0%	21	263%
Total Non - Current Liabilities	1,671	32%	1,763	33%	(92)	(5%)
Total Liabilities	2,414	46%	2,647	49%	(233)	(9%)
Shareholders' equity to the Company's	2,513	48%	2,491	45%	22	1%
Shareholders' equity non-controlling interests' equity	336	6%	315	6%	21	7%
Total Shareholders' equity	2,849	54%	2,806	51%	43	2%
Total Liabilities and Shareholders' Equity	5,263	100%	5,453	100%	(190)	(3%)

2.1 Analysis of the financial position of the Company and its subsidiaries as at June 30, 2019 and December 31, 2018

Total Assets

As at the end of the 2nd quarter of the year 2019, the consolidated financial statements of the Company presented total assets amounting to Baht 5,263 million, decreased by Baht 190 million or decreased 3 percent from the end of December 31, 2018. This was mainly from the decrease in cash and cash equivalents.

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 17 percent, trade accounts receivable 5 percent, net inventories 9 percent and other current assets 5 percent, investment in associated companies and other companies 16 percent, property, plant and equipment 47 percent and other non-current assets 1 percent. Whereby total assets at the end of previous year consisted of cash and cash equivalents 21 percent, trade accounts receivable 5 percent, net inventories 7 percent and other current assets 6 percent, investment in associated companies and other companies 15 percent, property, plant and equipment 45 percent and other non-current assets 1 percent.

- Cash and cash equivalents at the end of the 2nd quarter of the year 2019 was Baht 876 million, decreased from the end of previous year by Baht 251 million, as follow:

- Cash used for operating activities was Baht 85 million. This mostly used for purchase inventory, pay creditors and pay current liabilities from construction of solar cell farm in Japan, which invested by an indirect subsidiary of the Company.

- Cash used for investing activities was Baht 117 million. This mostly used for land and property at Uthai Thani and Surat thani for expand investment in renewable energy.

- Cash from financing activities was Baht 83 million. This mostly resulted from long term loan's repayment for the Financial institutions in Japan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the purpose in business operations of solar cell farm in Japan.

- Cash from exchange differences on translating foreign currency financial statement of indirect subsidiaries was Baht 34 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 2019 was Baht 283 million, increased from the end of previous year of Baht 25 million. The balance of trade receivable at the end of the 2nd quarter of the year 2019 of which 76% of such receivable was not yet due, 20% was overdue less than 3 months and 4% 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 5 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 2019 was 7.61, 6.19 at the end of previous year. Average debt collection at the end of the 2nd quarter of the year 2019 was 48 days, end of previous year was 59 days. Receivable turnover was increased and average debt collection period was decrease because revenue at the end of the 2nd quarter of this year was increased.

- Inventories balance at the end of the 2nd quarter of the year 2019 was Baht 449 million, increased by Baht 115 million or increased 30 percent from the end of previous year. Mostly increased from products during the production of renewable energy groups for support the increasing production in the future. The inventory turnover rate at the end of the 2nd quarter of the year 2019 was 3.62, and was 4.20 at the end of previous year. The decrease from previous year caused by increase in the average inventory value.

- Investments at the end of the 2nd quarter of the year 2019 were Baht 821 million, decreased by Baht 13 million or decreased 2 percent from the end of previous year. This was resulted from decrease in profit on equity method after deduction of the dividend from one associated company.

- Property, plant and equipment - net as at the end of the 2nd quarter of the year 2019 was Baht 2,476 million, increased by Baht 44 million or increased 2 percent from the end of previous year. Mostly resulted from 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 2019 was Baht 66 million, increased by Baht 10 million or increased 18 percent from previous year. This was mainly resulted from retention receivables of the domestic sales of “Lucky” hi-tech buildings.

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 2,414 million, decreased by Baht 233 million or decreased 9 percent. Mostly decreased from trade accounts payable and long term loan from financial institution.

- As at the ended of the 2nd quarter of this year, short term loan from related companies was Baht 58 million. Most are loans of companies in the renewable energy group. Which is an indirect subsidiary of the company, loans from related companies to spend in the business.

- As at the ended of the 2nd quarter of this year, long term loan from financial institution due within one year was Baht 82 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 loans from financial institutions in Japan to invest in this project.

- As at the ended of the 2nd quarter of this year, other current liabilities was Baht 453 million, decreased by Baht 56 million from previous year. Caused by payment of liabilities arising from construction of solar cell farm project in Japan, which invested by indirect subsidiaries.

- As at the ended of the 2nd quarter of this year, long term loan from financial institution was Baht 1,608 million, decreased by Baht 114 million according to loan's repayment. This was loan from financial institutions in Japan, 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 2nd quarter of this year, the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,849 million, as at the ended of previous year was Baht 2,806 million, increased by Baht 43 million or increased 2 percent. Because in the 2nd quarter of this year, the consolidated financial statements of the company have a net profit.

Book value as at the ended of the 2nd quarter of this year was Baht 4.80 per share, end of previous year Baht 4.73 per share, increased by Baht 0.07 per share or increased 2 percent.

2.2 Liquidity and significant financial ratios

Statements of Cash flows for the six-month period ended June 30, 2019

Consolidated financial statements	Unit : Million Baht
Net cash from (used for) operating activities	(85)
Net cash from (used for) investing activities	(117)
Net cash from (used for) in financing activities	(83)
Exchange differences on translating foreign currency financial statement of indirect subsidiaries	34
Increase (Decrease) in cash and cash equivalents - net	(251)
Cash and cash equivalents at beginning of period	1,127
Cash and cash equivalents at end of period	876

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 876 million, Baht 1,127 million at the end of previous year. Cash flow decreased by Baht 251 million, this was related to:

Cash used for operating activities was Baht 85 million. This mostly resulted from increased of trade accounts receivable amounting to Baht 28 million, Inventories increased amounting to Baht 106 million, repayment of general creditors amounting to Baht 86 million, advance payment for goods amounting to Baht 45 million and payment of other current liabilities amounting to Baht 136 million.

Cash used for investing activities was Baht 117 million. This mostly use for land and property at Uthai Thani and Surat Thani for expand investment in renewable energy amounting to Baht 138 million.

Cash from financing activities was Baht 83 million. This mostly resulted from long term loan's repayment for the Financial institutions in Japan for Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, for the purpose in business operations of solar cell farm in Japan.

Cash from exchange differences on translating foreign currency financial statement of indirect subsidiaries was Baht 34 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 2.41 times as at the end of previous year to 2.56 times as at the end of the 2nd quarter of this year. The quick ratio was decreased from 1.57 times as at the end of previous year to 1.56 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, Showing 0.94 times at the end of previous year to 0.85 times at the end of the 2nd quarter of this year. The debt to equity ratio as at the end of the 2nd quarter of this year was decreased from the end of previous year, This was effect from the amount of creditors and long term loan from financial institution decreased from the end of the previous year, together with the increase in shareholders' equity from net profit in the second quarter of this year.

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