

November 12, 2018

Subject : Management's Discussion and Analysis for the 3rd quarter ending September 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 3rd quarter for the three-month period ended September 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 3rd quarter period ending September 30, 2018 as follows:

1. Operating Results

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

| Consolidated Financial Statements | The Third quarter 2018 | | The Third quarter 2017 | | Change | |
|---|------------------------|-------------|------------------------|-------------|--------------|-------------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Domestic sales and services | 463 | 97% | 316 | 95% | 147 | 47% |
| Export sales and services | 12 | 3% | 16 | 5% | (4) | (25%) |
| Total Revenues | 475 | 100% | 332 | 100% | 143 | 43% |
| Domestic costs of sales and services | 348 | | 238 | | 110 | 46% |
| Export costs of sales and services | 9 | | 15 | | (6) | (40%) |
| Total Costs of Sales and Services | 357 | 75% | 253 | 76% | 104 | 41% |
| Domestic gross income | 115 | | 78 | | 37 | 47% |
| Export gross income | 3 | | 1 | | 2 | 200% |
| Total Gross Income | 118 | 25% | 79 | 24% | 39 | 49% |
| Other income | 12 | 3% | 13 | 4% | (1) | (8%) |
| Selling and administrative expenses | (107) | (23%) | (112) | (34%) | 5 | 4% |
| Profit (Loss) from Operations | 23 | 5% | (20) | (6%) | 43 | 215% |
| Profit in associated companies on equity method | 9 | 2% | 11 | 3% | (2) | (18%) |
| Finance costs | (1) | (0%) | (11) | (3%) | 10 | 91% |
| Profit (Loss) before Income Tax | 31 | 7% | (20) | (6%) | 51 | 225% |
| Income tax | (2) | (0%) | 1 | 0% | (3) | (300%) |
| Equity in non - controlling interests in subsidiaries | 1 | 0% | 2 | 1% | (1) | (60%) |
| Net Profit (Loss) attributable to the Company | 30 | 6% | (17) | (5%) | 47 | 276% |
| Net Profit (Loss) per share attributable to the Company (Baht) | 0.050 | | (0.028) | | 0.078 | 276% |

1.1 Analysis of overall Operating Results

For the 3rd quarter of the year 2018, the consolidated financial statements of the Company presented total revenues amounting to Baht 475 million, increased by Baht 143 million or increased 43 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 3rd quarter of this year, The consolidated financial statements of the Company’s presented total revenues amounting to Baht 475 million, increased by Baht 143 million or increased 43 percent. This was mainly resulted from the increase in domestic sales of furniture, domestic sales of “Lucky” hi-tech buildings and domestic construction services. Total revenues in the 3rd 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 443 million, increased by Baht 127 million or increased 40 percent from the 3rd quarter of previous year. This was resulted from the increase 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.

- Revenues from domestic construction services of this year, increased by Baht 20 million or increased 100 percent from the 3rd quarter of previous year.

Other Income

The consolidated financial statements of the Company for the 3rd quarter of this year presented other income decreasing from the 3rd quarter of previous year by Baht 1 million, or decreased 8 percent. This was mostly resulted from other services income.

Cost of Sales and Expenses

- The consolidated financial statements of the Company presented total cost of sales for the 3rd quarter of this year amounting to Baht 357 million, increased by Baht 104 million or increased 41 percent from the 3rd quarter of previous year. The ratio of total cost of sales to total revenue for the 3rd quarter of year 2018 and the 3rd quarter of year 2017 was 75 percent and 76 percent, respectively.

- The consolidated financial statements of the Company presented selling and administrative expenses of the 3rd quarter of this year amounting to Baht 107 million, decreased by Baht 5 million or decreased 4 percent from the 3rd quarter of previous year. This was mostly resulted from decreases of salary expenses, promotion expenses and bad debt from account receivables. The ratio of selling and administrative expenses to total revenues for the year 2018 in the 3rd quarter and year 2017 in the 3rd quarter was 23 percent and 34 percent, respectively.

- The consolidated financial statements of the Company presented finance cost for the 3rd quarter of this year amounting to Baht 1 million, decreased by Baht 10 million from the 3rd 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 3rd quarter of the year 2018 presented gross profit amounting to Baht 118 million, increased by Baht 39 million or increased 49 percent from the 3rd quarter of previous year, The gross profit ratio for the 3rd quarter of the year 2018 and the 3rd quarter of the year 2017 was 25 percent and 24 percent, respectively. The gross profit ratio for the 3rd quarter in this year was increasing because the company have sales increased and high margin in some project sales.

Net Profit (Loss)

- The consolidated financial statements of the Company presented net profit amounting to Baht 30 million for the 3rd quarter of the year 2018, and loss Baht 17 million for the 3rd quarter of the year 2017. Net profit of this year increased from previous year by Baht 47 million or increased by 276 percent. This resulted from increase in total revenues from sales of furniture, "LUCKY" Hi-tech Building System and domestic construction services. Combine with decrease in selling and administrating expenses include salary expenses, promotion expenses and bad debt from account receivables. 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 3rd quarter of the year 2018 was 6 percent, net loss ratio for the 3rd quarter of the year 2017 was 5 percent.

2. Financial positions

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

| Consolidated financial statement | September 30, 2018 | | December 31, 2017 | | Change | |
|--|-----------------------|-------------|----------------------|-------------|-----------------|------------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Assets | | | | | | |
| Cash and cash equivalents | 636 | 14% | 425 | 12% | 211 | 50% |
| Trade accounts receivable - net | 321 | 7% | 309 | 9% | 12 | 4% |
| Inventories – net | 393 | 9% | 287 | 8% | 106 | 37% |
| Other current assets | 281 | 6% | 65 | 3% | 216 | 332% |
| Total Current Assets | 1,631 | 36% | 1,086 | 32% | 545 | 50% |
| Investments | 830 | 19% | 824 | 24% | 6 | 1% |
| Property, plant and equipment - net | 1,940 | 44% | 1,369 | 40% | 571 | 42% |
| Other non - current assets | 56 | 1% | 158 | 4% | (102) | (65%) |
| Total Non - Current Assets | 2,826 | 64% | 2,351 | 68% | 475 | 20% |
| Total Assets | 4,457 | 100% | 3,437 | 100% | 1,020 | 30% |
| Liabilities and Shareholders' Equity | | | | | | |
| Short-term loans from others person | 0 | 0% | 100 | 3% | (100) | (100%) |
| Short-term loans from related company | 77 | 2% | 57 | 2% | 20 | 35% |
| Long-term loans from financial institutions; due within 1 year | 36 | 1% | 6 | 0% | 30 | 500% |
| Trade accounts payable | 176 | 4% | 133 | 4% | 43 | 32% |
| Other current liabilities | 260 | 6% | 168 | 5% | 92 | 55% |
| Total Current Liabilities | 549 | 13% | 464 | 14% | 85 | 18% |
| Long-term loans from financial institutions | 1,261 | 28% | 216 | 6% | 1,045 | 484% |
| Employee benefits obligation | 17 | 0% | 22 | 1% | (5) | (23%) |
| Other non - current liabilities | 15 | 0% | 21 | 1% | (6) | (29%) |
| Total Non - Current Liabilities | 1,293 | 28% | 259 | 8% | 1,034 | 399% |
| Total Liabilities | 1,842 | 41% | 723 | 21% | 1,119 | 155% |
| Shareholders' equity to the Company's | 2,297 | 52% | 2,250 | 65% | 47 | 2% |
| Shareholders' equity non-controlling interests' equity | 318 | 7% | 464 | 14% | (146) | (31%) |
| Total Shareholders' equity | 2,615 | 59% | 2,714 | 79% | (99) | (4%) |
| Total Liabilities and Shareholders' Equity | 4,457 | 100% | 3,437 | 100% | 1,020 | 30% |

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

Total Assets

As at the end of the 3rd quarter of the year 2018, the consolidated financial statements of the Company presented total assets amounting to Baht 4,457 million, increased by Baht 1,020 million or increased 30 percent from the end of December 31, 2017. This was mainly from the increase in cash and cash equivalents, other current assets and property, plant and equipment.

Total assets presented in the consolidated financial statements of the Company as at the end of the 3rd quarter of this year consisted of cash and cash equivalents 14 percent, trade accounts receivable - net 7 percent, net inventories 9 percent and other current assets 6 percent, investment in associated companies and other companies 19 percent, property, plant and equipment 44 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 3rd quarter of the year 2018 was Baht 636 million, increased from the end of previous year by Baht 211 million, as follow:

Cash used for operating activities was Baht 9 million. This mostly resulted from increased of net inventories and advance payment and deposit for “LUCKY” Hi-tech Building System.

Cash used for investing activities was Baht 867 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 1,077 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 10 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 3rd quarter of the year 2018 was Baht 321 million, increased from the end of previous year of Baht 12 million. The balance of trade receivable at the end of the 3rd quarter of the year 2018 of which 65% of such receivable was not yet due, 31% 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 3rd quarter of this year, balance of allowance for doubtful account was Baht 6 million. The Company and its subsidiaries were of the opinion that such allowance were adequate. Receivable turnover rate at the end of the 3rd quarter of the year 2018 was 5.24, 4.12 at the end of previous year. Average debt collection at the end of the 3rd quarter of the year 2018 was 70 days, end of previous year was 89 days. Receivable turnover was increased and average debt collection period was decrease because increased revenue and decreased average trade accounts receivable at the end of the 3rd quarter of this year.

- Inventories balance at the end of the 3rd quarter of the year 2018 was Baht 393 million, increased by Baht 106 million or increased 37 percent from the end of previous year, mostly result from work in progress of renewable energy group. The inventory turnover rate at the end of the 3rd quarter of the year 2018 was 3.78, and was 3.60 at the end of previous year. The increase caused by increased sales.

- Other current assets at the end of the 3rd quarter of the year 2018 was Baht 281 million, increased by Baht 216 million or increased 332 percent, mostly result from classification of unused assets to property foreclosed.

- Investments at the end of the 3rd quarter of the year 2018 was Baht 830 million, increased by Baht 6 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 3rd quarter of the year 2018 was Baht 1,940 million, increased by Baht 571 million or increased 42 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 3rd quarter of the year 2018 was Baht 56 million, decreased by Baht 102 million or decreased 65 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 3rd quarter of this year the consolidated financial statements of the Company presented total liabilities of Baht 1,842 million, increased by Baht 1,119 million or increased 155 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 3rd 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 3rd quarter of this year, short term loan from related Company was Baht 77 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 3rd quarter of this year, long term loan from financial institution due within one year was Baht 36 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 3rd quarter of this year, long term loan from financial institution was Baht 1,261 million, increased by Baht 1,045 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 3rd quarter of this year, the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,615 million, as at the ended of previous year was Baht 2,714 million, decreased by Baht 99 million or decreased 4 percent. This was the 3rd 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 3rd quarter of this year was Baht 4.41 per share, end of previous year Baht 4.58 per share, decreased by Baht 0.17 per share or decreased 4 percent.

2.2 Liquidity and significant financial ratios

Statements of Cash flows for the nine-month period ended September 30, 2018

| Consolidated financial statements | Unit : Million Baht |
|--|----------------------------|
| Net cash from (used for) operating activities | (9) |
| Net cash from (used for) investing activities | (867) |
| Net cash from (used for) in financing activities | 1,077 |
| Exchange differences on translating foreign currency financial statement of indirect subsidiaries | 10 |
| Increase (Decrease) in cash and cash equivalents - net | 211 |
| Cash and cash equivalents at beginning of period | 425 |
| Cash and cash equivalents at end of period | 636 |

Liquidity of the consolidated financial statement of the Company as at the end of the 3rd quarter of this year, the Company held cash and cash equivalents amounting to Baht 636 million, Baht 425 million at the end of previous year. Cash flow increased by Baht 211 million, this was related to:

Cash used for operating activities was Baht 9 million. This mostly resulted from increased of inventories-net amounting to Baht 140 million. Increased of advance payment and deposit of goods from finished bathroom amounting to Baht 69 million.

Cash used for investing activities was Baht 867 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 684 million and use cash for land and property at Uthai Thani and Surat Thani for expand investment in renewable energy amounting to Baht 44 million and solar cell farm project in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, Refund to Japanese investor which were unrelated company amounting to Baht 150 million.

Cash from financing activities was Baht 1,077 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 10 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 2.97 times as at the end of the 3rd quarter of this year. The quick ratio was increased from 1.58 times as at the end of previous year to 1.74 times as at the end of the 3rd 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 3rd 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 0.70 and 0.27 times, respectively. The debt to equity ratio as at the end of the 3rd 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