

May 16, 2016

Attn : The President
The Stock Exchange of Thailand

Subject : Management's Discussion and Analysis for the first quarter period, ending 31 March 2016
The result of performance has changed more than 20 percent.

As shown in the financial statements of the first quarter for the three-month period ended March 31, 2016 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 first quarter period ending March 31, 2016 as the following:

1. Operating Results

Statements of Comprehensive Income for the three-month period ended 31 March 2016 and 2015

Consolidated F/S	The first quarter 2016		The first quarter 2015		Change Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic sales and services - net	418	97%	380	92%	38	10%
Export sales and services - net	11	3%	35	8%	(24)	(69%)
Total Revenues	429	100%	415	100%	14	3%
Domestic costs of sales and services	309		287		22	8%
Export costs of sales and services	9		34		(25)	(74%)
Total Costs of sales and services	318	74%	321	77%	(3)	(1%)
Domestic gross income	109		93		16	17%
Export gross income	2		1		1	100%
Total Gross income	111	26%	94	23%	17	18%
Other income	11	3%	(3)	(1%)	14	467%
Selling and administrative expenses	(123)	(29%)	(113)	(27%)	(10)	(9%)
Profit (loss) from operations	(1)	(0.2%)	(22)	(5%)	21	95%
Equity in net income of associated companies	20	5%	14	3%	6	43%
Financial costs	(7)	2%	(0.2)	(0.05%)	(7)	(3400%)
Income before income tax	12	3%	(8)	(2%)	20	246%
Income tax	(2)	(0.5%)	(4)	(1%)	2	50%
Non - controlling interests in subsidiaries	(1)	(0.2%)	(4)	(1%)	3	75%
Net profit (loss) of the Company's shareholders	9	2%	(16)	(4%)	25	156%
Net profit of the Company's per share (Baht)	0.015		(0.028)		0.043	156%

1.1 Analysis of Operating Results

As the first quarter 2016, the consolidated financial statements of the Company's total revenues were amounted to Baht 429 million, increased by Baht 14 million or 3 percent from the same quarter last year. This was due to the increase of domestic sales of furniture and construction services. However, the Company still has the action plans of human resources development in aspect of marketing and production, as well as development of new products to response to customer's needs and to increase sales volume, including the expansion of renewable energy investment to get stable income in future, thus, revenues should be increased.

Total Revenue

The consolidated financial statements of the Company's total revenue in the first quarter of this year was Baht 429 million, increased by Baht 14 million or 3 percent from last year. This was mostly resulted from the increase of domestic sales of furniture and construction services. Total revenues of the first quarter of this year were as per the following:

- Revenue from domestic sales and services of furniture, "Lucky" Hi-tech Building System, and flood protection wall amounted by Baht 380 million, increased by Baht 7 million or 2 percent from the same quarter last year. This was due to the increase of domestic sales of furniture.

- Revenue from export sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 11 million, decreased by Baht 24 million or 69 percent from the same quarter last year. This was due to the decrease of export sales and services of "Lucky" Hi-tech Building System of special project.

- Revenue from domestic sales and services of 2 construction services amounted by Baht 38 million, increased by Baht 31 million from the same quarter last year. In the first quarter of last year, there was only 1 construction service.

Other Income

The consolidated financial statements of the Company's other income in the first quarter of this year was increased by Baht 14 million, or 467 percent from the same quarter last year. Most of them that were increased this year resulted from the company had loss the foreign currency exchange rate by Baht 12 million from last year. While in this year, there was profit from foreign currency exchange rate by Baht 3 million. However, the profit and loss of foreign currency exchange rate were mainly resulted from the adjustment of receivable account of Australia in accordance to foreign currency exchange rate of Bank of Thailand. As at 31 March 2015, foreign currency exchange rate was Baht 24.5609 per 1 Australian Dollar, and as at 31 March 2016, foreign currency exchange rate was Baht 26.5937 per 1 Australian dollar, and some of other revenue was increased from the receivable interest from the short term loan of indirect subsidiary company.

Cost and Expenses

- The consolidated financial statements of the Company's total cost of sales in the first quarter 2016 was Baht 318 million, decreased by Baht 3 million or 1 percent from the first quarter of last year. Although total revenue increased, from the first quarter of year 2016, there were some items of domestic sales getting rarely low, as well as cost control was getting rarely low, and the cost control was getting more effectively. The ratio of total cost of sales per total revenue in the first quarter 2016 and 2015 was 74 and 77 respectively.

- The consolidated financial statements of the Company's selling and administrative expenses in the first quarter 2016 was Baht 123 million, increased by Baht 10 million or 9 percent from the first quarter last year. Because in the first quarter of this year, there was subsidiary of renewable energy has been recognized the expenses of renewable energy. For the ratio of selling and administrative expenses per total revenue in the first quarter of year 2016 and 2015 were 29 and 27 respectively.

- The consolidated financial statements of the Company's financial cost in the first quarter of 2016 was Baht 7 million, increased by Baht 7 million from last year. This was resulted from the interest of short term loan to expand in the renewable energy business and the installation of Solar Cell Rooftop Panel at the Company, and the interest of long term loan used for the business expansion for the renewable energy business

- The consolidated financial statements of the Company's corporate income tax in the first quarter 2016 included current tax expenses under the Revenue Code amounted to Baht 1 million and deferred tax expenses amounted to Baht 1 million, net deferred tax was recognized in expenses amounted to Baht 2 million. In the first quarter 2015, corporate income tax included current tax expenses under the Revenue Code amounted to Baht 2 million and deferred tax expenses amounted to Baht 2 million, net deferred income tax was recognized in expenses amounted to Baht 4 million,

Gross Profit

The consolidated financial statements of the Company's gross profit in the first quarter 2016 was Baht 111 million, increased by Baht 17 million or 18 percent from the first quarter of last year. The gross profit ratio in the first quarter 2016 and 2015 represented 26 and 23 respectively. The reason of increase in gross profit in the first quarter in this year was the domestic sales had low total cost of sales, therefore Gross Profit was increased including total cost of sales were decreased result from the effective restriction of total cost.

Net Profit (Loss)

The consolidated financial statements of the Company's net profit in the first quarter 2016 was Baht 9 million. In the first quarter 2015, there was net loss Baht 16 million. In this year, the net profit was increased from last year Baht 25 million or 156 percent resulting from the gross profit were increased Bath 17 million. The reason of increase in gross profit in the first quarter in this year was the domestic sales had low total cost of sales, therefore Gross Profit was increased including total cost of sales were decreased result from the effective restriction of total cost, and the equity in net income of associated companies increased Bath 6 million. Net profit of the first quarter 2016 was 2 percent ,and Net loss of the first quarter 2015 was 4 percent.

2. Financial Positions

Statements of Financial positions as at 31 March 2016 and 31 December 2015

Consolidated F/S	31 March 2016		30 December 2015		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	316	9%	379	12%	(63)	(17%)
Trade accounts receivable - net	426	12%	492	16%	(66)	(13%)
Inventories - net	365	10%	324	10%	41	13%
Other current assets	57	2%	40	1%	17	43%
Total Current Assets	1,164	33%	1,235	40%	(71)	(6%)
Investments	1,333	38%	766	25%	567	74%
Property, plant and equipment - net	764	22%	748	24%	16	2%
Other non - current assets	231	7%	339	11%	(108)	(32%)
Total Non - Current Asset	2,328	67%	1,853	60%	475	26%
Total Assets	3,492	100%	3,088	100%	404	13%
Liabilities and Shareholders' Equity						
Short – term loans from financial institution	264	8%	24	1%	240	1000%
Short – term loans from related party	103	3%	-	-	103	100%
Trade accounts receivable	190	5%	161	5%	29	18%
Other current liabilities	174	5%	154	5%	21	13%
Total Current Liabilities	731	21%	339	11%	392	116%
Long loan from financial institutes	200	6%	200	6%	0	0%
Employee benefits obligation	25	1%	24	1%	1	4%
Other non - current liabilities	3	0%	2	0%	1	50%
Total Non – Current Liabilities	228	7%	226	7%	2	1%
Total Liabilities	959	27%	565	18%	394	70
Shareholders' equity to the Company's	2,344	67%	2,335	76%	95	0.4%
Shareholders' equity non-controlling interests' equity	189	5%	188	6%	1	1%
Total Shareholders' equity	2,533	73%	2,523	82%	10	0.4%
Total Liabilities and Shareholders' Equity	3,492	100%	3,088	100%	404	13%

2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 31 March 2016 and 31 December 2015

Total Assets

As at the end of the first quarter 2016, the consolidated financial statements of the Company had total assets of Baht 3,492 million which increased by Baht 404 million or 13 percent from the end of last year. This was mainly due to the increase investment in solar power plant project in Japan of Bang Phra Green Energy Co., Ltd. which was an indirect subsidiary of the company amounted Baht 547 million.

As at the end of the first quarter in this year, the total assets of the consolidated financial statement of the Company were comprised of the following items;

- Cash and cash equivalents were 9 percent
- Trade accounts receivable were 12 percent
- Inventories were 10 percent
- Other current assets were 2 percent
- Investment in the associated companies and other companies and investment in solar power plant project were 38 percent
- Property, plant and equipment were 22 percent
- Other non-current assets were 7 percent

While total assets of the consolidated financial statement of the Company at the end of last year were comprised of the following items;

- Cash and cash equivalents were 12 percent
- Trade accounts receivable were 16 percent
- Inventories were 10 percent
- Other current assets were 1 percent
- Investment in the associated companies and other companies were 25 percent
- Property, plant and equipment were 24 percent
- Other non-current assets were 11 percent

- Cash and cash equivalents at the end of the first quarter 2016 was Baht 316 million, decreased by Baht 63 million from the end of last year. This was due to Bang Phra Green Energy company which was indirect subsidiary of the company utilized cash for investing activities that were in advance expenses of solar energy of Project solar energy power plant in Japan amounted Baht 455 million. Cash was obtained by short term loan from financial institute and related parties increasing for Baht 343 million in order that Bang Phra Green Energy which was an indirect subsidiary of the company utilized for payment of Project solar energy power plant.

- Trade accounts receivable as at the end of the first quarter 2016 was Baht 426 million which were current trade accounts receivable 53 percent, over due trade accounts receivable less than or equivalent 3 months at 16 percent, and trade accounts receivable over 3 months at 31 percent. However, trade accounts receivable by the Company, subsidiaries and its joint ventures have been followed closely the collections. Some debtors that have been in the process of debt collection would be considered the allowance for doubtful accounts. Thus, as at the end of the first quarter this year the allowance for doubtful accounts was Baht 45 million from one of Australia's trade account receivables, "LUCKY" Hitech Building System from special project was Baht 44 million, and others Baht 1 million. The Company, subsidiaries and its joint ventures considered that it was sufficient. For the receivable turnover times as at the end of the first quarter this year were 3.92 and 3.81 from last year, and account receivable days as at the end of the first quarter this year were 93, while 96 from last year. The receivable turnover times was increased, account receivable days were decreased due to as at the end of the first quarter this year, the income was increased but the balance of trade accounts receivable was decreased.

- Inventories as at the end of the first quarter this year were Baht 365 million, increased by Baht 41 million from the end of last year or increased by 13 percent. This was due to one of subsidiaries had increasing left finished product and some was increased from left raw material and product during production of furniture and "Lucky" Hi-tech Building System. The inventory turnover rate was 4.10 as at the end of first quarter and 3.97 as at the end of last year, increased from last year due to cost of sales was decreased while the revenue increased.

- Investments as at the end of first quarter were Baht 1,333 million, increased by Baht 567 million or 74 percent. This were due to the increase of investment in solar power plant project in Japan of Bang Phra Green Energy Co., Ltd. which was an indirect subsidiary of the company amounted Baht 547 million, and increase in equity in net income of one associated company.

- Property, plant and equipment - net as at the end of first quarter was Baht 764 million, increased by Baht 16 million or 2 percent. This was due to the increase in equipment during installation Solar Cell roof which was the equipment for transforming solar energy to electrical energy for utilizing within the company and due to the depreciation of plant and equipment for the period.

- Other non - current assets as at the end of first quarter were Baht 231 million, decreased by Baht 108 million or 32 percent. This was due to the decrease in long-term loans to indirect subsidiary of the company of Bang Phra Green Energy company which was indirect subsidiary of the company. The consolidated financial statements of the Company's was not present and The separate financial statements of the Company's was present in current assets due to contract term loan balance is less than 1 year.

Total liabilities

As at the end of the first quarter this year, the consolidated financial statements of the Company had total liabilities of Baht 959 million, increased by Baht 394 million from last year or 70 percent mostly due to the increase of short-term loan from financial institute and related party.

- Short-term loan from financial institute at the end of the first quarter this year was Baht 264 million, increased by Baht 240 million which the company loaned Baht 40 million for installation Solar cell roof at the company and loaned Baht 200 million for Bang Phra Green Energy company which was indirect subsidiary of the company to expense of the Project solar energy power plant in Japan and

- Short-term loan from related party at the end of the first quarter this year was Baht 103 million, increased from loan of Bang Phra Green Energy company which was indirect subsidiary of the company to expense of the Project solar energy power plant in Japan.

Shareholders' equity

As at the end of the first quarter this year, the consolidated financial statements of the Company had the shareholders' equity of Baht 2,533 million, while as at the end of last year was Baht 2,523 million, increased by Baht 10 million or 0.4 percent. This was resulted from the first quarter of this year, the consolidated financial statements of the Company had net profit amounted Baht 9 million and the equity of uncontrolled subsidiaries was increased Baht 1 million.

Book value as at the end of the first quarter this year was Baht 4.27 per share, while as at the end of last year was Baht 4.25 per share, increased by baht 0.02 per share or 0.4 percent from the previous year.

2.2 Liquidity and key financial ratios

Statements of Cash flows for the three-month period ended 31 March 2016

Consolidated F/S	Unit : Million Baht
Net cash provided from (used in) operating activities	64
Net cash provided from (used in) investing activities	(470)
Net cash provided from (used in) financing activities	343
Increase (Decrease) in cash and cash equivalents - net	(63)
Cash and cash equivalents at beginning of period	379
Cash and cash equivalents at end of period	316

Liquidity of the consolidated financial statement of the Company as at the end of the first quarter had balance cash and cash equivalents at the end of period was Baht 316 million while as at the end of last year was Baht 379 million, cash flow decreased by Baht 63 million, this was mainly due to :-

- Cash flows provided from operating activities were Baht 64 million, mostly from profit before income tax and advances and deposits from customers.

- Cash flows used in investing activities were Baht 470 million, mostly from Bang Phra Green Energy Company which was indirect subsidiary of the company utilized cash for Baht 455 million as of the Project solar energy power plant in Japan and cash flows used in additional equipment during installation Solar Cell roof.

- Cash flows provided from financing activities were Baht 343 million, for Bang Phra Green Energy Company which was indirect subsidiary of the company to spend on the Project solar energy power plant in Japan.

For the current ratio was decreased from 3.64 at the end of last year to 1.59 at the end of the first quarter this year, the quick ratio was decreased from 2.57 at the end of last year to 1.02 at the end of the first quarter this year . Both ratios were decreased due to the Current Liabilities of consolidated financial statement of the Company were increased. However, it was showing that the Company, subsidiaries and its joint ventures had good liquidity assets.

Considering of the capacity to pay liabilities at the end of last year and at the end of the first quarter this year found that, the Company, subsidiaries and its joint ventures still had good capacity to pay liabilities. The debt and shareholders' equity ratios had shown that the numbers were still low at 0.22 and 0.38 respectively. However, the debt and shareholders' equity ratios at the end of the first quarter this year were increased from the last year due to loan for expansion of investment in renewable energy business.

3. Main factors that may affect 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 the orders and production costs.

Foreign Exchange Rate

If the Baht is appreciating against the USD dollar continuously, this may affect 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. Surasak Kunanantakul)

Vice President