

November 16, 2015

Attn. : The President
The Stock Exchange of Thailand

Subject : Management's Discussion and Analysis for the Three-month periods Ended 30 September, 2015

As shown in the financial statements of the Three-month periods Ended 30 September, 2015 for Siam Steel International Public Company Limited, it indicated the changed performance over 20% compared with the same Three-month periods of last year.

We would like to report on Management's Discussion and Analysis for the Three-month periods Ended 30 September, 2015 as follows:

1. Operating Results

Statements of Comprehensive Income for the Three-month periods Ended 30 September, 2015 and 2014

Consolidated F/S	Three-month periods Ended 30 September, 2015		Three-month periods Ended 30 September, 2014		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic sales and services - net	469	90%	413	95%	56	14%
Export sales and services - net	51	10%	20	5%	31	155%
Total Revenues	520	100%	433	100%	87	20%
Domestic costs of sales and services	339		311		28	9%
Export costs of sales and services	46		19		27	142%
Total Costs of Sales and Services	385	74%	330	76%	55	17%
Domestic gross income	130		102		28	27%
Export gross income	5		1		4	400%
Total Gross Income	135	26%	103	24%	32	31%
Other income	7	1%	0	0%	7	100%
Selling and administrative expenses	(118)	(23%)	(108)	(25%)	(10)	(9%)
Income (Loss) from Operations	24	5%	(5)	(1%)	29	580%
Equity in net income of associated companies	16	3%	17	4%	(1)	(6%)
Financial costs	0	0%	(1)	0%	0	0%
Income (Loss) before Income Tax	40	8%	11	3%	29	264%
Income tax	0	0%	0	0%	0	0%
Non - controlling interests in subsidiaries	2	0%	(4)	(1%)	6	150%
Net Profit (Loss) of The Company's shareholders	42	8%	7	2%	35	500%
Net Profit (Loss) of The Company's per share (Baht)	0.07		0.01		0.06	500%

1.1 Analysis of Operating Results

For the Three-month periods Ended 30 September, 2015, the consolidated financial statements of the Company's total revenues amounted to Baht 520 million, increased by Baht 87 million or 20 percent from the Three-month periods of previous year. This was resulted from the increase of domestic sales of furniture, "Lucky" Hi-tech Building System, and domestic flood protection wall, export sales of "Lucky" Hi-tech Building System, and revenue from the service of local construction. This was mainly due to the increase of sales of furniture from project sales of the company. However, the Company has action plans of human resources development in marketing and production, as well as development of new products to response to customer's needs and to increase sales volume, thus, revenues should be increased.

Total Revenues

The consolidated financial statements of the Company's total revenues for the Three-month periods Ended 30 September, 2015 was Baht 520 million, increased by Baht 87 million or 20 percent from the Three-month periods of previous year. This was mainly due to the increase of sales of furniture from domestic project sales of the company. The total revenues in this year are as the following;

- Domestic sales and services of furniture, "Lucky" Hi-tech Building System and local flood protection panel amounted to Baht 442 million, increased by Baht 29 million or 7 percent from last year. This was due from the sales of furniture from domestic customers of project sales and sales of flood protection panel.

- Export sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 51 million, increased by Baht 31 million or 155 percent. This was due to the export sales of "Lucky" Hi-tech Building System.

- Domestic sales and services of 3 construction services total Baht 27 million, increased from last year due to there was none of construction services revenue.

Other Income

The consolidated financial statements of the Company's other income for the Three-month periods Ended 30 September, 2015, increased by Baht 7 million or 100 percent from the Three-month periods of previous year. Most of them were decreased in loss of foreign exchange rate. Due to the loss of foreign exchange rate, mostly resulted from the adjustment of account receivable of Australia in the exchange rate of Bank of Thailand.

Cost of Sales and Expenses

- The consolidated financial statements of the Company's total cost of sales in the first quarter ending September 30, 2015 was Baht 385 million, increased by Baht 55 million or 17 percent from the previous year. This was increased in total revenues. For the ratio of total cost of sales and total revenue for the first quarter 2015/2016 and the first quarter of last year were 74 percent and 76 percent respectively. The ratio of cost of sales was decreased due to the increase of total revenue, resulted to the ratio of fixed cost decreased, and the cost control was more effective.

- The consolidated financial statements of the Company's selling and administrative expenses for the Three-month periods Ended 30 September, 2015 was Baht 118 million, increased by Baht 10 million or 9 percent from the Three-month periods of previous year. This was resulted from the increase in total revenues. The ratio of sales and administrative expenses per total revenue for the Three-month periods Ended 30 September, 2015 and the Three-month periods Ended 30 September, 2014 were 23 and 25 respectively. The ratio of sales and administrative expenses was decreased, resulted from the increase of total revenue affected to the ratio of fixed cost decreased and the expenses control was more efficient.

- The consolidated financial statements of the Company's corporate income tax in the Three-month periods Ended 30 September, 2015 were included deferred tax expenses amounted to Baht 0.23 million. There was none of current tax expenses under the Revenue Code and the Three-month periods Ended 30 September, 2014, the corporate income tax included current tax expenses under the Revenue Code amounted Baht 2 million and deferred tax revenue amounted to Baht 2 million, there was none of net income tax.

Gross Profit

The consolidated financial statements of the Company's gross profit in the Three-month periods Ended 30 September, 2015 was Baht 135 million, increased by Baht 32 million or 31% from the Three-month periods of previous year. The gross profit ratio in the Three-month periods Ended 30 September, 2015 and the Three-month periods Ended 30 September, 2014 represented 26 and 24 respectively, the ratio of gross profit was increased due to the Three-month periods Ended 30 September, 2015, there was total revenue increased from the Three-month periods of previous year, and the ratio of cost of sales decreased due to the effective control in cost of sales and services.

Net Profit (Loss)

The consolidated financial statements of the Company's net profit in the Three-month periods Ended 30 September, 2015 was Baht 42 million, and net profit Baht 7 million in the Three-month periods Ended 30 September, 2014, increased by Baht 35 million or 500% increased from previous year, resulting from the Company has got profit from operation by Baht 24 million. While there was loss from operation by Baht 5 million last year. Therefore, the profit in operation this year was increased by Baht 29 million, resulting from total revenue increased. The ratio of cost of sales and the ratio of administrative expenses were decreased due to the cost control and administrative expenses management were getting more effective. The ratio of net profit in the Three-month periods Ended 30 September, 2015 and the Three-month periods Ended 30 September, 2014 were net profit 8% and 2% respectively.

2. Financial positions

Statements of Financial positions as at 30 September 2015 and 30 June 2015

Consolidated F/S	30 September 2015		30 June 2015		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	329	12%	269	10%	60	22%
Trade accounts receivable - net	418	15%	415	15%	3	1%
Inventories - net	341	12%	365	13%	(24)	(7%)
Other current assets	41	1%	52	2%	(11)	(21%)
Total Current Assets	1,129	40%	1,101	40%	28	3%
Investments	755	27%	739	27%	16	2%
Property, plant and equipment - net	703	25%	710	25%	(7)	(1%)
Other non - current assets	233	8%	231	8%	2	1%
Total Non - Current Asset	1,691	60%	1,680	60%	11	1%
Total Assets	2,820	100%	2,781	100%	39	1%
Liabilities and Shareholders' Equity						
Short - term loans from financial institution	-	-	-	-	-	-
Trade accounts payable	161	6%	163	6%	(2)	(1%)
Other current liabilities	128	5%	127	5%	1	1%
Total Current Liabilities	289	10%	290	10%	(1)	(0%)
Employee benefits obligation	23	1%	23	1%	0	0%
Other non - current liabilities	2	0%	2	0%	0	0%
Total Non - Current Liabilities	25	1%	25	1%	0	0%
Total Liabilities	314	11%	315	11%	(1)	(0%)
Shareholders' equity to the Company's	2,321	82%	2,279	82%	42	2%
Shareholders' equity non-controlling interests' equity	185	7%	187	7%	(2)	(1%)
Total Shareholders' equity	2,506	89%	2,466	89%	40	2%
Total Liabilities and Shareholders' Equity	2,820	100%	2,781	100%	39	1%

2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 30 September 2015 and 30 June 2015

Total Assets

As at September 30, 2015, the consolidated financial statements of the Company had total assets of Baht 2,820 million, increased by Baht 39 million or 1 percent from June 30, 2015. This was mainly due to the increase in cash and cash equivalents.

As at September 30, 2015 and June 30, 2015 the total assets of the consolidated financial statement of the Company were comprised of the following items;

- Cash and cash equivalents were 12 percent and 10 percent respectively.
- Trade accounts receivable were 15 percent and 15 percent respectively.
- Inventories were 12 percent and 13 percent respectively.
- Other current assets were 1 percent and 2 percent respectively.
- Investment in the associated companies and other companies were 27 percent and 27 percent respectively.
- Property, plant and equipment were 25 percent and 25 percent respectively.
- Other non-current assets were 8 percent and 8 percent respectively.

- Cash and cash equivalents as at September 30, 2015 was Baht 329 million which increased by Baht 60 million from June 30, 2015. This was due as at September 30, 2015, there was net cash provided for operating activities. Most of them were from the profit before income tax, and none of cash used for financial activity.

- Trade accounts receivable as at September 30, 2015 was Baht 418 million, trade account receivable 55 percent, trade account receivable less than or equivalent 3 months at 20 percent, and more than 3 months at 25 percent. However, those trade accounts and the Company, subsidiaries and its joint ventures have been followed closely the collectors. Some debtors that have been in the process of debt collection would be considered allowance for doubtful accounts. Thus, as at September 30, 2015 the allowance for doubtful accounts was Baht 45 million, who is one of the account receivable from Australia for prefabricated buildings from special projects for Baht 44 million and other for Baht 1 million. The Company, subsidiaries and its joint ventures considered that it was sufficient. For the receivable turnover times were 4.19 as at September 30, 2015 and 3.83 as at June 30, 2015 and account receivable days were 87 days as at September 30, 2015, and 95 days as at June 30, 2015. The account receivable days was decreased, trade accounts turnover was increased due to as at September 30, 2015, the outstanding accounts receivable decreased.

- Inventories as at September 30, 2015 were Baht 341 million, decreased by Baht 24 million or 7 percent from last year. This was partly from the allowance of raw material value decreased due to non-movement over 1 year from last year, and some were decreased from domestic sales of furniture products from project sales. The inventory turnover was 3.96 as at September 30, 2015 and 3.55 as at June 30, 2015.

- Investments as at September 30, 2015 were Baht 755 million, increased by Baht 16 million or 2 percent. This was due to the increase in equity in net income of one associated company.

- Property, plant and equipment - net as at September 30, 2015 was Baht 703 million, decreased by Baht 7 million or 1 percent from June 30, 2015. This was mainly due to the depreciation of plant and equipment for the period.

Total liabilities

As at September 30, 2015, the consolidated financial statements of the Company had total liabilities of Baht 314 million, decreased by Baht 1 million or 0.3 percent from June 30, 2015. This was due to the payment of trade account payable.

Shareholders' equity

As at September 30, 2015, the consolidated financial statements of the Company had the shareholders' equity of Baht 2,506 million while as at June 30, 2015 was Baht 2,466 million, increased by Baht 40 million or 2 percent. This was resulted from the Three-month periods Ended 30 September, 2015, the consolidated financial statements of the Company had net profit amounted Baht 42 million and profit with non-controlling interests in subsidiaries decreased by Baht 2 million.

Book value as at September 30, 2015 was Baht 4.23 per share, while last year was Baht 4.16 per share, increased from last year by Baht 0.07 per share or 2 percent.

2.2 Liquidity and key financial ratios

Statements of Cash flows for the Three-month periods Ended 30 September, 2015

Consolidated F/S	Unit : Million Baht
Net cash from operating activities	63
Net cash used in investing activities	(3)
Net cash used in financing activities	0
Decrease in cash and cash equivalents - net	60
Cash and cash equivalents at beginning of period	269
Cash and cash equivalents at the end of period	329

Liquidity of the consolidated financial statement of the Company as at September 30, 2015, the balance cash and cash equivalents at the end of period was Baht 329 million while as at June 30, 2015 was Baht 269 million, cash flow increased by Baht 60 million, this was due from :-

- Cash flows from operating activities were increased by Baht 63 million, mainly due from profit before tax.
- Cash flows from investing activities were decreased by Baht 3 million, most used in plant and equipment.
- There was none of cash flows from financing activities.

For the current ratio as at June 30, 2015 and September 30, 2015 were 3.80 and 3.91 respectively. The quick ratio as at June 30, 2015 and September 30, 2015 were 2.36 and 2.58 respectively. This has indicated that the Company, subsidiaries and its joint ventures had good liquidity assets.

The Company, subsidiaries and its joint ventures were in good capacity to pay liabilities. The debt ratios as at June 30, 2015 and September 30, 2015 were 0.13 and 0.13 respectively.

3. Main factors may affect the operations and financial positions in future ;

The stability of local political

If local political is instable, this 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 the 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 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

Siam Steel International Public Company Limited