

November 14, 2016

Attn : The President  
The Stock Exchange of Thailand

Subject : Management's Discussion and Analysis for the 3rd quarter ending 30 September 2016,  
the changed performance was over 20 percent

As shown in the financial statements of the 3rd quarter for the three-month period ended 30 September, 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 3rd quarter period ending 30 September, 2016 as follows :

### 1. Operating Results

Statements of Comprehensive Income for the three-month period ended 30 September, 2016 and 2015

Consolidated F/S	The third quarter 2016		Three-month period ended 30 September 2015		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic sales and services - net	450	96%	468	90%	(18)	(4%)
Export sales and services - net	20	4%	51	10%	(31)	(61%)
<b>Total Revenues</b>	<b>470</b>	<b>100%</b>	<b>519</b>	<b>100%</b>	<b>(49)</b>	<b>(9%)</b>
Domestic costs of sales and services	344		338		6	2%
Export costs of sales and services	17		46		(29)	(63%)
<b>Total Costs of Sales and Services</b>	<b>361</b>	<b>77%</b>	<b>384</b>	<b>74%</b>	<b>(23)</b>	<b>(6%)</b>
Domestic gross income	106		130		(24)	(18%)
Export gross income	3		5		(2)	(40%)
<b>Total Gross Income</b>	<b>109</b>	<b>23%</b>	<b>135</b>	<b>26%</b>	<b>(26)</b>	<b>(19%)</b>
Other income	8	2%	7	1%	1	14%
Selling and administrative expenses	(133)	(28%)	(118)	(23%)	15	13%
<b>Income (Loss) from Operations</b>	<b>(16)</b>	<b>(3%)</b>	<b>24</b>	<b>5%</b>	<b>(40)</b>	<b>(167%)</b>
Equity in net income of associated companies	18	4%	16	3%	2	13%
Financial costs	(8)	(2%)	0	0.0%	(8)	
<b>Income (Loss) before Income Tax</b>	<b>(6)</b>	<b>(1%)</b>	<b>40</b>	<b>8%</b>	<b>(46)</b>	<b>(115%)</b>
Income tax	0	0%	0	0%	0	
Non - controlling interests in subsidiaries	7	1.5%	2	0%	5	250%
<b>Net Profit (Loss) of The Company's shareholders</b>	<b>1</b>	<b>0.2%</b>	<b>42</b>	<b>8%</b>	<b>(41)</b>	<b>(97%)</b>
<b>Net Profit (Loss) of The Company's per share (Baht)</b>	<b>0.002</b>		<b>0.071</b>		<b>(0.069)</b>	<b>(97%)</b>

## 1.1 Analysis of Operating Results

For the 3rd quarter 2016, the consolidated financial statements of the Company's total revenues amounted to Baht 470 million, decreased by Baht 49 million or 9 percent from the three-month period ended 30 September 2015, resulted to the decrease of domestic sales and services of furniture and export sales of "LUCKY" Hi-tech Building System. However, the Company still has the action plan of human resources development in marketing and production, as well as increasing new products to response to customer's needs and to increase sales volume, including to expand the investment to the renewable energy business in order to get stable income in the future, thus the revenues should be increased.

### Total Revenues

The consolidated financial statements of the Company's total revenues in the 3rd quarter of this year amounted to Baht 470 million, decreased by Baht 49 million or 9 percent from the three-month period ended 30 September 2015. This was mainly resulted from the decrease of domestic sales and services of furniture and export sales of "LUCKY" Hi-tech Building System, total revenues of the 3rd quarter of this year were as the followings;

- Revenues from domestic sales and services of furniture, "Lucky" Hi-tech Building System, and flood protection wall amounted to Baht 410 million, decreased by Baht 31 million or 7 percent from last year. This was resulted from the decrease of domestic sales of furniture from sales agent of the Company, sales amount of the subsidiary and sales of flood protection wall also decreased by Baht 51 million. Domestic sales of "Lucky" Hi-tech Building System increased by Baht 24 million, mostly resulted from Bathroom Pod.

- Revenues from export sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 20 million, decreased by Baht 31 million or 61 percent from last year, resulted from the decrease of export sales of "Lucky" Hi-tech Building System.

- Revenues from domestic sales and services of construction, in 3rd quarter there were 2 construction services amounted by Baht 40 million, increased by Baht 12 million from the same quarter of last year which had 3 clients amounted at Bath 27 million.

### Other Income

The consolidated financial statements of the Company's other income of the 3rd quarter of this year was increased by Baht 1 million, or 14 percent, mostly increased from profit of foreign currency exchange rate by Baht 1 million, while there was getting loss of foreign currency exchange rate by Baht 2 million last year. Nevertheless, the profit and loss from foreign currency exchange rate was mostly resulted from the adjustable of Australian account receivable in accordance with the foreign currency exchange rate of Bank of Thailand, as at 30 September 2016, the foreign currency exchange rate was Baht 26.03430 per 1 Australian Dollars.

### Cost of Sales and Expenses

- The consolidated financial statements of the Company's total cost of sales in the 3rd quarter of this year was Baht 361 million, decreased by Baht 23 million or 6 percent from the three-month period ended 30 September 2015. For the ratio of total cost of sales to total revenue of the 3rd quarter of year 2016 and the three-month period ended 30 September 2015 were 77 percent and 74 percent respectively. The total cost of sales was increased and the ratio of total cost of sales per total revenue was increased in accordance with the total revenue decreased.

- The consolidated financial statements of the Company's selling and administrative expenses in the 3rd quarter of 2016 amounted to Baht 133 million, increased by Baht 15 million or 13 percent from the three-month period ended 30

September 2015, resulted from the 3rd quarter of this year, subsidiary company of the renewable energy was recognized as the expenses incurred. For the ratio of selling and administrative expenses per total revenue in the 3rd quarter of year 2016 and the three-month period ended 30 September 2015 were 28 percent and 23 percent respectively.

- The consolidated financial statements of the Company's financial cost in the 3rd quarter of this year amounted to Baht 8 million, increased by Baht 8 million from the three-month period ended 30 September 2015, resulted from the interest of short term loan that the Company has getting loan in order to expand the investment in renewable energy business and for the installation of solar rooftop at the Company, and long term loan interest that the company used for the expansion of investment in renewable energy business.

### **Gross Profit**

The consolidated financial statements of the Company's gross profit in the 3rd quarter of 2016 amounted to Baht 109 million, decreased by Baht 29 million or 19 percent from the three-month period ended 30 September 2015. The gross profit ratio of the 3rd quarter of 2016 and the three-month period ended 30 September 2015 were 23 percent and 26 percent respectively. The gross profit ratio was decreased because the 3rd quarter of this year the sales of the products that have high gross profit such as domestic sales of furniture and flood protection wall system, resulted to gross profit ratio decreased.

### **Net Profit (Loss)**

The consolidated financial statements of the Company's net profit in the 3rd quarter 2016 amounted at Baht 1 million, and the three-month period ended 30 September 2015 amounted at Baht 42 million. Net profit of this year decreased from last year by Baht 41 million or decreased by 97 percent, resulting from the 3rd quarter of this year, the total revenue and gross profit were decreased because the sales of the products that have high gross profit such as domestic sales of furniture and flood protection wall system were reduced. In addition, the administrative expenses increased due to subsidiary of the Company in renewable energy has been recognized the expenses occurred. Net profit ratio of 3rd quarter of year 2016 and the three-month period ended 30 September 2015, were 0.2 percent and 8 percent respectively.

## 2. Financial positions

Statements of Financial positions as at 30 September 2016 and 31 December 2015

Consolidated F/S	30 September 2016		31 December 2015		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Assets</b>						
Cash and cash equivalents	245	7%	379	12%	(134)	(35%)
Trade accounts receivable - net	440	13%	492	16%	(52)	(11%)
Inventories - net	398	11%	324	10%	74	23%
Other current assets	72	2%	40	1%	32	80%
<b>Total Current Assets</b>	<b>1,155</b>	<b>33%</b>	<b>1,235</b>	<b>40%</b>	<b>(80)</b>	<b>(6%)</b>
Investments	1,337	39%	766	25%	571	75%
Property, plant and equipment - net	751	22%	748	24%	3	0%
Other non - current assets	229	6%	339	11%	(110)	(32%)
<b>Total Current Assets</b>	<b>2,317</b>	<b>67%</b>	<b>1,853</b>	<b>60%</b>	<b>464</b>	<b>25%</b>
<b>Total Assets</b>	<b>3,472</b>	<b>100%</b>	<b>3,088</b>	<b>100%</b>	<b>384</b>	<b>12%</b>
<b>Liabilities and Shareholders' Equity</b>						
Short-term benefits obligation	200	6%	24	1%	176	733%
Short-term loan from related company	103	3%	-	-	103	100%
Current portion of long term loans from banks	12	4%	-	-	12	100%
Trade accounts payable	176	5%	161	5%	15	9%
Other current liabilities	223	6%	154	5%	69	45%
<b>Total Current Liabilities</b>	<b>714</b>	<b>21%</b>	<b>339</b>	<b>11%</b>	<b>375</b>	<b>111%</b>
Short term loan from financial institute	268	8%	200	6%	68	34%
Employee benefits obligation	26	1%	24	1%	2	8%
Other non - current liabilities	3	0%	2	0%	1	50%
<b>Total Non-Current Liabilities</b>	<b>297</b>	<b>9%</b>	<b>226</b>	<b>7%</b>	<b>71</b>	<b>31%</b>
<b>Total Liabilities</b>	<b>1,011</b>	<b>29%</b>	<b>565</b>	<b>18%</b>	<b>446</b>	<b>79%</b>
Shareholders' equity to the Company's	2,274	65%	2,335	76%	(61)	(3%)
Shareholders' equity non-controlling interests' equity	187	6%	188	6%	(1)	(1%)
<b>Total Shareholders' equity</b>	<b>2,461</b>	<b>71%</b>	<b>2,523</b>	<b>82%</b>	<b>(62)</b>	<b>(3%)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,472</b>	<b>100%</b>	<b>3,088</b>	<b>100%</b>	<b>384</b>	<b>12%</b>

## **2.1 Analysis of the Financial Position of the Company and subsidiaries as at 30 September, 2016 compared with 31 December, 2015**

### **Total Assets**

As at 30 September 2016, the consolidated financial statements of the Company's total assets amounted to Baht 3,472 million, increased by Baht 384 million or 12 percent from last year as at 31 December 2015. This was mainly due to the increase in the investment amounted to Baht 571 million, mainly due in the investment of solar farm in Japan, amounted to Baht 539 million of Bang Phra Green Energy Co., Ltd. which was indirect subsidiary of the company.

As at 30 September 2016 total assets of the consolidated financial statement of the Company were comprised as the followings;

- Cash and cash equivalents were 7 percent and 12 percent respectively.
- Trade accounts receivable were 13 percent and 16 percent respectively.
- Inventories were 11 percent and 10 percent respectively.
- Other current assets were 2 percent and 1 percent respectively.
- Investment in the associated companies, other companies, and the investment of Solar farm in Japan of Bang Phra Green Energy Co., Ltd., which was indirect subsidiary company was 39 percent, and investment in the associated companies was 25 percent respectively.
- Property, plant and equipment were 22 percent and 24 percent respectively.
- Other non-current assets were 6 percent and 11 percent respectively.

Cash and cash equivalents as at 30 September 2016 amounted to Baht 245 million, decreased by Baht 134 million, cash used for investment activities amounted to Baht 444 million because of investment in new business mostly resulted from Bang Phra Green Energy Co., Ltd. which was indirect subsidiary of the company has taken cash used for the investment activity in solar farm in Japan amounted to Baht 456 million, and cash getting from financing activity of short term loan and long term loan from financial institutes and related persons increased by Baht 351 million, by the Company has got short-term loans from financial institution and related party amounted to Baht 303 million and the Company has got long-term loans from financial institution amounted to Baht 56 million to Baht, to use for the installation of solar rooftop of the company, and for Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to use for the project of solar farm in Japan.

Trade accounts receivable as at 30 September 2016 amounted to Baht 440 million which were current trade accounts receivable 55 percent, overdue trade accounts receivable less than or equivalent to 3 months at 19 percent, and trade accounts receivable over 3 months was 26 percent. However, those trade accounts receivable of the Company, subsidiaries and its joint ventures have been followed up closely for the collections. Some debtors have been in the process of debt collection, would be considered as the allowance for doubtful accounts by Baht 45 million who was trade

account receivable from one Australian customer, for prefabricated building from special project amounted by Baht 44 million and others amounted by Baht 1 million, as the Company and subsidiary company has acknowledged that was sufficient. For the turnover of receivable as at 30 September 2016 were 3.88 times and 3.81 times from last year, and account receivable days as at the end of 3rd quarter of this year was 94 days, while 96 days at the end of last year. The account receivable days as at the end of 3rd quarter of this year was decreased.

Inventories as at the end of 30 September 2016 amounted to Baht 398 million, increased by Baht 74 million or 23 percent, due to one subsidiary has got inventory of finished goods increased and some was increased from raw material and product in the process balance of prefabricated building and bathroom pod of the Company. For the inventory turnover rate as at the end of 3rd quarter of this year was 4.96 times and at the end of last year was 3.97 times.

Investments as at the end of 3rd quarter of this year amounted to Baht 1,337 million, increased by Baht 571 million or 75 percent. This was due to the increase of investment in the project of solar farm in Japan amounted to Baht 539 million of Bang Phra Green Energy, Ltd., which was indirect subsidiary of the Company, and equity in the profit under the equity method of one associated company increased.

Property, plant and equipment - net as at the end of 3rd quarter 2016 amounted to Baht 751 million, increased by Baht 3 million or net 0.4 percent. Most of them were increased from the equipment of installation of solar rooftop which was device for changing solar energy to be electrical energy for use in the Company, and some portion were decreased from depreciation of building and equipment for the accounting period.

Other non-current assets as at the end of 3rd quarter of this year amounted to Baht 229 million, decreased by Baht 110 million or 32 percent, mostly increased from long-term loan for Bang Phra Green Energy Ltd. which was indirect subsidiary of the Company.

#### **Total liabilities**

As at the end of 3rd quarter 2016, the consolidated financial statements of the Company had total liabilities amounted to Baht 1,011 million, increased by Baht 446 million or 79 percent, mostly increased from short-term loan from financial institutes and from related persons.

Short term loan from financial institute as at the end of 3rd quarter of this year, amounted to Baht 200 million, increased by Baht 176 million by the Company has got loan for Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to use for the project of solar farm in Japan.

Short term loan from related party as at the end of 3rd quarter of this year, amounted to Baht 103 million, increased from short-term loan of Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to use for the project of solar farm in Japan.

Long term loan from financial institute as at the end of 3rd quarter of this year amounted to Baht 268 million and current portion of long term loans from banks amounted to Baht 12 million, by the Company has got loan amounted to Baht 80 million in order to use for the installation of solar rooftop of the company, and getting loan amounted to Baht 200 million for Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to use for the project of solar farm in Japan.

### Shareholders' equity

As at the end of 3rd quarter 2016, the consolidated financial statements of the Company's shareholders' equity amounted to Baht 2,461 million, while as at the end of last year amounted to Baht 2,523 million, decreased by Baht 62 million or 2.5 percent. This was resulted from the 1st quarter, the 2nd quarter and 3rd quarter of this year, has got net loss by Baht 62 million.

Book value as at the end of 3rd quarter 2016 was Baht 4.15 per share, while as at 31 December 2015 was Baht 4.25 per share, decreased by Baht 0.10 per share or 2.5 percent

## 2.2 Liquidity and key financial ratios

Statements of cash flows for the three-month period ended 30 September 2016

Consolidated F/S	Unit : Million Baht
Net cash from (used for) operating activities	(60)
Net cash from (used for) investment activities	(444)
Net cash from (used for) financing activities	351
<b>Cash and cash equivalent increased (decreased )</b>	<b>(153)</b>
Cash and cash equivalents at the beginning of period	379
<b>Cash and cash equivalents at the end of period</b>	<b>226</b>

Liquidity of the consolidated financial statement of the Company as at the end of 3rd quarter of this year, the balance cash amounted to Baht 226 million, while there was Baht 379 million from the end of last year, cash flow decreased from the previous year amounted to Baht 153 million, resulting from :

Cash flow used for operating activities amounted to Baht 60 million, mostly from payment of interest of short term loan.

Cash flows used for the investment activities amounted to Baht 444 million, mostly resulted from Bang Phra Green Energy Ltd., the indirect subsidiary of the Company, used cash for the investment of solar farm project in Japan amounted to Baht 456 million, and cash used for the investment of assets amounted to Baht 34 million for the purchase of additional equipment for solar rooftop installation at the company, and dividend received from associated company and subsidiary company amounted to Baht 29 million.

Cash flows from funding activities amounted to Baht 351 million, by the Company has got short-term loans from financial institution and related party amounted to Baht 303 million and the Company has got long-term loans from financial institution amounted to Baht 56 million to Baht, to use for the installation of solar rooftop of the company, and for Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to use for the project of solar farm in Japan.

The current ratio was decreased from 3.64 times as at 30 December 2015 to 1.62 times as at the end of 3rd quarter of this year. The ratio of working capital was decreased from 2.57 times as at the end of last year to 0.96 times as at the end of 3rd quarter of this year. Both ratios were highly decreased, due to the consolidated financial statement of the company has the current liability increased. However, both ratios have been shown to the good liquidity of the company and subsidiary of the company.

Taking consideration of the ability for the debt repayment as at the end of last year, and at the end of 3rd quarter of this year, the company and subsidiary company still have good ability for debt payment, considered from the ratio of liability to the ratio of shareholders' equity, the debt ratios as shown the numbers rarely low at 0.22 and 0.41 times respectively. Nevertheless, the ratio of shareholders' equity as at the end of 3rd quarter of this year was increased from last year, resulted to this year have got loan increased used for the support of investment expansion in renewable energy.

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

#### **Foreign Exchange Rate**

If the Baht is appreciating against the USD dollar continuously, this may affect to 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