

15 May 2017

Attn : The President
The Stock Exchange of Thailand

Subject : Management's Discussion and Analysis for the 1st quarter ending 31 March 2017,
the changed performance was over 20 percent

As shown in the financial statements of the 1st quarter for the three-month period ended 31 March 2017 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 1st quarter period ending 31 March 2017 as follows:

1. Operating Results

Statements of Comprehensive Income for the three-month period ended 31 March 2017 and 2016

Consolidated F/S	The First quarter 2017		The First quarter 2016 (Restated)		Change	
	Million Baht	%	Million Baht		Million Baht	%
Domestic sales and services - net	454	95%	418	97%	36	9%
Export sales and services - net	22	5%	11	3%	11	100%
Total Revenues	476	100%	429	100%	47	11%
Domestic costs of sales and services	350		310		40	13%
Export costs of sales and services	19		9		10	111%
Total Costs of Sales and Services	369	78%	319	74%	50	16%
Domestic gross income	104		108		(4)	(4%)
Export gross income	3		2		1	50%
Total Gross Income	107	22%	110	26%	(3)	(3%)
Other income	15	3%	11	3%	4	36%
Selling and administrative expenses	(120)	(25%)	(125)	(29%)	(5)	(4%)
Income (Loss) from Operations	2	0.4%	(4)	(1%)	6	(150%)
Equity in net income of associated companies	21	4%	20	5%	1	5%
Financial costs	(11)	(2%)	(7)	(2%)	4	57%
Income (Loss) before Income Tax	12	3%	9	2%	3	33%
Income tax	(4)	(0.8%)	(2)	(0%)	(2)	(100%)
Non - controlling interests in subsidiaries	(1)	(0.2%)	(2)	(0%)	1	50%
Net Profit (Loss) of The Company's shareholders	7	1.5%	5	1.2%	2	30%
Net Profit (Loss) of The Company's per share (Baht)	0.013		0.010		0.003	30%

1.1 Analysis of Operating Results

For the 1st quarter 2017, the consolidated financial statements of the Company's total revenues amounted to Baht 476 million, increased by Baht 47 million or 11 percent from the same quarter of last year, resulted to the increase of domestic and export sales of furniture and "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 in 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 1st quarter of this year amounted to Baht 476 million, increased by Baht 47 million or 11 percent from the 1st quarter of last year. This was mainly resulted from the increase of domestic and export sales of furniture and "LUCKY" Hi-tech Building System. Total revenues of the 1st 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 435 million, increased by Baht 56 million or 15 percent from last year. This was resulted from the increase of domestic sales of furniture and "LUCKY" Hi-tech Building System.

- Revenues from export sales and services of furniture and "LUCKY" Hi-tech Building System amounted to Baht 22 million, increased by Baht 11 million or 100 percent from last year.

- Revenues from domestic sales and services of construction, in 1st quarter there were 2 construction services amounted by Baht 19 million, decreased by Baht 19 million from the same quarter of last year.

Other Income

The consolidated financial statements of the Company's other income of the 1st quarter of this year was increased by Baht 4 million, or 36 percent, mostly increased from the tax refund from the Customs Department and the land rental fee.

Cost of Sales and Expenses

- The consolidated financial statements of the Company's total cost of sales in the 1st quarter of this year was Baht 369 million, increase by Baht 50 million or 16% from the 1st quarter of last year. For the ratio of total cost of sales to total revenue of the 1st quarter of year 2017 and the 1st quarter of year 2016 were 78 percent and 74 percent respectively.

- The consolidated financial statements of the Company's selling and administrative expenses in the 1st quarter of 2017 amounted to Baht 120 million, decreased by Baht 5 million or 4 percent from last year, resulted from the 1st quarter of this year, the subsidiary company of the renewable energy was recognized the expenses incurred less than last year and the legal fee was decreased as well. For the ratio of selling and administrative expenses per total revenue in the 1st quarter of year 2017 and the 1st quarter of year 2016 were 25 percent and 29 percent respectively.

- The consolidated financial statements of the Company's financial cost in the 1st quarter of this year amounted to Baht 11 million, increased by Baht 4 million from last year, mostly resulted from the interest of short and long term loan that the Company has getting loan in order to expand the investment in renewable energy business.

Gross Profit

- The consolidated financial statements of the Company's gross profit in the 1st quarter of 2017 amounted to Baht 107 million, decreased by Baht 3 million or 3 percent from the 1st quarter of 2016. The gross profit of the 1st quarter of 2017 and the 1st quarter of 2016 were 22 percent and 26 percent respectively. The gross profit ratio was decreased because in the 1st quarter of last year the cost of sales of some items of domestic sales was rather low resulted to the average gross profit of the 1st quarter of last year higher than this year.

Net Profit (Loss)

- The consolidated financial statements of the Company's net profit in the 1st quarter 2017 amounted at Baht 7 million, and the 1st quarter of year 2016 amounted at Baht 5 million. Net profit of this year increased from last year by Baht 2 million or increased by 30 percent, because the administrative expenses was decreased resulting from the 1st quarter of this year, the subsidiary company of the renewable energy was recognized the expenses incurred less than last year and the legal fee was decreased as well. Net profit of the 1st quarter of year 2017 and 2016, were 1.5 percent and 1.2 percent respectively.

2. Financial positions

Statements of Financial positions as at 31 March 2017 and 31 December 2016

Consolidated F/S	31 March 2017		31 December 2016		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	235	7%	380	11%	(145)	(38%)
Trade accounts receivable - net	411	12%	455	13%	(44)	(10%)
Inventories - net	405	12%	404	11%	1	0%
Other current assets	64	1%	61	2%	3	5%
Total Current Assets	1,115	32%	1,300	36%	(185)	(14%)
Investments	832	24%	810	22%	22	3%
Property, plant and equipment - net	1,342	39%	1,344	37%	(2)	(0%)
Other non - current assets	171	5%	164	5%	7	4%
Total Current Assets	2,345	68%	2,318	64%	27	1%
Total Current Assets	3,460	100%	3,618	100%	(158)	(4%)
Liabilities and Shareholders' Equity						
Short-term loans from financial institutions	198	6%	385	11%	(187)	(49%)
Short-term loans from others person	138	4%	103	3%	35	34%
Short-term loans from related company	47	2%	-	0%	47	100%
Long-term loans from financial institutions; due for 1 year	6	0%	6	0%	0	0%
Trade accounts payable	162	5%	174	5%	(12)	(7%)
Other current liabilities	137	4%	185	5%	(48)	(26%)
Total current Liabilities	688	20%	853	24%	(165)	(19%)
Long-term loans from financial institutions	229	7%	230	6%	(1)	(0%)
Liabilities for employee benefit obligations.	30	1%	30	1%	0	0%
Other non-current liabilities	26	0.8%	26	0.7%	0	0%
Total non-current liabilities	285	8%	286	8%	(1)	(0%)
Total liabilities	973	28%	1,139	31%	(166)	(15%)
Shareholders' equity to the Company's	2,296	66%	2,289	63%	7	0.3%
Shareholders' equity non-controlling interests' equity	191	6%	190	5%	1	1%
Total Shareholders' equity	2,487	72%	2,479	69%	8	0.3%
Total Liabilities and Shareholders' Equity	3,460	100%	3,618	100%	(158)	(4%)

2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 31 March 2017 compared with 31 December 2016

Total Assets

As at the end of the 1st quarter 2017, the consolidated financial statements of the Company's total assets amounted to Baht 3,460 million, decreased by Baht 158 million or 4 percent from last year as at 31 December 2016. This was mainly due to the decrease in cash amounted to Baht 145 million resulting from short term loan and long term loan repayment.

As at the end of the 1st quarter 2017, total assets of the consolidated financial statement of the Company were comprised as the followings;

- Cash and cash equivalents were 7 percent and 11 percent respectively.
- Trade accounts receivable were 12 percent and 13 percent respectively.
- Inventories were 12 percent and 11 percent respectively.
- Other current assets were 1 percent and 2 percent respectively.
- Investment in the associated companies and other companies was 24 percent and 22 percent respectively.
- Property, plant and equipment were 39 percent and 37 percent respectively.
- Other non-current assets were 5 percent and 5 percent respectively.

Cash and cash equivalents as at the end of the 1st quarter 2017 amounted to Baht 235 million, decreased by Baht 145 million from last year as at 31 December 2016, net cash used in financing activities amounted to Baht 110 million resulted from the repayment of short term loan and long term loan used for Bang Phra Green Energy Co., Ltd. which was indirect subsidiary of the company to invest in solar farm in Japan cash used for operation activity amounted Baht 25 million and investment activity amounted Baht 10 million.

Trade account receivable as at 31 March 2017 amounted to Baht 411 million which were current trade accounts receivable 58 percent, overdue trade account receivable less than or equivalent to 3 months at 28 percent, and trade accounts receivable over 3 months was 14 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 16 million who was trade account receivable from one Australian customer, for prefabricated building from special project amounted by Baht 15 million and others amounted by Baht 1 million, as the Company and subsidiary company has acknowledged that was sufficient. For the turnover of receivables as at 31 March 2017 were 4.31 times and 3.97 times from last year, and account receivable days as at the end of 1st quarter of this year was 85 days, while 92 days at the end of last year. The turnover of receivables were increased while the account receivable days were decreased because as at 31 March 2017 the revenues were increased while the trade account receivables were decreased.

Inventories as at the end of 31 March 2017 amounted to Baht 405 million, increased by Baht 1 million or 0.2 percent from the end of last year. For the inventory turnover rate as at the end of 1st quarter of this year was 3.76 times and at the end of last year was 4.04 times.

Investments as at the end of 1st quarter of this year amounted to Baht 832 million, increased by Baht 22 million or 3 percent from the end of last year. This was due to the equity in the profit under the equity method of one associated company increased.

Property, plant and equipment - net as at the end of 1st quarter 2017 amounted to Baht 1,342 million, decreased by Baht 2 million or net 0.1 percent. This was due to depreciation of building and equipment for the accounting period.

Other non-current assets as at the end of 1st quarter of this year amounted to Baht 171 million, increased by Baht 7 million or 4 percent, mostly increased from retention money of trade account receivable and withholding tax.

Total liabilities

As at the end of the 1st quarter 2017, the consolidated financial statements of the Company had total liabilities amounted to Baht 973 million, decreased by Baht 166 million or 15 percent, mostly decreased from short-term loan from financial institutes.

- Short term loan from financial institute as at the end of the 1st quarter of this year, amounted to Baht 198 million, decreased by Baht 187 million resulting from the repayment of short term loan used for Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to invest in the solar farm project in Japan.

- Short term loan from related persons as at the end of the 1st quarter of this year amounted to Baht 138 million, increased by Baht 35 million from loan of Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to use for the solar farm project in Japan.

- Short term loan from associated company as at the end of 1st quarter of this year amounted Baht 47 million which was the loan of Bang Phra Green Energy Ltd., the indirect subsidiary of the Company received to use in solar farm project in Japan.

- Long term loan from financial institute that due date is one year as at the end of 1st quarter was Baht 6 million. Such loan was for Bang Phra Green Energy Ltd., the indirect subsidiary of the Company to use in solar farm project in Japan.

Shareholders' equity

As at the end of 1st quarter 2017, the consolidated financial statements of the Company's shareholders' equity amounted to Baht 2,487 million, while as at the end of last year amounted to Baht 2,479 million, increased by Baht 8 million or 0.3 percent. This was resulted from the 1st quarter of this year, the profit of the Company was Baht 7 million and non-controlling interests of the subsidiary of the Company was increased by Baht 1 million.

Book value as at the end of 1st quarter 2017 was Baht 4.19 per share, while as at 31 December 2016 was Baht 4.18 per share, increased by Baht 0.01 per share or 0.2 percent

2.2 Liquidity and key financial ratios

Statements of cash flows for the three-month period ended 31 March 2017

Consolidated F/S	Unit : Million Baht
Net cash from (used for) operating activities	(25)
Net cash from (used for) investment activities	(10)
Net cash from (used for) financing activities	(110)
Cash and cash equivalent increased (decreased)	(145)
Cash and cash equivalents at the beginning of period	380
Cash and cash equivalents at the end of period	235

Liquidity of the consolidated financial statement of the Company as at the end of 1st quarter of this year, the balance cash amounted to Baht 235 million, while there was Baht 380 million from the end of last year, cash flow decreased from the previous year amounted to Baht 145 million, resulting from :

- Cash flow used for operating activities amounted to Baht 25 million, mostly from payment of interest of loan, from financial institutes, including advance payment and deposit money from clients.

- Cash flow used for investing activities amounted to Baht 10 million, mainly used in property, plant and equipment.

- Cash flow from funding activities amounted Baht 110 million, mostly from repayment of short-term of loans and long term loan from financial institution amounted Baht 192 million for providing to Bang Phra Green Energy Ltd., the indirect subsidiary of the Company to use in solar farm project in Japan. Bang Phra Green Energy Ltd., also borrow money from other persons and associated company amounted Baht 35 million and Baht 47 million respectively to use in solar farm project in Japan.

- Exchange differences from foreign currency financial statement translation-net of tax of indirect subsidiary amounted Baht 0.4 million from the investment in solar farm project in Japan through Bang Phra Green Energy Ltd. which is indirect subsidiary of the Company.

The current ratio was increased from 1.52 times as at 30 December 2016 to 1.62 times as at the end of 1st quarter of this year. The ratio of working capital was decreased from 0.98 times as at the end of last year to 0.94 times as at the end of 1st quarter of this year. However, both ratios have 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 1st 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 0.46 and 0.39 times respectively. The ratio of shareholders' equity as at the end of 1st quarter of this year was decreased from last year, resulted to this year some portion of short term loan and long term loan used for the support of investment expansion in renewable energy has been repaid.

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. Surapol Kunanantakul)

Vice President

Siam Steel International Public Company Limited