

December 13, 2013

Subject : Management's Discussion and Analysis for the first quarter period ending 30 September 2013

To : The President
The Stock Exchange of Thailand

Siam Steel International Public Company Limited, subsidiaries and its joint ventures would like to report on Management's Discussion and Analysis of Financial Position and Operating results for the three-month (the first quarter 2013/2014) as follows :

1. Operating Results

Statements of Comprehensive Income for the three-month period ended 30 September 2013 and 2012

Consolidated F/S	the first quarter 2013/2014		the first quarter 2012/2013		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic Sales and services - net	595	95%	603	75%	(8)	(1%)
Export Sales and services - net	32	5%	203	25%	(171)	(84%)
Total revenues	627	100%	806	100%	(179)	(22%)
Domestic Costs of sales and services	510		470		40	9%
Export Costs of sales and services	49		201		(152)	(76%)
Total Costs of sales and services	559	89%	671	83%	(112)	(17%)
Domestic Gross income	85		133		(48)	(36%)
Export Gross income	(17)		2		(19)	(950%)
Total Gross income	68	11%	135	17%	(67)	(50%)
Other income	22	4%	16	2%	6	38%
Selling and Administrative expenses	157	25%	138	17%	19	14%
Income from operations	(67)	(11%)	13	2%	(80)	(615%)
Equity in net income of associated companies	33	5%	22	3%	11	50%
Financial costs	0	0%	0	0%	0	0%
Income before income tax	(34)	(5%)	35	4%	(69)	(197%)
Income tax	(13)	(2%)	9	1%	(22)	(244%)
Non - controlling interests in subsidiaries	4	1%	7	1%	(3)	(43%)
Net profit of The Company's shareholders	(25)	(4%)	19	2%	(44)	(232%)
Net profit of The Company's per share (Baht)	(0.04)		0.03		(0.07)	(232%)

1.1 Analysis of Operating Results

As the first quarter 2013/2014, the consolidated financial statements of the Company's total revenues amounted to Baht 627 million, decreased by Baht 179 million or 22 percent from the first quarter 2012/2013. This was mainly resulted from the export sales and services of "Lucky" Hi-tech Building System were decreased, this was due to none of special project sales in the first quarter of this year. However, the Company has action plans of human resources development in marketing and production, as well as design and 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 in the first quarter of this year was Baht 627 million, decreased by Baht 179 million or 22 percent from the first quarter of last year, this was mainly due to :-

- Export sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 203, decreased by Baht 171 million or 84 percent from last year. This was due to none of special project sales in the first quarter of this year while in the first quarter 2012/2013 there was sales and services of one export customer from special project.
- There was no Revenues from construction work in the first quarter of this year. This was resulted to the decrease by Baht 22 million or 100 percent from last year. While the first quarter of last year there was one project of construction work.
- Domestic sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 595, increased by Baht 14 million or 2 percent from the last year. This was mainly due to the domestic sales in furniture from one of its subsidiaries.

Other income

The consolidated financial statements of the Company's other income in the first quarter 2013/2014 was Baht 22 million, increased by Baht 6 million or 38 percent from the first quarter 2012/2013. Most of them were decreased in profit of the foreign exchange rate and profit of reversal of allowance for decline value of investment from one of related company.

Cost and expenses

- The consolidated financial statements of the Company's total cost in the first quarter 2013/2014 was Bath 559 million, decreased by Baht 112 million or 17 percent from the first quarter 2012/2013. This was mainly decreased in total revenues, resulted to total cost decrease. For total cost rate of total revenues in the first quarter 2013/2014 and the first quarter 2012/2013 were 89 percent and 83 percent respectively. This was

mainly increased in total cost rate, as resulted in the increase in the wage rate that accrue up since January 2013, the transportation expenses, the product development and quality inspection expenses, and the increase in fixed cost rate resulted from the burden fixed cost amount while the total revenues decreased.

- The consolidated financial statements of the Company's selling and administrative expenses in the first quarter 2013/2014 was Baht 157 million, increased by Baht 19 million or 14 percent from the first quarter of last year. This was mainly resulted from an increase in administrative expenses because there is no production by the transfer factory overheads cost of some plants out of the costs to be administrative expenses. For selling and administrative expenses rate of total revenues in the first quarter 2013/2014 and 2012/2013 were 25 percent and 17 percent respectively.

- The consolidated financial statements of the Company's corporate income tax in the first quarter 2013/2014 were included current tax expenses under the Revenue Code amounted to Baht 3 million and deferred tax income amounted to Baht 16 million, net deferred income tax was recognized in profit amounted to Baht 13 million. For the first quarter 2013/2014 corporate income tax were included current tax expenses under the Revenue Code amounted to Baht 4 million and deferred tax expenses amounted to Baht 5 million, net deferred income tax was recognized in loss amounted to Baht 9 million.

Gross profit

The consolidated financial statements of the Company's gross profit in the first quarter 2013/2014 was Baht 68 million, decreased by Baht 67 million or 50 percent from the first quarter 2012/2013. The gross profit ratio in the first quarter 2013/2014 and 2012/2013 represented 11 and 17 percent respectively, as the decrease of gross profit ratio resulted from revenues decreased but increased in total cost rate from the increase of the wage rate, the transportation expenses, the product development and quality control expenses, and the increase in fixed cost rate resulted from the burden fixed cost amount while the total revenues decreased.

Net profit (loss)

The consolidated financial statements of the Company's net loss in the first quarter 2013/2014 was Baht 25 million or 4 percent. This was mainly resulted from the decrease of total revenues, gross profit ratio and the increase of selling and administrative expenses. For the first quarter 2012/2013, net profit ratio was 2 percent, net profit in the first quarter of this year decreased by Baht 44 million or 232 percent from the first quarter of last year.

2. Financial positions

Statements of Financial positions as at 30 September 2013 and 30 June 2013

Consolidated F/S	30 September 2013		30 June 2013		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	463	14%	451	13%	12	3%
Trade accounts receivable - net	578	18%	698	20%	(120)	(17%)
Inventories - net	451	14%	503	15%	(52)	(10%)
Other current assets	25	1%	22	1%	3	14%
Total Current Assets	1,517	46%	1,674	49%	(157)	(9%)
Investments	659	20%	622	18%	37	6%
Property, plant and equipment - net	755	23%	767	23%	(12)	(2%)
Other non - current assets	358	11%	342	10%	16	5%
Total Non - Current Asset	1,772	54%	1,731	51%	41	2%
Total Assets	3,289	100%	3,405	100%	(116)	(3%)
Liabilities and Shareholders' Equity						
Short – term loans from financial institution	-	-	1	0%	(1)	
Trade accounts payable	379	12%	420	12%	(41)	(10%)
Other current liabilities	149	5%	191	6%	(42)	(22%)
Total Current Liabilities	528	16%	612	18%	(84)	(14%)
Employee benefits obligation	51	2%	50	1%	1	2%
Other non - current liabilities	5	0%	7	0%	(2)	(29%)
Total Non – Current Liabilities	56	2%	57	2%	(1)	2%
Total Liabilities	584	18%	669	20%	(85)	(13%)
Shareholders' equity to the Company's	2,531	77%	2,556	75%	(25)	(1%)
Shareholders' equity non-controlling interests' equity	174	5%	180	5%	(6)	3%
Total Shareholders' equity	2,705	82%	2,736	80%	(31)	(1%)
Total Liabilities and Shareholders' Equity	3,289	100%	3,405	100%	(116)	(3%)

2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 30 September 2013 and 30 June 2013

Total assets

As at September 30, 2013 the consolidated financial statements of the Company had total assets of Baht 3,289 million which decreased by Baht 116 million or 3 percent from June 30, 2013. This was mainly due to an decrease in trade accounts receivable.

As at September 30, 2013 and June 30, 2013, the total assets of the consolidated financial statements of the Company were comprised of the following items:

- Cash and cash equivalents were 14 percent and 13 percent respectively.
- Trade accounts receivable were 17 percent and 20 percent respectively.
- Inventories were 14 percent and 15 percent respectively.
- Other current assets were 1 percent and 1 percent respectively.
- Investments in the associated companies and other companies were 20 percent and 18 percent respectively.
- Property, plant and equipment were 23 percent and 23 percent respectively.
- Other non - current assets were 11 percent and 10 percent respectively.

- Cash and cash equivalents as at September 30, 2013 was Baht 463 million which increased by Baht 12 million from June 30, 2013. This was mainly due from net cash provided from operating activities, resulted from receive payment of trade accounts receivable and decreased in inventories.

- Trade accounts receivable as at September 30, 2013 was Baht 578 million which were current trade accounts receivable 50 percent, over due trade accounts receivable less than 3 months at 28 percent, and over due trade accounts receivable over 3 months at 22 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 allowance for doubtful accounts. Thus, as at September 30, 2013 the allowance for doubtful accounts was Baht 5 million, the Company, subsidiaries and its joint ventures considered that it was sufficient. For the receivable turnover times were 5.30 as at September 30, 2013 and 5.12 as at June 30, 2013 and account receivable days were 69 as at September 30, 2013 and 71 as at June 30, 2013, the receivable turnover times was increased and account receivable days was decreased, mainly due to trade accounts receivable was decreased.

- Inventories as at September 30, 2013 was Baht 451 million, decreased by Baht 52 million or 10 percent from June 30, 2013. This was mainly due to decrease in finished goods of special project of the export sales and services, the inventory turnover times were 5.95 as at September 30, 2013 and 5.55 as at June 30, 2013, the first quarter of this year had inventory turnover times faster than last year.

- Investments as at September 30, 2013 was Baht 659 million, increased by Baht 37 million or 6 percent from June 30, 2013. This was mainly due to increase in equity in net income of one associated company, as the result increased in value investments.

- Property, plant and equipment – net as at September 30, 2013 was Baht 755 million, decreased by Baht 12 million or 2 percent from June 30, 2013. This was mainly due to the depreciation for the period.

Total Liabilities

As at September 30, 2013, the consolidated financial statements of the Company had total liabilities of Baht 584 million, decreased by Baht 85 million or 13 percent from June 30, 2013. This was mainly due to an decrease in trade accounts payable as at September 30, 2013, which total of Baht 379 million, decreased by Baht 41 million, due to the volume of raw material for production of special project of the export sales and services had been decreased, resulted from no production of goods, and decrease from accrued freight expenses, due to no delivery of “Lucky” Hi-tech Building System in special project of the export sales and services in the first quarter of this year.

Shareholders' Equity

As at September 30, 2013, the consolidated financial statements of the Company had the shareholders' equity of Baht 2,705 million, while as at June 30, 2013 was Baht 2,736 million, decreased by Baht 31 million or 1 percent from June 30, 2013. This was mainly resulted from the first quarter of this year, the consolidated financial statements of the Company had net loss amounted Baht 25 million and non – controlling interests in subsidiaries decreased by Baht 6 million.

Book value as at September 30, 2013 was Baht 4.56 per share while as at June 30, 2013 was Baht 4.61 per share decreased by Baht 0.05 per share or 1 percent from the previous year.

2.2 LIQUIDITY AND KEY FINANCIAL RATIOS

Statements of Cash flows for the three-month periods ended 30 September 2013

Consolidated F/S	Unit : Million Baht
Net cash from operating activities	25
Net cash used in investing activities	(2)
Net cash used in financing activities	(11)
Decrease in cash and cash equivalents - net	12
Cash and cash equivalents at beginning of period	451
Cash and cash equivalents at end of period	463

Liquidity of the consolidated financial statements of the Company as at September 30, 2013 had balance cash and cash equivalents at end of period was Baht 463 million while as at June 30, 2013 of Baht 451 million, cash flows increased by Baht 12 million, this was mainly due to :-

- Cash flows from operating activities increased by Baht 25 million due to received payment of trade accounts receivable and decreased in inventories.

- Cash flows from investing activities decreased by Baht 2 million, most used in plant and equipment.

- Cash flows from financing activities decreased by Baht 11 million, most decreased from dividend paid to non-controlling interests by subsidiary.

For the current ratio as at June 30, 2013 and September 30, 2013 were 2.73 and 2.87 respectively, the quick ratio as at June 30, 2013 and September 30, 2013 were 1.88 and 1.97 respectively. It was showing that the Company, subsidiaries and its joint ventures had good liquidity assets.

The Company, subsidiaries and its joint ventures had good capacity to pay liabilities. The debt ratios as at June 30, 2013 and September 30, 2013 were 0.24 and 0.22 respectively.

3. Main factors which 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