

September 26, 2013

Subject : Management's Discussion and Analysis for the Year Ended 30 June, 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 Year Ended 30 June, 2013 as follows :

1. Operating Results

Statements of Comprehensive Income for the Year Ended 30 June, 2013 and 2012

Consolidated F/S	For the Year Ended 30 June, 2013		For the Year Ended 30 June, 2012		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic Sales and services - net	2,341	66%	2,518	56%	(177)	(7%)
Export Sales and services - net	1,218	34%	1,961	44%	(743)	(38%)
Total revenues	3,559	100%	4,479	100%	(920)	(21%)
Domestic Costs of sales and services	1,852		1,922		(70)	(4%)
Export Costs of sales and services	1,097		1,620		(523)	(32%)
Total Costs of sales and services	2,949	83%	3,542	79%	(593)	(17%)
Domestic Gross income	489		596		(107)	(18%)
Export Gross income	121		341		(220)	(65%)
Total Gross income	610	17%	937	21%	(327)	(35%)
Other income	78	2%	162	4%	(84)	(52%)
Selling and Administrative expenses	740	21%	683	15%	57	8%
Income from operations	(52)	(1%)	416	9%	(468)	(113%)
Equity in net income of associated companies	92	3%	80	2%	12	15%
Financial costs	3	0%	3	0%	0	0%
Income before income tax	37	1%	493	11%	(456)	(92%)
Income tax	21	1%	114	3%	(93)	(82%)
Non - controlling interests in subsidiaries	34	1%	33	1%	1	3%
Net profit of The Company's shareholders	(18)	(1%)	346	8%	(364)	(105%)
Net profit of The Company's per share (Baht)	(0.03)		0.58		(0.61)	(105%)

1.1 Analysis of Operating Results

For the year 2012/2013, the consolidated financial statements of the Company's total revenues amounted to Baht 3,559 million, decreased by Baht 920 million or 21 percent from the previous year. This was mainly resulted from the export sales and services of furniture and "Lucky" Hi-tech Building System were decreased, this was due to the decrease in special project customer, and the projects received are not large scale. This was consequently resulted to the decrease of sales and services in this year. However, the next year, the Company has action plans of human resources development in marketing and production, as well as design and development of products to response to customer's needs and increase sales volume, thus, revenues should be increased.

Total revenues

The consolidated financial statements of the Company's total revenues in 2012/2013 was Baht 3,559 million, decreased by Baht 920 million or 21 percent from the previous year, this was mainly due to :-

- Domestic sales and services of furniture and "Lucky" Hi-tech Building System were decreased by Baht 48 million or 2 percent from the previous year. This was mainly due to the decrease of domestic sales in furniture from dealers, mobile office and mobile toilet. As last year the customer wanted to buy the replacement of damaged furniture from the flooding during October - December 2011.

- Export sales and services of furniture and "Lucky" Hi-tech Building System were decreased by Baht 743 million or 38 percent from the previous year. This was mainly resulted from 2011/2012 the special project from the export sales and services which was the large volume continued from 2009/2010 have been finished and final revenue recognition in the first quarter 2011/2012. Also, in 2011/2012 there were sales and services of other three export customers from special projects. For the year 2012/2013, decreased in export customer and the special project received not large scale project, this was mainly resulted in 2012/2013 sales and services decreased.

- Revenues from construction work was decreased by Baht 129 million or 66 percent from the previous year. This was resulted in 2011/2012 there was revenues from two projects of construction work, one project has been finished with all recognition revenue, another project with some recognition revenue, total recognition revenue amounted to Baht 195 million. For the year 2012/2013 there was one project of construction work, value less than last year which have been finished with all revenue recognition, and in 2012/2013 there were revenues the project continue from 2011/2012, total recognition revenue amounted to Baht 66 million in this year.

Other income

The consolidated financial statements of the Company's other income in 2012/2013 was Baht 78 million, decreased by Baht 84 million or 52 percent from the previous year. This was mainly resulted from the last year had gain on foreign exchange rate and customs tax compensation income.

Cost and expenses

- The consolidated financial statements of the Company's total cost in 2012/2013 was Bath 2,949 million, decreased by Baht 593 million or 17 percent from the previous year. This was mainly decreased in total revenues, resulted to total cost decrease. For total cost rate of total revenues in 2011/2012 and 2012/2013 were 79 percent and 83 percent respectively. This was mainly increased in total cost rate, as resulted in 2012/2013 increased in wage rate, transportation expenses, product development and quality inspection expenses, and increased in fixed cost rate resulted from total revenues decreased considerably.

- The consolidated financial statements of the Company's selling and administrative expenses in 2012/2013 was Bath 740 million, increased by Baht 57 million or 8 percent from the previous year. This was mainly resulted from an increase in selling expenses from freight of "Lucky" Hi-tech Building System in special project of the export sales and services, the most condition of sale was CIF in this year. For selling and administrative expenses rate of total revenues in 2011/2012 and 2012/2013 were 15 percent and 21 percent respectively.

- The consolidated financial statements of the Company's corporate income tax was Baht 21 million, decreased by Baht 93 million from last year. This was mainly due to decrease of income before income tax followed decrease in revenues from sales and services.

Gross profit

The consolidated financial statements of the Company's gross profit in 2012/2013 was Baht 610 million, decreased by Baht 327 million or 35 percent from last year. The gross profit ratio in 2012/2013 and 2011/2012 represented 17.14 and 20.92 percent respectively, as the decrease of gross profit ratio resulted from revenues decreased but increased in total cost rate from the increase of wage rate, transportation expenses, product development and quality control expenses, and increased in fixed cost rate resulted from total revenues decreased considerably.

Net profit (loss)

The consolidated financial statements of the Company's net loss in 2012/2013 was Baht 18 million. This was mainly resulted from the decrease of total revenues, other income, gross profit ratio and the increase of selling and administrative expenses. For the year 2012/2013 was net loss ratio 0.50 percent and 2011/2012 was profit ratio 7.73 percent, net profit decreased Baht 364 million, decreased by 105 percent from the previous year.

2. Financial positions

Statements of Financial positions as at 30 June, 2013 and 2012

Consolidated F/S	30 June 2013		30 June 2012		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	451	13%	860	23%	(409)	(48%)
Trade accounts receivable - net	699	21%	690	19%	9	1%
Inventories - net	503	15%	560	15%	(57)	(10%)
Other current assets	22	1%	65	2%	(43)	(66%)
Total Current Assets	1,675	50%	2,175	59%	(500)	(23%)
Investments	619	18%	578	16%	41	7%
Property, plant and equipment - net	767	23%	658	18%	109	17%
Other non - current assets	295	9%	267	7%	28	10%
Total Non - Current Asset	1,681	50%	1,503	41%	178	12%
Total Assets	3,356	100%	3,678	100%	(322)	(9%)
Liabilities and Shareholders' Equity						
Short – term loans from financial institution	1	0%	-	0%	1	
Trade accounts payable	420	13%	543	15%	(123)	(23%)
Other current liabilities	191	6%	295	8%	(104)	(35%)
Total Current Liabilities	612	18%	838	23%	(226)	(27%)
Employee benefits obligation	50	1%	48	1%	2	4%
Other non - current liabilities	7	0%	9	0%	(2)	(22%)
Total Non – Current Liabilities	57	2%	57	2%	0	0%
Total Liabilities	669	20%	895	24%	(226)	(25%)
Shareholders' equity to the Company's	2,507	75%	2,638	72%	(131)	(5%)
Shareholders' equity non-controlling interests' equity	180	5%	145	4%	35	24%
Total Shareholders' equity	2,687	80%	2,783	76%	(96)	(3%)
Total Liabilities and Shareholders' Equity	3,356	100%	3,678	100%	(322)	(9%)

2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 30 June, 2013 and 2012

Total assets

As at June 30, 2013, the consolidated financial statements of the Company had total assets of Baht 3,356 million which decreased by Baht 322 million or 9 percent from the previous year. This was mainly due to an decrease in cash and cash equivalents.

As at June 30, 2013 and June 30, 2012, the total assets of the consolidated financial statements of the Company are comprised of the following items:

- Cash and cash equivalents were 13 percent and 23 percent respectively.
- Trade accounts receivable were 21 percent and 19 percent respectively.
- Inventories were 15 percent and 15 percent respectively.
- Other current assets were 1 percent and 2 percent respectively.
- Investments in the associated companies and other companies were 18 percent and 16 percent respectively.
- Property, plant and equipment were 23 percent and 18 percent respectively.
- Other non - current assets were 9 percent and 7 percent respectively.

Cash and cash equivalents as at June 30, 2013 was Baht 451 million which decreased by Baht 409 million from the previous year. This was mainly due from dividend payment to the shareholders from the net profit for the year ended 30 June 2012 amounted to Baht 113 million and cash used in property, plant and equipment amounted to Baht 154 million. Most of the investment was to renovate the plants at Poochao factory and machines to increase the productivity. Also, there was net cash decreased mainly due from used in the operation due to the lower profit.

Trade accounts receivable as at June 30, 2013 was Baht 699 million which were current trade accounts receivable 41 percent, over due trade accounts receivable less than 3 months 42 percent, and over due trade accounts receivable over 3 months 17 percent. However, trade accounts receivable mentioned, the Company, subsidiaries and its joint ventures have been followed closely the collection, by some debtors are in the process of debt collection, will be consider allowance for doubtful accounts. Thus in 2012/2013 had the allowance for doubtful accounts was Baht 5 million, the Company, subsidiaries and its joint ventures consider that are sufficient. For the receivable turnover times were 6.83 in 2011/2012 and 5.12 in 2012/2013, and account receivable days were 53 in 2011/2012 and 71 in 2012/2013, the receivable turnover times was decreased and account receivable days was increased, mainly due from balance export trade accounts receivable for the year ended 2012/2013 that the amount is retentions, therefore, have not been received from trade accounts receivable.

Inventories as at June 30, 2013 was Baht 503 million, decreased by Baht 57 million or 10 percent from the previous year. This was mainly due to decrease in finished goods special project of the export sales and services, the inventory turnover times were 4.73 in 2011/2012 and 5.55 in 2012/2013, this year had inventory turnover times faster than the previous year.

Investments as at June 30, 2013 was Baht 619 million, increased by Baht 41 million or 7 percent from the previous year. This was mainly due to increase in equity in net income of the one associated company, as the result increased in value investments.

Property, plant and equipment – net as at June 30, 2013 was Baht 767 million, increased by Baht 109 million or 17 percent from the previous year. This was mainly due to the investment to renovate the plants at Poochao factory and machines to increase the productivity.

Total Liabilities

As at June 30, 2013, the consolidated financial statements of the Company had total liabilities of Baht 669 million, decreased by Baht 226 million or 25 percent from the previous year. This was mainly due to an decrease in trade accounts payable as at June 30, 2013, were total of Baht 420 million, decreased by Baht 123 million, due to the volume of raw material for production of special project of the export sales and services had been decreased, and decrease by Baht 65 million in advances and deposits from customers – general customers. This was mainly due to a special project of the export sales and services has been finished in this year.

Shareholders' Equity

As at June 30, 2013, the consolidated financial statements of the Company had the shareholders' equity of Baht 2,687 million, as at June 30, 2012 was Baht 2,783 million, decreased by Baht 96 million or 3 percent from the previous year. This was mainly resulted from this year the consolidated financial statements of the Company had net loss amounted Baht 18 million, non – controlling interests in subsidiaries increased by Baht 35 million, and the Company had made the dividends payment amounted Baht 113 million.

Book value as at June 30, 2013 was Baht 4.53 per share, as at June 30, 2012 was Baht 4.69 per share decreased Baht 0.16 per share or 3 percent from the previous year.

2.2 LIQUIDITY AND KEY FINANCIAL RATIOS

Statements of Cash flows for the Year Ended 30 June, 2013 and 2012

Consolidated F/S	Unit : Million Baht
Net cash from operating activities	(193)
Net cash used in investing activities	(104)
Net cash used in financing activities	(112)
Decrease in cash and cash equivalents - net	(409)
Cash and cash equivalents at beginning of period	860
Cash and cash equivalents at end of period	451

Liquidity of the consolidated financial statements of the Company as at June 30, 2013 had balance cash and cash equivalents for the year ended was Baht 451 million, the previous year of Baht 860 million, cash flows decreased by Baht 409 million, this was mainly due to :-

- Cash flows from operating activities decreased by Baht 193 million due to the income from operating decreased, as the result, cash was used in operating activities and there is no cash increased. The next year, the Company has action plans of human resources development in marketing and production, as well as design and development of products to response to customer's needs and increase sales volume, thus, cash flows should be increased from operating activities.

- Cash flows from investing activities decreased by Baht 104 million because cash was used in property, plant and equipment amounted to Baht 154 million. Most of the investment was to renovate the plants at Poochao factory and machines to increase the productivity, and cash dividend received from an associated company amounted to Baht 48 million.

- Cash flows from financing activities decreased by Baht 112 million. Most decreased from dividend payment to the shareholders from the net profit for the year ended 30 June 2012.

For the current ratio were 2.60 in 2011/2012 and 2.73 in 2012/2013, the quick ratio were 1.85 in 2011/2012 and 1.88 in 2012/2013. 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 were 0.53 in 2010/2011, 0.32 in 2011/2012 and 0.25 in 2012/2013.

3. Main factors which possible affected future operations and finance positions

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.

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.

Local political is stable

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.

Please be informed accordingly.

Yours sincerely,

(Mr. Surasak Kunanantakul)

Vice President