

February 17, 2014

Attn : The President
The Stock Exchange of Thailand

Subject : Interim Management's Discussion and Analysis for the second quarter period ending 31 December 2013

As shown in the financial statements of the second quarter for the three-month period ended of December 31, 2013 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 Interim Management's Discussion and Analysis for the second quarter period ending December 2013 as follows :

1. Operating Results

Statements of Comprehensive Income for the three-month period ended 31 December 2013 and 2012

Consolidated F/S	the second quarter 2013/2014		the second quarter 2012/2013		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic Sales and services - net	495	95%	643	73%	(148)	(23%)
Export Sales and services - net	28	5%	243	27%	(215)	(88%)
Total revenues	523	100%	886	100%	(363)	(41%)
Domestic Costs of sales and services	423		521		(98)	(19%)
Export Costs of sales and services	42		210		(168)	(80%)
Total Costs of sales and services	465	89%	731	83%	(266)	(36%)
Domestic Gross income	72		122		(50)	(41%)
Export Gross income	(14)		33		(47)	(142%)
Total Gross income	58	11%	155	17%	(97)	(63%)
Other income	24	5%	8	1%	16	200%
Selling and Administrative expenses	(116)	(22%)	(182)	(21%)	66	36%
Compensation for defect products	(189)	(36%)			(189)	
Income(loss) from operations	(223)	(43%)	(19)	(2%)	(204)	(1,074%)
Equity in net income of associated companies	17	3%	17	2%	0	0%
Financial costs	0	0%	0	0%	0	0%
Income(loss) before income tax	(206)	(39%)	(2)	0%	(204)	(10,200%)
Income tax	44	8%	4	0%	40	1,000%
Non - controlling interests in subsidiaries	(2)	0%	(7)	(1%)	5	71%
Net profit(loss) of The Company's shareholders	(164)	(31%)	(5)	(1%)	(159)	(3,180%)
Net profit(loss) of The Company's per share (Baht)	(0.28)		(0.01)		(0.27)	(3,180%)

1.1 Analysis of Operating Results

As the second quarter 2013/2014, the consolidated financial statements of the Company's total revenues amounted to Baht 523 million, decreased by Baht 363 million or 41 percent from the second 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 second 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 second quarter of this year was Baht 523 million, decreased by Baht 363 million or 41 percent from the second quarter of last year. This was mainly resulted from the decrease of export sales and services of "Lucky" Hi-tech Building System due to none of special project from the export sales and services while the total revenues in the second quarter of this year are as the following ;

- Export sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 28 million, decreased by Baht 215 million or 88 percent from the second quarter of last year. This was due to none of special project sales in the second quarter of this year, while in the second quarter 2012/2013, there was sales and services of one export customer from special project.

- There was no revenue from construction work in the second quarter of this year. This was resulted to the decrease by Baht 44 million or 100 percent from last year. While the second quarter of last year, there were two projects of construction work.

- Domestic sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 495 million, decreased by Baht 104 million or 17 percent from last year. This was mainly due to the decrease of domestic sales of furniture and "Lucky" Hi-tech Building System, including the decrease of sales from subsidiaries.

Other Income

The consolidated financial statements of the Company's other income in the second quarter 2013/2014 was Baht 24 million, increased by Baht 16 million or 200 percent from the second quarter 2012/2013. Most of them were increased in profit of the foreign exchange rate, profit of reversal of allowance for decline value of investment from one of related company and profit for doubtful debts and bad debt.

Cost and Expenses

- The consolidated financial statements of the Company's total cost in the second quarter 2013/2014 was Baht 465 million, decreased by Baht 266 million or 36 percent from the second quarter 2012/2013. This was mainly decreased in total revenues, resulted to total cost decrease. For total cost rate of total revenues in the second quarter 2013/2014 and the second quarter 2012/2013 were 89 percent and 83 percent respectively. This was mainly increased in total cost rate, due to 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 second quarter 2013/2014 was Baht 116 million, decreased by Baht 66 million or 36 percent from the second quarter of last year. This was mainly resulted from a decrease in sales. The selling and administrative expenses

rate of total revenues in the second quarter 2013/2014 and 2012/2013 were 22 percent and 21 percent respectively.

- The consolidated financial statements of the Company's compensation in product defects was Baht 189 million, resulting from the defects of prefabricated buildings exported to our international customers. Later the customers have notified to the company resulting in the product defects and asking for the compensation. After the negotiation with the customers, finally the Company is required to pay the compensation to the customers amounted Baht 189 million being 5.13% of the revenues from such customers.

- The consolidated financial statements of the Company's corporate income tax in the second quarter 2013/2014 were included current tax expenses under the Revenue Code amounted to Baht 2 million and deferred tax income amounted to Baht 46 million, net deferred income tax was recognized in profit amounted to Baht 44 million. For the second quarter 2013/2014 corporate income tax included current tax expenses under the Revenue Code amounted to Baht 4 million and deferred tax income amounted to Baht 8 million, net deferred income tax was recognized in profit amounted to Baht 4 million.

Gross Profit

The consolidated financial statements of the Company's gross profit in the second quarter 2013/2014 was Baht 58 million, decreased by Baht 97 million or 63 percent from the second quarter 2012/2013. The gross profit ratio in the second quarter 2013/2014 and 2012/2013 represented 11 and 17 respectively, as the decrease of gross profit from revenues decreased but increased in total cost rate from the increase of 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, resulted to higher fixed cost rate.

Net Profit (Loss)

The consolidated financial statements of the Company's net loss in the second quarter 2013/2014 was Baht 164 million, increased by Baht 159 million or 3,180 percent from the second quarter 2012/2013 resulting from the decrease in revenues. Also, this second quarter the Company is required to pay the compensation in product defects amounted Baht 189 million, resulting from the defects of prefabricated buildings exported to our international customers and being claim from the customers for the compensation. After the negotiation with the customers, the Company is required to pay the compensation to the customers for Baht 189 million being 5.13% of the revenues from such customers. For the second quarter 2013/2014 and 2012/2013, net loss ratio was 31 percent and 1 percent respectively.

2. Financial positions

Statements of Financial positions as at 31 December 2013 and 30 June 2013

Consolidated F/S	31 December 2013		30 June 2013		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	348	11%	451	13%	(103)	(23%)
Trade accounts receivable - net	564	18%	698	20%	(134)	(19%)
Inventories - net	472	15%	503	15%	(31)	(6%)
Other current assets	27	1%	22	1%	5	23%
Total Current Assets	1,411	46%	1,674	49%	(263)	(16%)
Investments	680	22%	622	18%	58	9%
Property, plant and equipment - net	746	24%	767	23%	(21)	(3%)
Other non - current assets	243	8%	342	10%	(99)	29%
Total Non - Current Asset	1,669	54%	1,731	51%	(62)	4%
Total Assets	3,080	100%	3,405	100%	(325)	(10%)
Liabilities and Shareholders' Equity						
Short – term loans from financial institution	64	2%	1	0%	63	6300%
Trade accounts payable	258	8%	420	12%	(162)	(39%)
Other current liabilities	159	5%	191	6%	(32)	(17%)
Total Current Liabilities	481	16%	612	18%	(131)	(21%)
Employee benefits obligation	52	2%	50	1%	2	4%
Other non - current liabilities	4	0%	7	0%	(3)	(43%)
Total Non – Current Liabilities	56	2%	57	2%	(1)	(2%)
Total Liabilities	537	17%	669	20%	(132)	(20%)
Shareholders' equity to the Company's	2,366	77%	2,556	75%	(190)	(7%)
Shareholders' equity non-controlling interests' equity	177	6%	180	5%	(3)	2%
Total Shareholders' equity	2,543	83%	2,736	80%	(193)	(7%)
Total Liabilities and Shareholders' Equity	3,080	100%	3,405	100%	(325)	(10%)

2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 31 December 2013 and 30 June 2013

Total Assets

As at December 31, 2013, the consolidated financial statements of the Company had total assets of Baht 3,080 million which decreased by Baht 325 million or 10 percent from June 30, 2013. This was mainly due to the decrease in cash and trade accounts receivable.

As at December 31, 2013 and June 30, 2013 the total assets of the consolidated financial statement of the Company were comprised of the following items;

- Cash and cash equivalents were 11 percent and 13 percent respectively.
- Trade accounts receivable were 18 percent and 20 percent respectively.
- Inventories were 15 percent and 15 percent respectively.
- Other current assets were 1 percent and 1 percent respectively.
- Investment in the associated companies and other companies were 22 percent and 18 percent respectively.
- Property, plant and equipment were 24 percent and 23 percent respectively.
- Other non-current assets were 8 percent and 10 percent respectively.

- Cash and cash equivalents as at December 31, 2013 was Baht 348 million which decreased by Baht 103 million from June 30, 2013. This was mainly due from net cash provided for operating activities, resulted from loss.

- Trade accounts receivable as at December 31, 2013 was Baht 564 million which were current trade accounts receivable 42 percent, over due trade accounts receivable less than 3 months at 28 percent, and over due trade accounts receivable over 3 months at 30 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 December 31, 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 5.28 as at 31 December, 2013 and 5.13 as at June 30, 2013 and account receivable days were 69 as at December 31, 2013, and 71 days 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 December 31, 2013 was Baht 472 million, decreased by Baht 31 million or 6 percent from June 30, 2013. This was mainly due to decrease in special project of the export sales and services. The inventory turnover was 5.56 as at December 31, 2013 and 5.55 as at June 30, 2013.

- Investments as at December 31, 2013 were Baht 680 million, increased by Baht 58 million or 9 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 December 31, 2013 was Baht 746 million, decreased by Baht 21 million or 3 percent from June 30, 2013. This was mainly due to the depreciation for the period.

Total liabilities

As at December 31, 2013, the consolidated financial statements of the Company had total liabilities of Baht 537 million, decreased by Baht 132 million or 20 percent from June 30, 2013. This was mainly due to an decrease in trade accounts payable as at December 31, 2013, which total of Baht 258 million, decreased by Baht 162 million, due to the decrease in sales and services, thus, the purchase of raw materials was decreased accordingly.

For the short-term loans from financial institution were increased Baht 63 million as at December 31, 2013, the liabilities under trust receipts amounted Baht 8 million, used to purchase raw material and promissory notes amounted Baht 56 million for current operation.

Shareholders' equity

As at December 31, 2013, the consolidated financial statements of the Company had the shareholders' equity of Baht 2,543 million while as at June 30, 2013 was Baht 2,736 million, decreased by Baht 193 million or 7 percent. This was resulted from the first quarter and the second quarter of this year, the consolidated financial statements of the Company had net loss amounted Baht 190 million and non-controlling interests in subsidiaries decreased by Baht 3 million.

Book value as at December 31, 2013 was Baht 4.29 per share, while as at June 30, 2013 was Baht 4.61 per share, decreased by baht 0.32 per share or 7 percent from the previous year.

2.2 LIQUIDITY AND KEY FINANCIAL RATIOS

Statements of Cash flows for the six-month periods ended 31 December 2013

Consolidated F/S	Unit : Million Baht
Net cash from operating activities	(150)
Net cash used in investing activities	(6)
Net cash used in financing activities	53
Decrease in cash and cash equivalents - net	(103)
Cash and cash equivalents at beginning of period	451
Cash and cash equivalents at end of period	348

Liquidity of the consolidated financial statement of the Company as at December 31, 2013 had balance cash and cash equivalents at the end of period was Baht 348 million while as at June 30, 2013 of Baht 451 million, cash flow decreased by Baht 103 million, this was mainly due to :-

- Cash flows from operating activities decreased by Baht 150 million, most decreased in compensation in product defects and trade accounts payable.

- Cash flows from investing activities decreased by Baht 6 million, most used in plant and equipment.

- Cash flows from financing activities increased by Baht 53 million, increased in short-term loans from financial institutions by Baht 63 million and decreased from dividend paid to non-controlling interest by subsidiary by Baht 10 million.

For the current ratio as at June 30, 2013 and December 31, 2013 were 2.74 and 2.93 respectively, the quick ratio as at June 30, 2013 and December 31, 2013 were 1.88 and 1.90 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 December 31, 2013 were 0.24 and 0.21 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

Siam Steel International Public Company Limited