

May 15, 2014

Attn : The President
The Stock Exchange of Thailand

Subject : Interim Management's Discussion and Analysis for the third quarter period ending 31 March 2014

As shown in the financial statements of the third quarter for the three-month period ended of March 31, 2014 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 third quarter period ending March 31, 2014 as follows :

1. Operating Results

Statements of Comprehensive Income for the three-month period ended 31 March 2014 and 2013

Consolidated F/S	the third quarter 2013/2014		the third quarter 2012/2013		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic Sales and services - net	434	81%	558	49%	(124)	(23%)
Export Sales and services - net	100	19%	575	51%	(475)	(83%)
Total revenues	534	100%	1,133	100%	(599)	(53%)
Domestic Costs of sales and services	350		420		(70)	(17%)
Export Costs of sales and services	85		475		(390)	(82%)
Total Costs of sales and services	435	81%	895	79%	(460)	(51%)
Domestic Gross income	84		138		(54)	(39%)
Export Gross income	15		100		(85)	(85%)
Total Gross income	99	19%	238	21%	(139)	(58%)
Other income	17	3%	10	1%	7	70%
Selling and Administrative expenses	(124)	(23%)	(178)	(16%)	54	(30%)
Compensation for defect products	-	-	-	-	-	-
Income(loss) from operations	(8)	(1%)	70	6%	(78)	(111%)
Equity in net income of associated companies	24	4%	25	2%	(1)	(4%)
Financial costs	(1)	0%	(1)	0%	0	0%
Income(loss) before income tax	15	3%	94	8%	(80)	(84%)
Income tax	(7)	(1%)	(18)	(2%)	11	(61%)
Non - controlling interests in subsidiaries	(6)	(1%)	(17)	(2%)	11	(65%)
Net profit(loss) of The Company's shareholders	2	0.3%	59	5%	(57)	(97%)
Net profit(loss) of The Company's per share (Baht)	0.00		0.10		(0.10)	(97%)

1.1 Analysis of Operating Results

As the third quarter 2013/2014, the consolidated financial statements of the Company's total revenues amounted to Baht 534 million, decreased by Baht 599 million or 53 percent from the third quarter 2012/2013. This was mainly resulted from the export sales and services of "Lucky" Hi-tech Building System were decreased. 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 third quarter of this year was Baht 534 million, decreased by Baht 599 million or 53 percent from the third quarter of last year. This was mainly resulted from the decrease of export sales and services of "Lucky" Hi-tech Building System of special project while the total revenues in the third quarter of this year are as the following ;

- Export sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 100 million, decreased by Baht 475 million or 83 percent from the third quarter of last year. This was due to the decrease of export sales and services of "Lucky" Hi-tech Building System of special project.

- Domestic sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 434 million, decreased by Baht 124 million or 22 percent from last year. This was due to the decrease of sales of furniture from one subsidiary.

Other Income

The consolidated financial statements of the Company's other income in the third quarter 2013/2014 was Baht 17 million, increased by Baht 7 million or 70 percent from the third quarter 2012/2013. Most of them were increased in profit of the foreign exchange rate.

Cost and Expenses

The consolidated financial statements of the Company's total cost in the third quarter 2013/2014 was Baht 435 million, decreased by Baht 460 million or 51 percent from the third quarter 2012/2013. This was mainly decreased in total revenues, resulted to total cost decrease. For total cost rate of total revenues in the third quarter 2013/2014 and the third quarter 2012/2013 were 81 percent and 79 percent respectively. This was mainly increased in total cost rate, due to 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 third quarter 2013/2014 was Baht 124 million, decreased by Baht 54 million or 30 percent from the third quarter of last year. This was mainly resulted from a decrease in sales. The selling and administrative expenses rate of total revenues in the third quarter 2013/2014 and 2012/2013 were 23 percent and 16 percent respectively.

- The consolidated financial statements of the Company's corporate income tax in the third quarter 2013/2014 were included current tax expenses under the Revenue Code amounted to Baht 3 million and deferred tax expenses amounted to Baht 4 million, net deferred tax was recognized in expenses amounted to Baht 7 million. For the third quarter 2013/2014 corporate income tax included current tax expenses under the Revenue Code amounted to Baht 11 million and deferred tax expenses amounted to Baht 7 million, net deferred income tax was recognized in expenses amounted to Baht 18 million,

Gross Profit

The consolidated financial statements of the Company's gross profit in the third quarter 2013/2014 was Baht 99 million, decreased by Baht 139 million or 58 percent from the third quarter 2012/2013. The gross profit ratio in the third quarter 2013/2014 and 2012/2013 represented 19 and 21 respectively, as the decrease of gross profit from revenues decreased but increased in total cost rate from the increase of 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 profit in the third quarter 2013/2014 was Baht 2 million, decreased by Baht 57 million or 97 percent from the third quarter 2012/2013 resulting from the decrease in revenues. For the third quarter 2013/2014 and 2012/2013, net profit ratio was 0.3 percent and 5 percent respectively.

2. Financial positions

Statements of Financial positions as at 31 March 2014 and 30 June 2013

Consolidated F/S	31 March 2014		30 June 2013		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	276	9%	451	13%	(175)	(39%)
Trade accounts receivable - net	574	19%	698	20%	(124)	(18%)
Inventories - net	422	14%	503	15%	(81)	(16%)
Other current assets	21	1%	22	1%	(1)	(5%)
Total Current Assets	1,293	43%	1,674	49%	(381)	(23%)
Investments	765	25%	622	18%	143	23%
Property, plant and equipment - net	740	24%	767	23%	(27)	(4%)
Other non - current assets	242	8%	342	10%	(100)	(29%)
Total Non - Current Asset	1,747	57%	1,731	51%	16	1%
Total Assets	3,040	100%	3,405	100%	(365)	(11%)
Liabilities and Shareholders' Equity						
Short – term loans from financial institution	107	4%	1	0%	106	10600%
Trade accounts payable	193	6%	420	12%	(227)	(54%)
Other current liabilities	150	5%	191	6%	(41)	(21%)
Total Current Liabilities	450	15%	612	18%	(162)	(26%)
Employee benefits obligation	36	1%	50	1%	(14)	(28%)
Other non - current liabilities	3	0%	7	0%	(4)	(57%)
Total Non – Current Liabilities	39	1%	57	2%	(18)	(32%)
Total Liabilities	489	16%	669	20%	(180)	(27%)
Shareholders' equity to the Company's	2,368	78%	2,556	75%	(188)	(7%)
Shareholders' equity non-controlling interests' equity	183	6%	180	5%	3	2%
Total Shareholders' equity	2,551	84%	2,736	80%	(185)	(7%)
Total Liabilities and Shareholders' Equity	3,040	100%	3,405	100%	(365)	(11%)

2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 31 March 2014 and 30 June 2013

Total Assets

As at March 31, 2014, the consolidated financial statements of the Company had total assets of Baht 3,040 million which decreased by Baht 365 million or 11 percent from June 30, 2013. This was mainly due to the decrease in cash and trade accounts receivable.

As at March 31, 2014 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 9 percent and 13 percent respectively.
- Trade accounts receivable were 19 percent and 20 percent respectively.
- Inventories were 14 percent and 15 percent respectively.
- Other current assets were 1 percent and 1 percent respectively.
- Investment in the associated companies and other companies were 25 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 March 31, 2014 was Baht 276 million which decreased by Baht 175 million from June 30, 2013. This was mainly due to lower net cash provided for operating activities.

- Trade accounts receivable as at March 31, 2014 was Baht 574 million which were current trade accounts receivable 48 percent, over due trade accounts receivable less than 3 months at 20 percent, and over due trade accounts receivable over 3 months at 32 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 March 31, 2014 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 4.25 as at 31 March, 2014 and 5.13 as at June 30, 2013 and account receivable days were 86 as at March 31, 2014, and 71 days as at June 30, 2013. The account receivable days was decreased, trade accounts receivable was increased due to as at March 31, 2014, the export sales of "LUCKY" Hitech Building from special project was decreased, and also there was a number of outstanding trade receivables.

- Inventories as at March 31, 2014 was Baht 422 million, decreased by Baht 81 million or 16 percent from June 30, 2013. This was mainly due to decrease in special project of the export sales and services. The inventory turnover was 4.72 as at December 31, 2013 and 5.55 as at June 30, 2013.

- Investments as at March 31, 2014 were Baht 765 million, increased by Baht 143 million or 23 percent. This was mainly due to increase in equity in net income of one associated company, as the result increased in value investments. The company has invested in the shares of one associated company for the amount of shares 1.12 million wer Baht 60.2 million, the investment in ordinary share in this associated company because the company has dividend such as the shares held by existing during the past years, moreover the performance and potential of business of the company was considered that the investment will benefit to the company in future to increase the income from dividend increased.

- Property, plant and equipment - net as at the third quarter 2013/2014 was Baht 740 million, decreased by Baht 27 million or 4 percent from June 30, 2013. This was mainly due to the depreciation for the period.

- Other non-current assets as at March 31, 2014 was Baht 242 million, decreased by Baht 100 million or 29 percent from June 30, 2013. This was mainly due to the decrease in retentions receivable from the export customers of special project “Lucky” Hitech Building System.

Total liabilities

As at the third quarter 2013/2014, the consolidated financial statements of the Company had total liabilities of Baht 489 million, decreased by Baht 180 million or 27 percent from June 30, 2013. This was mainly due to an decrease in trade accounts payable as at March 31, 2014, which total of Baht 193 million, decreased by Baht 227 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 106 million as at third quarter 2013/2014, the trust receipts amounted Baht 8 million, used to purchase raw material and promissory notes amounted Baht 99 million for current operation.

Shareholders' equity

As at third quarter 2013/2014, the consolidated financial statements of the Company had the shareholders' equity of Baht 2,551 million while as at June 30, 2013 was Baht 2,736 million, decreased by Baht 185 million or 7 percent. This was resulted from the nine-month period of this year, the consolidated financial statements of the Company had net loss amounted Baht 188 million and non-controlling interests in subsidiaries increased by Baht 3 million.

Book value as at the end of third quarter 2013/2014 was Baht 4.30 per share, while as at June 30, 2013 was Baht 4.61 per share, decreased by baht 0.31 per share or 7 percent from the previous year.

2.2 Liquidity and key financial ratios

Statements of Cash flows for the nine-month period ended 31 March 2014

Consolidated F/S	Unit : Million Baht
Net cash from operating activities	(196)
Net cash used in investing activities	(75)
Net cash used in financing activities	96
Decrease in cash and cash equivalents - net	(175)
Cash and cash equivalents at beginning of period	451
Cash and cash equivalents at end of period	276

Liquidity of the consolidated financial statement of the Company as at March 31, 2014 had balance cash and cash equivalents at the end of period was Baht 276 million while as at June 30, 2013 of Baht 451 million, cash flow decreased by Baht 175 million, this was mainly due to :-

- Cash flows from operating activities decreased by Baht 196 million, most decreased in compensation in product defects and trade accounts payable.

- Cash flows from investing activities decreased by Baht 75 million, most used in the investment of the ordinary shares in subsidiary company by Baht 60.2 million.

- Cash flows from financing activities increased by Baht 96 million, increased in short-term loans from financial institutions by Baht 106 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 March 31, 2014 were 2.74 and 2.87 respectively, the quick ratio as at June 30, 2013 and March 31, 2014 were 1.88 and 1.89 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 March 31, 2014 were 0.19 and 0.24 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