

November 14, 2014

Attn : The President
The Stock Exchange of Thailand

Subject : Management's Discussion and Analysis for the first quarter period ending 30 September 2014

As shown in the financial statements of the three-month period ended of September 30, 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 Management's Discussion and Analysis for the first quarter period ending September 30, 2014 as follows :

1. Operating Results

Statements of Comprehensive Income for the Year Ended 30 September, 2014 and 2013

Consolidated F/S	The first quarter 2014/2015		The first quarter 2013/2014		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic sales and services - net	413	95%	595	95%	(182)	(31%)
Export sales and services - net	20	5%	32	5%	(12)	(38%)
Total Revenues	433	100%	627	100%	(194)	(31%)
Domestic costs of sales and services	311		510		(199)	(39%)
Export costs of sales and services	19		49		(30)	(61%)
Total Costs of Sales and Services	330	76%	559	89%	(229)	(41%)
Domestic gross income	102		85		17	20%
Export gross income	1		(17)		18	106%
Total Gross Income	103	24%	68	11%	35	51%
Other income	0	0%	22	4%	(22)	(100%)
Selling and administrative expenses	(108)	(25%)	(157)	(25%)	(49)	(31%)
Income (Loss) from Operations	(5)	(1%)	(67)	(11%)	62	93%
Equity in net income of associated companies	17	4%	33	5%	(16)	(48%)
Financial costs	(1)	0%	0	0%	(1)	0%
Income (Loss) before Income Tax	11	3%	(34)	(5%)	45	132%
Income tax	0	0%	13	2%	(13)	(100%)
Non - controlling interests in subsidiaries	(4)	(1%)	(4)	(1%)	0	0%
Net Profit (Loss) of The Company's shareholders	7	2%	(25)	(4%)	32	128%
Net Profit (Loss) of The Company's per share (Baht)	0.02		(0.04)		0.06	128%

1.1 Analysis of Operating Results

For the first quarter ending September 30, 2014, the consolidated financial statements of the Company's total revenues amounted to Baht 433 million, decreased by Baht 194 million or 31 percent from the previous year. This was resulted from the decrease of domestic sales and export sales of furniture. This was mainly due to the decrease of sales of furniture from the sales agents of the company. However, the Company has action plans of human resources development in marketing and production, as well as 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 for the first quarter ending September 30, 2014 was Baht 433 million, decreased by Baht 194 million or 31 percent from the previous year. This was mainly due to the decrease of sales of furniture from the sales agents of the company. The total revenues in this year are as the following ;

- Domestic sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 413 million, decreased by Baht 182 million or 31 percent from last year. This was mainly due to the decrease of sales of furniture from the sales agents of the company.

- Export sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 20 million, decreased by Baht 12 million or 38 percent. This was due to the export sales of furniture.

Other Income

The consolidated financial statements of the Company's other income for the first quarter ending September 30, 2014, decreased by Baht 22 million or 100 percent from the previous year. Most of them were decreased in loss of foreign exchange rate from foreign debt from Baht 30.29 per 1 Australian Dollar, decreased by Baht 27.98 per 1 Australian Dollar, as the Bank of Thailand's exchange rate.

Cost of Sales and Expenses

The consolidated financial statements of the Company's total cost of sales in 2014/2015 was Baht 330 million, decreased by Baht 229 million or 41 percent from the previous year. This was decreased in total revenues and the first quarter 2013/2014 there was cost of sales from the production of "Lucky" Hi-tech Building System from the special project in small volume which is not worth to the cost, due to none of cost in production from special project of prefabricated building in the first quarter 2014/2015, resulted the decrease of total cost. For total cost of sales rate of total revenues in the first quarter 2014/2015 and 2013/2014 were 76 percent and 89 percent respectively. This was mainly decreased in total cost of sales rate due to the small quantity of production "Lucky" Hi-tech Building System for export from the special project which is not worth to the cost.

- The consolidated financial statements of the Company's selling and administrative expenses for the first quarter ending September 30, 2014 was Baht 108 million, decreased by Baht 49 million or 31 percent from the previous year. This was resulted from the decrease in total revenues, and the first quarter of last year, there was a quantity of administrative expenses transferred some factory expenses out of the cost of sales to be administrative expenses. This was resulted from none of production of that factory. The ratio of selling and administrative expenses of total revenues in the first quarter 2014/2015 and 2013/2014 were 25 percent and 25 percent respectively. The ratio of selling and administrative expenses rate decreased.

- The consolidated financial statements of the Company's corporate income tax in the first quarter 2014/2015 were included current tax expenses under the Revenue Code amounted to Baht 2 million and deferred tax income amounted to Baht 2 million, none of net deferred tax was recognized in expenses. For the

first quarter 2013/2014 the corporate income tax 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 income amounted to Baht 13 million.

Gross Profit

The consolidated financial statements of the Company's gross profit in the first quarter 2014/2015 was Baht 103 million, increased by Baht 35 million or 51% from the previous year. The gross profit ratio in the first quarter 2014/2015 and 2013/2014 represented 24 and 11 respectively, as the increase of gross profit due to none of cost in production from special project of prefabricated building in the first quarter 2014/2015. Nevertheless, the first quarter 2013/2014 there was fixed cost from the production of prefabricated buildings of special projects in small quantity which was not worth to the cost.

Net Profit (Loss)

The consolidated financial statements of the Company's net profit in the first quarter 2014/2015 was Baht 7 million, net loss in the first quarter 2013/2014 was Baht 25 million, increased by Baht 32 million or 128 percent from the previous year resulting from the increase in gross profit by Baht 35 million, represent a gross margin increased from 11 percent in the first quarter last year to 24 percent in the first quarter of this year, due to the first quarter 2014/2015 there was none of production cost of the prefabricated buildings of special projects. But in the first quarter 2013/2014, there was a quantity of fixed cost from the manufacturing of prefabricated buildings of special project which was small quantity and was not worth to the cost. Also, there was an administrative expenses from the transfer cost of some factory out from the cost of sales to be administrative expenses due to none of production. For the net profit (loss) in the first quarter 2014/2015 and 2013/2014 were net profit 2 and net (loss) 4 respectively.

2. Financial positions

Statements of Financial positions as at 30 September 2014 and 30 June 2014

Consolidated F/S	30 September 2014		30 June 2014		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	257	9%	333	11%	(76)	(23%)
Trade accounts receivable - net	439	15%	450	15%	(11)	(2%)
Inventories - net	421	15%	390	13%	31	8%
Other current assets	19	1%	22	2%	(3)	(14%)
Total Current Assets	1,136	40%	1,195	41%	(59)	(5%)
Investments	744	26%	725	25%	19	3%
Property, plant and equipment - net	741	26%	750	26%	(9)	(1%)
Other non - current assets	241	8%	241	8%	0	0%
Total Non - Current Asset	1,726	60%	1,716	59%	10	1%
Total Assets	2,862	100%	2,911	100%	(49)	(2%)
Liabilities and Shareholders' Equity						
Short - term loans from financial institution	-	-	53	2%	(53)	(100%)
Trade accounts payable	164	6%	184	6%	(20)	(11%)
Other current liabilities	141	5%	120	4%	21	18%
Total Current Liabilities	305	11%	357	12%	(52)	(15%)
Employee benefits obligation	23	1%	22	1%	1	5%
Other non - current liabilities	2	0%	2	0%	0	0%
Total Non - Current Liabilities	25	1%	24	1%	1	4%
Total Liabilities	330	12%	381	13%	(51)	(13%)
Shareholders' equity to the Company's	2,345	81%	2,337	80%	8	0%
Shareholders' equity non-controlling interests' equity	187	7%	193	7%	(6)	(3%)
Total Shareholders' equity	2,532	88%	2,530	87%	2	0%
Total Liabilities and Shareholders' Equity	2,862	100%	2,911	100%	(49)	(2%)

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

Total Assets

As at September 30, 2014, the consolidated financial statements of the Company had total assets of Baht 2,862 million, decreased by Baht 49 million or 2 percent from June 30, 2014. This was mainly due to the decrease in cash, trade accounts receivable, inventory and retention receivables

As at September 30, 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 11 percent respectively.
- Trade accounts receivable were 15 percent and 15 percent respectively.
- Inventories were 15 percent and 13 percent respectively.
- Other current assets were 1 percent and 2 percent respectively.
- Investment in the associated companies and other companies were 26 percent and 25 percent respectively.
- Property, plant and equipment were 26 percent and 26 percent respectively.
- Other non-current assets were 8 percent and 8 percent respectively.

- Cash and cash equivalents as at September 30, 2014 was Baht 257 million which decreased by Baht 76 million from June 30, 2014. This was mainly due to net cash provided for operating activities resulted from the payment of account payable and one subsidiary has inventory increased, and cash used for short-term loans payment from financial institution.

- Trade accounts receivable as at September 30, 2014 was Baht 439 million, trade account receivable 55 percent, trade account receivable less than or equivalent 3 months at 18 percent, and more than 3 months at 27 percent. However, those trade accounts and the Company, subsidiaries and its joint ventures have been followed closely the collectors. Some debtors that have been in the process of debt collection would be considered allowance for doubtful accounts. Thus, as at September 30, 2014 the allowance for doubtful accounts was Baht 48 million, who is one of the account receivable from Australia for prefabricated buildings from special projects for Baht 43 million and other for Baht 5 million. The Company, subsidiaries and its joint ventures considered that it was sufficient. For the receivable turnover times were 4.38 as at September 30, 2014 and 3.73 as at June 30, 2014 and account receivable days were 83 days as at September 30, 2014, and 98 days as at June 30, 2014. The account receivable days was increased, trade accounts receivable was decreased due to as at September 30, 2014, the outstanding accounts receivable decreased.

- Inventories as at September 30, 2014 were Baht 421 million, increased by Baht 31 million or 8 percent. This was due to one subsidiary had inventory increased. The inventory turnover was 3.95 as at September 30, 2014 and 4.10 as at June 30, 2014.

- Investments as at September 30, 2014 were Baht 744 million, increased by Baht 19 million or 3 percent. This was mainly due to the increase in equity in net income of one associated company, and the decrease of provision in value investments in shares of one related companies, resulted value investments increased.

- Property, plant and equipment - net as at September 30, 2014 was Baht 741 million, decreased by Baht 9 million or 1 percent from June 30, 2014. This was mainly due to the depreciation of plant and equipment for the period.

Total liabilities

As at September 30, 2014, the consolidated financial statements of the Company had total liabilities of Baht 330 million, decreased by Baht 51 million or 13 percent from June 30, 2014. This was due to the payment of short-term bill of exchange and trust receipt by Baht 53 million, the payment of trade account payable by Baht 20 million, and other current liability by Baht 21 million, most was advance and deposits from one foreign customer.

Shareholders' equity

As at September 30, 2014, the consolidated financial statements of the Company had the shareholders' equity of Baht 2,532 million while as at June 30, 2014 was Baht 2,530 million, increased by Baht 2 million or 0.1 percent. This was resulted from the first quarter of this year, the consolidated financial statements of the Company had net profit amounted Baht 7 million and profit with non-controlling interests in subsidiaries decreased by Baht 5 million.

Book value as at September 30, 2014 was Baht 4.27 per share, equal to as at June 30, 2014.

2.2 Liquidity and key financial ratios

Statements of Cash flows for the Year Ended 30 September 2014

Consolidated F/S	Unit : Million Baht
Net cash from operating activities	(11)
Net cash used in investing activities	(2)
Net cash used in financing activities	(63)
Decrease in cash and cash equivalents - net	(76)
Cash and cash equivalents at beginning of period	333
Cash and cash equivalents at end of period	257

Liquidity of the consolidated financial statement of the Company as at September 30, 2014 had balance cash and cash equivalents at the end of period was Baht 257 million while as at June 30, 2014 was Baht 333 million, cash flow decreased by Baht 76 million, this was mainly due to :-

- Cash flows from operating activities decreased by Baht 11 million, due to one trade accounts payable and one subsidiary have inventory increased.

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

- Cash flows from financing activities decreased by Baht 63 million, decreased in short-term loans in bill of exchange and trust receipt by Baht 53 million and decreased from non-controlling interests in subsidiaries paying dividends by Baht 10 million.

For the current ratio as at June 30, 2014 and September 30, 2014 were 3.35 and 3.72 respectively, the quick ratio as at June 30, 2014 and September 30, 2014 were 2.19 and 2.28 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, 2014 and September 30, 2014 were 0.15 and 0.13 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 the 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