

May 28, 2013

Subject : Management's Discussion and Analysis for the third quarter period ending 31 March 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 third quarter 2012/2013) as follows :

### 1. Operating Results

Statements of Comprehensive Income for The three-month periods ended 31 March 2013 and 2012

Consolidated F/S	the third quarter 2012/2013		the third quarter 2011/2012		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic Sales and services - net	558	49%	619	59%	(61)	(10%)
Export Sales and services - net	575	51%	436	41%	139	32%
<b>Total revenues</b>	<b>1,133</b>	<b>100%</b>	<b>1,055</b>	<b>100%</b>	<b>78</b>	<b>7%</b>
Domestic Costs of sales and services	420		450		(29)	(6%)
Export Costs of sales and services	475		370		105	28%
<b>Total Costs of sales and services</b>	<b>895</b>	<b>79%</b>	<b>820</b>	<b>78%</b>	<b>75</b>	<b>9%</b>
Domestic Gross income	138		169		(31)	(18%)
Export Gross income	100		66		34	51%
<b>Total Gross income</b>	<b>238</b>	<b>21%</b>	<b>235</b>	<b>22%</b>	<b>3</b>	<b>1%</b>
Other income	10	1%	21	2%	(11)	(52%)
Selling and Administrative expenses	178	16%	167	16%	11	7%
<b>Income from operations</b>	<b>70</b>	<b>6%</b>	<b>89</b>	<b>8%</b>	<b>(19)</b>	<b>(21%)</b>
Equity in net income of associated companies	26	2%	33	3%	(7)	(22%)
Financial costs	1	0%	0	0%	1	300%
<b>Income before income tax</b>	<b>95</b>	<b>8%</b>	<b>121</b>	<b>11%</b>	<b>(26)</b>	<b>(21%)</b>
Income tax	11	1%	25	2%	(14)	(57%)
Non - controlling interests in subsidiaries	17	2%	11	1%	6	53%
<b>Net profit of The Company's shareholders</b>	<b>67</b>	<b>6%</b>	<b>85</b>	<b>8%</b>	<b>(18)</b>	<b>(22%)</b>
<b>Net profit of The Company's per share (Baht)</b>	<b>0.11</b>		<b>0.14</b>		<b>(0)</b>	<b>(22%)</b>

## **1.1 Analysis of Operating Results**

As the third quarter 2012/2013, Siam Steel International Public Company Limited, subsidiaries and its joint ventures' total revenues amounted to Baht 1,133 million, increased by Baht 78 million or 7 percent from last year and the gross income increased by Baht 3 million or 1 percent. The Company's shareholders net profit decreased by Baht 18 million or 22 percent. This was due to the decrease of other income by Baht 11 million and the increase of selling and administrative expenses by Baht 11 million.

### **Total revenues**

The company, subsidiaries and its joint ventures' total revenues amounted to Baht 1,133 million, increased by Baht 78 million or 7 percent from last year. This was mainly resulted from the export sales and services increased by Baht 139 million or 32 percent. This was due to the increase of revenues from selling of "Lucky" Hi-tech Building System in special project of the export sales and services. The domestic sales and services decreased by Bath 61 million or 10 percent. This was due to the decrease of domestic sales of furniture from dealers. In the same quarter of last year, the company has received quite big volume of order for the replacement of damaged furniture from the flooding during October - December 2011.

### **Other income**

The company, subsidiaries and its joint ventures' other income amounted to Baht 10 million, decreased by Baht 11 million or 52 percent from last year. Most of them were decreased in profit of the foreign exchange rate.

### **Equity in net income of associated companies**

The equity in net income of associated companies amounted to Baht 26 million, decreased by Baht 7 million or 22 percent. This was due to the decrease of net profit for the associated companies resulted from the higher rate of cost of sales.

### **Total costs of sales and services**

The company, subsidiaries and its joint ventures' total costs of sales and services amounted to Baht 895 million, or 79 percent of total revenue. Cost of sales and services was increased Baht 75 million or 9 percent of total revenue increased, but increase in the higher rate than total revenue which was resulted for the gross margin decreased from 22 percent to 21 percent.

### **Selling and Administrative expenses**

The company, subsidiaries and its joint ventures' selling and administrative expenses amounted to Baht 178 million, increased by Baht 11 million, or 7 percent from last year. Most of the expenses were consulting fee of legal agreement.

### **Net profit of the Company's shareholders**

The company, subsidiaries and its joint ventures' net profit of the Company's shareholders was Baht 67 million or 6 percent of total revenues. The net profit of the Company's shareholders was decreased Baht 18 million or 22 percent due to the decrease of gross profit ratio, equity in net income of associated companies and the increase of selling and administrative expenses.

## 2. Financial positions

Statements of Financial positions as at 31 March 2013 and 30 June 2012

Consolidated F/S	31 March 2013		30 June 2012		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Assets</b>						
Cash and cash equivalents	333	9%	860	23%	(527)	(61%)
Trade accounts receivable - net	858	24%	690	19%	168	24%
Inventories - net	651	18%	560	15%	91	16%
Other current assets	36	1%	65	2%	(29)	(45%)
<b>Total Current Assets</b>	<b>1,878</b>	<b>53%</b>	<b>2,175</b>	<b>59%</b>	<b>(297)</b>	<b>(14%)</b>
Investments	649	18%	578	16%	71	12%
Property, plant and equipment - net	734	21%	658	18%	76	12%
Other non - current assets	283	8%	267	7%	16	6%
Total Non - Current Asset	1,666	47%	1,503	41%	163	11%
<b>Total Assets</b>	<b>3,544</b>	<b>100%</b>	<b>3,678</b>	<b>100%</b>	<b>(134)</b>	<b>(4%)</b>
<b>Liabilities and Shareholders' Equity</b>						
Short – term loans from financial institution	65	2%	-	0%	65	
Trade accounts payable	518	15%	666	18%	(148)	(22%)
Other current liabilities	133	4%	172	5%	(39)	(23%)
<b>Total Current Liabilities</b>	<b>716</b>	<b>20%</b>	<b>838</b>	<b>23%</b>	<b>(122)</b>	<b>(15%)</b>
Employee benefits obligation	51	1%	48	1%	3	6%
Other non - current liabilities	7	0%	9	0%	(2)	(22%)
Total Non – Current Liabilities	58	2%	57	2%	1	2%
Total Liabilities	774	22%	895	24%	(121)	(14%)
Shareholders' equity to the Company's	2,603	73%	2,638	72%	(35)	(1%)
Shareholders' equity non-controlling interests' equity	167	5%	145	4%	22	15%
Total Shareholders' equity	2,770	78%	2,783	76%	(13)	(0%)
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,544</b>	<b>100%</b>	<b>3,678</b>	<b>100%</b>	<b>(134)</b>	<b>(4%)</b>

## **2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 31 March 2013 and 30 June 2012**

### **Assets**

As at March 31, 2013 and June 30, 2012, the Company, subsidiaries and its joint ventures had total assets of Baht 3,544 million and Baht 3,678 million respectively which decreased by Baht 134 million or 4 percent. This was mainly due to the decrease of cash and cash equivalents because the Company had made the dividends payment from the profit of the Company as at June 30, 2012 was Baht 0.19 per share in November 2012, payment amounted Baht 113 million, and had cash spending for property, plant and equipment totally Baht 110 million. Most of the investment was to renovate the plants at Poochao factory and machines to increase the productivity. Also, there was net cash spending on the operation increased due to the lower profit.

### **Liabilities**

As at March 31, 2013 and June 30, 2012, the Company, subsidiaries and its joint ventures had total liabilities of Baht 774 million and Baht 895 million respectively, decreased by Baht 121 million or 14 percent. This was the decrease of current liabilities in decreasing of trade accounts payable, due to the volume of raw material for production of prefabricated buildings in special project of the export sales and services had been decreased.

### **Shareholders' equity**

As at March 31, 2013 and June 30, 2012, the Company, subsidiaries and its joint ventures had total shareholders' equity of Baht 2,770 million and Baht 2,783 million respectively, decreased by Baht 13 million or 0.5 percent. This was resulted from the decrease in retained earnings due to lower operating and dividends payment. Book value as at March 31, 2013 and June 30, 2012 was Baht 4.67 per share and Baht 4.69 per share respectively. The debt ratios as at March 31, 2013 and June 30, 2012 were 0.28 and 0.32 respectively, decreased 0.04 due to trade accounts payable decreased.

## 2.2 Liquidity

Statements of Cash flows for the nine-month period ended 31 March 2013 and 2012

<b>Consolidated F/S</b>	<b>Unit : Million Baht</b>
Net cash from operating activities	(360)
Net cash used in investing activities	(110)
Net cash used in financing activities	(57)
<b>Decrease in cash and cash equivalents - net</b>	<b>(527)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>860</b>
<b>Cash and cash equivalents at end of period</b>	<b>333</b>

Liquidity of the Company, subsidiaries and its joint ventures for the nine-month period ended March 31, 2013, cash flow decreased Baht 527 million and balance cash at the end of period was Baht 333 million due to the cash flows from operating activities decreased because of the performance reduction. Cash flows used in the investing activity was from the renovation of plants at Poochao factory and machines to increase productivity. Cash flows used in financing activities of dividend Baht 113 million. Also, there were short-term loans from financial institutions increased by Baht 65 million.

Liquidity ratios of the Company, subsidiaries and its joint ventures as at March 31, 2013 and June 30, 2012, the current ratio were 2.62 and 2.59 respectively, and the quick ratio were 1.66 and 1.85 respectively.

## 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