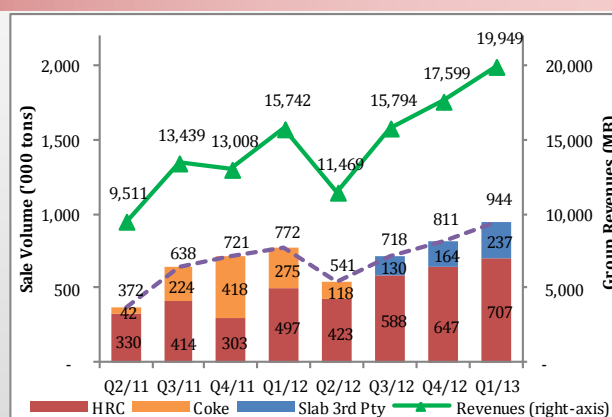


## 1. Highlights

- Highest quarterly record of group sale and service revenues, HRC production and HRC sales
- On 31 Jan 13, SSI UK achieved 2 million tons of accumulative slab production.
- On 8 Feb13, the Company achieved 28 million tons of accumulative HRC production.
- In Q1/2013, the Company received the proceeds of 238 MB from offering 350 million shares, and of 1,568 MB from selling shares in TCRSS; all proceed of approx. 58 MUSD is used to additionally invest in SSI UK.
- On 12 Apr 13, the Company concluded a loan rescheduling agreement with its short-term and long-term lenders



### First Quarter of 2013

- Lost-Time Injury Frequency Rate of 1.22
- Sale and service revenues of Baht 19,949 million; from HRC sales of 707 k tons and Slab sales of 237 k tons to external parties, which accounted for 35% of total Slab sales 670 k tons
- HRC Spread USD 135/ton
- HRC Rolling Margin\* 18.2%
- HRC EBITDA USD 75.3/ton (including gain on sales of investments approx. USD 10.7/ton)
- Slab Spread USD 126/ton, Slab Margin\* 24.7%
- Group EBITDA of Baht 800 million (including gain on sales of investments Baht 363 million)
- Consolidated Net Loss of Baht 778 million and Net Profit of Baht 868 million for SSI
- Net Debt\*\* of Baht 50,127 million

Note: \* HRC Rolling Margin = HRC Spread/Average Selling Price; Slab Margin = Slab Spread/Average Selling Price

\*\* Net Debt = Interest-Bearing Debt – Cash and cash equivalents

## 2. Business Outlook on Q2/2013

- HRC Apparent Steel Supply in Q2/2013 is likely to decrease to approx. 1.8 million tons, down 15.2% QoQ, due to a seasonal decrease in demand.
- HRC Sales in Q2/2013 are expected to decrease by 30% QoQ due to seasonal effect and market situation, where HRC Average Selling Price and slab prices are likely to decline; thus, HRC Rolling Margin is expected to be between 16-18%
- For Iron and Steel Making Business, Slab Sales are expected to grow by 10% QoQ, which 30% of Slab Sales will be sold to external parties, and Slab Margin would be between 22-24%

**Table 1: Financial Highlights in Q1/2013 of the Company, its Subsidiaries and Jointly-Controlled Entities**

Consolidated	Million Baht	Separate Financial Statements	EBITDA/ton (Baht)	EBITDA (million Baht)
Sale and Service Revenues	19,949	SSI (HRC)	2,230	1,576*
Group EBITDA*	800	SSI UK (Iron and Steel Making)	-	(974)
Net Profit (Loss)	(778)	PPC (Deep Sea Port)	-	79
EPS (Baht)	(0.03)	WCE (Engineering & Maintenance Service)	-	29
D/E Ratio**	3.89	TCRSS (CRC)	2,562	306

\* EBITDA = Earning Before Interest, Tax, Depreciation and Amortisation Expenses (Including gain on sales of investments)

\*\* D/E Ratio = Interest-Bearing Debt/Equities

\*\*\* TCRSS is accounted for under Equity Method and not included in Group EBITDA

### 3. CEO's Comments

"SSI Group has turned the corner with positive EBITDA of Baht 800 million in Q1/2013, after seven consecutive quarters of negative EBITDA. In term of quarterly achievements, we broke 3 records - highest group sale and service revenues, highest sales volume and highest production volume in our HRC Business. This remarkable result is again a further testament to the merit of our vision of vertical integration. With capacity utilisation just at 76% and 70% in Thailand and in the UK assets respectively, there is still much room for improvement and better performance to come. We are not far from reaching economy of scale and generating profits.

As for the short term outlook, in Q2/2013 we see softer market conditions due to seasonal effect in Thailand and weaker steel prices globally, albeit counterbalanced by similarly weaker raw material prices and better production performance at our Iron and Steel Making Business. The commissioning of PCI technology there will also mark an important milestone and give us lower energy cost and higher productivity going forward. As for the longer term outlook, we continue to see strong domestic demand for our products, driven by stable economic growth and ongoing urbanisation and industrialisation of the country. Interestingly, we also see the iron ore supply side now shifting to be more favorable for steelmakers, leading to better margins."

#### About SSI

**Sahaviriya Steel Industries PLC.** or SSI is ASEAN's largest fully-integrated flat steel producer with 4 million ton annual capacity of hot rolled steel sheet in coils (HRC). SSI endeavors to supply premium-grade steel sheets to cater to the region's growing demand in various sectors such as automobile, energy, transportation and construction sectors. In the upstream business, SSI owns SSI Teesside, a 3.6 million tons per annum fully-integrated iron-steel making plant located in Redcar in the northeast of UK, through a wholly-owned subsidiary **Sahaviriya Steel Industries UK Limited** ("SSI UK"). SSI Teesside supplies premium-grade steel slabs to SSI to feed its growing demand, as well as to other rolling mills around the world. In the downstream business, SSI has investments in joint-venture downstream plants: namely **Thai Cold Rolled Steel Sheet PLC.** ("TCRSS") - Thailand's first and largest cold roll mill, and **Thai Coated Steel Sheet Co., Ltd.** ("TCS") - Southeast Asia's first and largest electro-galvanizing line. All SSI's plants in Thailand are located on a world-class coastal industrial site in Bang Saphan, Prachuap Khirikhan Province, 400km south of Bangkok on the western peninsula of Thailand, where they are efficiently integrated with its privately-owned deep-sea port (**Prachuap Port Co., Ltd.** or PPC), which allows import of raw materials and export of finished products in large economy of scale. SSI extends its engineering capabilities into its wholly-owned subsidiary, **West Coast Engineering Co., Ltd.** or WCE, which specialises in engineering, maintenance, spare parts production, fabrication, erection and commissioning service. Our people's passion and energy is captured in the Company's vision statement - "innovate premium value steel products and services for customers; generate consistent profit and sustainable value for stakeholders."

For more information, please visit <http://www.ssi-steel.com>

### 4. Industry Overview and Outlook

#### Steel Industry in Q1/2013

**World Steel Industry:** World crude steel production in Q1/2013 was approx. 389 million tons, up 5.5% QoQ; driven by China and Europe, whose production grew by 10.1% QoQ and 4.4% QoQ respectively. World Steel Association (WSA) has estimated Apparent Steel Use for 2013 to be approx. 1,454 million tons, up 2.9% YoY, mainly driven by increasing demand in China and South America.

In Q1/2013, steel prices were higher than those in previous quarter. The average prices of HRC CFR East Asia Import in Q1/2013 were between USD 608-634 per ton whilst the average prices of Slab were between USD 520-547, as shown in Figure 2.

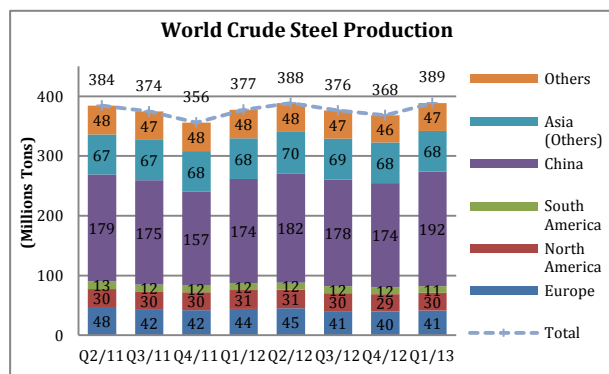


Figure 1: World Crude Steel Production in 2011 – 2013  
(Source: monthly estimates from WSA website)

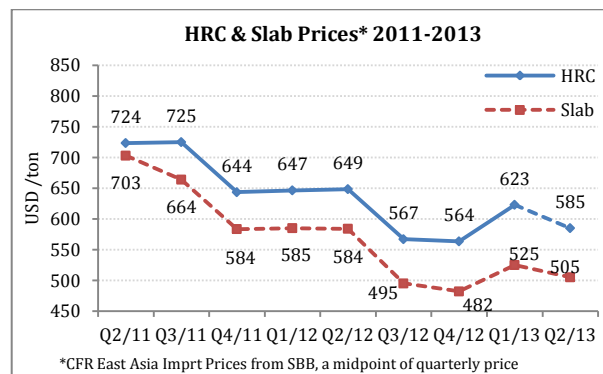


Figure 2: Average Prices of HRC and Slab in 2011 – 2013

\*CFR East Asia Import Prices from SBB, a midpoint of quarterly price

**Thailand Steel Industry:** In Q1/2013, Thailand's HRC Apparent Steel Supply was 4.9 million tons, the highest record, or up 7.1% QoQ and 19.7% YoY, resulted from the government's economic stimulus measures to boost domestic consumption leading to continuing growth in industrial sectors. Comparing to the previous quarter, gross production of home appliances slightly increased, whilst car production remained at high level to fill the back-orders from the first-car tax rebate policy. Car production was 722 thousand units, as shown in Figure 3.

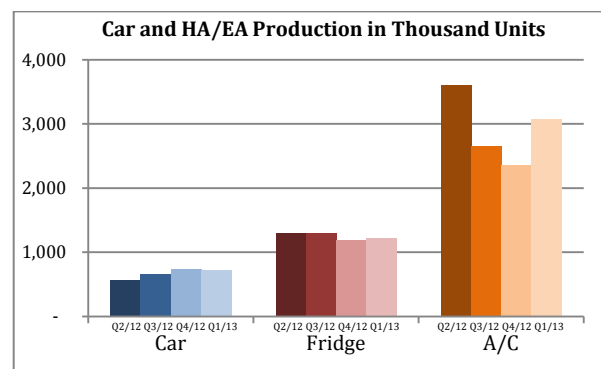


Figure 3: Domestic Production of Car, Fridge, and A/C

**Thailand HRC Industry:** In Q1/2013, total HRC domestic production was 786,879 tons, up by 30.9% QoQ, whereas HRC import increased to 1,337,243 tons, up by 1.7% QoQ. As a result, total HRC Apparent Steel Supply hit the historical record at 2,122,140 tons, up by 11.4% QoQ, driven by higher domestic demand, as shown in Figure 4

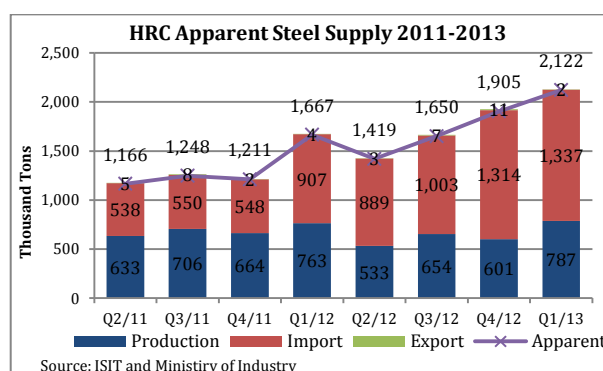


Figure 4: HRC Apparent Steel Supply in 2011 - 2013

### Outlook on Steel Industry in Q2/2013

**World Steel Industry:** Steel production volume in Q2/2013 will be contingent on a recovery of China's industrial sectors since China is the world's major steel producer. Moreover, EU and the US, which are recovering from their economic situations, are also other key factors. In overview, WSA has projected that World Apparent Steel Use is likely to grow to 1,454 million tons, up by 2.9% YoY, where China is yet expected to be the largest steel consumer for approx. 669 million tons, up by 3.5% YoY; while North America is expected to consume 135 million tons, up by 2.9% YoY. However, steel demand in Europe is expected to slightly decrease by 0.5% YoY.

Steel prices in Q2/2013 are anticipated to decline from Q1/2013, especially iron ore, whose prices are projected to be in range of USD 136-138 per ton. Meanwhile, slab and HRC prices are also expected to decrease to be in range of USD 500-510 and USD 558-612 per ton respectively. (Estimated prices are based on average prices up to 7 May 2013, as detailed in Table 7.)

**Thailand Steel Industry:** In Q2/2013, domestic steel consumption is expected to weaken from those in Q1/2013, for reasons of (1) long annual public holidays during Q2/12 affecting domestic steel consumption; and (2) destocking cycle of steel traders and automotive sector. Thailand Automotive Institute (TAI) estimated car production at 640,791 units in Q2/2013, down by 11.2% QoQ; whilst export sector was affected by ongoing Baht appreciation. HRC Apparent Steel Supply in Q2/2013 is forecasted to be approx. at 1.8 million tons, or down by 15.2% QoQ. In March 2013; however, Fiscal Policy Office announced 2013 GDP growth projection at 5.3% (in range of 4.8 – 5.8%).

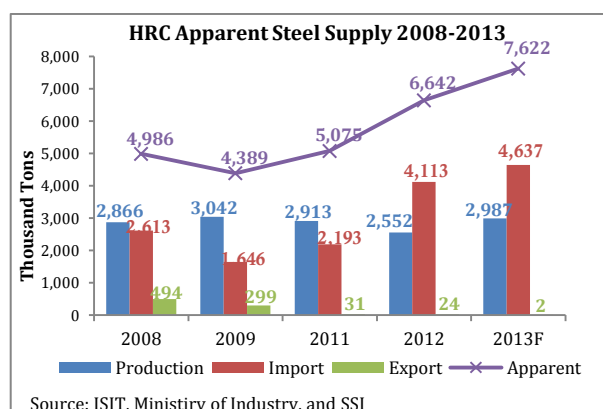


Figure 5: Estimate for HRC Apparent Steel Supply in 2013

## 5. Business Results

### Q1/2013 Results

In Q1/2013, the Company and its subsidiaries recorded sale and service revenues Baht 19,949 million, up 13% QoQ and 27% YoY, due to an increase in sale volume of both HRC Business and Iron and Steel Making Business; whereas, total cost of sale and service was Baht 20,240 million, pushed by under-optimal level of slab production cost. The Company and its subsidiaries; thus, reported gross loss Baht 445 million, EBITDA Baht 800 million (including gain on sales of investments in jointly-controlled entity of Baht 363 million), and net loss Baht 778 million; with negative net profit margin 3.8%, negative ROA 3.7%, negative ROE 24.9%, and negative EPS Baht 0.03 per share. Compared to Q4/2012, the Company and its subsidiaries achieved better operating results due to increasing HRC sale volume, combined with improving HRC Rolling Margin and Slab Margin. However, the Company still endured consolidated net loss caused by below-break-even production level of Iron and Steel Making Business.

	Q1/2013	Q4/2012	Q1/2012
NP Margin (%)	(3.8)	(17.3)	(18.0)
ROA* (%)	(3.7)	(14.3)	(13.6)
ROE* (%)	(24.9)	(107.2)	(50.9)
EPS (Baht)	(0.03)	(0.14)	(0.16)

Note: \* Annualised figures for comparison purpose

**HRC Business** recorded sale and service revenues Baht 15,626 million from HRC Sales 707 k tons, the highest quarterly record, with HRC Average Selling Price USD 740/ton. Premium Value Products in total sales accounted for approx. 35% proportion.

**HRC Spread** increased from Q4/2012 to USD 135/ton, with HRC Rolling Margin of 18.2%, as HRC Average Selling Prices increased in consistence with rising prices in the world steel market. HRC EBITDA increased to USD 75.3/ton (which including an effect from the reversal of provision on loss from decline in value of inventories approx. USD 4.3/ton and effect from gain on sales of investments approx. USD 10.7/ton), comparing to USD 18.5/ton in Q4/2012. In short, HRC Business recorded gross profit of Baht 1,292 million, EBITDA of Baht 1,576 million, and net profit of Baht 868 million.

**Iron and Steel Making Business** recorded sale and service revenues Baht 10,819 million from Slab sales of 670 k tons, 35% or 237 k tons of which were sold to external parties. The average selling price was at USD 510/ton, with Slab Spread of USD 126/ton or 24.7% Slab Margin. Although Iron and Steel Making Business still made loss since slab production was still under optimal production level; however, loss was smaller with gross loss of Baht 1,866 million, negative EBITDA of Baht 974 million, and net loss of Baht 1,775 million.

## 6. Performance of the Company, its Subsidiaries and Jointly-Controlled Entities

### HRC Business (the Company)

**Table 2: Performance Highlight of Sahaviriya Steel Industries Plc.**

Unit: million Baht	2013 Q1	2012 Q4	+/- QoQ	2012 Q1	+/- YoY
Average Selling Price	740	694	+7%	752	-2%
Average Cost of Goods Sold	682	702	-3%	751	-9%
HRC Spread*	135	73	+84%	91	+48%
HRC Rolling Margin	18.2%	10.6%	N.A.	12.1%	N.A.
HRC EBITDA	75.3**	18.5	+307%	37.2	+102%
Sale Volume (k tons)	707	647	+9%	497	+42%
Production Volume (k tons)	764	602	+27%	499	+53%

Note: \* HRC Spread excluded the provision for loss from decline in value of inventories or the reversal thereof.

\*\* Including gain on sales of investments in jointly-controlled entity approx. USD 10.7/ton

**Revenues:** In Q1/2013, HRC Business recorded sale and service revenues Baht 15,626 million, up by 12% QoQ and 35% YoY, with HRC Sales 707 k tons, up by 9% QoQ and 42% YoY resulted from increasing domestic demand. Average Selling Price was Baht 21,902/ton (approx. USD 740/ton), up by 7% QoQ but down by 2% YoY.

**Expenses:** In Q1/2013, HRC Business recorded **Cost of sale and service** Baht 14,334 million, comprising total cost of sale Baht 14,425 million, and the reversal of provisions for loss on decline in value of inventories Baht 91 million. Although average raw material cost per unit declined from lowering raw material prices and economy of scale achieved through higher production volume, total cost of sale and service increased 5% QoQ and 28% YoY, due to an increase in sale volume by 9% QoQ and 42% YoY. **SG&A** was Baht 277 million, up 17% QoQ and 94% YoY, mainly caused by an increase in cost of sale as sales volume increased and repairing expenses for equipment damaged in accidents. **Interest Expense** was Baht 501 million, down 19% QoQ from the reversal of excessive accrued interest expenses previously recorded, but up 21% YoY from reclassification of the interests previously included in costs of raw materials to be part of interest expense Baht 135 million to comply with the Company's accounting policy applied since Q3/2012 onwards.

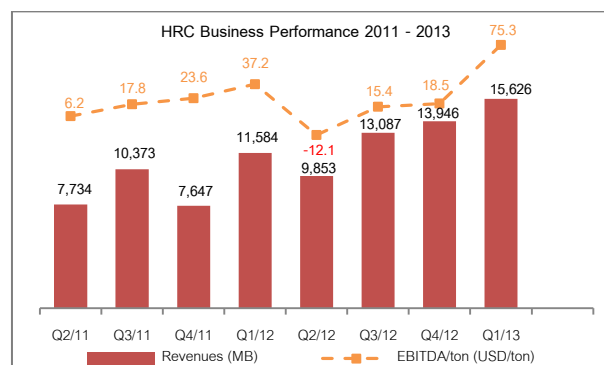
### Iron and Steel Making Business (SSI UK)

**Table 3: Performance Highlight of SSI UK**

USD/ton	Q1/13	Q4/12	+/- QoQ
Average Selling Price	510	503	+1%
Average Raw Material Cost	383	449	-15%
Slab Spread	126	54	+134%
Slab Margin	24.7%	10.7%	N.A.
Sale Volume (k tons)	670	666	+1%
Production (k tons)	623	668	-7%

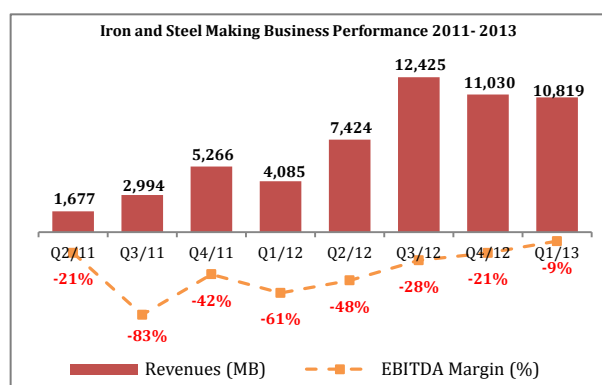
**Revenues:** In Q1/2013, SSI UK recorded total sale and service revenues Baht 10,819 million, down 2% QoQ from lower sale volume, but up 165% YoY as in Q1/2012 revenues only came from Coke operation. Sale revenues primarily came from Slab sales 670 k tons, at the Average Selling Price USD 510/ton. As 65% of all Slab sales are sold within the Group of companies, the revenues after elimination of related parties transactions then become Baht 4,141 million on 237 k tons of slab sold to external parties, or up 19% QoQ and 1% YoY following a higher sale volume to external parties.

**Expenses:** In Q1/2013, SSI UK recorded **Cost of sale and service** Baht 12,685 million, comprising total cost of sale of Baht 12,472 million and provisions set up for loss on decline in value of inventories Baht 213 million. Total cost of sale and service decreased



**Figure 6: Revenues and EBITDA/ton of HRC Business**

**Profits:** In Q1/2013, HRC Business recorded gross profit Baht 1,292 million, up 438% QoQ and 233% YoY. HRC EBITDA was Baht 1,576 million, up 329% QoQ and 177% YoY. Net profit was Baht 868 million; up from net loss Baht 422 million and net profit Baht 7 million in Q4/2012 and Q1/2012 respectively from improving HRC Spread, higher sale volume, plus gain on sales of investments in jointly-controlled entity Baht 225 million.



**Figure 7: Revenues and EBITDA Margin of Iron and Steel Making Business**

by 15% QoQ as raw material cost per ton dropped 15% QoQ along with declining prices in world market. However, cost of sale and service increased by 96% YoY due to higher raw material cost from Slab production comparing to Coke production which required only coking coal as raw material. **SG&A** was Baht 102 million and there was the reversal of provision set up for loss under onerous contracts Baht 520 million. **Interest Expense** was Baht 419 million, down 48% QoQ since the interest expense was back to normal level, but up 58% YoY resulted from an increase in outstanding amount of short-term loan to improve its liquidity, long-term loan to invest in SSI UK Restart Project, and the reclassification of the interests previously included in costs of raw materials used to be part of interest expense.



**Profits:** In Q1/2013, SSI UK recorded gross loss Baht 1,866 million, smaller than gross loss Baht 3,950 million in Q4/2012, gross loss Baht 2,022 million in Q1/2012 respectively. Negative EBITDA Baht 974 million, decreasing from negative EBITDA Baht 2,293 million and negative EBITDA Baht 2,485

million in Q4/2012 and Q1/2012 respectively. Net loss Baht 1,775 million, smaller than net loss Baht 2,695 million and Baht net loss 2,849 million in Q4/2012 and Q1/2012 respectively, mainly caused by lower cost of sale and service and the reversal of provision set up for loss under onerous contracts.

### Deep-Sea Port Business (PPC)

**Revenues:** In Q1/2013, PPC recorded total service revenues Baht 115 million, down 2% QoQ from lower throughput volume, but up 60% YoY from higher throughput volume and increasing revenues from services provided by PPC Shore Cranes. 42% of total service revenues were from external customers apart from the Company and its subsidiaries.

**Profits:** In Q1/2013, PPC recorded gross profit Baht 65 million, EBITDA Baht 79 million, and net profit Baht 46 million, or down 18%, 17%, and 24% respectively compared to Q4/2012, mainly resulted from a decrease in revenues whilst cost of sale and service from maintenance cost, and expenses from providing shore cranes services increased. However, compared to Q1/2012, gross profit, EBITDA and net profit increased by 52%, 55%, and 80% respectively from higher revenues.

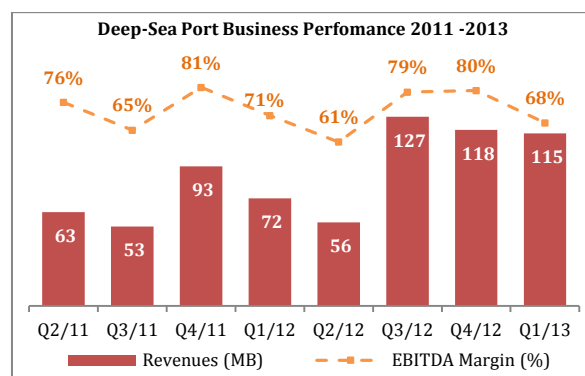


Figure 8: Revenues and EBITDA Margin of Deep-Sea Port Business

### Engineering & Maintenance Service Business (WCE)

**Revenues:** In Q1/2013, WCE recorded total sale and service revenues Baht 224 million, down 0.7% QoQ but up 72% YoY; 60% of which were from external customers apart from the Company and its subsidiaries, increasing from proportion of 46% in the previous quarter. An increase in revenues compared to Q1/2012 was mainly boosted by engineering project management provided to acrylic-resin producers and logistics sectors.

**Profits:** In Q1/2013, WCE recorded gross profit Baht 47 million; EBITDA Baht 29 million; and net profit Baht 17 million, decreased QoQ by 8%, 25%, and 25% respectively. Lower profitability was mainly pulled down by decreasing proportion in maintenance services whose profit margin is relatively high, cost of sale and services which accelerated after the new minimum wage hike under the new law has been employed, provision for loss from diminution in value of assets, and higher interest expense from an increase in short-term loan

used as working capital for more projects from customers. However, compared to Q1/2012, gross profit, EBITDA and net profit increased by 128%, 75%, and 225% respectively, as a result of higher revenue from services.

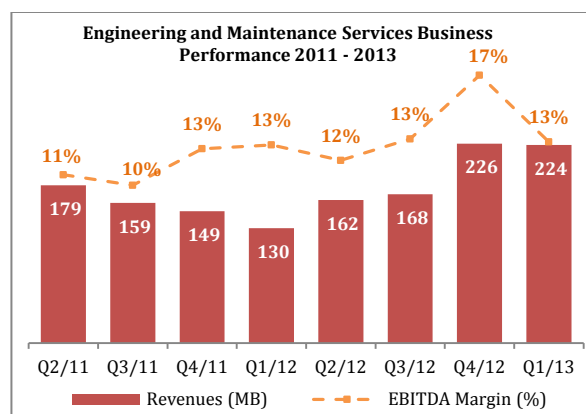


Figure 9: Revenues and EBITDA Margin of Engineering & Maintenance Service Business

### CRC Business (TCRSS)

**Revenues:** In Q1/2013, TCRSS sold 119 k tons and accordingly recorded total sale revenues Baht 3,254 million, down 16% QoQ, due to lower sales volume in commercial market segment resulted from dumping by imported CRC. Sale volume to customers in automotive sector also dropped because of destocking cycle during the end of accounting period. Besides, sales revenues also declined 3% YoY due to the lower selling price caused by intense competition with imported CRC from China, Taiwan, Vietnam, and India.

**Profits:** In Q1/2013, TCRSS recorded gross profit Baht 263 million, EBITDA Baht 306 million; and net profit Baht 125 million, decreased QoQ by 2%, 3%, and 37% respectively, mainly from lower selling and administration expense which got back to a normal level, and decreasing interest expense from loan repayment. Compared to Q1/2012, gross profit, EBITDA and net profit increased by 33%, 29%, and 330% respectively,

resulted from higher sale volume, lower raw material cost per unit and interest expense.

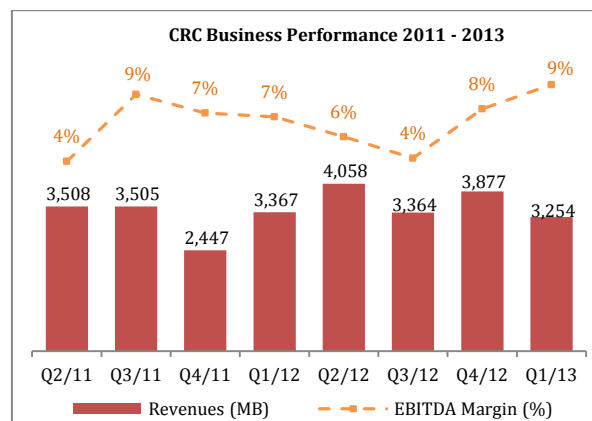


Figure 10: Revenues and EBITDA Margin of CRC Business

## 7. Consolidated Financial Status

### Consolidated Financial Position as at the End of Q1/2013

**Trade and Notes Receivable- Net** as at 31 March 2013, totaled Baht 5,611 million, down 6% QoQ, without additional doubtful debt provisions set up. However, there was a reversal of doubtful debt provisions in Q1/2013 of Baht 136 million, since the balance has been paid off or off-set with that same customer.

**Inventory** as at 31 March 2013, netted Baht 16,676 million, down 23% QoQ, mainly caused by (1) a decrease in raw materials inventory quantity of the Company by 33% QoQ due to an increase in production volume by 27% QoQ as Sales volume increased and; (2) a decrease in raw materials in transit quantity of the Company by 40% QoQ.

**Current Ratio** as of 31 March 2013 was at 0.61x, decreasing from that at the end of 2012, since the current assets decreased by 20% QoQ, in higher proportion to a decrease in current liabilities by 15% QoQ. The change in current assets was mainly caused by a decrease in inventories as mentioned above, whilst the change in current liabilities was mainly caused by a decrease in trade payables of the Company due to payment and a decrease in other current liabilities.

Table 4: Inventories Classification as at the End of Quarter

Unit: million Baht	31 Mar 13	31 Dec 12	+/- QoQ
Raw Materials (slab, iron ore, coking coal, & coke)	6,809	10,713	-36%
Raw Materials in Transit (slab)	2,797	5,437	-49%
Finished Goods and Work-in-process (HRC & P/O)	5,379	3,884	+38%
Tools and Spare Parts	2,412	2,194	+10%
Less: Provision for loss on decline in value of inventories	(719)	(613)	+17%
<b>Net Inventories</b>	<b>16,676</b>	<b>21,615</b>	<b>-23%</b>

Table 5: Financial Ratios

Financial Ratios	31 Mar 13	31 Dec 13 (Restatement)	31 Dec 13
Current Ratio	0.61	0.67	0.71
Interest-Bearing Debt to Equity Ratio	3.89	3.81	3.49

### First Time Adoption of New Accounting Standards and the Reclassification

Since 1 January 2013, the Company and its subsidiaries has adopted new Accounting Standards "Income Taxes," and recognised effect of changes retrospectively in 2012 financial statements, resulting in an increase in total

liabilities and a decrease in total equity. Besides, there were also reclassifications of certain items in financial statement affecting 2012 consolidated financial statements. The changes can be presented as follows:

Unit: million Baht	31 Dec 13	31 Dec 13 (Restatement)	
<b>Total Assets</b>	<b>88,520</b>	<b>88,520</b>	
S/T Debt and Current Portion of L/T Interest-Bearing Debt	27,626	29,924	Effect of reclassification in subsidiaries' from L/T Interest-Bearing Debt (-) to S/T Debt and Current Portion of L/T Interest-Bearing Debt (+)
Trade Payable and Other Current Liabilities	19,189	19,189	
<b>Total Current Liabilities</b>	<b>46,815</b>	<b>49,113</b>	
L/T Interest-Bearing Debt	24,255	21,957	Effect of reclassification in subsidiaries' from L/T Interest-Bearing Debt (-) to S/T Debt and Current Portion of L/T Interest-Bearing Debt (+)
Other Noncurrent Liabilities	2,568	3,839	
<b>Total Liabilities</b>	<b>73,638</b>	<b>74,909</b>	Effect from adoption of new Accounting Standard "Income Taxes" causing Deferred Tax Liabilities to increase
<b>Total Equity</b>	<b>14,882</b>	<b>13,611</b>	Effect from adoption of new Accounting Standard "Income Taxes" causing Total Equity to decrease
<b>Total Liabilities and Equity</b>	<b>88,520</b>	<b>88,520</b>	

**Liabilities and Liquidity Management** As at 31 March 2013, the Company and its subsidiaries had total liabilities of Baht 67,087 million, or decreased by 10% QoQ due to a decrease in current liabilities and the repayment of loan, primarily consisting of borrowings from financial institution and trade payables. As at 31 March 2013, total Interest-Bearing Debts totaled Baht 50,675 million whilst Net Debt was Baht 50,127 million.

Such debts consisted of short-term borrowings and current portion of long-term interest-bearing debts Baht 30,343 million, higher than the end of year 2012, and of long-term interest-bearing debts Baht 20,332 million, lower than the end of year 2012 due to a reclassification of long-term to short-term interest-bearing debts as mentioned above.

Total shareholders' equity decreased by 4% QoQ to Baht 13,039 million, due to net loss from operations; as a result, Interest-Bearing Debt to Equity ratio increased to 3.89x from 3.81x as at 31 December 2012.

**Cash Flow** The Company and its subsidiaries had net change in cash and cash equivalents increased by Baht 306 million from 31 December 2012, as detailed in Table 14, consisted of

- Net cash used in operating activities of Baht 170 million consisted of cash outflows from operation of Baht 356 million, which included net loss of the Company and its subsidiaries for the period of Baht 767 million caused by reasons mentioned above, and cash inflows from net change in working capital of Baht 186 million, mainly resulting from a decrease in inventories, net from a decrease in trade payable due to payment, and an increase in other current liabilities.
- Net cash received from investing activities of Baht 1,826 million was mainly from sale of investments in jointly-controlled entity.
- Net cash used in financing activities was Baht 1,350 million, consisted of net proceed from issuance of shares, cash payment for finance cost, cash payment of short-term loans and long-term loans from financial institutions.



## 8. Ongoing Projects

### SSI UK Restart Project

The project to reinstate the assets and restart iron and steel-making at SSI Teesside plant, with the extended investment period of 2 years and 3 months (April 2011-June 2013) due to the delay in PCI start-up plan, has an investment budget of USD 290 million (excluded VAT), of which USD 287.52 million

(excluded VAT) has been committed, and USD 266 million (excluded VAT) has been paid, as at the end of March 2013. SSI UK achieved 2 million tons of accumulative slab production on 31 January 2013. In Q1/2013, slab output was 623 k tons, whilst production target for 2013 is at 3.0 million tons.

### Progress on Pulverised Coal Injection (PCI) Project

Regarding the current status of PCI Project, the progress of construction and installation, including civil and foundation, steel structure, mechanical erection, machine installation, E&I installation, and piping test, is approx. at 86% of completion (excluding commissioning work). Commissioning work has already started in the beginning of Q2/2013; accordingly, PCI facility is expected to be in use by the end of Q2/2013. The total budget of the project is estimated to be USD 65 million (excluding VAT). At the end of March 2013, the committed expenditure on the procurement (excluding VAT) is approx. USD 60.11 million, and total cash payment made is approx. USD 50.38 million (excluded VAT).



This picture shows the progress of PCI building construction, which is 86% completed and expected to be in use by the end of Q2/2013.

## 9. Recent Development

### Events in Q1/2013

#### New Record of HRC Production and Shipments

In Q1/2013, the Company has made a new record of quarterly HRC production volume 770,408 tons, or equivalent to net HRC production volume 764,160 tons; meanwhile, shipment volume also made a new quarterly record of 706,833 tons as a result of increasing domestic demand for HRC and benefits of secure source of raw material from upstream integration.

#### Reduction in Work-roll Consumption of Finishing Mill Stands

In Q1/2013, the Company has applied the surface inspection technology, Surface Inspection System, in hot-rolling process to conduct real-time inspection of marks imprinting on strip surface, caused by small defects on work-roll surface or by some particles attaching to work-roll surface of finishing mill stand No. 4-7. Accordingly, the grinding works to eliminate defects appearing on work-roll surface can be

reduced, and also the work-roll consumption rate of finishing mill stand No. 4-7 can be reduced as well. As a result, it can help save production cost by approx. Baht 25.74/ton. In Q1/2013, the consequent production cost saving is Bath 19.8 million and the estimate additional saving from Q2/2013 to Q4/2013 approximates Bath 49.7 million.

#### Green Pickled & Oiled Products

The Company has been committing to develop eco-friendly manufacturing process. In Q1/2013, the Company newly designed the acid-controlled system by implementing real-time measuring system to detect level of hydrochloric acid in water, associating with implementing the circulation system in acid tank to control the concentration of hydrochloric acid (%HCl). As a result, the hydrochloric acid consumption rate is reduced from 13.37 to 12.79 litres per ton, and the waste acid is also reduced from 20 to 16.15 litres per ton. This application can help save production cost by approx. Bath 7.08/ton.

### **Progress on Introducing HRC-P&O Produced from SSI UK Slab to World-class Automakers**

In Q1/2013, HRC-P&O produced from SSI UK slabs has been engaged in the Material Test required by two world-class automakers. For one automaker, two grades of products have been satisfied all qualification aspects; whilst for another automaker, the test for water resistance quality remains. Then,

the next stage would be Stamping Test, Small Lot Trial, and Mass Production Trial, respectively. After passing all these processes, the Commercial Lot production is tentatively expected to begin in October 2013.

### **Good Corporate Governance and Corporate Social Responsibility**

- On 19 February 2013, the Company has signed the sponsorship agreement to support "Sahaviriya Bangkok Triathlon," as a consecutive second year of official sponsorsip, in association with the Raj Pracha Samasai Foundation under the Royal Patronage of His Majesty the King, with Baht 2.5 million with the purpose to raise contribution fund for leprosy patients and children whose parent are afflicted with HIV.
- On 1 March 2013, the Company held the prize-giving ceremony to award the winner of "Thailand Steel House Contest 2012 (Greenovation: Less is more)" with the Royal Trophies from HRH Princess Maha Chakri Sirindhorn and the other rewards in total of Baht 1 million.

### **Current Status of Trade Remedy Measures against Imported Hot-rolled Flat Steel and Cold-rolled Flat Steel**

The Company and its jointly-controlled entity, TCRSS, have filed petitions for two Trade Remedy Measures, which are Anti-dumping Measure and Safeguard Measure, against imported hot-rolled flat steel and cold-rolled flat steel to Department of Foreign Trade, Ministry of Commerce, for review and investigation. The current status of each measure is as follows;

#### **1) Anti-dumping Measure**

The Company has filed petitions for 3 cases, whose current status are as follows:

- For the case of request for review of anti-dumping duty rate of hot-rolled flat steel in coils and not in coils imported from South Korea (the current duty rate is 0%), Department of Foreign Trade is now in the process of verifying data related to exporters in South Korea.
- For the case of hot-rolled flat steel (added with alloys such as Boron, Chromium, and others) imported from South Korea, the Company may withdraw the case since Department of Foreign Trade had granted Provisional Measure under the Safeguard Measure against the products had been granted.

- For the case of cold-rolled flat steel imported from China, Vietnam and Taiwan, Department of Foreign Trade has resolved in April 2013 to impose Emergency Measure to request for Collateral of Anti-dumping Duty, which is expected to be announced in the Royal Gazette in May 2013.

#### **2) Safeguard Measure**

The Company has filed petition for one case, whose current status is as follows:

- For the case of imported hot-rolled flat steel (added with other elements such as Boron, Chromium, etc.) in coils and not in coils, the Provisional Measure was already announced in the Royal Gazette on 26 February 2013 levying 33.11% tariff on CIF price, effective for 200 days (from 27 February 2013 to 14 September 2013). Presently, Department of Foreign Trade is now verifying related data in order to consider and determine the final trade remedy measures.

### **Development on Capital Structure**

In Q1/3 the Company has made the progress on the process related to the capital structure for the Company and its subsidiaries which can be summarised as follows;

- The Company executed the sale of its shares in TCRSS to JFE and MISI, received the proceeds of approx. USD 50 million, and recorded Baht 225 million gains from sale of investments; the Company's shareholding in TCRSS became 35.19%. Accordingly, the Company used the proceeds to additionally invest in SSI UK by subscribing for the newly issued ordinary shares.

- The Company issued and offered 350.71 million shares, amounting Baht 238.48 million, to its major shareholder, Sahaviriya Group Corporation Limited ("SVG"). The remaining 1,939.12 unallocated shares distributable to SVG may be further allocated in later occasion, in order to use the subscription proceeds for further equity injection into SSI UK to increase its liquidity during the production ramp-up period, as necessary and appropriate. The Company used the proceeds of approx. USD 8 million to additionally invest in SSI UK; accordingly, the paid-up share capital of SSI UK became GBP 517.47 million (or equivalent to USD 832.97 million).

### **Events after the End of Q1/2013 up to 13 May 2013**

#### **Development on Capital Structure**

- On 12 April 2013, the Company reached the conclusion on loan rescheduling with all of eight short-term and long-term lenders. As a result, the Company and all lenders have entered into the Intercreditor Memorandum of Understanding, and the Company and all five short-term lenders have entered into the Loan Rescheduling Agreement. Details can be summarized as follows:
  - Five short-term lenders with an aggregate outstanding debt of approx. Baht 4,486.37 million agreed to convert their working capital facilities into three-year-amortising term loan, whose quarterly repayment starts from June 2013 and ends in December 2015. Among those five short-term lenders, two of

which had previously file the lawsuits against the Company have already withdrawn the cases.

- Three long-term lenders with an aggregate outstanding debt of approx. Baht 10,214.82 million agreed to extend the repayment period of their long-term loan, whose first repayment portion of approx. Baht 6,105.63 million is extended from ending March 2018 to March 2021, and the remaining portion of approx. Baht 4,109.19 million is extended from ending March 2018 to March 2020.
- SSI UK is now working with its lenders on an extension of grace period and repayment scheduling for its long-term loans.

## **10. Business Outlook in Q2/2013**

The Company expects that HRC sale volume in Q2/2013 would decrease by 30% QoQ due to seasonality and market situation, where HRC Average Selling Price and Slab prices are likely to decline; as a result, HRC Rolling Margin is expected to be between 16-18%

For Iron and Steel Making Business, Slab sale is expected to grow by 10% QoQ, which 30% of slab sales will be sold to external parties, and Slab Margin would be between 22-24%

### Appendix

**Table 6: World Crude Steel Production**

Unit: million tons	2013	2012	%	2012	%
Region	Q1	Q4	QoQ	Q1	YoY
EU	41.47	39.73	+4.38%	44.06	-5.88%
North America	29.71	29.18	+1.82%	31.49	-5.65%
South America	11.13	11.66	-4.52%	11.81	-5.76%
China	191.75	174.22	+10.06%	174.20	+10.07%
Asia (ex. China)	67.92	67.73	+0.28%	67.77	+0.22%
Others	46.57	45.84	+1.59%	48.11	-3.20%
<b>Total</b>	<b>388.55</b>	<b>368.36</b>	<b>+5.48%</b>	<b>377.44</b>	<b>+2.94%</b>

*Source:* World Steel Association

**Table 7: Average Prices of Slab, HRC, and Other Raw Materials**

	Q4/2012 (USD/ton) Actual*	Q1/2013 (USD/ton) Estimate	Q1/2013 (USD/ton) Actual*	Q2/2013 (USD/ton) Estimate**
Coking Coal (Premium HCC FOB Australia)	152 - 156	163 - 168	163 - 168	148 - 150
Iron Ore (63% Fe CFR China)	121 - 123	152 - 155	148 - 151	136 - 138
Iron Ore (IODEX 62% Fe CFR North China)	116 - 131	152 - 154	133 - 160	N.A.
Slab (CFR East Asia import)	477 - 487	515 - 535	520 - 547	500 - 510
Slab (FOB Latin export)	450 - 473	450 - 495	460 - 497	458 - 470
HRC (CFR East Asia import)	557 - 570	615 - 632	608 - 634	558 - 612
HRC (Ex-mill US Midwest)	618 - 634	614 - 632	615 - 633	592 - 608

*Sources:* \* Average prices in Q3/2012 and Q4/2012 are from SBB-Steel Business Briefing website, except IODEX 62% Fe CFR North China average prices are calculated from SBB-Steel Markets Daily Report

\*\* Estimate prices in Q1/2013 are based on average prices from SBB-Steel Business Briefing website up to 27 February 2013, except IODEX 62% Fe CFR North China

**Table 8: Car and Home Appliance Production in Thailand**

Production Volume (in million units)	Q4/2012	Q1/2013	% QoQ
Car Production	0.73	0.72	-1.18%
Refrigerator Production	1.19	1.21	+2.40%
Air Conditioner Production	2.36	3.07	+30.31%

*Sources:* \* Car Production information published by Thailand Automotive Institute

\*\* Refrigerators and Air Conditioners Production information published by Bank of Thailand

**Table 9: HRC Apparent Steel Supply (actual in 2011 - 2012)**

	Q4/2012 (tons) Actual	Q1/2013 (tons) Estimate	Q1/2013 (tons) Actual	% QoQ	Q1/2012 (tons) Actual	% YoY
Domestic Production	601,153	730,000	786,879	+30.89%	763,115	+3.11%
Import	1,314,381	1,100,000	1,337,243	+1.74%	907,046	+47.43%
Export	10,611	-	1,982	-81.32%	3,504	-43.44%
<b>Total</b>	<b>1,904,923</b>	<b>1,830,000</b>	<b>2,122,140</b>	<b>+11.4%</b>	<b>1,666,657</b>	<b>+27.33%</b>

*Source:* Iron and Steel Institution of Thailand for actual data, and the Company's estimate

**Table 10: HRC Apparent Steel Supply (estimate for 2013)**

	2012 (ton) Actual	Q1/2013 (ton) Actual	Q2/2013 (ton) Estimate	Q3/2013 (ton) Estimate	Q4/2013 (ton) Estimate	2013 (ton) Estimate	% YoY
Domestic Production	2,552,172	786,879	700,000	750,000	750,000	2,986,879	+17.0%
Import	4,112,964	1,337,243	1,100,000	1,100,000	1,100,000	4,637,243	+12.7%
Export	23,619	1,982	-	-	-	1,982	N.A.
<b>Total</b>	<b>6,641,517</b>	<b>2,122,140</b>	<b>1,800,000</b>	<b>1,850,000</b>	<b>1,850,000</b>	<b>7,622,140</b>	<b>+14.8%</b>

Source: Iron and Steel Institution of Thailand for actual data, and the Company's estimate

**Table 11: Summary of Consolidated Financial Results****Consolidated**

Unit: million Baht	2013 Q1	2012 Q4	+/- QoQ	2012 Q1	+/- YoY
Sale and service revenues	19,949	17,599	+13%	15,742	+27%
Cost of sale and service	(20,394)	(21,183)	-4%	(17,665)	+15%
Gross profit (loss)	(445)	(3,584)	+88%	(1,923)	+77%
SG&A	(411)	(210)	+96%	(247)	+67%
Provision for loss under onerous contracts	520	(86)	N.A.	(5)	N.A.
Gain on sales of investments in jointly-controlled entity	363	-	N.A.	-	N.A.
EBITDA*	800	(2,078)	+139%	(1,879)	+143%
Interest expense	(926)	(1,432)	-35%	(684)	+35%
Depreciation and amortisation	(646)	(363)	+78%	(286)	+126%
Income tax	(6)	613	-101%	8	-174%
Realised FX gain (loss)	548	857	-36%	210	+161%
Unrealised FX gain (loss)	(363)	(269)	+35%	(230)	+58%
Net profit (loss)	(778)	(3,259)	+76%	(2,841)	+73%
EPS (Baht)	(0.03)	(0.15)	+80%	(0.16)	+81%

Note: \*EBITDA for Q1/ 2013 was calculated from net profit including gain from sale of investments in jointly-controlled entity.

**Table 12: Financial Results by Business**

Unit: million Baht	2013 Q1	2012 Q4	+/- QoQ	2012 Q1	+/- YoY
<b><u>Sale and Service Revenues</u></b>					
<b>Consolidated</b>	<b>19,949</b>	<b>17,599</b>	<b>13%</b>	<b>15,742</b>	<b>27%</b>
HRC Business	15,626	13,946	12%	11,584	35%
Iron and Steel Making Business	4,141	3,484	19%	4,085	1%
Deep-Sea Port Business	48	61	-21%	28	69%
Engineering & Maintenance Service Business	134	107	25%	45	198%
<b><u>EBITDA</u></b>					
<b>Consolidated</b>					
HRC Business	800	(2,078)	+139%	(1,879)	+143%
Iron and Steel Making Business	1,576	367	+329%	569	+177%
Deep-Sea Port Business	(974)	(2,293)	+58%	-2,486	+61%
Engineering & Maintenance Service Business	79	94	-17%	51	+55%
Elimination of Related Parties Transaction	29	39	-25%	17	+75%
	90	(285)		(30)	



Unit: million Baht	2013 Q1	2012 Q4	+/- QoQ	2012 Q1	+/- YoY
<b><u>Net Profit (Loss)</u></b>					
<b>Consolidated</b>	<b>(778)</b>	<b>(3,259)</b>	<b>-76%</b>	<b>(2,841)</b>	<b>+73%</b>
HRC Business	868	(422)	-306%	7	N.A.
Iron and Steel Making Business	(1,775)	(2,695)	-34%	(2,849)	-38%
Deep-Sea Port Business	46	60	-24%	25	+84%
Engineering & Maintenance Service Business	17	23	-25%	5	+225%
Elimination of Related Parties Transaction	55	(203)		(42)	
Non-controlling Interest	11	(22)		13	

- Note: 1) EBITDA for Q1/ 2013 was calculated from net profit including gain from sale of investments in jointly-controlled entity.
- 2) Revenues of each business unit is shown as net revenues after elimination of related parties transaction while EBITDA and Profit/(Loss) are shown as amount before elimination of related parties transaction.
- 3) TCRSS and Redcar Bulk Terminal Ltd transactions are recorded under equity method

Table 13: Condensed Consolidated Statements of Financial Position

Unit: million Baht	As of 31 Mar 13	As of 31 Dec 12	+/-
<b><u>Assets</u></b>			
Accounts Receivable	5,611	5,946	-6%
Inventories	16,676	21,615	-23%
Other Current Assets	4,071	5,468	-26%
<b>Total Current Assets</b>	<b>26,359</b>	<b>33,029</b>	<b>-20%</b>
Property, Plant and Equipment	49,985	51,861	-4%
Investments in jointly-controlled entities	3,557	3,499	+2%
Other Non-Current Assets	224	131	+71%
<b>Total Assets</b>	<b>80,125</b>	<b>88,520</b>	<b>-9%</b>
<b><u>Liabilities</u></b>			
S/T Debt and Current Portion of L/T Interest-Bearing Debt	30,343	29,924	+1%
Accounts Payable	9,074	11,838	-23%
Other Current Liabilities	3,476	7,351	-53%
<b>Total Current Liabilities</b>	<b>42,894</b>	<b>49,113</b>	<b>-13%</b>
L/T Interest-Bearing Debt	20,332	21,957	-7%
Other Non Current Liabilities	3,861	3,839	+1%
<b>Total Liabilities</b>	<b>67,087</b>	<b>74,909</b>	<b>-10%</b>
<b><u>Equity</u></b>			
Equity Attributable to Owners of the Company	12,208	12,766	-4%
Non-controlling Interests	830	845	-2%
<b>Total Equity</b>	<b>13,039</b>	<b>13,611</b>	<b>-4%</b>
<b>Total Liabilities and Equity</b>	<b>80,125</b>	<b>88,520</b>	<b>-9%</b>

**Table 14: Condensed Statement of Cash Flow**

<b>Unit: million Baht</b>	<b>Q1/2013</b>
<b>Net cash used in operating activities</b>	(170)
Proceeds from sale of investments in jointly-controlled entity	1,568
Purchases of property, plant and equipment	(19)
Currency translation differences	324
Other investments	(47)
<b>Net cash received from investing activities</b>	1,826
Net Proceeds from issuance of ordinary shares	238
Finance cost paid	(991)
Repayment of bank overdrafts and short-term loans from financial institutions	(458)
Repayment of long-term loans	(127)
Other proceeds from financing activities	(14)
<b>Net cash used in financing activities</b>	(1,350)
<b>Net increase (decrease) in cash and cash equivalents</b>	306
Cash and cash equivalents at 31 December 2012	242
Effect of exchange rate changes on balance held in foreign currency	-
<b>Cash and cash equivalents at 31 March 2013</b>	548

**Disclaimer**

This management's discussion and analysis ("MD&A") has been prepared to provide preliminary information for general investors and shareholders of the Company. This MD&A comprises several parts which contain the current information of the Company, its Subsidiaries and Jointly-Controlled Entities. However, the businesses and operations of the Company are subject to change, or an event may occur after the date of this MD&A which will affect the information contained therein. General investors and shareholders should consider other information together with the information contained herein.

Some information contained in this MD&A is based on forecasts, estimations or future expectations. Any information not based on events that have already occurred, or information based on beliefs and forecasts of the Company, can be identified with wordings "believe", "expect", "hope", "plan", "intend", "estimate", "assess" and other words of similar nature. Readers are requested to be particularly cautious when relying on information, which is based on future forecast, as such information is inherently subject to risks and uncertainties.