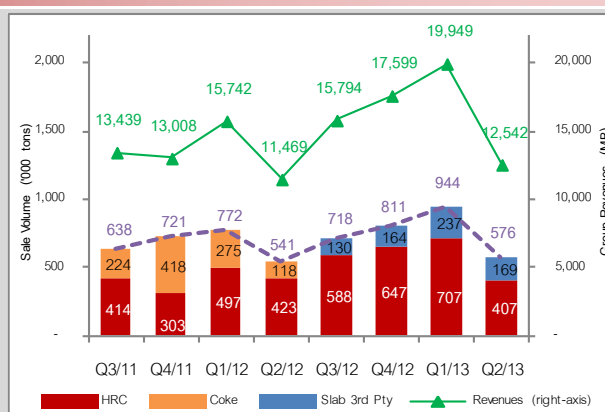


**Management's Discussion and Analysis (MD&A)**  
**Sahaviriya Steel Industries Plc., its Subsidiaries and Jointly-Controlled Entities**  
**Second Quarter of 2013 and Six Months of 2013 (Jan-Jun)**



## 1. Highlights

- In Q2/2013, the Company received proceeds of 514 MB from offering 756 million shares; all proceeds of approx. 17 MUSD is used to additionally invest in SSI UK
- The Company received two national awards for excellent safety, occupational health and working environment.
- Review of AD measure to levy AD duty on HRC imported from South Korea from 0% to 13.58% - 58.85%, effective from 8 Aug 13 - 22 May 14
- Emergency AD measure on CRC imported from China, Vietnam and Taiwan, effective from 22 May 13 - 10 Dec 13
- Safeguard on HRC with other alloy added, Russia excluded from exemption list.



### Q2/2013

- Lost-Time Injury Frequency Rate (LTIFR) = 0.57
- Sale and service revenues of Baht 12,542 million, from total Steel Sales 576 k tons: HRC Sales 407 k tons and external parties Slab Sales 169 k tons (being 24% of total Slab Sales)
- HRC Spread USD 130/ton
- HRC Rolling Margin\* 18.7%
- HRC EBITDA USD 17.4/ton
- Slab Spread USD 120/ton, Slab Margin\* 23.1%
- Negative Group EBITDA Baht 887 million
- Consolidated Net Loss Baht 465 million (including reversal of income tax Baht 1,865 million)
- Net Debt\*\* Baht 51,575 million

### Six Months of 2013 (Jan-Jun)

- LTIFR = 0.58
- Sale and service revenues of Baht 32,491 million, from total Steel Sales 1,520 k tons: HRC Sales 1,114 k tons and external parties Slab Sales 406 k tons (being 30% of total Slab Sales)
- HRC Spread USD 137/ton
- HRC Rolling Margin\* 19.0%
- HRC EBITDA USD 54.6/ton (including gain on sales of investments Baht 225 million or approx. USD 6.8/ton)
- Slab Spread USD 123/ton, Slab Margin\* 23.9%
- Negative Group EBITDA Baht 87 million (including gain on sales of investments Baht 363 million)
- Consolidated Net Loss Baht 1,243 million (including reversal of income tax Baht 1,860 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 Q3/2013

- HRC Apparent Steel Supply in Q3/2013 is likely to slightly decline to 1.85 million tons.
- HRC Sales in Q3/2013 are expected to return to normal level, where HRC Average Selling Price and Slab price to remain soft at the beginning of Q3/2013 and to recover towards the end of Q3/2013. HRC Rolling Margin is expected to be between 14-16%.
- For Iron and Steel Making Business, Slab Sales are expected to slightly increase, which 50% of Slab Sales is expected to be sold to external parties. Slab Average Selling Price is expected to decline by 10% QoQ while raw material cost is expected to decrease as a result of PCI. Slab Margin would be between 19-21%.

**Table 1: Financial Highlights in Q2/2013 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 | 12,542       | SSI (HRC)                               | 483               | 197                   |
| Group EBITDA*             | (887)        | SSI UK (Iron and Steel Making)          |                   | (1,061)               |
| Net Profit (Loss)         | (465)        | PPC (Deep-Sea Port)                     |                   | 74                    |
| EPS (Baht)                | (0.02)       | WCE (Engineering & Maintenance Service) |                   | 23                    |
| D/E Ratio**               | 3.82         | TCRSS (CRC)***                          | 1,930             | 205                   |

\* 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

*"To sum up last quarter's performance, we experienced macro-level turbulence from early in the quarter - the Fed's QE Tapering plan, China slow growth, and the weakening of commodity prices and the Thai Baht. As steel prices dropped, steel market entered a destocking phase. That, together with the seasonal effect of April's long holidays, caused 42% sales volume dropped in the HRC business. We also prudently booked a stock loss provision to recognise this potential market loss. In the meantime, the Iron & Steelmaking Business in the UK achieved 14% higher output and is on the right direction towards higher productivity in the second half of the year.*

*As for the outlook, we believe that Q2/13 was the market trough of this year. We now see more stable macro conditions and positive steel price movements, thus a return to normal sales volume. In addition, as earlier reported, our Pulverised Coal Injection (PCI) technology was successfully started up on 9 July 2013. The Iron & Steelmaking Business will see higher productivity and lower cost as coal injection continues to be ramped up over the coming months. These will be reflected in our second half performance, as we continue to execute our strategy to strengthen our business by integration and innovate Premium Value Products for our customers"*

#### About SSI

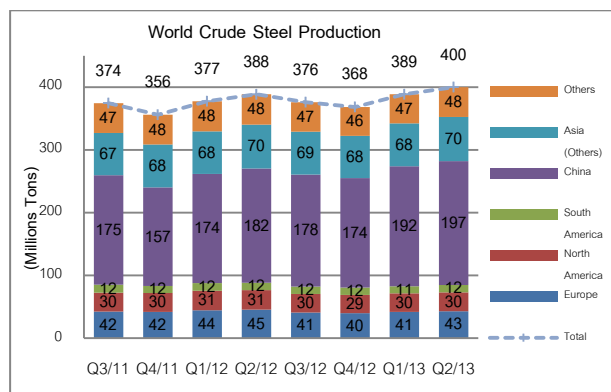
**Sahaviriya Steel Industries PLC.** or SSI is ASEAN's largest fully-integrated flat steel producer with 4 million tons annual capacity of hot rolled steel sheet in coils (HRC). SSI endeavors to supply premium-grade steel sheets to cater to the region's growing demand in various sectors such as automobile, 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

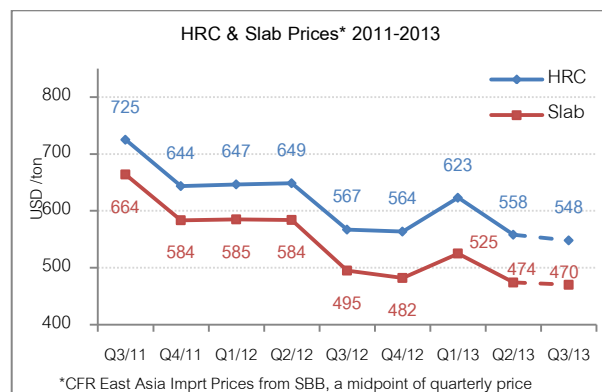
### Steel Industry in Q2/2013 and Outlook for Q3/2013

**World Steel Industry:** World crude steel production in Q2/2013 was approx. 400 million tons, up 3% QoQ; growing in every region of the world, especially in South America and Europe whose growth were 5.4% QoQ and 3.6% QoQ respectively. There was a sign of recovery in China as its crude steel production has been increasing for two consecutive quarters with total production in Q2/2013 of 197 million tons, or up 2.9% QoQ.



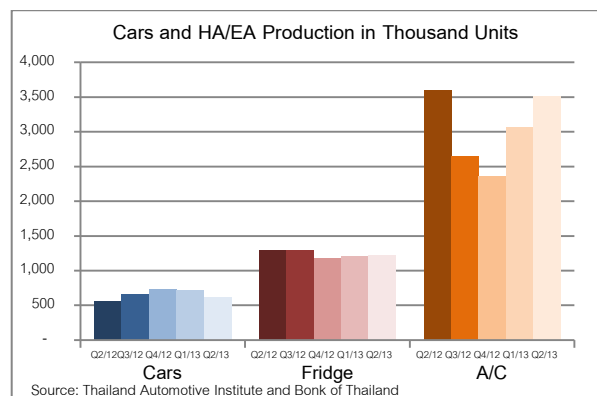
**Figure 1:** World Crude Steel Production in 2011 - 2013  
(Source: monthly estimates from WSA website)

In Q2/2013, steel prices declined from previous quarter as large producer like China has increased its production inspite of unchanged demand. Average prices of HRC CFR East Asia Import in Q2/2013 were between USD 533-583/ton whilst the average prices of Slab were between USD 468-480/ton, as shown in Figure 2.



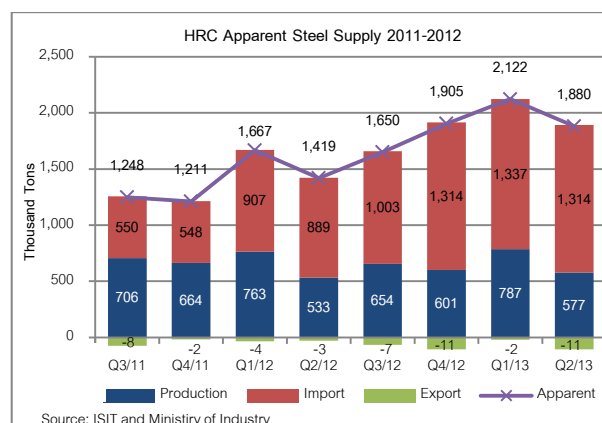
**Figure 2:** Average Prices of HRC and Slab in 2011 - 2013  
(Price for Q3/13 is an average up to 8 Aug 13)

**Thailand Steel Industry:** In Q2/2013, Thailand's Apparent Steel Supply was 4.84 million tons, down 1.2% QoQ but up 18.4% YoY, resulted from slower domestic and global economy, decrease in the government's stimulus measures to boost domestic consumption, and contracted production during the quarter with long public holidays. As shown in Figure 3, car production in Q2/2013 declined by 14.1% QoQ; whilst refrigerator and air conditioner production slightly grew following the higher demand during summer.



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

**Thailand HRC Industry:** In Q2/2013, total HRC domestic production was 577,010 tons, down 26.7% QoQ, and HRC import was 1,313,936 tons, down 1.7% QoQ due to seasonal holidays effect and the domestic market entering destocking phase amid market down cycle in Q2/2013. As a result, total HRC Apparent Steel Supply shrank to 1,880,342 tons, down 11.4% QoQ, as shown in Figure 4.



**Figure 4:** HRC Apparent Steel Supply in 2011 - 2013

### Outlook on Steel Industry in Q3/2013

**World Steel Industry:** Steel production volume in Q3/2013 is expected to maintain at the same level as Q2/2013. The variables are recovery in global manufacturing, construction, and automobile industry; and China economic growth, whose GDP in Q3/2013 is projected to grow 7.8% from Q2/2013.

Steel prices remain soft at the beginning of Q3/2013 and are expected to recover towards the end of Q3/2013. Iron ore prices are projected to be in range of USD 126-128/ton. Meanwhile, Slab and HRC prices are also expected to be in range of USD 465-475/ton and USD 533-563/ton respectively (Estimated prices are based on average prices up to 8 August 2013, as detailed in Table 7.)

**Thailand Steel Industry:** In Q3/2013, the industry is likely to be unchanged as export sector remains affected from the global economic slowdown and less government's economic stimulus measures, albeit with improvement in automotive sector steel demand as automobile production is expected to return to normal level. In short, HRC Apparent Steel Supply in Q3/2013 is

forecasted to be approx. 1.85 million tons, or down 1.6% QoQ.

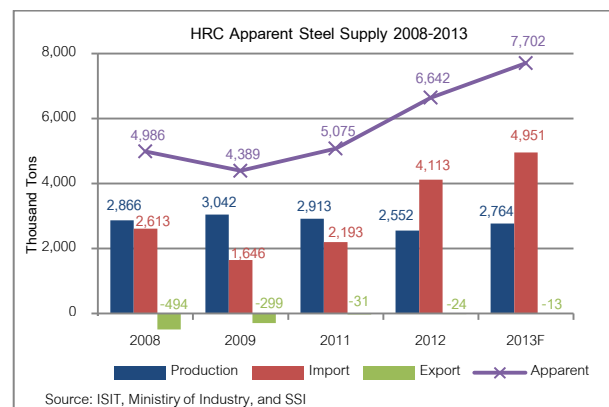


Figure 5: Estimate for HRC Apparent Steel Supply in 2013

## 5. Business Results

### Q2/2013 Results

In Q2/2013, the Company and its subsidiaries recorded sale and service revenues Baht 12,542 million, down 37% QoQ, mainly from sales volume reduction in HRC Business, but up 9% YoY due to higher external parties sales volume of Iron and Steel Making Business. Total cost of sale and service was Baht 13,468 million, mainly related to higher production cost from under-optimal level of slab production in Iron and Steel Making Business. The Company and its subsidiaries; thus, reported gross loss Baht 925 million, negative EBITDA Baht 887 million, and net loss Baht 465 million (including reversal of income tax Baht 1,865 million) or negative EPS Baht 0.02 per share; with negative profitability ratios shown in below table. Compared to the previous quarter, operating results were lower mainly caused by decreasing sales volume in HRC and lower HRC Rolling Margin. On the other hand, compared to Q2/2012, loss was much lower due to improving operating results in Iron and Steel Making Business although the Company and its subsidiaries still endured consolidated net loss caused by under-optimal production level of Iron and Steel Making Business.

|               | Q2/2013 | Q1/2013 | Q2/2012 |
|---------------|---------|---------|---------|
| NP Margin (%) | (3.7)   | (3.8)   | (43.5)  |
| ROA* (%)      | (2.3)   | (3.7)   | (23.4)  |
| ROE* (%)      | (14.9)  | (24.9)  | (108.9) |
| EPS (Baht)    | (0.02)  | (0.03)  | (0.28)  |

Note: \* Annualised figures for comparison purpose

**HRC Business** recorded sale and service revenues Baht 8,705 million from HRC Sales volume 407 k tons, with HRC Average Selling Price USD 693/ton. Premium Value Products accounted for approx. 38% of total sales.

**HRC Spread** decreased from Q1/2013 to USD 130/ton, with HRC Rolling Margin of 18.7% and HRC EBITDA decreased to USD 17.4/ton (including an effect from provision on loss from decline in value of inventories approx. USD 7.1/ton and effect from provision set up for loss under onerous contracts approx. USD 9.2/ton) compared to USD 76.1/ton in Q1/2013. Interest expense was Baht 499 million, close to the previous quarter. As a result, HRC Business recorded gross profit Baht 368 million, EBITDA Baht 197 million, and net loss Baht 473 million.

**Iron and Steel Making Business** recorded sale and service revenues Baht 11,822 million from Slab Sales 696 k tons, of which 24% were sold to external parties. Slab Average Selling Price was USD 517/ton, with Slab Spread USD 120/ton or 23.1% Slab Margin. Gross loss was recored Baht 1,385 million, with negative EBITDA Baht 1,061 million, and net profit Baht 63 million (including reversal of deferred tax liabilities Baht 1,870 million).

### 6M/2013 Results

The Company and its subsidiaries recorded sale and service revenues Baht 32,491 million, up 19% YoY mainly from increasing sales volume in HRC Business and Iron and Steel Making Business. Total cost of sale and service was Baht 33,862 million, mainly related to higher production cost from under-optimal level of slab production in Iron and Steel Making Business. The Company and its subsidiaries; thus, reported gross loss Baht 1,371 million, negative EBITDA Baht 87 million (including gain on sales of investments in jointly-controlled entity of Baht 363 million), and net loss Baht 1,243 million (including the reversal of income tax Baht 1,860 million) or negative EPS Baht 0.05 per share; with negative profitability ratios shown in below table. Compared to the same period last year, loss was much lower mainly caused by increasing sales volume in HRC and Slab plus improving HRC Rolling Margin and Slab Margin. Nevertheless, the Company and its subsidiaries still endured consolidated net loss caused by below-break-even production level of Iron and Steel Making Business.

|               | Jan-Jun 2013 | Jan-Jun 2012 |
|---------------|--------------|--------------|
| NP Margin (%) | (3.8)        | (28.8)       |
| ROA* (%)      | (2.8)        | (18.7)       |
| ROE* (%)      | (17.1)       | (69.0)       |
| EPS (Baht)    | (0.05)       | (0.43)       |

Note: \* Annualised figures for comparison purpose

**HRC Business** recorded sale and service revenues Baht 24,331 million from HRC Sales volume 1,114 k tons, with HRC Average Selling Price USD 723/ton. Premium Value Products accounted for approx. 36% of total sales.

**HRC Spread** was at USD 137/ton, up from USD 102/ton in 6M/2012. HRC Rolling Margin was approx. 19.0%, as HRC EBITDA increased to USD 54.6/ton (including an effect from provision set up for loss under onerous contracts approx. USD 3.2/ton and gain on sales of investments USD 6.8/ton) from USD 15.6/ton in 6M/2012. HRC Business recorded gross profit Baht 1,660 million, EBITDA Baht 1,789 million, and net profit Baht 395 million.

**Iron and Steel Making Business** recorded sale and service revenues Baht 22,641 million from Slab Sales 1,366 k tons, of which 406 k tons or 30% were sold to external parties. The Slab Average Selling Price was USD 513/ton, with Slab Spread USD 123/ton or 23.9% Slab Margin. Gross loss was recorded Baht 3,251 million, with negative EBITDA Baht 2,034 million, and net loss Baht 1,712 million (including the reversal of deferred tax liabilities Baht 1,870 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: USD/ton              | 2013<br>Q2 | 2013<br>Q1 | +/-<br>QoQ | 2012<br>Q2 | +/-<br>YoY | 2013<br>Jan-Jun | 2012<br>Jan-Jun | +/-<br>YoY |
|----------------------------|------------|------------|------------|------------|------------|-----------------|-----------------|------------|
| Average Selling Price      | 693        | 740        | -6%        | 731        | -5%        | 723             | 743             | -3%        |
| Average Cost of Goods Sold | 652        | 682        | -4%        | 706        | -8%        | 671             | 730             | -8%        |
| HRC Spread*and**           | 130        | 141        | -8%        | 115        | +13%       | 137             | 102             | +34%       |
| HRC Rolling Margin**       | 18.7%      | 19.1%      | N.A.       | 15.8%      | N.A.       | 19.0%           | 13.7%           | N.A.       |
| HRC EBITDA***              | 17.4       | 76.1       | -77%       | (10.7)     | N.A.       | 54.6            | 15.6            | N.A.       |
| Sales Volume (k tons)      | 407        | 707        | -42%       | 423        | -4%        | 1,114           | 920             | +21%       |
| Production Volume (k tons) | 444        | 764        | -42%       | 368        | +21%       | 1,208           | 867             | +39%       |

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

\*\* HRC Spread and HRC Rolling Margin are now prepared with new calculation method to exclude interests previously embedded in raw material cost. Accordingly, HRC Spread and HRC Rolling Margin for Q1/2013 are now USD 141/ton and 19.1%, changed from USD 135/ton and 18.2% as previously disclosed respectively. HRC Spread and HRC Rolling Margin for 6M/2013 now became USD 137/ton and 19.0%, from USD 131/ton and 18.1% respectively.

\*\*\* HRC EBITDA in Q1/2013 and 6M/2013 included gain on sales of investments in jointly-controlled entity approx. USD 10.7/ton and USD 6.8/ton respectively

**Revenues: Q2/2013.** HRC Business recorded sale and service revenues Baht 8,705 million, down 44% QoQ and 12% YoY, with HRC Sales 407 k tons, down 42% QoQ and 4% YoY resulted from seasonal holidays effect and market destocking phase during Q2/2013. HRC Average Selling Price was Baht 20,988/ton (approx. USD 693/ton), down 6% QoQ and 5% YoY following deteriorating steel prices in world market.

**6M/2013.** HRC Business recorded sale and service revenues Baht 24,331 million, up 14% YoY, with HRC Sales 1,114 k tons, up 21% YoY, as a result of strong domestic demand and secured source of own raw material supply.

HRC Average Selling Price was Baht 21,568/ton (approx. USD 723/ton), down 3% YoY.

**Expenses: Q2/2013.** HRC Business recorded **Cost of sale and service** Baht 8,337 million, down 42% QoQ and 14% YoY following a decrease in sales volume; comprising total cost of sale Baht 8,204 million, and the provisions set up for loss on decline in value of inventories Baht 133 million. **SG&A** was Baht 140 million, down 49% QoQ and 20% YoY, mainly from decreasing sales volume and no extraordinary transactions on repairing expenses for equipment damaged in accidents as occurred in Q1/2013. **Interest**



**Expense** was Baht 499 million, nearly the same amount as Q1/2013.

**6M/2013.** HRC Business recorded **Cost of sale and service** Baht 22,671 million, up 9% YoY following an increase in sales volume; comprising total cost of sale Baht 22,630 million, and the provisions set up for loss on decline in value of inventories Baht 41 million. **SG&A** was Baht 417 million, up 31% YoY, mainly from repairing expenses for equipment damaged in accidents in Q1/2013 and higher selling expenses following an increase in sales volume. **Interest Expense** was Baht 1,000 million, up 17% YoY due to reclassification of the interests previously included in costs of raw materials to be part of interest expense Baht 215 million to comply with the Company's accounting policy applied since Q3/2012 onwards.

**Profits:** Q2/2013, HRC Business recorded gross profit Baht 368 million, down 72% QoQ; HRC EBITDA Baht 197 million, down 88% QoQ; and net loss Baht 473 million falling from net profit Baht 868 million due to decreasing sales volume and HRC Spread, stock loss provision and unrealised foreign exchange loss. Compared to Q2/2012, HRC Business recorded 108% YoY higher gross profit; higher HRC EBITDA from negative HRC EBITDA Baht 149

million; and 35% YoY smaller net loss due to increasing HRC Spread and lower transportation expenses.

**6M/2013.** HRC Business recorded gross profit Baht 1,660 million, up 194% YoY; HRC EBITDA Baht 1,789 million, up 314% QoQ; and net profit Baht 395 million rising from net loss Baht 726 million in the same period last year due to increasing sales volume and gain on sales of investments in jointly-controlled entity of Baht 225 million.

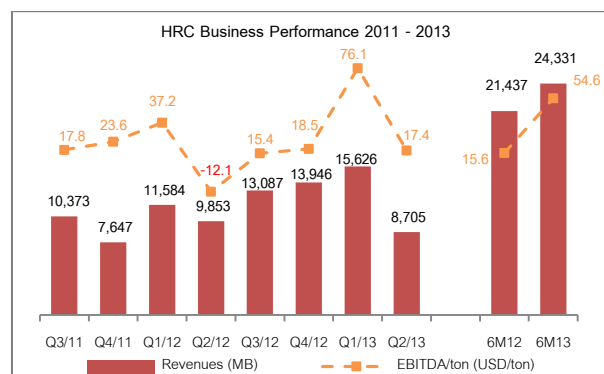


Figure 6: Revenues and EBITDA/ton of HRC Business

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

Table 3: Performance Highlight of SSI UK

| Unit: USD/ton             | 2013<br>Q2 | 2013<br>Q1 | +/-<br>QoQ | 2012<br>Q2 | +/-<br>YoY | 2013<br>Jan-Jun | 2012<br>Jan-Jun | +/-<br>YoY |
|---------------------------|------------|------------|------------|------------|------------|-----------------|-----------------|------------|
| Average Selling Price     | 517        | 510        | +1.5%      | 551        | -6.1%      | 513             | 551             | -6.8%      |
| Average Raw Material Cost | 397        | 383        | +3.6%      | 544        | -26.9%     | 391             | 666             | -41.4%     |
| Slab Spread*              | 120        | 126        | -5.1%      | 7          | N.A.       | 123             | (115)           | N.A.       |
| Slab Margin               | 23.1%      | 24.7%      | N.A.       | 1.3%       | N.A.       | 23.9%           | (20.9%)         | N.A.       |
| Sale Volume (k tons)      | 696        | 670        | +4.0%      | 335        | +107.6%    | 1,366           | 335             | N.A.       |
| Production (k tons)       | 710        | 623        | +13.9%     | 477        | +48.8%     | 1,333           | 477             | +179.4%    |

**Note:** \* Slab Spread included the provision for loss on decline in value of inventories and loss under onerous contracts or the reversal thereof.

**Revenues:** Q2/2013, SSI UK recorded total sale and service revenues Baht 11,822 million, up 9% QoQ and 59% YoY from Slab Sales 696 k tons, up 4% QoQ and 108% YoY, following higher production volume. Slab Average Selling Price was USD 517/ton. As 76% of all Slab Sales were sold within the Group of companies, the revenues after elimination of related parties transactions then became Baht 3,665 million on 169 k tons of Slab sold to external parties.

**6M/2013.** SSI UK recorded total sale and service revenues Baht 22,641 million, up 97% YoY on Slab Sales 1,366 k tons, much higher than the same period last year as Slab Sales only happened from April 2012. Slab Average Selling Price was USD 513/ton. As 70% of all Slab Sales were sold within the Group of companies, the revenues after elimination of related parties transactions then became Baht 7,806 million on 406 k tons of Slab sold to external parties.

**Expenses:** Q1/2013, SSI UK recorded **Cost of sale and service** Baht 13,207 million, comprising total cost of sale of Baht 13,232 million and the reversal of provision for loss on decline in value of inventories Baht 25 million. Total cost of sale and service increased 4% QoQ and 19% YoY due to rising sales volume. **SG&A** was Baht 91 million and the reversal of provision set up for loss under onerous contracts was Baht 41 million. **Interest Expense** was Baht 359 million; down 14% QoQ resulted from less interest expense on raw material procurement.

**6M/2013.** SSI UK recorded **Cost of sale and service** Baht 25,892 million, comprising total cost of sale of Baht 25,704 million and provision set up for loss on decline in value of inventories Baht 188 million. Total cost of sale and service increased 48% YoY due to rising sales volume. **SG&A** was Baht 193 million and the reversal of provision for loss under onerous contracts was Baht 562 million. **Interest Expense** was Baht 778 million; up 25% QoQ resulted from increasing long-term loan to invest in SSI UK Restart Project and the reclassification of the interests previously included in costs of raw materials to be part of interest expense.

**Profits:** Q1/2013, SSI UK recorded gross loss Baht 1,385 million, smaller loss 26% QoQ and 62% YoY. EBITDA was negative Baht 1,061 million worse than negative EBITDA Baht 974 million but better than negative EBITDA Baht 3,581 million in Q1/2013 and Q2/2012 respectively. Net profit was Baht 63 million (including the reversal of deferred tax liabilities Baht 1,870 million); improving from net loss Baht 1,775 million and net loss Baht 4,384 million in Q1/2013 and Q2/2012 due to higher Slab production and Sales, improving Slab Margin, decreasing conversion cost per unit as a result of higher production volume, and the reversal of deferred tax liabilities.

**6M/2013,** SSI UK recorded gross loss Baht 3,251 million, 46% YoY smaller loss; negative EBITDA Baht 2,034 million which was better than negative EBITDA Baht 6,067 million in 6M/2012; net loss Baht 1,712 million smaller loss from net loss Baht 7,233 million in the same period last year

### **Deep-Sea Port Business (PPC)**

**Revenues:** Q2/2013, PPC recorded total service revenues Baht 102 million, down 11% QoQ from lower throughput volume, but up 83% YoY from higher throughput volume and increasing revenues from services provided by PPC Shore Cranes.

**6M/2013,** PPC recorded total service revenues Baht 218 million, up 70% YoY as earlier explained.

**Profits:** Q2/2013, PPC recorded gross profit Baht 59 million, EBITDA Baht 74 million, and net profit Baht 41 million, or down 8%, 6%, and 11% respectively compared to Q1/2013, mainly resulted from a decrease in revenues. However, compared to Q2/2012, gross profit, EBITDA and net profit increased by 174%, 117%, and 965% respectively, mainly caused by greater revenues, lower interest expense from lower short-term loans and long-term loans being fully repaid.

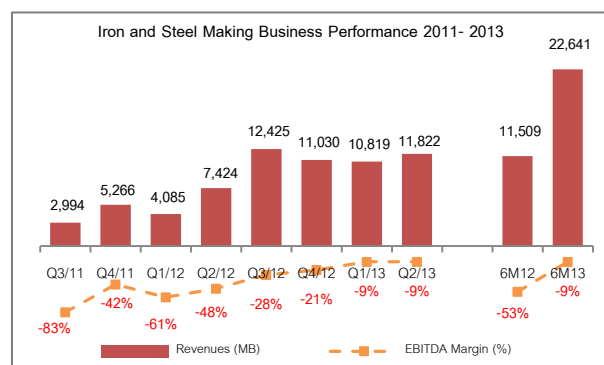
**6M/2013,** PPC recorded gross profit Baht 124 million, EBITDA Baht 152 million, and net profit Baht 87 million, or up 93%, 79%, and 195% YoY respectively as earlier explained.

### **Engineering & Maintenance Service Business (WCE)**

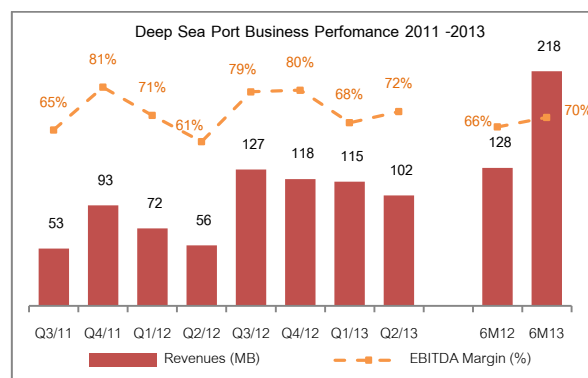
**Revenues:** Q2/2013, WCE recorded total sale and service revenues Baht 239 million, up 7% QoQ due to an increase in works delivered in maintenance services and parts & machinery services in spite of a decrease in revenues from structural steel and pressure parts services and engineering & projects management services, whose revenues were largely already recognised in previous quarter while new project for customer in paper industry of Baht 90 million has just been opened. On the other hand, total sale and service revenues increased by 47% YoY, mainly resulted from an increase in every segment, and particularly in engineering & projects management services from customers in logistics, acrylic-resin producers, and paper industry. External customers apart from the Company and its subsidiaries took a portion 52% of total sale and service revenues.

**6M/2013,** WCE recorded total sale and service revenues Baht 463 million, up 59% YoY, driven by higher revenues from every segment. External customers apart from the Company and its subsidiaries took a portion 56% of total sale and service revenues, including customers in logistics,

mainly due to higher Slab Sales and improving Slab Margin compared to the last year's starting period of slab production and the reversal of deferred tax liabilities.

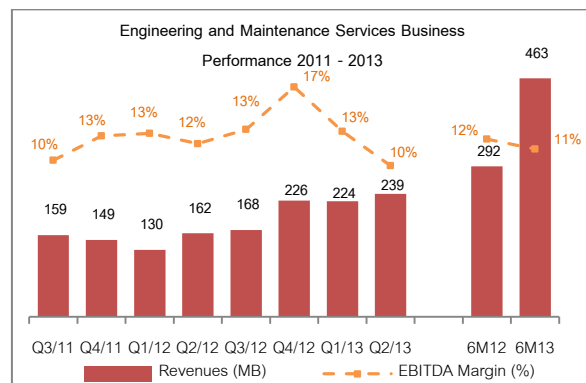


**Figure 7: Revenues and EBITDA Margin of Iron and Steel Making Business**



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

acrylic-resin producers, paper, gas cylinder, as well as electricity industry related parts & equipment supplies.



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

**Profits:** Q2/2013, WCE recorded gross profit Baht 37 million; EBITDA Baht 23 million; and net profit Baht 12 million, decreased QoQ by 22%, 21%, and 27% respectively. Lower profitability was mainly dragged by rising cost in raw material and new minimum wage policy in maintenance services and parts & machinery services, and temporarily higher interest expense from an increase in short-term loan used as working capital for more engineering & projects management projects on hand. However, compared to Q2/2012, gross profit, EBITDA and

net profit increased by 78%, 21%, and 53% respectively, as a result of increasing revenue from every segment.

6M/2013, WCE recorded gross profit Baht 84 million; EBITDA Baht 52 million; and net profit Baht 29 million, increased by 103%, 46%, and 120% respectively, as a result of increasing revenue from every segment.

### **CRC Business (TCRSS)**

**Revenues:** Q2/2013, TCRSS recorded total sale Baht 2,861 million, down 12% QoQ and 30% YoY respectively, due to lower average selling price following steel market down cycle and shrinking sales volume to 106 k tons. TCRSS's domestic market share on commercial grade product was partly taken by the dumping of imported CRC especially from China whereas the Ministry of Commerce has just announced the Emergency Measure on CRC imported from China, Vietnam, and Taiwan since late May 2013 according to TCRSS's petition. However, TCRSS has maintained its market share on high-grade products segment, for instance automobile sector which has more added-value and higher profitability.

6M/2013, TCRSS recorded total sale Baht 6,115 million, down 18% YoY mainly from lower average selling price following steel market down cycle and shrinking sales volume to 225 k tons due to the dumping of imported CRC as earlier explained.

**Profits:** Q2/2013, TCRSS recorded gross profit Baht 172 million, EBITDA Baht 205 million; and net profit Baht 53 million, decreasing QoQ by 35%, 33%, and 57% respectively. Compared to Q2/2012, gross profit, EBITDA and net profit decreased by 5%, 10%, and 4% respectively, resulted from lower sales volume, lower

average selling price, and higher provision for loss on decline in value of inventories.

6M/2013, TCRSS recorded gross profit Baht 435 million, EBITDA Baht 511 million; and net profit Baht 179 million, increasing by 15%, 10%, and 111% YoY respectively, resulted from achievement in adding higher spread in every product, lower provision set up for loss under onerous contracts, lower interest expense after long-term loan being fully repaid, and higher FX gain.

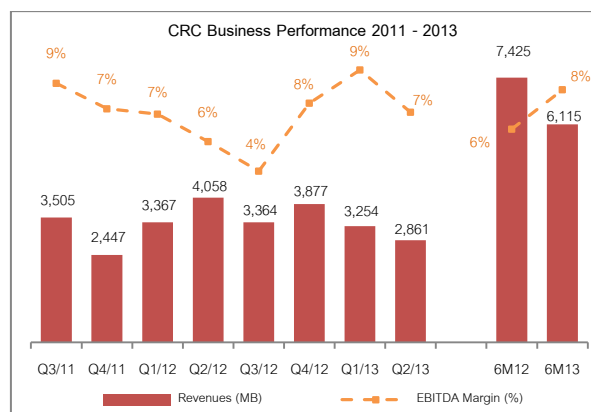


Figure 10: Revenues and EBITDA Margin of CRC Business

## **7. Consolidated Financial Status**

### **Consolidated Financial Position as at the End of Q2/2013**

#### **Trade and Notes Receivable- Net**

As at 30 June 2013, trade and notes receivable netted Baht 5,418 million, down 7% from the end of 2012 as result of effective receivables management.

#### **Inventory**

As at 30 June 2013, inventory netted Baht 18,570 million, down 14% from 31 December 2012, as a result of effective working capital cycle management and lower unit price of key raw materials and goods in transit of the Company, despite finished good and work-in-process volume of the Company rising due slower sales in Q2/2013.

Table 4: Inventories Classification as at the End of Quarter

| Unit: million Baht  | 30 Jun 2013   | 31 Dec 2012   | % Chg.      |
|---|---------------|---------------|-------------|
| Raw Materials (Slab, iron ore, coking coal, & coke)         | 7,253         | 10,713        | -32%        |
| Raw Materials in Transit (Slab)                             | 4,083         | 5,437         | -25%        |
| Finished Goods and Work-in-process (HRC & HRC-P/O)          | 5,482         | 3,884         | +41%        |
| Tools and Spare Parts                                       | 2,608         | 2,194         | +19%        |
| Less: Provision for loss on decline in value of inventories | (855)         | (613)         | +39%        |
| <b>Net Inventories</b>                                      | <b>18,570</b> | <b>21,615</b> | <b>-14%</b> |



### Current Ratio

As of 30 June 2013, current ratio was 0.66x, similar level to the end of 2012, as the current assets and current liabilities decreased almost in the same portion. Current assets dropped mainly from a decrease in inventories as earlier explained, whilst current liabilities declined mainly from a decrease in short-term loan after reclassification of the loans from short-term to three-year amortising long-term loan as the Company has reached the conclusion on loan rescheduling with lending financial institutions.

**Table 5: Financial Ratios**

| Financial Ratios                      | 30 Jun 2013 | 31 Dec 2012<br>(Restated) |
|---------------------------------------|-------------|---------------------------|
| Current Ratio                         | 0.66        | 0.67                      |
| Interest-Bearing Debt to Equity Ratio | 3.82        | 3.81                      |

### Liabilities and Liquidity Management

As at 30 June 2013, the Company and its subsidiaries had total liabilities Baht 69,910 million, down 7% from 31 December 2012 due to a decrease in current liabilities and the repayment of loan to financial institutions. As at 30 June 2013, the Company and its subsidiaries had total Interest-Bearing Debts Baht 51,722 million whilst Net Debt was Baht 51,575 million. Such debts consisted of short-term borrowings and current portion of long-term interest-bearing debts Baht 26,284 million, lower than at the end of year 2012, and long-term interest-bearing debts Baht 25,439 million, higher than the end of year 2012 due to change

from short-term loans to three-year amortising long-term loan as earlier explained.

Total shareholders' equity slightly decreased 1% to Baht 13,529 million. The Company has issued and offered 1,107.6 million new shares with total proceeds of Baht 753.2 million in 6M/2013. However, net loss from SSI UK operations reduced shareholders' equity, and slightly increased Interest-Bearing Debt to Equity ratio up to 3.82x from 3.81x as at 31 December 2012.

### Cash Flow

As at 30 June 2013, the Company and its subsidiaries had net change in cash and cash equivalents increased by Baht 24 million from 31 December 2012, as detailed in Table 14, consisted of:

- Net cash used in operating activities of Baht 623 million consisted of (1) cash outflows from operation Baht 208 million, which included net loss of the Company and its subsidiaries for the period of Baht 1,211 million caused by reasons mentioned above; and (2) cash inflows from net change in working capital Baht 831 million mainly resulted from the higher reduction in trade accounts receivable, other account receivables, and inventories; compared to the reduction in trade payable due to payment and a decrease in other current liabilities.
- Net cash received from investing activities Baht 990 million was mainly from sale of investments in jointly-controlled entity.
- Net cash used in financing activities was Baht 1,589 million, consisted of net proceed from issuance of shares, cash payment for finance cost, cash repayment of short-term loans and long-term loans from financial institution.

## 8. Ongoing Projects

### SSI UK Restart Project

The project to reinstate the assets and restart iron and steel-making at SSI Teesside plant of USD 290 million (excluding VAT) forecasted as a total spend for 2 years has been rescheduled to 2 years and 6 months (April 2011-September 2013) following the PCI's extended period. At the end of June 2013, the committed expenditure on procurement is approx. USD 284.47 million (excluding VAT), and total cash payment made is USD 269.90 million (excluding VAT).



This picture shows the progress of PCI building construction, which is 96% completed at the end of June 2013 and commenced operation on 9 July 2013.

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

The current status of the PCI Project in terms of progress of construction and installation, including civils and foundation, steel structure, mechanical erection, machine installation, E&I installation and piping test is at 96% completion at the end of June 2013. There remains some snagging work which could be done after the first coal injected while the plant is in operation. 100% completion has been foreseen within September 2013.

The commissioning progress is at 75% at the end of June 2013 whereas SSI UK has already commenced the operation of PCI project on 9 July 2013.

Total budget of the project has been re-estimated and continue to be managed within USD 65 million (excluding VAT). At the end of June 2013, the committed expenditure on the procurement (excluding VAT) is approx. USD 64.10 million, and total cash payment made is approx. USD 54.81 million (excluding VAT).

## 9. Recent Development

### Events in Q2/2013

#### Key Development in Manufacturing

##### 1) Fuel Oil Saving Strategies

In Q2/2013, the Company has adopted the fuel oil saving strategies by boosting up hot strip mill productivity, using longer Slab to enhance heat absorption rate in the reheating furnace, and optimising temperature of discharging Slab to reduce fuel oil burning rate. As a result, production cost can be lowered via cost saving from fuel oil usage 1.75 litres per ton as well as reducing scale formation from approx. 25% to 1.11% of charged steel weight. In Q2/2013, the Company achieved production cost saving Baht 40 million, and expected additional cost saving in the second half of 2013 approx. Baht 108 million (estimated by assuming the current fuel oil price at 60% utilisation rate).

##### 2) HRC-P/O Produced from SSI UK Slabs Passed Material Test of two World-class Automakers

In Q2/2013, HRC-P/O produced from SSI UK slabs successfully passed Material Test of two world-class automakers. All 4 trial grades satisfied all qualifications in Material Test, of which 2 trial grades are now progressing to Stamping Test stage and waiting for the results to further progress to Commercial Lot Production stage by the end of September 2013. The remaining 2 trial grades are now progressing to Stamping Test stage, and then Small Lot Trial and Mass Production Trial respectively. Commercial Lot production for these 2 trial grades is expected to commence by the end of October 2013.

##### 3) In-house Maintenance of Edge Induction Heater

In Q2/2013, an integrated maintenance system of Edge Induction Heater has been wholly established and maintained by the Company's personnel instead of

outsourcing to external contractors, whilst quality of maintenance service is comparable to international standard. As a result, maintenance cost saving is approx. Baht 0.6 million for every one-year-maintenance period. This initiative also resulted in additional saving on maintaining other machines' spare parts instead of replacing by new ones, approx. Baht 1.2 million in Q2/2013.

##### 4) Pinch Roll Force & Position Hybrid Control System

In Q2/2013, the Company designed a brand-new automatic control system of down coiler machine in hot rolling process by applying technology in design and control of work roll force and position to control strip tension more accurately. The new system can reduce possibility of abnormal rolling pressure resulting in loss cut from strip fold wrap for more than 50%. As a result, in Q2/2013, the Company achieved loss reduction approx. Baht 3 million, and expected to additionally achieve approx. Baht 5 million from loss reducible in the second half of 2013.

##### 5) National Awards for Safety, Occupational Health and Working Environment

In Q2/2013, the Company received the national awards for an outstanding safety, occupational health and working environment for 2 consecutive years. The Company also received the award for safety, occupational health and working environmental committee, of which only 5 companies were selected this year. Receiving all these awards indicated that the Company's management systems of safety, occupational health and working environment have been improving to meet up international standard as well as other world leading steel companies.

### Recent Development of WCE

WCE has an order backlog of Baht 252 million, including environmental engineering & projects management services of Baht 90 million from new projects serving customers in paper industry in this quarter.

### Good Corporate Governance and Corporate Social Responsibility

- On 6 April 2013, the Company supported "The 4<sup>th</sup> Chakri Day Run 2012" to raise the fund for leprosy patients and children whose parents are HIV patients, at Lumpini park.
- On 5 June 2013 (World Environment Day), the Company's management and employees, together with Mae Rumpheung Subdistrict Administrative Organisation, hotel operators, retail store operators, and local residents in total of 901 people helped organise "SSI Beach Clean-Up" to clean the area and improve the landscape in a distance of more than 3 kilometers. The project aims to encourage contribution in environment conservation and global warming reduction in the area of Mae Rampeung Beach, Bangsaphan District, Prachuap Khiri Khan Province.
- The Company provided fund to support and develop education quality in Bangsaphan District under "Sahaviriya Fund for Bangsaphan Educational Development" project. The project aims for schools in the area of 4 subdistricts where the Company is located including Mae Rumpheung, Pongprasas, Kamnerd Noppakun, and Thong Chai District. The funded school must propose its project and pass the committee's consideration criteria while each school will be monitored and evaluated on its performance for 3 years. In Q2/2013, the Company has provided the first fund payment to Bangsaphan Kindergarten School and the second fund payment to Baan Suan Luang School, and Baan Don Sa-nga School.

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

The Company and 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 and TCRSS have filed petitions for 2 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 has issued non-confidential disclosure of essential facts on the review of anti-dumping duty on 28 June 2013 to conduct hearing from the Company and other concerned stakeholders before concluding its final determination.
- For the case of cold-rolled flat steel in coils and not in coils imported from China, Vietnam and Taiwan, Committee on Dumping and Subsidy, Department of Foreign Trade has already announced the Emergency Measure in the Royal Gazette on 21 May 2013, effective for 81 days (from 22 May 2013 to 10 August 2013) empowering Customs Department to collect from importers the collateral of Import duty in form of bank guarantee in the rates as follows:
  - 1) 11.76% of CIF price for products imported from China
  - 2) 11.86% of CIF price for products imported from Vietnam
  - 3) 8.76% of CIF price for products imported from Taiwan

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

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

- For the case of imported hot-rolled flat steel with other element added (Boron, Chromium, etc.) in coils and not in coils, the Committee on Safeguard Measure, Department of Foreign Trade announced Provisional Measure in the Royal Gazette on 26 February 2013 levying 33.11% tariff of CIF price, effective period for 200 days (from 27 February 2013 to 14 September 2013). Department of Foreign Trade is now on the process of verifying complaint data to be used for its final determination.
- Besides, the Committee on Safeguard Measure resolved on 26 June 2013 to withdraw No. 79 the Russian Federation from the list of developing countries which are exempted from provisional tariff imposition as shown in the attachment of Provisional Measure Announcement (Bunchee Gor). The provisional tariff rate 33.11% of CIF price is to be imposed on the Russian Federation.

### **Development on Capital Structure**

- On 12 April 2013, the Company has reached the conclusion on loan rescheduling with all of eight short-term and long-term lenders. As a result, five short-term lenders agreed to convert their working capital facilities into three-year-amortising term loan, and three long-term lenders agreed to extend the repayment period of their long-term loan, whose last repayment extended to March 2020 and to March 2021 respectively.
- In Q2/2013, the Company issued and offered 756.9 million shares, amounting Baht 514.7 million, to its

major shareholder, Sahaviriya Group Corporation Limited ("SVG"). The balance 1,182.2 unallocated shares may be further allocated to SVG in later occasion. The major shareholder will consider to subscribe such unallocated shares, the proceeds of which is intended 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 17 million to additionally invest in SSI UK; accordingly, the paid-up share capital of SSI UK became GBP 528.64 million (or equivalent to USD 849.97 million).

### **Events after the End of Q2/2013 up to 14 August 2013**

- On 18 July 2013, the Company issued and offered 1,872.9 million new shares, amounting Baht 1,273.6 million, to Sahaviriya Inter Steel Holdings Limited (SISH), and used such proceed to buy back convertible debentures from SISH. Besides, the Company is now also buying back the remaining convertible debentures from other holders.
- For the case of request for review on anti-dumping duty rate of hot-rolled flat steel in coils and not in coils imported from South Korea, the Committee on Dumping and Subsidy, Department of Foreign Trade resolved the final determination on 5 August 2013 to impose the anti-dumping rates ranging from 13.58% to 58.85%, which was announced in the Royal Gazette on 7 August 2013 effective from 8 August 2013 to 22 May 2014.
- For the case of cold-rolled flat steel in coils and not in coils imported from China, Vietnam, and Taiwan, the Committee on Dumping and Subsidy announced in the Royal Gazette on 7 August 2013 to extend the investigation period as well as the Emergency Measure for another 4 months (from 11 August 2013 to 10 December 2013).

## 10. Business Outlook in Q3/2013

The Company expects that HRC sale volume in Q3/2013 to return to normal level, where HRC Average Selling Price and Slab prices to remain soft at the beginning of Q3/2013 and to recover towards the end of Q3/2013; as a result, HRC Rolling Margin is expected to be between 14-16%.

For Iron and Steel Making Business, Slab sale is expected to grow slightly, and 50% of which to be sold to external parties. Slab Average Selling Price is expected to decline by 10% QoQ whilst raw material cost is expected to decrease as a result of PCI. Slab Margin would be between 19-21%

### Appendix

**Table 6: World Crude Steel Production**

| Unit: million tons | 2013          | 2013          | %            | 2012          | %            | 2013          | 2012          | %            |
|--------------------|---------------|---------------|--------------|---------------|--------------|---------------|---------------|--------------|
| Region             | Q2            | Q1            | QoQ          | Q2            | YoY          | Jan-Jun       | Jan-Jun       | YoY          |
| EU                 | 42.95         | 41.47         | +3.6%        | 45.08         | -4.7%        | 84.42         | 89.14         | -5.3%        |
| North America      | 30.09         | 29.71         | +1.3%        | 31.24         | -3.7%        | 59.80         | 62.73         | -4.7%        |
| South America      | 11.73         | 11.13         | +5.4%        | 11.85         | -1.0%        | 22.86         | 23.66         | -3.4%        |
| China              | 197.34        | 191.75        | +2.9%        | 182.02        | +8.4%        | 389.09        | 356.22        | +9.2%        |
| Asia (ex. China)   | 70.06         | 67.92         | +3.1%        | 69.91         | +0.2%        | 137.98        | 137.68        | +0.2%        |
| Others             | 47.90         | 46.57         | +2.9%        | 48.32         | -0.9%        | 94.48         | 96.43         | -2.0%        |
| <b>Total</b>       | <b>400.07</b> | <b>388.55</b> | <b>+3.0%</b> | <b>388.42</b> | <b>+3.0%</b> | <b>788.62</b> | <b>765.86</b> | <b>+3.0%</b> |

Source: World Steel Association

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

|  | Q1/2013<br>(USD/ton)<br>Actual* | Q2/2013<br>(USD/ton)<br>Estimate** | Q2/2013<br>(USD/ton)<br>Actual* | Q3/2013<br>(USD/ton)<br>Estimate** |
|--|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
| Coking Coal<br>(Premium HCC FOB Australia) | 163 - 168                       | 148 - 150                          | 139-143                         | 129-137                            |
| Iron Ore<br>(63% Fe CFR China)             | 148 - 151                       | 136 - 138                          | 126-128                         | 126-128                            |
| Iron Ore<br>(IODEX 62% Fe CFR North China) | 133 - 160                       | n/a                                | 110-142                         | 117-134                            |
| Slab (CFR East Asia import)                | 520 - 547                       | 500 - 510                          | 468-480                         | 465-475                            |
| Slab (FOB Latin export)                    | 460 - 497                       | 458 - 470                          | 430-460                         | 418-428                            |
| HRC (CFR East Asia import)                 | 608 - 634                       | 558 - 612                          | 533-583                         | 533-563                            |
| HRC (Ex-mill US Midwest)                   | 615 - 633                       | 592 - 608                          | 587-607                         | 642-652                            |

**Sources:** \* Quarterly average prices are from SBB-Steel Business Briefing website, except IODEX 62% Fe CFR North China average prices are calculated from SBB-Steel Markets Daily Report

\*\* Quarterly estimated prices are based on average prices from SBB-Steel Business Briefing website up to 8 August 2013, except Premium HCC FOB Australia and IODEX 62% Fe CFR North China are calculated from SBB-Steel Market Daily Report

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

| Production Volume<br>(in million units) | Q2/2013 | Q1/2013 | % QoQ  |
|---|---------|---------|--------|
| Car Production                          | 0.62    | 0.72    | -14.1% |
| Refrigerator Production                 | 1.22    | 1.21    | +0.4%  |
| Air Conditioner Production              | 3.51    | 3.07    | +14.1% |

**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**

|                     | Q1/2013<br>(tons)<br>Actual | Q2/2013<br>(tons)<br>Estimate | Q2/2013<br>(tons)<br>Actual | % QoQ         | Q2/2012<br>(tons)<br>Actual | % YoY         |
|---------------------|-----------------------------|-------------------------------|-----------------------------|---------------|-----------------------------|---------------|
| Domestic Production | 786,879                     | 700,000                       | 577,010                     | -26.7%        | 533,421                     | +8.2%         |
| Import              | 1,337,243                   | 1,100,000                     | 1,313,936                   | -1.7%         | 888,986                     | +47.8%        |
| Export              | 1,982                       | -                             | 10,604                      | N.A.          | 2,958                       | N.A.          |
| <b>Total</b>        | <b>2,122,140</b>            | <b>1,800,000</b>              | <b>1,880,342</b>            | <b>-11.4%</b> | <b>1,419,449</b>            | <b>+32.5%</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<br>(ton)<br>Actual | Q1/2013<br>(ton)<br>Actual | Q2/2013<br>(ton)<br>Actual | Q3/2013<br>(ton)<br>Estimate | Q4/2013<br>(ton)<br>Estimate | 2013<br>(ton)<br>Estimate | % YoY         |
|---------------------|-------------------------|----------------------------|----------------------------|------------------------------|------------------------------|---------------------------|---------------|
| Domestic Production | 2,552,172               | 786,879                    | 577,010                    | 650,000                      | 750,000                      | 2,763,889                 | +8.3%         |
| Import              | 4,112,964               | 1,337,243                  | 1,313,936                  | 1,200,000                    | 1,100,000                    | 4,951,179                 | +20.4%        |
| Export              | 23,619                  | 1,982                      | 10,604                     | 0                            | 0                            | 12,586                    | -46.7%        |
| <b>Total</b>        | <b>6,641,517</b>        | <b>2,122,140</b>           | <b>1,880,342</b>           | <b>1,850,000</b>             | <b>1,850,000</b>             | <b>7,702,482</b>          | <b>+16.0%</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<br>Q2 | 2013<br>Q1 | +/-<br>QoQ | 2012<br>Q2 | +/-<br>YoY | 2013<br>Jan-Jun | 2012<br>Jan-Jun | +/-<br>YoY |
|---|------------|------------|------------|------------|------------|-----------------|-----------------|------------|
| Sale and service revenues                                 | 12,542     | 19,949     | -37%       | 11,469     | +9%        | 32,491          | 27,211          | +19%       |
| Cost of sale and service                                  | (13,468)   | (20,394)   | -34%       | (14,886)   | -10%       | (33,862)        | (32,551)        | +4%        |
| Gross profit (loss)                                       | (925)      | (445)      | +108%      | (3,417)    | -73%       | (1,371)         | (5,340)         | -74%       |
| SG&A  | (255)      | (411)      | -38%       | (297)      | -14%       | (666)           | (543)           | +23%       |
| Provision for loss under onerous contracts                | (34)       | 520        | -106%      | (546)      | -94%       | 487             | (551)           | -188%      |
| Gain on sales of investments in jointly-controlled entity | -          | 363        | -100%      | -          | N.A.       | 363             | -               | N.A.       |
| EBITDA*   | (887)      | 800        | N.A.       | (3,576)    | -75%       | (87)            | (5,456)         | -98%       |
| Interest expense  | (863)      | (926)      | -7%        | (809)      | +7%        | (1,789)         | (1,493)         | +20%       |
| Depreciation and amortisation                             | (581)      | (646)      | -10%       | (633)      | -8%        | (1,227)         | (919)           | +33%       |
| Income tax  | 1,865      | (6)        | N.A.       | (2)        | N.A.       | 1,860           | 6               | N.A.       |
| Realised FX gain (loss)                                   | (127)      | 548        | -123%      | (564)      | -78%       | 421             | (354)           | N.A.       |
| Unrealised FX gain (loss)                                 | (164)      | (363)      | -55%       | 612        | -127%      | (527)           | 382             | N.A.       |
| Net profit (loss)   | (465)      | (778)      | -40%       | (5,021)    | -91%       | (1,243)         | (7,862)         | -84%       |
| EPS (Baht)  | (0.02)     | (0.03)     | -33%       | (0.28)     | -93%       | (0.05)          | (0.43)          | -88%       |

*Note:* \*EBITDA for Q1/ 2013 and 6M/2013 were calculated from net profit including gain from sale of investments in jointly-controlled entity

**Table 12: Financial Results by Business**

| Unit: million Baht                         | 2013<br>Q2    | 2013<br>Q1    | +/-<br>QoQ  | 2012<br>Q2    | +/-<br>YoY | 2013<br>Jan-Jun | 2012<br>Jan-Jun | +/-<br>YoY  |
|--|---------------|---------------|-------------|---------------|------------|-----------------|-----------------|-------------|
| <b>Sale and Service Revenues</b>           |               |               |             |               |            |                 |                 |             |
| <b>Consolidated</b>                        | <b>12,542</b> | <b>19,949</b> | <b>-37%</b> | <b>11,469</b> | <b>+9%</b> | <b>32,491</b>   | <b>27,211</b>   | <b>+19%</b> |
| HRC Business                               | 8,705         | 15,626        | -44%        | 9,853         | -12%       | 24,331          | 21,437          | +14%        |
| Iron and Steel Making Business             | 3,665         | 4,141         | -11%        | 1,535         | +139%      | 7,806           | 5,620           | +39%        |
| Deep-Sea Port Business                     | 48            | 48            | 0%          | 30            | +59%       | 96              | 60              | +59%        |
| Engineering & Maintenance Service Business | 124           | 135           | -8%         | 61            | +104%      | 259             | 94              | +176%       |



| Unit: million Baht                         | 2013<br>Q2   | 2013<br>Q1   | +/-<br>QoQ   | 2012<br>Q2     | +/-<br>YoY  | 2013<br>Jan-Jun | 2012<br>Jan-Jun | +/-<br>YoY  |
|--|--------------|--------------|--------------|----------------|-------------|-----------------|-----------------|-------------|
| <b><u>EBITDA</u></b>                       |              |              |              |                |             |                 |                 |             |
| <b>Consolidated</b>                        | <b>(887)</b> | <b>800</b>   | <b>-211%</b> | <b>(3,576)</b> | <b>-75%</b> | <b>(87)</b>     | <b>(5,456)</b>  | <b>-98%</b> |
| HRC Business                               | 197          | 1,593        | -88%         | (149)          | N.A.        | 1,789           | 420             | N.A.        |
| Iron and Steel Making Business             | (1,061)      | (974)        | +9%          | (3,581)        | -70%        | (2,034)         | (6,067)         | -66%        |
| Deep-Sea Port Business                     | 74           | 79           | -6%          | 34             | +117%       | 152             | 85              | +80%        |
| Engineering & Maintenance Service Business | 23           | 29           | -21%         | 19             | +21%        | 52              | 36              | +46%        |
| Elimination of Related Parties Transaction | (120)        | 73           |              | 100            |             | (47)            | 70              |             |
| <b><u>Net Profit (Loss)</u></b>            |              |              |              |                |             |                 |                 |             |
| <b>Consolidated</b>                        | <b>(465)</b> | <b>(778)</b> | <b>-40%</b>  | <b>(5,022)</b> | <b>-91%</b> | <b>(1,243)</b>  | <b>(7,863)</b>  | <b>-84%</b> |
| HRC Business                               | (473)        | 868          | -154%        | (733)          | -35%        | 395             | (726)           | -154%       |
| Iron and Steel Making Business             | 63           | (1,775)      | -104%        | (4,384)        | -101%       | (1,712)         | (7,233)         | -76%        |
| Deep-Sea Port Business                     | 41           | 46           | -11%         | 4              | N.A.        | 87              | 30              | +195%       |
| Engineering & Maintenance Service Business | 12           | 17           | -27%         | 8              | +53%        | 29              | 13              | +120%       |
| Elimination of Related Parties Transaction | (129)        | 55           |              | 88             |             | (75)            | 47              |             |
| Non-controlling Interest                   | 21           | 11           |              | (6)            |             | 32              | 7               |             |

**Note:** 1) EBITDA for Q1/ 2013 and 6M/2013 were 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 transactions.

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<br>30 Jun 13 | As of<br>31 Dec 12 | +/-         |
|---|--------------------|--------------------|-------------|
| <b><u>Assets</u></b>                                      |                    |                    |             |
| Accounts Receivable                                       | 5,418              | 5,838              | -7%         |
| Inventories   | 18,570             | 21,615             | -14%        |
| Other Current Assets                                      | 3,986              | 5,576              | -29%        |
| <b>Total Current Assets</b>                               | <b>27,975</b>      | <b>33,029</b>      | <b>-15%</b> |
| Property, Plant and Equipment                             | 51,591             | 51,861             | -1%         |
| Investments in jointly-controlled entities                | 3,615              | 3,499              | +3%         |
| Other Non-Current Assets                                  | 259                | 131                | +98%        |
| <b>Total Assets</b>                                       | <b>83,440</b>      | <b>88,520</b>      | <b>-6%</b>  |
| <b><u>Liabilities</u></b>                                 |                    |                    |             |
| S/T Debt and Current Portion of L/T Interest-Bearing Debt | 26,284             | 29,924             | -12%        |
| Accounts Payable  | 11,647             | 11,838             | -2%         |
| Other Current Liabilities                                 | 4,495              | 7,351              | -39%        |
| <b>Total Current Liabilities</b>                          | <b>42,425</b>      | <b>49,113</b>      | <b>-14%</b> |
| L/T Interest-Bearing Debt                                 | 25,439             | 21,957             | +16%        |
| Other Non Current Liabilities                             | 2,046              | 3,839              | -47%        |
| <b>Total Liabilities</b>                                  | <b>69,910</b>      | <b>74,909</b>      | <b>-7%</b>  |
| <b><u>Equity</u></b>                                      |                    |                    |             |
| Equity Attributable to Owners of the Company              | 12,717             | 12,766             | 0%          |
| Non-controlling Interests                                 | 813                | 845                | -4%         |
| <b>Total Equity</b>                                       | <b>13,529</b>      | <b>13,611</b>      | <b>-1%</b>  |
| <b>Total Liabilities and Equity</b>                       | <b>83,440</b>      | <b>88,520</b>      | <b>-6%</b>  |

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

| <b>Unit: million Baht</b>   | <b>Jan-Jun<br/>2013</b> |
|---|-------------------------|
| <b>Net cash used in operating activities</b>                                  | <b>623</b>              |
| Proceeds from sale of investments in jointly-controlled entity                | 1,568                   |
| Purchases of property, plant and equipment                                    | (311)                   |
| Currency translation differences  | (180)                   |
| Other investments   | (88)                    |
| <b>Net cash received from investing activities</b>                            | <b>990</b>              |
| Net Proceeds from issuance of ordinary shares                                 | 753                     |
| Finance cost paid   | (1,860)                 |
| Repayment of bank overdrafts and short-term loans from financial institutions | 47                      |
| Repayment of long-term loans  | (464)                   |
| Other proceeds from financing activities                                      | (64)                    |
| <b>Net cash used in financing activities</b>                                  | <b>(1,589)</b>          |
| <b>Net increase (decrease) in cash and cash equivalents</b>                   | <b>24</b>               |
| Cash and cash equivalents at 31 December 2012                                 | 242                     |
| Effect of exchange rate changes on balance held in foreign currency           | (119)                   |
| <b>Cash and cash equivalents at 30 June 2013</b>                              | <b>148</b>              |

**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.