Sahaviriya Steel Industries Public Company Limited

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Sahaviriya Steel Industries Plc. reports Q4 and Year 2013 operating result

Q4/2013
• Total Baht 16,100 million revenue from sales and services, down 4% QoQ.
• Steel sales volume at 796 thousand tons: HRC sales volume 425 thousand tons and 3rd party Slab sales volume 371 thousand tons or 52% of total Slab sales volume.
• Baht 2,907 million net loss, with negative EBITDA Baht 1,464 million, 0.2% and 9% higher loss QoQ respectively
• HRC Business turned around to make a net profit Baht 75 million; Premium Value Products contributed 34% of total HRC sales volume.
• Upstream Business recorded a net loss Baht 2,725 million. 3rd party Slab sales contributed 52% of total Slab sales volume.
Year 2013
• Group Revenue Baht 65,387 million and Group Sales Volume 3,243k tons, up 8% and 31% respectively
• Baht 7,053 million net loss, 56% lower loss YoY, with negative EBITDA Baht 2,888 million, 73% lower loss YoY, a result of lower cost from higher production and sales volume.
• HRC Business returned to net profit Baht 210 million, with total Baht 45,599 million revenue, Premium Value Products contributed 34% of total HRC sales volume.
• Upstream Business recorded a net loss Baht 7,259 million, 49% lower loss YoY. 3rd party Slab sales contributed 40% of total Slab sales volume.
• In 2014, domestic steel demand is expected to rise to 18 million tons.

Sahaviriya Steel Industries Plc. (SSI) reports its fourth quarter and year of 2013 as follows:

Q4/2013Result

Standalone Financial Statement – The Company recorded sale and service revenues Baht 8,995 million, down 27% QoQ and 36% YoY, with HRC sales volume 425 k tons, down 29% QoQ and 34% YoY. Premium Value Products contributed 34% of total HRC sales volume. Net profit was Baht 75 million, up from net loss Baht 260 million in Q3/2013 and Baht 422 million in Q4/2012.

Consolidated Financial Statements – The Company and its subsidiaries recorded sale and service revenues Baht 16,100 million, down 4% QoQ, and 9% YoY. Net loss was Baht 2,902 million, up from net loss Baht 260 million in Q3/2013 and Baht 3,257 million in Q4/2012.

Year 2013 Result

Standalone Financial Statement – The Company recorded sale and service revenues Baht 45,599 million, down 6% YoY, with HRC sales volume 2,134 k tons, down 2% YoY. Premium Value Products contributed 34% of total HRC sales volume. Net profit was Baht 210 million; up from net loss Baht 1,655 million in 2012.

Consolidated Financial Statements –The Company and its subsidiaries recorded sale and service revenues Baht 65,387 million, up 8% YoY. Total cost of sale and service was Baht 70,250 million, down 3% YoY. Net loss was Baht 7,053 million; up from net loss Baht 15,918 million in 2012.

Performance of Subsidiaries and Jointly-Controlled Entity for Year 2013

- The Upstream Business recorded total sale and service revenues Baht 45,258 million, up 29% YoY. Net loss was Baht 7,259 million.
- Deep Sea Port Business recorded total service revenues Baht 394 million, up 6% YoY As revenue from PPC Shore Cranes service was realized for the full year in 2013. Net profit was Baht 156 million.
- Engineering and Maintenance Service Business recorded total sale and service revenues Baht 910 million, up 33% YoY, driven by higher revenues from every segment. 3rd party customers apart from the Company and its subsidiaries contributed 53% of total sale and service revenues. Net profit was Baht 49 million.
- Cold Rolled Coil Business recorded total sale Baht 11,563 million, down 19% YoY and net profit of Baht 193 million.

Mr. Win Viriyaprapaikit, Group CEO and President of Sahaviriya Steel Industries Plc. (SSI), stated that "In Q4/2013, we achieved 16,100 MB Group Revenue, 4% lower than Q3, despite the political situation in Thailand. Though *HRC Business* revenue dropped 27% due to the political impact, it was compensated by a 59% increase in *Upstream Business* revenue to 3rd party customers, on the back of the positive recovery in the North American market. This is when geographical market diversity, one of the strengths in our business model which is often not recognized, comes into play. We were able to diversify and tap into stronger markets, while maintaining our production volume high to keep our costs down. Quarter on quarter, the *HRC Business* returned to profit, from better margin management; the *Upstream Business* recorded the same level of loss despite better margin and volume, largely due to costs from power plant outages which we are currently fixing.

For full year 2013, we achieved record Group Revenue 65,387 MB and record Group Sales Volume 3,243 k tons, up 8% and 31% respectively. This shows how much we have come around in our transformation from a midstream steel player into a fully-integrated steel maker. It evidenced the strong underlying demand in the global market for Steel Slabs, our product from the *Upstream Business*, of which 1,110k tons or 40% of total went to 3rd party customers. Group EBITDA loss also improved significantly, dropping 73% from negative 10,597MB in 2012 to negative 2,888MB in 2013, as 1) the *HRC Business* turned around to make net profit and 2) the *Upstream Business* halved its losses as its operations reached higher volume thereby gaining higher economy of scale and efficiency."

"The short term outlook for Q1/2014, we see healthier market environment than the last quarter. Thai HRC demand continues to recover month-on-month from the low point in November when the political situation started, Slab market is tighter globally with continued robust demand from the North American market, while iron ore and coking coal – our key raw materials – continue to be under downward pressure from a global oversupply situation. This will result in better margins for the business as a whole. Losses at the *Upstream Business* will reduce further, as we will further lower our costs from continued ramp-up in Slab output and pulverized coal injection rate, and from various cost optimization initiatives we are undertaking.

The longer term outlook for the full year 2014, we remain confident to see our business improve steadily in many areas: volume growth, cost reduction, margin improvement, Premium Value Products penetration, and process optimization. It has been nearly three years since we made the acquisition to become vertically integrated; we have conceded the pain from the integration, now it is time to harvest the benefit." Mr. Win added.

The Company expects steel consumption in 2014 will rise, as the World Steel Association (WSA) estimated world's Apparent Steel Use in 2014 to grow by 3.3% YoY to 1,523 million tons, and Apparent Steel Use in China is yet anticipated to expand 3.0% YoY, or declined from 6.0% growth in 2013 mainly dragged by Chinese government's rebalancing policy. On contrary, Apparent Steel Use in India is expected to increase 5.6% YoY, or increased from 3.4% growth in 2013; whilst other major steel producers, such as the U.S., Brazil, and Europe, concurrently projected higher economic growth in 2014. Moreover, the Office of Industrial Economics (OIE) anticipated that domestic steel demand in 2014 would likely to fluctuate following the condition of macroeconomic circumstance and market situation in the steel downstream industries; such as construction, automobile and HA/EA, which could immensely grow with support from government's investment projects. In addition, Iron and Steel Institute of Thailand (ISIT) projects domestic steel demand in 2014 to be roughly 18.0 million tons, or up 2.5% YoY.

Thank you for your kind publication

For more information, Please contact Public Relations Department

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