

Sahaviriya Steel Industries Plc. reports Q1/2014 operating result

- Steel Sales Volume at 948 thousand tons, highest quarterly record
- Total Revenue from Sales and Services 19,011 million Baht, second highest record
- Consolidated: Net Loss 1,397 million Baht, 52% smaller loss QoQ; Group EBITDA turned around to positive 75 million Baht
- HRC Business: Net Profit 347 million Baht; Premium Value Products 38% ratio
- Upstream Business: Net Loss 1,701 million Baht; 3rd party Slab Sales Volume 486 thousand tons, highest quarterly record

Sahaviriya Steel Industries Plc. (SSI) reports its first quarter of 2014 result as follows:

Standalone Financial Statement – The Company recorded sale and service revenues 10,170 million Baht (up 13% QoQ and down 35% YoY); HRC Sales Volume 462 k tons (up 9% QoQ and down 35% YoY); 38% Premium Value Products sales ratio of total HRC Sales Volume; EBITDA 962 million Baht (up 31% QoQ and down 40% YoY); and Net Profit of 347 million Baht (up 363% QoQ and down 60% YoY).

Consolidated Financial Statements – The Company and its subsidiaries recorded sale and service revenues 19,011 million Baht (up 18% QoQ and down 5% YoY), the second highest record next to Q1/2013. Steel Sales Volume was 948 thousand tons, highest quarterly record; Group EBITDA 75 million Baht (up 105% QoQ and down 91% YoY); and Net Loss 1,397 million Baht (smaller loss 52% QoQ and bigger loss 80% YoY).

Performance of Subsidiaries and Jointly-Controlled Entity in Q1/2014:

- **Upstream Business** recorded sale and service revenues 12,513 million Baht (up 9% QoQ and 16% YoY); EBITDA -883 million Baht (up 53% QoQ and up 9% YoY); with Net Loss of 1,701 million Baht (smaller loss 38% QoQ and smaller loss 4% YoY).
- **Port Business** recorded total service revenues 67 million Baht (down 17% QoQ and down 42% YoY); and Net Profit was 13 million Baht (down 57% QoQ and down 71% YoY).
- **Engineering Business** recorded total sale and service revenues 214 million Baht (down 7% QoQ and 4% YoY). Sale and service revenues to external customers, apart from the Company and its subsidiaries, was 56% of total. Net Profit was 1.7 million Baht (down 86% QoQ and down 90% YoY).
- **Cold Rolled Coil Business** recorded total sale 2,812 million Baht (up 4% QoQ and down 12 YoY) and Net Loss 109 million Baht (down 2,548% QoQ and down 187% YoY).

Mr. Win Viriyaprapaikit, Group CEO and President of Sahaviriya Steel Industries Plc. (SSI), stated that “In Q1/14, we made 3 major achievements. Group EBITDA positive 75 million baht, finally turned around after 3 quarters of EBITDA losses. Highest Group Sales Volume 948 thousand tons. Highest Slab Sales Volume to 3rd Parties 486 thousand tons.

Upstream Business more than halved its EBITDA loss from the previous quarter, as our various cost reduction efforts started to bear fruit. We achieved 36% higher Slab Spread, thanks to robust global slab market largely driven by the North American market demand, and the exacerbating raw material oversupply situation. Slab Sales Volume to 3rd Parties grew by 31%.

HRC Business continued to be beset by Thai political situation, dropping our Sales Volume by 25% below normal. Despite that, from the last quarter we achieved 9% growth in Sales Volume, 4% improvement in HRC Spread, and 31% increase in EBITDA.

As I have previously said, we need to achieve operational excellence and scale up our production volume, to match our asset size which had doubled since the upstream integration. Better economy of scale, better efficiency, and lower cost is the consequence. That is happening now. Our next target is to breakthrough the 1,000,000 tons quarterly volume mark which we expect will again deliver much better financial result.

We can confidently say that the business has passed its worst moment. Indeed, the transformation to become a fully-integrated steel producer had been painful, but we are turning around and will deliver better numbers going forward.”

“For the outlook, we are cautious yet optimistic. Though Thai political situation remains unresolved and there are risks related to China economy and Ukraine situation, we see the global steel market continuing to improve and raw materials market continuing to stumble. This means that our HRC Business sales will remain low for the moment while Upstream Business sales will thrive, and overall metal spread relatively healthy. We will continue to pursue operational excellence and also focus on building the value creation pipeline through the AAA Projects, while gradually starting to realize near-term benefits from our early AAA Projects.” Mr. Win added.

About SSI

Sahaviriya Steel Industries PLC or SSI is the 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 for the region’s growing demand in various sectors such as automobile, energy, transportation and construction sectors. In the upstream side, SSI has acquired 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 Industry UK Limited (“SSI UK”). SSI Teesside supplies premium-grade steel slabs to feed the growing demands from SSI, as well as other rolling mills around the world. In the downstream side, SSI has investments in joint-venture downstream plants: 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 Bangsaphan, Prachuap Khirikhan Province, 400km south of Bangkok on the western peninsula of Thailand, a site efficiently integrated with a privately-owned deep-sea port (Prachuap Port Co., Ltd., or PPC), which allows import of raw materials and export of finished products on a large scale. SSI extends its engineering capabilities into its fully-owned subsidiary, West Coast Engineering Co., Ltd., or WCE, which specializes 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>

Thank you for your kind publication

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