

- TRANSLATION -

TSTH 075/2016 RM/PS/PB

October 28, 2016

To: President  
The Stock Exchange of Thailand

**Subject: Report of the Company's Operating Results for the second quarter of FY 2017 (July-September 2016)**

Tata Steel (Thailand) Public company Limited ("Company") would like to report the company's operating results for the second quarter of 2017 (July-September 2016) as under:

**1. Operating Results**

The Thai economy in the second quarter of the calendar year 2016 expanded by 3.5%, higher than 3.2% growth in the previous quarter. Sequentially, GDP grew at a 0.8% q-o-q, which is the average over the past 8 quarters.

The expenditure side was supported by acceleration in private consumption. Export of services and public investment also grew favorably. Meanwhile, exports of goods contracted due to the economic deceleration in key trading partners. On the production side, hotel and restaurants sector and construction sector continued to grow. Manufacturing turned to record positive growth. There was an improvement in the agricultural sector as the impact from drought began to subside. Meanwhile, agricultural prices increased, leading to an increase in farm income for the first time in 10 quarters.

The Thai economy in 2016 is projected to grow in the range of 3.0 - 3.5 %, improving from 2.8 % in 2015. The supporting factors for growth includes (i) expanding of government expenditure and the progress of infrastructure investment plan (ii) the drive from the additional measures of the government's stimulus package launched during September 2015 - April 2016; (iii) crude oil price is expected to remain low and (iv) the considerable improvement in farm income which was supported by improvements in agricultural production and key agricultural prices.

Private consumption rose by 3.8% compared with a (2.3)% expansion in previous quarter. The supporting factors for such growth are driven by the increase in expenditure on durable goods. In particular, the sales of passenger cars rose for the first time in 13 quarters by 4.8%, compared with a (26.6)% contraction in last quarter. This was partly due to launches of new car models and aggressive marketing campaign. The improvement of household consumption in this quarter was in accordance with the improved farm income and the government stimulus package.

Total investment grew by 2.7%, compared with 4.9% in previous quarter. Public investment was more robust than forecasted, but private investment surprised on the downside. This was due to the 2.1 contraction in investments in construction.

Export value was recorded at 51.0 billion US dollars, representing a 3.1% contraction, compared with a decline of 1.4% in previous quarter. This was due to unfavorable economic conditions of key trading partners and the decline in export prices.

Industrial sector increased by 2.0 %, accelerating from a (0.2)% drop in the previous quarter. This was due to the growth in car production and machinery and parts production, especially air conditioner. Industries with positive growth include machinery and parts, tobacco, and vehicle. Industries which experienced contraction includes clothing, hard disk drive, and office machinery.

Construction sector expanded by 7.5% as compared to (11.2)% growth in the previous quarter. Public construction rose by 15.5%, (government project rose by 15.8%, and state enterprises increased by 14.7%), compared with a 17.2% growth in the previous quarter. Meanwhile, the private construction declined by 2.1%, compared with a 7.0% growth in the previous quarter.

Agricultural sector dropped by 0.1%, improving from a 1.4% contraction in the previous quarter as the impact from drought subsided. The increases of major agricultural prices supported higher farm income which rose by 3.7% (in this quarter, agricultural prices and farm income both increased for the first time in ten quarters).

Overall, there are still downside risks to growth in the second half of the year, in particular stemming from weak global growth outlook, sluggish recovery of private investment and constraints on private consumption such as high household debt and weak wage growth.

In this economic background, TSTH's delivery crossed 100('000 tons) for consecutive 5 months, with the total sales volume at 314('000 tons) for Qtr2 Fy17 (301('000 tons) during Qtr1 FY'17). The EBITDA and PBT at 394 MB and 225 MB respectively, were better than plan and previous year. During the quarter the company also repaid the last installment of term loan of 100 MB.

## **1.1 Operating Results compared with previous Qtr. & previous year**

### **1.1.1 Net Sales**

During Qtr2 FY'17 (July-September 2016), the Company recorded net sales of 4,623 MB from a sales volume of 314('000 tons). In terms of revenue, this was higher by 1% and 10% as compared to Qtr1 FY'17 (April-June 2016) and Qtr2 FY'16 (July-September 2015) respectively. This was mainly due to the improvement in Rebar market especially in regional area, however long products prices globally continued to fall through most of September due to sluggish demand and ongoing import competition. H1 FY'17 (April-September 2016) net sales of 9,219 MB from a sales volume of 615('000 tons) was higher than H1 FY'16 (April-September 2015) by 7%.

### **1.1.2 Net Profit before Income Tax & EBITDA**

The company has reported a Profit before tax at 225 MB for Qtr2 FY'17 (July-September 2016) which was lower than Qtr1 FY'17 (April-June 2016) by 35% on account of continued decline of global long product prices. However, the Profit before tax was higher than previous year same quarter by 276% due to the better in sales volume by 14% and effective control on cost though the decline in selling price. Profit before tax for H1 FY'17 (April-September 2016) at 570 MB was higher than previous year at the level of 90 MB.

The EBITDA Qtr2 FY'17 (July-September 2016) at 394 MB was lower than Qtr1 FY'17 (April-June 2016) by 23% and H1 FY'17 (April-September 2016) at 903 MB was higher than previous year due to the reason stated above.

## **1.2 Operating Results compared to plan**

### **1.2.1 Net Sales**

During Qtr2 FY'17 (July-September 2016), company has recorded higher net sales by 8% due to the improvement in market price of FG from the increasing of raw material and imported price as well as net sales of H1 FY'17 (April-September 2016) higher than plan by 12%.

### **1.2.2 Net Profit before Income Tax & EBITDA**

The PBT & EBITDA performance in Qtr2 FY'17 (July-September 2016) was higher than the plan by 263% and 70% respectively, primarily due to enriched mix and increased sales of cut & bend, high strength Rebars & continued to increase reach to regional sales areas and optimizing on input cost & effective management of spread. PBT & EBITDA of H1 FY'17 (April-September 2016) were higher than plan by 312% and 92% respectively.

## 2. Statement of Financial Position

### 2.1 Assets

As on Sep 30, 2016, **Total assets** have decreased by (638) MB over Qtr4 FY'16 (January-March 2016) due to:

- Reduction in Cash and cash equivalents by (373) MB post payment of long term loan installment & buildup of inventory for improved service levels.
- Reduction in Properties, Plant & Equipment by (136) MB on account of depreciation
- Reduction in Other non-current assets (124) MB represents the write off of the corporate income tax refundable of prior year, accounted in Qtr1 FY'17 (April-June 2016).

### 2.2 Liabilities and Shareholders' Equity

As on Sep 30, 2016, **the total liabilities & shareholder equity** have decreased by (638) MB over Qtr4 FY'16 (January-March 2016) due to:

- Reduction in short term borrowing from financial institution by (328) MB by utilizing the structured finance from local bank for specific end use purpose.
- Reduction in Trade and other payables by (325) MB from due payment of imported billet
- Reduction in Long-term borrowing by (200) MB post fully repayment of the loan installment as per schedule.
- Reduction in short term borrowing from related party by (202) MB due to payment as per schedule.
- Increase in shareholders' equity by 405 MB from net profit for the period

Please be informed accordingly.

Sincerely yours,  
Tata Steel (Thailand) Public Company Limited

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(Mr. Rajiv Mangal )  
President and CEO