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บริษัท สหวิริยาสตีลอินดัสตรี จำกัด (มหาชน) SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED

สร้างสรรค์นวัตกรรมผลิตภัณฑ์เหล็กและบริการที่มีมูลค่าเพิ่มกับลูกค้า สร้างกำไรสม่ำเสมอ สร้างผลตอบแทนแก่ผู้มีส่วนได้เสียอย่างยั่งยืน
Innovate premium value steel products and services for customer; generate consistent profit and sustainable value for stakeholders.
A MEMBER OF SAHAVIRIYA GROUP

-Translation-

No. S.E.C. 064/2016

15 August 2016

Re: Management Discussion and Analysis for 6M/2016

Attn: President
The Stock Exchange of Thailand

CC: Secretary-General
The Securities and Exchange Commission, Thailand

Sahaviriya Steel Industries Public Company Limited (the “Company”) would like to clarify operating results and financial status of the Company, its subsidiaries and its joint venture for the six-month period ended 30 June 2016 as well as reporting the progress of the rehabilitation process as follows:

Unit: million Baht	H1/2559	H1/2558	Δ YoY
Sales and service revenues	8,720	11,012	-21%
Cost of sales and service	6,317	10,773	-41%
Gross profit (loss)	2,403	238	+909%
SG&A	539	693	-22%
EBITDA ¹⁾	3,000	(5,088)	+159%
Interest expense	2,216	860	+158%
Profit (Loss) from Discontinued Operation	-	(5,099)	-
Net profit (loss)	(660)	(6,238)	+89%

¹⁾ EBITDA Including the stock loss provision ; or the reversal thereof = Net Profit + Interest + Tax + Depreciation and Amortisation

Operating Performance

1. Revenues

The Company and its subsidiaries recorded sales and service revenues Baht 8,720 million, down 21% YoY. HRC Sales Volume was 576k tons, down 2% YoY. HRC Average Selling Price was Baht 16,680/ton or approx. USD 471/ton, down 17% YoY following steel prices in the world market. Premium Value Products (PVPs) contributed to 39% of total HRC Sales Volume.

2. Cost of Sales and Services

The Company and its subsidiaries recorded cost of sales and services Baht 6,317 million, comprising total cost of sales and service Baht 6,390 million, and the reversal of provision for loss on decline in value of inventories Baht 73 million. Cost of sales and services decreased 41% YoY due to decrease in raw material and production costs.

3. SG&A

The Company and its subsidiaries recorded SG&A Baht 539 million, 22% YoY decrease as a result of (i) decrease in raw material management expense and (ii) no reclassification of fixed production cost as idle cost (due to low production level) in SG&A Expense as in the same period in 2015.

4. Interest Expense

The Company and its subsidiaries recorded interest expense Baht 2,216 million, an increase of 158% YoY resulted from the accrued default interest rate recorded.

5. Profit

The Company and its subsidiaries recorded gross profit Baht 2,403 million, EBITDA Baht 3,000 million (excluding the reversal of provision for loss on decline in value of inventories Baht 73 million, the reversal of provision for loss under onerous contracts Baht 87 million, Core EBITDA would be Baht 3,014 million), and net loss Baht 660 million. Operating performance improved YoY (where gross profit was Baht 238 million, EBITDA was negative Baht 5,088 million, and net loss was Baht 6,238 million) due to an increase in HRC Spread and no loss recognition from the operation of Iron and Steel Making Business.

Financial Position

1. Assets

As at 30 June 2016, the Company and its subsidiaries had total assets Baht 25,437 million, up 9% from Baht 23,351 million as at 31 December 2015, mainly as a result of an increase in inventory of HRC Business.

2. Liabilities

As at 30 June 2016, the Company and its subsidiaries had total liabilities Baht 66,592 million, up 4% from Baht 63,862 million as at 31 December 2015, mainly as a result of the increase in accrued interest recorded at default rate of HRC Business and debt obligation as guarantor of Steel Making Business.

The Company and its subsidiaries had total interest-bearing debts Baht 55,226 million, whilst net debt was Baht 55,105 million. These debts consisted of short-term borrowings and current portion of long-term interest-bearing debts Baht 55,180 million and long-term interest-bearing debts Baht 46 million.

3. Equity

As at 30 June 2016, equity attributable to owners of the Company was negative Baht 41,802 million, a decrease from Baht 41,141 million as at 31 December 2015, as a result of the operating loss of the Group.

Rehabilitation Progress

- On 10 March 2016, the Court issued an order for the Company's Business Rehabilitation and appointed the Company as a Plan Preparer.
- On 14 July 2016, the Company submitted the Plan to the Official Receiver. The Creditors' meeting is scheduled to be held to consider the Plan on 15 September 2016.

Please be informed accordingly.

Sincerely yours,

-Signature-

Mr. Win Viriyaprapaikit

President