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

สร้างสรรคินวัตกรรมผลิตภัณฑ์เหล็กและบริการที่มีมูลค่าเพิ่มกับลูกค้า 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. 014/2017

28 February 2017

Re: Management Discussion and Analysis for Year 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 year 2016 period ended 31 December 2016 as well as reporting the progress of the rehabilitation process as follows:

Unit: million Baht	2016	2015	Δ YoY
Sales and service revenues	19,824	20,173	-2%
Cost of sales and service	(15,195)	(19,389)	-22%
Gross profit (loss)	4,629	784	+491%
SG&A	(3,768)	(1,589)	+137%
EBITDA ¹⁾	2,203	(37,897)	N/A
Interest expense	(4,317)	(2,508)	+72%
Profit (Loss) from Discontinued Operation	-	(38,037)	N/A
Net profit (loss)	(2,869)	(40,959)	+93%

¹⁾ EBITDA Including the reversal of provision for loss on decline in value of inventories, provision for loss under onerous contracts, and provision for doubtful = Net Profit + Interest + Tax + Depreciation and Amortisation

Operating Performance

1. Revenues

The Company and its subsidiaries recorded sales and service revenues Baht 19,824 million, down 2% YoY. HRC Sales Volume was 1,232k tons, up 9% YoY. HRC Average Selling Price was Baht 16,657/ton or approx. USD 463/ton, down 6% 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 15,195 million, comprising total cost of sales and service Baht 15,532 million, and the reversal of provision for loss on decline in value of inventories Baht 337 million. Cost of sales and services decreased by 22% YoY due to decrease in raw material and production costs.



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3. SG&A

The Company and its subsidiaries recorded SG&A Baht 3,768 million, 137% YoY increase due to provision for doubtful debt Baht 2,677 million from related transactions. Excluding the provision for doubtful debt, SG&A decreased by 31% 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 4,317 million, an increase of 72% YoY resulted from increase in accrued interest arisen from the debt obligation as bank loan guarantor of Upstream Business, unlike in 2015, the interest was included in loss from discontinued operation.

5. Profit

The Company and its subsidiaries recorded gross profit Baht 4,629 million, EBITDA Baht 2,203 million (excluding the reversal of provision for loss on decline in value of inventories Baht 337 million, the provision for loss under onerous contracts Baht 19 million, and the provision for doubtful debt Baht 2,677 million, Core EBITDA would be Baht 4,562 million), and net loss Baht 2,869 million. Operating performance improved from those in year 2015 where gross profit was Baht 784 million, EBITDA was negative Baht 37,897 million, and net loss was Baht 40,959 million) due to an increase in HRC Spread and no loss recognition from the operation of Upstream Business.

Financial Position

1. Assets

As at 31 December 2016, the Company and its subsidiaries had total assets Baht 24,228 million, up 4% 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 31 December 2016, the Company and its subsidiaries had total liabilities Baht 67,667 million, up 6% from Baht 63,991 million as at 31 December 2015, mainly as a result of the increase in accrued interest under the Business Rehabilitation Plan of HRC Business and debt obligation as bank loan guarantor of Upstream Business.

The Company and its subsidiaries had total interest-bearing debts Baht 56,805 million, whilst net debt was Baht 56,380 million. These debts consisted of short-term borrowings and current portion of long-term interest-bearing debts Baht 1,655 million and long-term interest-bearing debts Baht 55,150 million.

3. Equity

As at 31 December 2016, equity attributable to owners of the Company was negative Baht 44,089 million, a decrease from Baht 41,049 million as at 31 December 2015, as a result of the operating loss of the Group.

สำนักงานกรุงเทพ
HEAD OFFICE
โรงงาน
PLANT OFFICE
28/1 อาคารประภาวิทย์ ชั้น 2-3 ถ.สุรศักดิ์ แขวงสีลม เขตบางรัก กรุงเทพฯ 10500
28/1 Prapawit Bldg., 2-3 Fl., Surasak Rd., Silom, Bangrak, Bangkok 10500 Thailand
9 หมู่ 7 ต.แม่รำพึง อ.บางสะพาน จ.ประจวบคีรีขันธ์ 77140
9 M. 7 T.Maerumphueng, Bangsaphan, Prachuapkhirkhan 77140 Thailand
<http://www.ssi-steel.com>

SAHAVIRIYA IRON AND STEEL - WORLD CLASS QUALITY

Tel : (662) 2383063 (Auto 20 Lines), 6300280 (Auto 7 Lines)
Fax : (662) 2368890, 2368892, 6300287-8, 2367017
Tel : (6632) 691403 (Auto 9 Lines)
Fax : (6632) 691416, 491421
หมายเลขที่ 0107537000688



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

สร้างสรรคณวัตกรรมผลิตภัณฑ์เหล็กและบริการที่มีมูลค่าเพิ่มกับลูกค้า สร้างกำไรสม่ำเสมอ สร้างผลตอบแทนแก่ผู้มีส่วนได้เสียอย่างยั่งยืน
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Rehabilitation Progress

The implementation of the Rehabilitation Plan (hereafter "the Plan") after the court issued an order approving the Plan on 15 December 2016 are as follows:

1. On 20 December 2016, the Company sent notification letters to Creditor Class 3 to submit their intentions to receive partial principal repayments by Company's ordinary shares under the 1st Debt to Equity Conversion to the Company, according to the Plan which stated that the Creditor Class 3 has the right to receive partial principal repayment by the Company's ordinary shares under the 1st Debt to Equity Conversion.
2. On 23 December 2016, the Company filed a petition to the Court for an amendment of Memorandum of Association to decrease the unissued ordinary share as stipulated in the Plan.
3. On 13 January 2017 and on 26 January 2017, the Company sent letters and the amendments, to Creditor Class 2, Creditor Class 3 (who submitted its intention for the 1st Debt to Equity Conversion), and Creditor Class 4, including Siam Commercial Bank (Public) Company Limited, Krungthai Bank (Public) Company Limited, TISCO Bank (Public) Company Limited, and CIMB Bank (Public) Company Limited, identifying their outstanding principals and number of shares to be received from the Debt to Equity Conversion. The total amount of outstanding principals and the total number of shares the Creditors shall receive from the Debt to Equity conversion is 500,000,000 Baht (Five Hundred Million Baht) and 10,000,000,000 shares (Ten Thousand Million shares), respectively.
4. On 19 January 2017, the Board of Directors' meeting, No. 1/2017, of Sahaviriya Steel Industries Public Company Limited, as the Plan Administrator, passed the resolution approving the Company to enter into an Agreement between the Company and Creditor Class 9 (Creditor under the guarantee agreement), for a waiver of their right of recourse with one another, in respect to the joint guarantee of the Revolving Facility B Loan of Sahaviriya Steel Industries UK Limited, and assigned Audit Committee the authority to consider the detailed terms and conditions of the agreement. The Agreement had been considered in the Audit Committee's meeting on 24 January 2017 and the Company signed the agreement, which is considered a related transaction, on 27 January 2017.
5. On 22 February 2017, the Court has granted permission, for the petition filed on 23 December 2016, to amend the Memorandum of Association to decrease the unissued ordinary shares pursuant to the measure stipulated in the Plan. The Company would, then, proceed the Court's order to register the Capital Decrease.

Please be informed accordingly.

Sincerely yours,

-Signature-

Mr. Win Viriyaprapaikit

President

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