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

สร้างสรรคานวัตกรรมผลิตภัณฑ์เหล็กและบริการที่มีมูลค่าเพิ่มกับลูกค้า สร้างกำไรสม่ำเสมอ สร้างผลตอบแทนแก่ผู้มีส่วนได้เสียอย่างยั่งยืน
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A MEMBER OF SAHAVIRIYA GROUP

-Translation-

No. S.E.C. 027/2018

28 February 2018

Re: Management Discussion and Analysis for Year 2017

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 and its subsidiaries for year 2017 period ended 31 December 2017 as well as reporting the progress of the rehabilitation process as follows:

Unit: million Baht	2017	2016	Δ YoY
Sales and service revenues	25,332	19,824	+28%
Cost of sales and service	(21,841)	(15,195)	+44%
Gross profit (loss)	3,491	4,629	-25%
SG&A	(1,059)	(3,768)	-72%
EBITDA ¹⁾	6,115	2,143	+185%
Interest expense	(1,035)	(4,317)	-76%
Net profit (loss)	4,535	(2,869)	+258%

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 25,332 million, increased by 28% YoY. HRC Sales Volume was 1,285k tons, improved 4% YoY. HRC Average Selling Price was Baht 19,197/ton or approx. USD 570/ton, up 23% YoY following steel prices in the world market. Premium Value Products (PVPs) contributed to 51% of total HRC Sales Volume.

2. Cost of Sales and Services

The Company and its subsidiaries recorded total cost of sales and services Baht 21,767 million, comprising cost of sales and service Baht 21,841 million, and the reversal of provision for loss on decline in value of inventories Baht 74 million. Cost of sales and services increased by 44% YoY due to continuously increase in raw material costs following the world market price.

3. SG&A

The Company and its subsidiaries recorded SG&A Baht 1,059 million, down 72% YoY, due to provision for doubtful debt Baht 2,677 million in 2016. Excluding the provision for doubtful debt, SG&A slightly decreased by 3%.

4. Interest Expense

The Company and its subsidiaries recorded interest expense Baht 1,035 million, a decrease of 76% YoY resulted from an interest rate adjustment from the default rate in 2016 to the rates





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specified in the Rehabilitation Plan which was approved by the Court.

5. Profit

The Company and its subsidiaries recorded gross profit Baht 3,491 million, EBITDA Baht 6,115 million (excluding the reversal of provision for loss on decline in value of inventories Baht 74 million, the reversal of provision for loss under onerous contracts Baht 18 million, and gain from foreign exchange Baht 2,952 million, Core EBITDA would be Baht 3,070 million), and net profit Baht 4,535 million. Operating performance improved from those in year 2016 where gross profit was Baht 4,629 million, EBITDA was Baht 2,143 million, and net loss was Baht 2,869 million) due to the decrease in SG&A and interest expense and gain from foreign exchange.

Financial Position

1. Assets

As at 31 December 2017, the Company and its subsidiaries had total assets Baht 25,538 million, up 5% from Baht 24,228 million as at 31 December 2016, mainly as a result of an increase in inventory value of HRC Business.

2. Liabilities

As at 31 December 2017, the Company and its subsidiaries had total liabilities Baht 64,474 million, down approximately 5% from Baht 67,667 million as at 31 December 2016, following the debt repayments in accordance to the Rehabilitation Plan and an effect of movement in exchange rate on guarantee obligations in foreign currency.

The Company and its subsidiaries had total interest-bearing debts Baht 51,996 million, whilst net debt was Baht 50,437 million. These debts consisted of short-term borrowings and current portion of long-term interest-bearing debts Baht 1,651 million and long-term interest-bearing debts Baht 50,345 million.

3. Equity

As at 31 December 2017, equity attributable to owners of the Company was negative Baht 39,554 million, a decrease from Baht 44,089 million as at 31 December 2016, as a result of the operating profit of the Group.

Rehabilitation Progress

The implementation of the Rehabilitation Plan ("the Plan") in 2017 are summarised as follows:

1. Debt Repayment in accordance with the Plan

1.1) The Company had made debt repayment in accordance with the Plan to creditors throughout year 2017 with total amount of THB 1,634,112,376.90, comprising of principal amount THB 1,538,882,372.18 and interest amount THB 95,230,004.72. This implementation was achieved on plan.

1.2) The Company made an early debt repayment from Excess Cash for the six-month period ending 30 June 2017 with the total amount of THB 279.505 million. For the six-month period ending 31 December 2017, the Company would calculate the Excess Cash using information from the Audited Financial Statements for the year ended 31 December 2017 as reference. The Audited Financial Statements were completed on 28 February 2018, resulting in an early debt repayment from Excess Cash will be made later than 45 days from the period ending. However, the Company is in the process of seeking approval for the Excess Cash amount and a waiver, regarding the delayed debt repayment from Excess Cash, from the Creditors' Committee.





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Consequently, the total debt repayment to the creditors in accordance with the Plan in 2017 was THB 1,913,617,376.90.

2. The Capital Increase for the 1st Debt to Equity Conversion pursuant to clause 7.3 (3) of the Plan

2.1) On 1 March 2017, the Company registered the Capital Decrease for the registered but unissued ordinary shares of 18,097,401,000 shares with the registrar of Public Limited Company, Department of Business Development, Ministry of Commerce. As a result, the registered and paid-up capital of the Company is THB 32,166,262,124, divided into 32,166,262,124 ordinary shares with the par value of THB 1 per share. Thereafter, the Company will proceed the Capital Decrease by means of share reduction as stipulated in the Plan.

2.2) On 14 July 2017, the Company has completed the registration of the decrease in its registered capital by 31,053,243,844 Baht, with the Registrar of Public Limited Companies, Department of Business Development, Ministry of Commerce. The registered and paid-up capital of the Company became 1,113,018,280 Baht, divided into 1,113,018,280 ordinary shares, at the par value of 1 Baht per share.

2.3) The Company is currently under the process of the Capital Increase for the 1st Debt to Equity Conversion pursuant to clause 7.3 (3) of the Plan. After the Court rendered an order approving the Capital Increase by the 1st Debt to Equity Conversion on 21 September 2017, the Company registered to amend the Memorandum of Association in order to be in line with the Capital Increase on 19 October 2017.

Presently, the allotment of the newly-issued shares is under process which the creditors of the Company, who would acquire the newly-issued ordinary shares under the Business Rehabilitation Plan of the Company and, consequently, holding shares in the amount of more than 25 percent of the total voting rights of the Company, have filed for a waiver in respect of a tender offer for the entire securities of the Company with the Securities and Exchange Commission (SEC). Should SEC approves the waiver, the Company shall allocate the shares to such creditors and request the Securities Registrar of the Company to issue a document form BorMorJor. 006 to be used in the registration for a change of paid-up capital with the Department of Business Development, Ministry of Commerce, to complete the Capital Increase for the 1st Debt to Equity Conversion pursuant to clause 7.3 (3) of the Plan.

Notwithstanding, the Creditor Committee has approved a waiver of default due to the delayed implementation of the Capital Increase for the 1st Debt to Equity Conversion pursuant to clause 7.3 (3) of the Plan and extended the deadline of such implementation until 30 March 2018.

Please be informed accordingly.

Sincerely yours,

-Signature-

Mr. Nava Chantanasurakon
Authorized Director to Disclose Information