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

สร้างนวัตกรรมผลิตภัณฑ์เหล็กและบริการที่มีมูลค่าเพิ่มกับลูกค้า สร้างกำไรมาเสมอ สร้างผลตอบแทนแก่ผู้มีส่วนได้เสียอย่างยั่งยืน  
Innovate premium value steel products and services for customer, generate consistent profit and sustainable value for stakeholders.  
A MEMBER OF SAHAVIRIYA GROUP

No. S.E.C. 143/2015

13 October 2015

Re: Clarification on Published News

Attn: President  
The Stock Exchange of Thailand

With reference to news published in some printed media during the beginning of October 2015, referring to Sahaviriya Steel Industries Public Company Limited (the “**Company**”) in a way that could disgrace the reputation of the Company and relevant parties,

The Company would like to deny the allegations stated in those news articles and clarify facts in order to provide the truthful understanding of the Company’s shareholders, investors, analysts, and other relevant parties as follows:

1. Goodwill

News: Stating that the Company paid over Baht 5 billion for goodwill for the purchase of Teesside Cast Products (“**TCP**”)

Fact: The Company did not pay for TCP higher than its appraised value of over Baht 5 billion as stated in the news. On the other hand, the Company’s acquisition cost was lower than what the Company would have paid to construct similar facilities of Baht 5,271 million, of which the Company recorded the negative goodwill or gain on business acquisition amounting to Baht 5,271 million (US dollars 174 million) as disclosed in the Company’s 2011 financial statements.

2. Vanomet AG

News: Stating that Vanomet AG belongs to Mr. Wit Viriyaprapaikit, Chairman of the Board of Directors of the Company and charges for a sales commission of 3-4% in Thailand and UK

Fact: Mr. Wit Viriyaprapaikit, Chairman of the Board of Directors of the Company, does not hold any shares of Vanomet AG. Vanomet AG is a juristic person under Swiss law with its head office in Zug, Switzerland. Vanomet AG is a major independent steel trader providing a full range of commodity trading services including handling steel products and non-ferrous metal, consulting, trade financing, marketing, and logistics.

Vanomet AG has been a major trading partner of the Company for more than 20 years as one of the Company's slab suppliers. After the Company acquired SSI UK in 2011, Vanomet AG was also one of SSI UK's suppliers providing raw materials including iron ore and coal. The transactions between the Group and Vanomet are regarded as an ordinary course of business under market mechanism; with no major shareholders, boards of directors, or executives of the Company having benefits as stated in the news. In other words, transactions are independent and on an equal bargaining positions. Both parties in the deal are acting in their own self interest and are not subject to any pressure or duress from the other party, as well as are having no conflicts of interest.

3. Sahaviriya Panich International Company Limited

News: Stating that Sahaviriya Panich International Company Limited is an only distributor monopolizing total sales of the Company's steel products

Fact: Sahaviriya Panich International Company Limited ("SVPI") is a company under Sahaviriya Group (major shareholder of the Company). SVP has been in steel business for over 60 years, long before the Company's establishment; operating as a major distributor of hot rolled steel sheet and other steel products, with nationwide network. Therefore, SVPI has larger purchase volume of the Company's hot rolled steel sheet compared with other distributors, notwithstanding the same terms and conditions as other distributors. The Company has also disclosed the relationship and transactions with related parties in the annual report every year. In addition, the Company has disclosed the pricing policies of transactions with related companies in notes to the financial statements. The transactions between the Group and SVPI are independent and on an equal bargaining positions. Both parties in the deal are acting in their own self interest and are not subject to any pressure or duress from the other party, as well as are having no conflicts of interest.

4. Sahaviriya Shipping Limited

News: Stating that Sahaviriya Shipping Limited which operates shipping business on UK route may siphon money off the Group

Fact: Sahaviriya Shipping Limited ("SVS") is a company under Sahaviriya Group (major shareholder of the Company) under Hong Kong law. SVS operates as a shipping service provider for large shipment with the capacity of Panamax/Post-Panamax 70,000-100,000 deadweight tons and Capesize 170,000 deadweight tons, for the transportation of iron ore, coking coal, metallurgical coke, PCI coal, as well as slabs for SSI UK. SVS is managed by an expert team who has experiences in shipping industry for large shipments for above 20 years. SVS provides SSI UK useful advice and suggestions, as well as negotiations for optimal terms and conditions. Therefore, SSI UK can closely monitor the shipment of raw materials and merchandises and ensure punctuality of the shipment, for greatest benefits from using the shipping service. The Company has disclosed the relationship and transactions with

related parties in the annual report every year. In addition, the Company has disclosed the pricing policies of transactions with related companies in notes to the financial statements. The transactions between the Group and SVS are independent and on an equal bargaining positions. Both parties in the deal are acting in their own self interest and are not subject to any pressure or duress from the other party, as well as are having no conflicts of interest.

5. Capital Increase

News: Stating that there was no real money in the capital increase process as the Company swapped the slab prepayment amounting USD 125 million into SSI UK's ordinary shares. Another accusation pointed that the capital increase allotment to Vanomet Holding AG ("**Vanomet**") of USD 170 million in the form of providing short term loan to SSI UK of USD 100 million and working capital of USD 70 million, of which the latter could be switched to the capital increase in whole or partial amount.

Fact: The Company hereby affirms the actual capital increase. The Company also has disclosed all information of the capital increase to SET, as summarized below:

5.1 The Company converted the slab prepayment amounting USD 125 million into SSI UK's newly issued ordinary shares, as detailed in the Company's Letter No. S.E.C. 272/2012 dated 25 December 2012, Re: The Third Notification on the Progress of the Capital Increase Plan of the Company and the First Notification on the Progress of the Capital Increase in SSI UK.

5.2 The Company had allocated newly issued ordinary shares of up to 8,000,000,000 shares to Vanomet. In conclusion, Vanomet subscribed a total of 2,893,114,472 shares, amounting to the total subscription proceeds of Baht 1,967,317,840.96 Baht, as detailed in the Company's Letter No. S.E.C. 194/2013 dated 11 October 2013, Re: Final Result of the Capital Increase Plan of the Company and Result of Capital Increase in SSI UK.

Additionally, the Company has been conducting its business under the supervision of the Audit Committee, the Good Corporate Governance Committee, and the Board of Directors by adhering to the principles of good corporate governance.

Please be informed accordingly.

Sincerely yours,

-Signature-

(Win Viriyaprapaikit)  
President