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

บริษัทหลักชั้นนำด้านนวัตกรรมและความเชื่อมั่น
Leading Innovative and Reliable Steel Company

-Translation-

No. S.E.C. 015/2019

28 February 2019

Re: Management Discussion and Analysis for Year 2018

Attn: President
The Stock Exchange of 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 2018 period ended 31 December 2018 as well as reporting the progress of the rehabilitation as follows:

Unit: million Baht	2018	2017	Δ YoY
Sales and service revenues	31,428	25,332	+24%
Cost of sales and service	(29,290)	(21,841)	+34%
Gross profit (loss)	2,139	3,491	-39%
SG&A	(1,286)	(1,062)	+21%
EBITDA ¹⁾	1,665	6,115	-73%
Operating EBITDA ²⁾	1,503	3,347	-55%
Interest expense	(905)	(1,035)	-13%
Net profit (loss)	194	4,535	-96%

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

2) Operating EBITDA: Excluding Unrealized FX Gain/(Loss) on Debt from Loan Guarantee under the Rehabilitation Plan

Operating Performance

1. Revenues

The Company and its subsidiaries recorded sales and service revenues Baht 31,428 million, increased by 24% YoY. HRC Sales Volume was 1,441k tons, improved 12% YoY. HRC Average Selling Price was Baht 21,036/ton or approx. USD 651/ton, up 14% 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 29,290 million, including the provision for loss on decline in value of inventories Baht 432 million. Cost of sales and services increased by 34% YoY due to continuously increase in raw material and production costs.

3. SG&A

The Company and its subsidiaries recorded SG&A Baht 1,286 million, up 21% YoY from Baht 1,062 million, due to the increase in sales and services.

4. Interest Expense

The Company and its subsidiaries recorded interest expense Baht 905 million, a decrease of 13% YoY from Baht 1,035 million resulted from the Company's debt repayment, early debt repayment from excess cash and the 1st Debt to Equity Conversion according to the Rehabilitation Plan (the “Plan”) of the Hot Rolled Business.



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5. Profit

The Company and its subsidiaries recorded gross profit Baht 2,139 million, dropped 39% from Baht 3,491 million due to the increase in cost of sales. EBITDA decreased 73% from Baht 6,115 million to 1,665 million. (Excluding unrealized foreign exchange gain on Debt from Loan Guarantee under the Plan Baht 162 million, Operating EBITDA would be Baht 1,503 million). Net profit was Baht 194 million, down 96% from Baht 4,535 million from the increase in cost of sales and SG&A.

Financial Position

1. Assets

As at 31 December 2018, the Company and its subsidiaries had total assets Baht 25,909 million, slightly increase from Baht 25,538 million as at 31 December 2017.

2. Liabilities

As at 31 December 2018, the Company and its subsidiaries had total liabilities Baht 64,208 million, slightly down from Baht 64,474 million as at 31 December 2017 due to the decrease in debt under the Plan but increase in trade account payable. The Company and its subsidiaries has short-term debt under the Plan which is due within 1 year Baht 1,618 million, long-term debt under the Plan Baht 46,929 million and accrued interest under the Plan Baht 9,074 million.

3. Equity

As at 31 December 2018, equity attributable to owners of the Company was negative Baht 38,862 million, a decrease from Baht 39,554 million as at 31 December 2017, as a result of the operating profit of the Group and the 1st Debt to Equity Conversion in accordance with the Plan.

Rehabilitation Progress

The progress of the implementations in accordance with the Plan in 2018 is summarized as follows:

- 1) The Company had made principal and interest repayments to the creditors in accordance with the Plan, early debt repayment from excess cash, and the 1st Debt to Equity Conversion (DEC) in 2018. Details of the debt repayments and the 1st DEC in year 2018 and since the beginning of the Plan are shown in the table below:

(Baht)

	2018	Plan-To-Date
1. Debt repayment in accordance with the Plan	1,677,932,367.92	3,312,044,744.82
Principal	1,597,673,236.44	3,136,555,608.62
Interest	80,259,131.48	175,489,136.20
2. Early principal repayment from Excess Cash	1,398,513,000.02	1,678,018,000.02
3. Total Debt Repayment (1 + 2)	3,076,445,367.94	4,990,062,744.84
Principal	2,996,186,236.46	4,814,573,608.64
Interest	80,259,131.48	175,489,136.20



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4. 1st Debt to Equity Conversion (DEC)	500,000,000.00	500,000,000.00
5. Total Debt Repayment and DEC (3 + 4)	3,576,445,367.94	5,490,062,744.84

- 2) On 28 March 2018, the Company completed the registration of the additional paid-up capital by Baht 10,000,000,000 with the Registrar of Public Limited Companies, Department of Business Development, Ministry of Commerce. Presently, the paid-up capital of the Company was changed from Baht 1,113,018,280 to Baht 11,113,018,280 divided into 11,113,018,280 ordinary shares, at the par value of Baht 1 per share. The Capital Increase was made for the 1st Debt to Equity Conversion pursuant to clause 7.3 (3) of the Plan, resulting in Baht 500 million debt reduction from the total debt under the Plan.
- 3) On 23 April 2018, the Official Receiver issued an order that creditor #43 shall be repaid for Contractual guarantees and damages under contract with an amount of USD 31 million from the Company with condition that the creditor will receive payment when there is environmental damage in accordance with the environmental responsibility conditions under sales and purchase agreement of the integrated steelmaking mill, dated 24 February 2011. The excess amount will be forgiven. Until present, no debt has been claimed yet.
- 4) On 15 August 2018, the Court of Appeal for Specialized Cases allowed the petitioner who submitted an appeal against the order made by the Official Receiver, that creditor #32 shall receive payment of Baht 4.3 million, to revoke the appeal. As a result, the order of the Official Receiver is considered the final judgment.
- 5) On 3 December 2018, the Creditor Committee had resolution granting waiver of default from delay payment of early debt repayment from excess cash for 6-month period ending 31 December 2017. The Company, as a result, was not in default of debt payment as specified in Clause 16.1 of the Plan.
- 6) In accordance with Chapter 9 of the Plan regarding duty to collect debt from 2 debtors who are related companies, that have outstanding debts and could not reduce their debts to the level specified in the Plan, the Company had issued 3 payment notices to the debtors. The debtors, later, explained reasons of the delay debt reduction and proposed adjusted payment plan. The Company is in the process of considering the proposal.

Although the Company's performance in form of net profit in 2018 was dropped, resulting from the decrease in margin between selling prices and raw material cost following the lower in steel prices in domestic and world market, the Company was able to boost up its sales volume and revenues. The Company was also able to make principal payment more than the amount specified in the Plan, accelerating the reduction of outstanding debt with no default in accordance with the Plan.

Please be informed accordingly.

Sincerely yours,

-Signature-

Mr. Kamol Juntima
 Authorized Director to Disclose Information