

## 1. Highlights

	Unit: million Baht	2014	2015
GROUP	Group Revenues	14,513	12,260
	Group Sales Volume (k tons)	670	728
	Group EBITDA	786	101
	Group Net Profit (Loss)	(418)	(1,515)
	Total Liabilities	6,369	6,051
	Total Asset	19,833	18,000
	Total Equity	13,464	11,949
HRC	HRC Sales (k tons)	670	728
	HRC Production Volume (k tons)	677	719
	HRC Average Selling Price (Bht./ton)	21,649	16,838
	HRC Cash Margin (Bht./Ton)	1,964	1,072

- In Summary, the Company portal higher number of net loss comparing to 2014. Mainly affected by non cash items.
  - Depreciation : Baht 1,026 Million
  - Un realized FX Loss : Bath 292 Million
- Sales Volumes (Coil Tons) increased by 8.6% unsealing the company increased its sale at 728 Tons. While the sale price was down by 17% which was in line with world number.

## 2. Business Outlook on Q1/2016

- HRC Sale Volume in fist two months of year 2016 expected to increase. Comparing to Q4/2015, Sale volume in 01/2016 expected to increase 180,000 Tons.
- HRC Average Selling Price expected to increase 7-8% comparing to in the end of year 2015.

### 3. Group CEO's Message

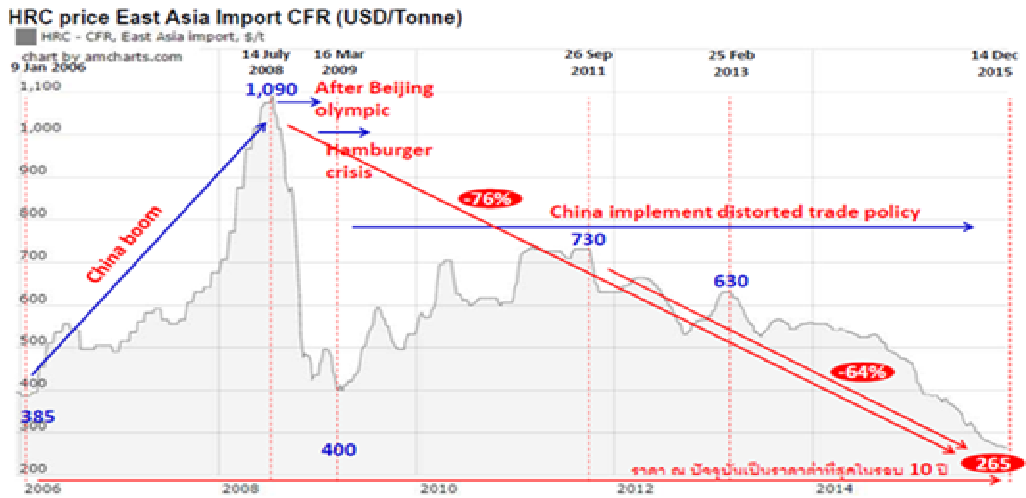
Management's Discussion and Analysis (MD&A) and operating results for the year ended December 31, 2015

#### Executive Summary

Overview of Thailand steel industry in 2015 experienced difficulties in many aspects. Both in terms of the economic recovery not yet improved and caused the demand for steel in various industries declined, such as construction industry, electrical appliance industry. Also the problem on over supply of global steel production whereas the demand contraction led to the crisis of the global steel industry. Mainly due to the problem of excess capacity in the steel industry from China that arose from lower economic growth, as a result, Chinese manufacturers had to export more steel products to global market. Further, the subsidies policy from the Chinese government supported the exporters, steel products from China are still spilling into the importing countries such as Thailand's, both directly and indirectly. As a result, steel prices worldwide in 2015 were the lowest in the past 10 years and affect the profitability of the steel industry.

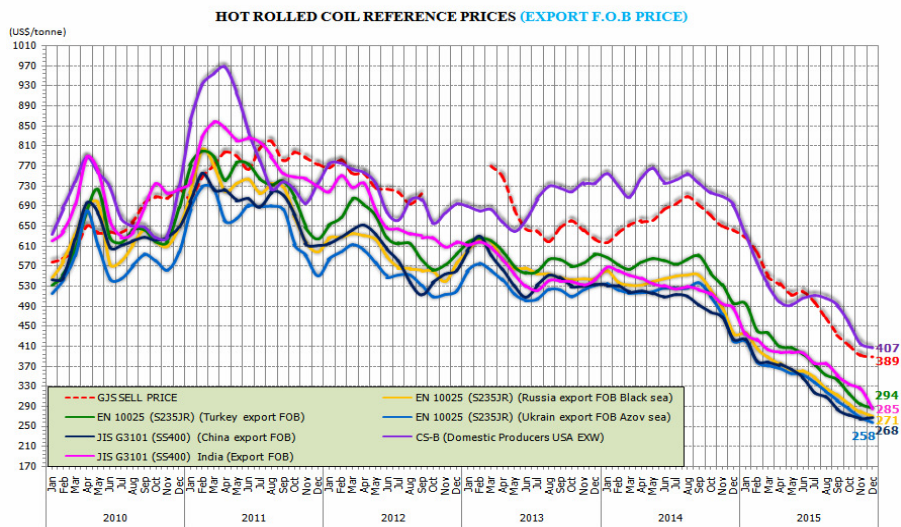
However, the Company, produced in hot-rolled coil steels, has higher in production volume in 2015 which increased 6.2 percent, with a total production of 719,405 tons. The company has only produced in off-peak period which use less electricity and has a low tariff with the 2015 production utilization at 92.2 percent compared to the full off-peak capacity. Besides, the Company's sale volume in 2015 rose 8.6 percent with the sale volume at 728,224 tons. As the steel price drop globally as mentioned above, the Company's selling price decreased 28.6 percent in 2015, moreover, the impact of the baht weakened from the previous year caused the Company had a foreign exchange loss. As a result, the Company still had a net loss in the past year

Global HRC price in 2015



Source: Steel Business Briefing

Local HRC Price in 2015 followed global trend



Source: Metal Expert, GJS

### Operating results

With reference to the aforementioned financial statements, the Company reported a net Profit and (loss) of THB (1,515) million and THB 418 million for the year 2015 and 2014 respectively. To this extent, the Company would like to provide the following explanations:

- Revenue from sales and cost of goods sold

Although domestic demand has not signal to improved and the supply of the world is still in oversupply. The company also has sales volume increased from 670,418 tons in 2014 to 728,224 tons in 2015, representing a sales volume increased of 8.6 percent

Revenue from sales for the year 2015 and 2014 amounted to THB 12,260 million and THB 14,513 million respectively, and gross profit (loss) amounted to THB (130) million and THB 491 million respectively. The major factor contributing to the decrease of gross profit was the decrease in average selling price more than average cost of goods sold decreased.

- Selling expenses

Selling expenses in the year 2015 and 2014 amounted to THB 161 million and THB 153 million respectively. The amount increased by THB 8 million as a result of an increased in domestic sales volume.

- Administrative expenses

Administrative expenses in the year 2015 and 2014 amounted to THB 620 million and THB 732 million respectively. The decreased of administrative expenses of THB 112 million resulted from idle expenses.

- Net foreign exchange loss

The Company had a net loss on foreign exchange in year 2015 amounting to THB 338 million. The major contributor was the depreciation of the Thai Baht against the US dollar during the year 2015.

- Impairment of assets

The Company recorded impairment of assets in year 2015 amounting to THB 23 million for construction in progress and production license

- Financial costs

The Company had financial costs in year 2015 and 2014 amounting to THB 292 million and THB 175 million respectively. The increase of financial costs of THB 117 million resulted from the interest payable to trade creditors and the depreciation of Thai Baht against the US dollar

- Reversal of Loss on devaluation of inventories

The Company had recorded reversal of loss on devaluation of inventories for the year 2015 amounting to THB 6 million due to the decrease of raw material cost on December 2015.

- Gain from Debt restructuring

The Company had recorded gain from debt restructuring for the year 2015 amounting to THB 7 million due to the successful of negotiation of the company's management

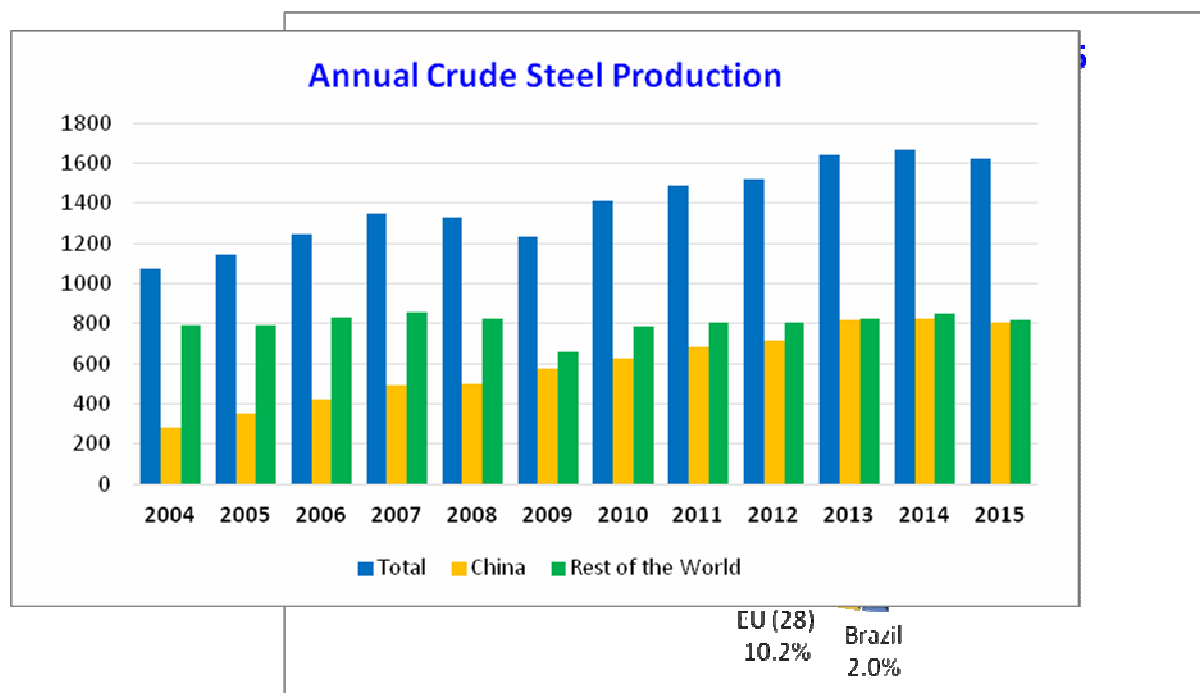
- Other incomes

For the year 2015, the company had other incomes amounted to THB 36 million due to sales of by product.

#### 4. Industry Overview and Outlook

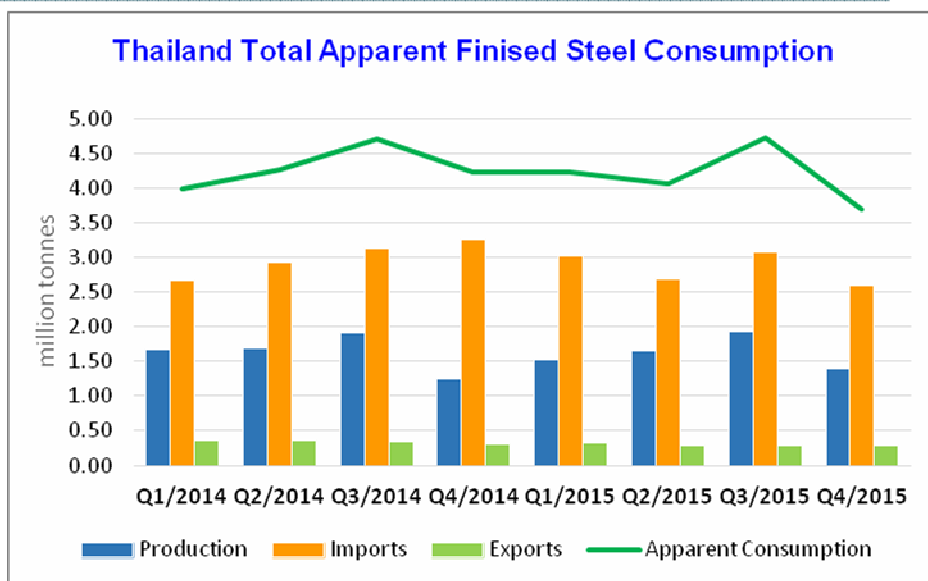
##### Overview

**World Steel Industry:** The total crude steel production in Q4/2015 was 387.1 million metric tons, a -2.6% decrease as compared to the previous quarter and a -4.3% decrease as compared to the same period of last year; making 2015 world crude steel production reached 1,622.8 million tonnes, down by -2.8% compared to 2014.



World crude steel production in 2015 decreased in all regions, except only Oceania region and China's share increased from 49.3% in 2014 to 49.5% in 2015. The volume of Chinese steel mill exports increased by +20.5% to 110 million tonnes in 2015 over 91.3 million tonnes in 2014 and the steel price has plummeted in 2015 to the lowest point since the USSR collapse crisis in 1997.

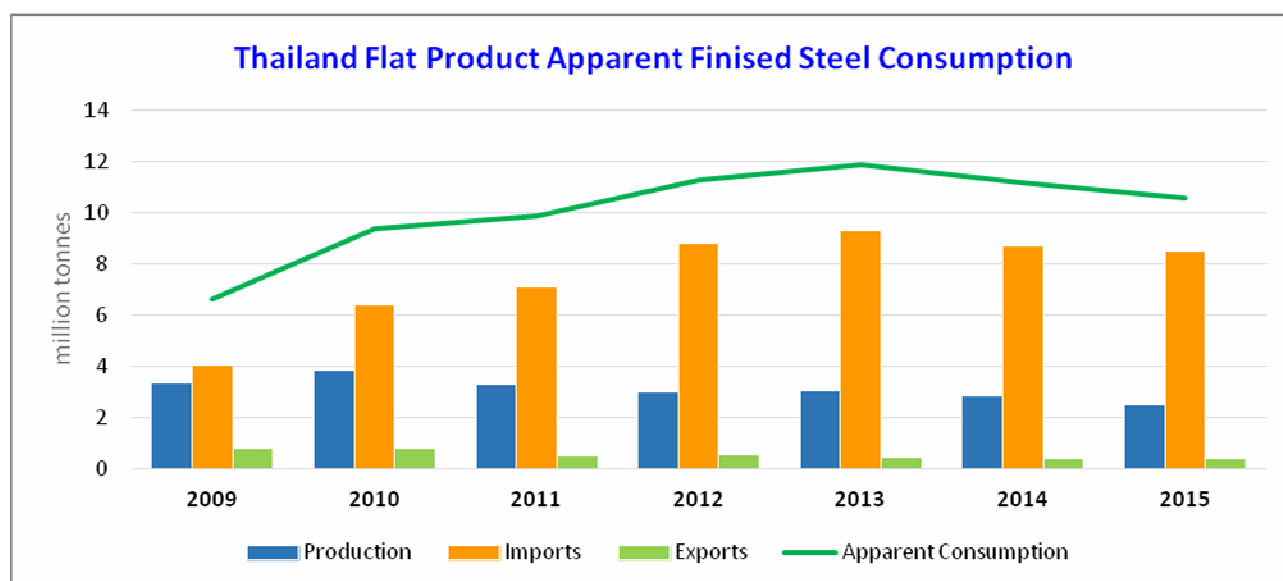
Thailand Steel Industry: Total steel domestic production of Q4/2015 was 1.37 million tonnes, up by +10.3% from the same quarter of last year but down by -28.4% QoQ; total HRC production in the quarter was approximately 6.0 thousand metric tons, decreased by -5.4% as compared to the same period of 2014. As compared to Q4/2014, the



volume of finished imports decreased -20.5% and exports volume also decreased for -3.3%. The apparent steel consumption of Thailand in Q4/2015 was 3.7 million tonnes; down by -18.2% QoQ and -22.1% compared to last year same quarter.

Thailand's 2015 apparent steel consumption was 16.73 million metric tons, a -3.5% down compared to last year; long product 6.1 million tons and flat product 10.6 million tons (HRC product 6.72 million tonnes or 64% of flat product). Domestic production in 2015 was 6.5 million tonnes, reduced by -4.4%; long product production increased by +2.2% compared to 2014, while flat product production was only 2.5 million tonnes, down by -13.5%. Total finished imports was 11.4 million tonnes and the most imported product was HRC for 4.3 million tonnes, while exports volume was 1.4 million tonnes, up +7% from last year.

## 5. Performance of the Company and its Subsidiaries

Operating results

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## 6. Consolidated Financial Status

### Statement of financial positions

- **Total assets**

As of December 2015, The Company and subsidiary had total asset amounted to THB 18,000 million decreased 9% from year 2014. Total assets separate into current assets amounted to THB 1,121 million decreased 36% from year 2014 and non current assets amounted to THB 16,879 million decreased 7% from year 2014. Current assets major decreased from inventory, as of December 2014 amounted to THB 1,094 million and as of December 2015 amounted to THB 661 million.

- **Total Liabilities**

As of December 2015, The Company and subsidiary had total liabilities amounted to THB 6,051 million decreased THB 318 million or 5% from year 2014. The results are current liabilities decreased THB 778 million and non current liabilities increased THB 460 million due to accrued interest expenses increased and debenture decreased.

- **Total equity**

As of December 2015, The Company and subsidiary had total equity amounted to THB 11,949 decreased THB 1,515 million or 11% from year 2014 due to loss for the year 2015.

## 7. Recent Development

### Development in Manufacturing Process

In the middle of world steel crisis and economics slowdown in 2015; for sustainable survival of the business, the company focused on reducing the conversion cost. While high-investment technology was quite unsuitable in this situation, in our case, small improvements have been implemented instead; increasing the working efficiency, reducing idle time, adjusting manufacturing practice and finding more competitive supplier, etc. As the result, the conversion cost of 2015 reduced significantly from last year, saving more than 350 million Baht over the year.

Electricity cost is the conversion cost biggest portion of the steel mill that has the Electric Arc Furnace (EAF); with good raw materials and several working practice adjustments, 2015 EAF electricity consumption decreased substantially from the year before and was the new low of the company operation record. By improving the melting process efficiency, the yield of the process (output weight/input weight) was also

higher, resulting in a remarkably increase of overall yield in 2015. Many other consumable material consumptions; graphite electrode, oxygen gas, injected carbon, burnt lime, etc. had the positive effects too, as their unit costs decreased noticeably as compared to 2014.

### Appendix

**Table 1: Average Prices of Slab, HRC, and Other Raw Materials**

Unit: USD/ton	Q4/2014 Actual	Q1/2015 Actual	Q2/2015 Actual	Q3/2015 Actual	Q4/2015 Actual	Q1/2016 Estimate
Scrap Shedded	299	253	266	213	177	171
Pig Iron	373	318	270	238	175	175

**Table 2: HRC Apparent Steel Supply in Thailand**

Unit: ton	2015 Q4	2015 Q3	+/- QoQ	2014 Q4	+/- YoY	2015	2014	+/- YoY
tons	601,090	589,911	1.9 %	635,473	-5.41 %	2,470,046	2,854,685	-13.47 %

**Table3 : Estimation of HRC Apparent Steel Supply**

Unit: ton	2014 Actual	Q1/2015 Estimate	Q2/2015 Estimate	Q3/2015 Estimate	Q4/2015 Estimate	2015 Estimate	(%) YoY
tons	6,495,236	1,644,897	1,667,438	1,690,287	1,713,450	6,716,074	3.4 %

Table 4: Summary of Consolidated Financial Results

## Consolidated

	December 2015	December 2014	
Million Baht	2558	2557	+/-
<i>Income</i>			
Revenue from sale of goods	12,260	14,513	-16%
Reversal of loss on devaluation of inventories	6	52	-89%
Gain from debt restructuring	7	47	-86%
Other income	36	81	-55%
<b>Total income</b>	<b>12,309</b>	<b>14,692</b>	<b>-16%</b>
<i>Expenses</i>			
Cost of sale of goods	12,390	14,022	-12%
Selling expenses	161	153	5%
Administrative expenses	620	732	-15%
Bad and doubtful debts expense	0	-	0%
Net foreign exchange loss	338	28	1090%
Loss on impairment of assets	23	-	0%
Finance costs	292	175	66%
<b>Total expenses</b>	<b>13,824</b>	<b>15,111</b>	<b>-9%</b>
<b>Net profit (loss) for the year</b>	<b>(1,515)</b>	<b>(418)</b>	<b>262%</b>
<b>Basic earnings (loss) per share</b>	<b>(0.14)</b>	<b>(0.04)</b>	<b>262%</b>

Table 5: Condensed Consolidated Statement of Financial Position

Million Baht	December 2015	December 2014	+/-
<b>Assets</b>			
Cash and cash equivalents	157	208	-25%
Trade accounts receivable	215	200	8%
Inventories	661	1,094	-40%
Other current assets	88	259	-66%
<b>Total current assets</b>	<b>1,121</b>	<b>1,762</b>	<b>-36%</b>
<b>Non-current assets</b>			
Advance payment for purchase of property, plant and equipment	210	210	0%
Property, plant and equipment	16,447	17,368	-5%
Intangible assets	9	24	-62%
	-	252	-
Cash guarantee for the utility usage			100%
Other non-current assets	212	216	-2%
<b>Total non-current assets</b>	<b>16,879</b>	<b>18,071</b>	<b>-7%</b>
<b>Total assets</b>	<b>18,000</b>	<b>19,833</b>	<b>-9%</b>
<b>Liabilities and equity</b>			
Trade accounts payable	2,045	2,240	-9%
Other payables and accrued expenses	1,186	1,344	-12%
Advance from customers	178	307	-42%
Short-term loan from other parties	30	-	0%
	-	641	-
Current portion of debentures			100%
Accrued interest expenses	1,290	975	32%
Current portion of liabilities under rehabilitation plan	242	244	-1%
Other current liabilities	35	33	5%
<b>Total current liabilities</b>	<b>5,006</b>	<b>5,784</b>	<b>-13%</b>

*Non-current liabilities*

Trade accounts payable	15	-	0%
Other payables and accrued expenses	640	548	17%
Debentures	343	-	0%
Employee benefit obligations	47	37	28%
<b>Total non-current liabilities</b>	<b>1,045</b>	<b>585</b>	<b>79%</b>
<b>Total liabilities</b>	<b>6,051</b>	<b>6,369</b>	<b>-5%</b>
<b>Total equity</b>	<b>11,949</b>	<b>13,464</b>	<b>-11%</b>
<b>Total liabilities and equity</b>	<b>18,000</b>	<b>19,833</b>	<b>-9%</b>

Table 6: Condensed Statement of Cash Flow

Million Baht	₱.ค.-ธ.ค.58
<i>Cash flows from operating activities</i>	
Net profit (loss) for the year	(1,515)
<i>Adjustments for</i>	
Depreciation and amortisation	1,021
Interest income	(1)
Finance costs	292
Gain from debt restructuring	(7)
Unrealised loss (gain) on exchange rate	292
Bad and doubtful debts expense	0.04
(Reversal of) loss on devaluation of inventories	(6)
Employee benefit expenses	10
Loss on impairment of assets	22.80
Loss on write-off of assets	0
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	109
<i>Changes in operating assets and liabilities</i>	
Trade accounts receivable	(15)
Inventories	439
Advances to suppliers	79
Other current assets	92
Other non-current assets	(101)
Trade accounts payable	(304)
Advances received from customers	(129)
Other payables and accrued expenses	(124)
Other current liabilities	(1)
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<b>Net cash inflows (outflows) from operating activities</b>	<b>46</b>
<i>Cash flows from investing activities</i>	
Interest received	1

Refunded cash guarantee for the Company's utility usage	252
Purchase of property, plant and equipment	(3)
<b>Net cash inflows (outflows) from by investing activities</b>	<b>251</b>
<i>Cash flows from financing activities</i>	
Finance cost paid	(70)
Payment of liabilities under rehabilitation plan	(11)
Repayment of short-term loans from other parties	0
Receive short-term loans from other person	30.00
Payment for redemption of debentures	(297)
Proceeds from ordinary shares issued	0.00
<b>Net cash inflows (outflows) from by financing activities</b>	<b>(348)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-52</b>
Cash and cash equivalents at 1 January	208
Effect of exchange rate changes on balances held in foreign currencies	0
<b>Cash and cash equivalents at 31 December</b>	<b>157</b>