

## 1. Highlights

	Unit: million Baht	Year 2017	Year 2016
Performance	Revenues	15,178	11,669
	Sales Volume (k tons)	812	722
	EBITDA	1,062	1,189
	Net Profit (Loss)	990	(7)
HRC	HRC Sales (k tons)	812	722
	HRC Production Volume (k tons)	876	733
	HRC Average Selling Price (Bht./ton)	18,690	16,163
	HRC Cash Margin (Bht./Ton)	1,700	1,586
	Unit: million Baht	31 December 2017	31 December 2016
Financial Status	Total Liabilities	5,492	5,871
	Total Asset	19,546	17,813
	Total Equity	14,054	11,942

- The Company posted net profit for the year 2017 amounted to THB 990 million which in last year was loss by THB 7 million due to;
  - Increasing of HRC price: the average selling price of HRC in year 2017 was THB 18,690/ton, increased by 15.6% as compared with last year (THB 16,163/ton) according to HRC market price worldwide trend.
  - HRC cash margin (excluding depreciation) in year 2017 was achieved at THB 1,700/ton, higher by 7.2% from last year.
  - Sale volumes (Coil tons) and production volumes in year 2017 were higher than last year by which in year 2017 there were the sale volumes and production volumes at 812,113 tons and 875,874 tons in accordingly (for year 2016: sale volumes and production volumes at 721,972 tons and 733,327 tons in accordingly), increasing by

12.5% for sale volumes and increasing by 19.4% for production volumes. This mainly due to the Tolling agreement with G Steel for producing of HRC to increase the normal capacity during off peak power usage in 4<sup>th</sup> Quarter of 2017.

- Gain from debt restructuring was achieved of THB 734 million some portion resulting from debt-to-equity conversion scheme in according to the resolution approval from the Extra Ordinary Shareholders' meeting no. 1/2017 on 30<sup>th</sup> August 2017 by newly issuing ordinary shares of the Company to pay the net trade debts of THB 1,136 million and some portion from the trade creditors agreed to reduce the accrued interests payable during the negotiation period before the completed debt-to-equity conversion scheme.
- Gain on exchange rate was achieved of THB 311 million in year 2017, which higher than last year of THB 257 million due to the strengthen in THB as compared to US dollar.

## 2. Business Outlook on Q1/2018

In Q1/18, the Company has stopped its production for major shutdown as planned maintenance schedule to increase production capacity. This shutdown is not significantly affecting the sales volume as the Company has inventory from the production in December 2017 to satisfy customers' demand and maintain sales volume of the Company. The Company has gradually increased operation hours continuously since the last quarter of 2017 from 15 hours per day to 17 hours per day in this quarter in order to test our production line and prepare to produce up to 100,000 tons per month in 2Q/18.

The average sale price in this quarter is stable and will moving in the same trend as in Q4/17. We strongly believe that we can increase production capacity and also maintain the metal spread to strengthen the Company business.

### 3. Management's Message

#### Executive Summary

In overall 2017 performance, the Company had significant improvements in various areas such as production increase to 875,874 tons, sale volume increase to 812,113 tons, which increased from 2016 by 19.4 percent and 12.5 percent respectively and it has been increased for 5 consecutive years since 2013. During the last 4 months of 2017 (September to December), the Company had production not only full capacity during the off-peak period (the period where electricity cost is cheaper), but also extended some operated hours to on-peak period in order to serve the increasing demand from customers while it was opposite with the plunge of overall steel consumption in Thailand in 2017.

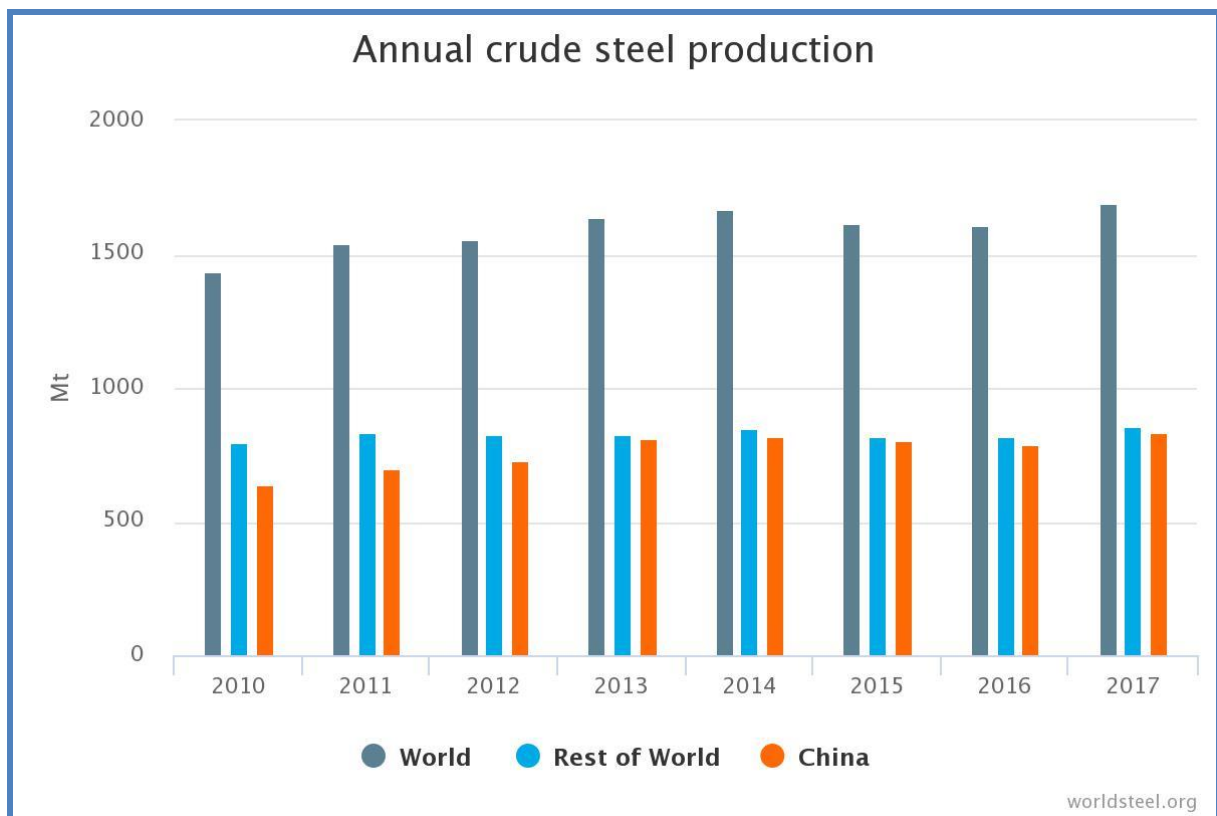
Moreover, the Company had successfully restructured its legacy debts, occurred since global financial crisis in year 2008, for in an amount of USD 91.59 million. The entire debts has been partially converted in form of debt-to-equity conversion and some portion has been restructured from short-term debts into long-term loan 5 years, resulted in better financial ratios i.e. Debt to Equity Ratio (D/E Ratio) at 0.39 and Current Ratio at 1.18 which were better than year 2016 whereas D/E Ratio was at 0.49 and Current Ratio at 0.33.

In late 2017, the Company had started to export products to Malaysia. Though the export volume was not significant, the Company aims to diversify some marketing risk and to improve product quality to be accepted for international standard level. For the year 2018, it will be a challenging year for the Company to increase more export volume, sales revenue, lower production costs so that the bottom line could be achieved and better than the previous year.

## 4. Industry Overview and Outlook

Overview of World Steel Industry

Chart of world crude steel production monthly, ending 31 December 2017



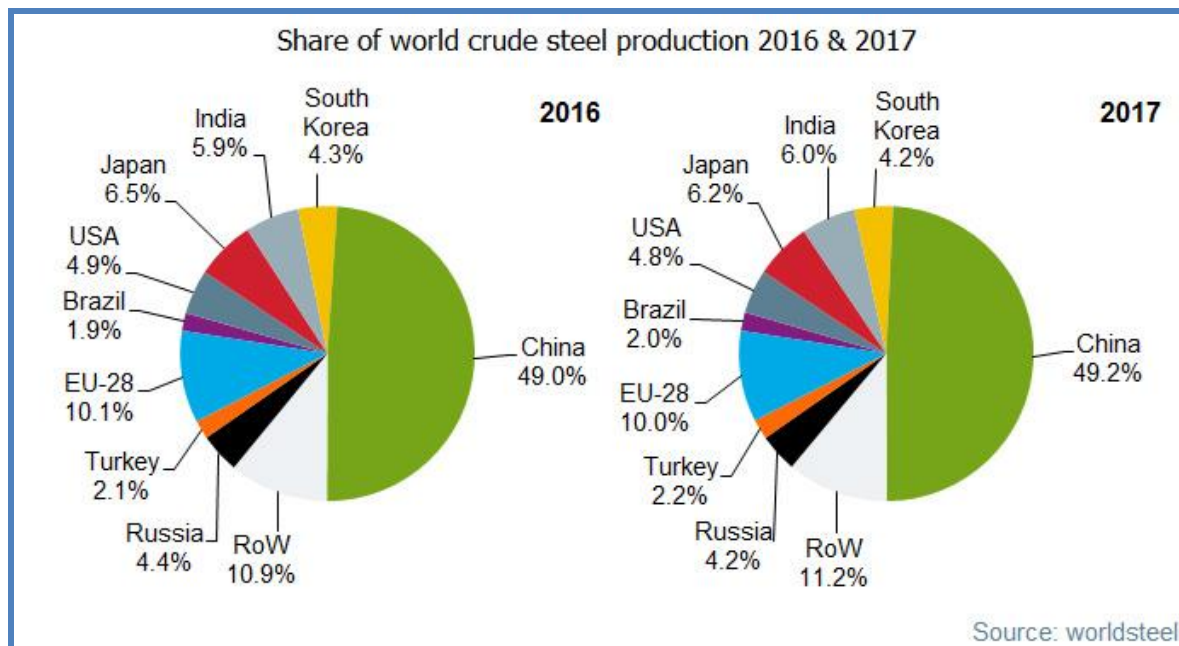
Source: World Steel Association

According to the World Steel Association's report on world crude steel production was 424.3 million tons in the Fourth-Quarter of 2017 and accumulated world crude steel production in 2017 was 1,691.2 million tons, significant increase by 5.3% compared to 2016. The region with most production in 2017 was Asia (including China, but not including the Middle East) 1,162.5 million tons; where China alone had crude steel production for 2017 was 831.7 million tons, as top rank of the world, increase by 5.7% compared to 2016. The second and Third most producing countries were Japan with 104.7 million tons and India with 101.4 million tons respectively.

**Top 10 steel-producing countries**

Rank	Country	2017 (Mt)	2016 (Mt)	%2017/2016
1	China	831.7	786.9	5.7
2	Japan	104.7	104.8	-0.1
3	India	101.4	95.5	6.2
4	United States	81.6	78.5	4.0
5	Russia (e)	71.3	70.5	1.3
6	South Korea	71.1	68.6	3.7
7	Germany (e)	43.6	42.1	3.5
8	Turkey	37.5	33.2	13.1
9	Brazil	34.4	31.3	9.9
10	Italy	24.0	23.4	2.9

Source: World Steel Association

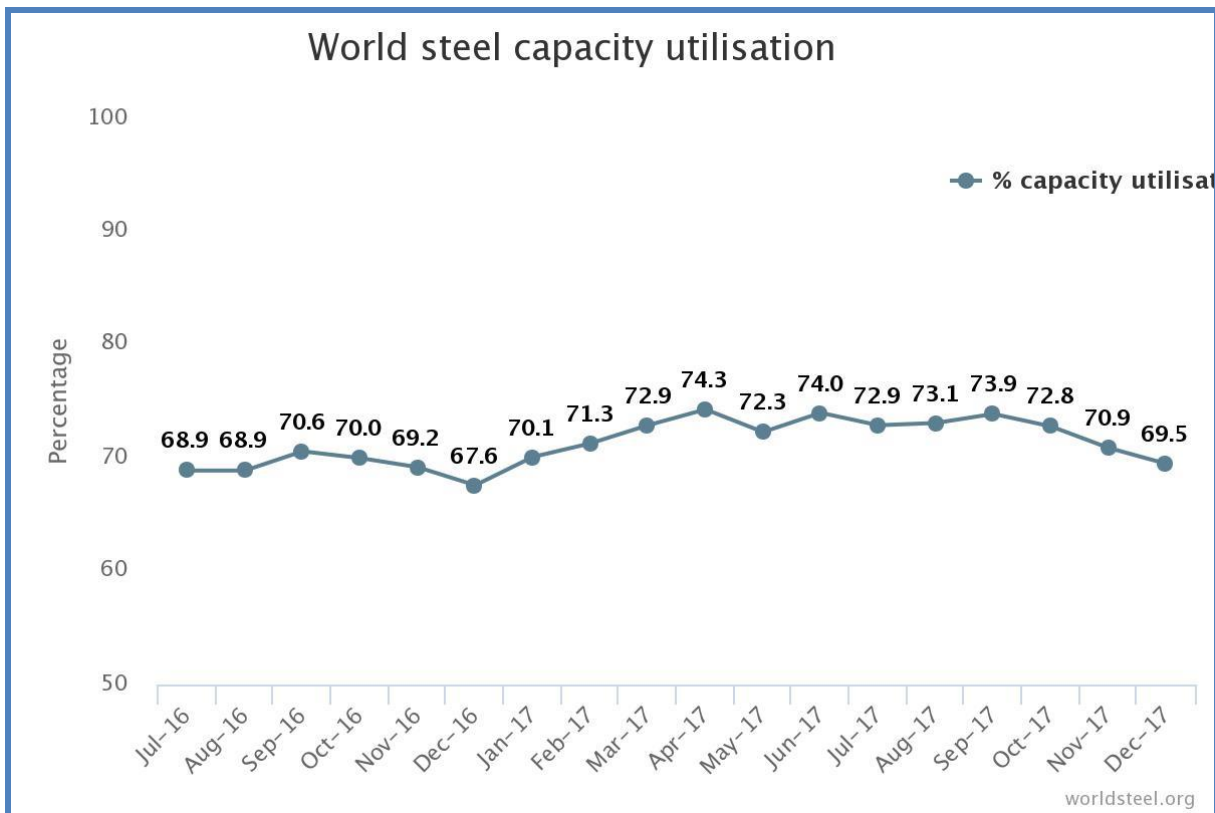


Source: World Steel Association

Such the situation showed that global crude steel production continues to increase and was moving in line with the world economy which related to global steel consumption increased. The overall steel market prices have risen over the second half of 2017 especially in China. Therefore, the steel product is expected to recover together with the liberalization of international trade begins to effective; rely on the time frame that each party has made a long-term agreement. It is forecasted that the demand and supply of steel will increase in the future.

The world steel production capacity utilization ratio swung between 67.6% – 74.3% throughout the year 2017, over the cycle, anyhow overall went on at higher level than previous year, somewhat improved indicates the recovery trend, but not too much while big portion of idle capacity still existed. Hence, the oversupply risk will pertain with high probability towards 2018 and afterwards, if China and major steel producing countries do not adequately use effective measures for steel production control.

Chart of world steel production capacity utilization, ending 31 December 2017



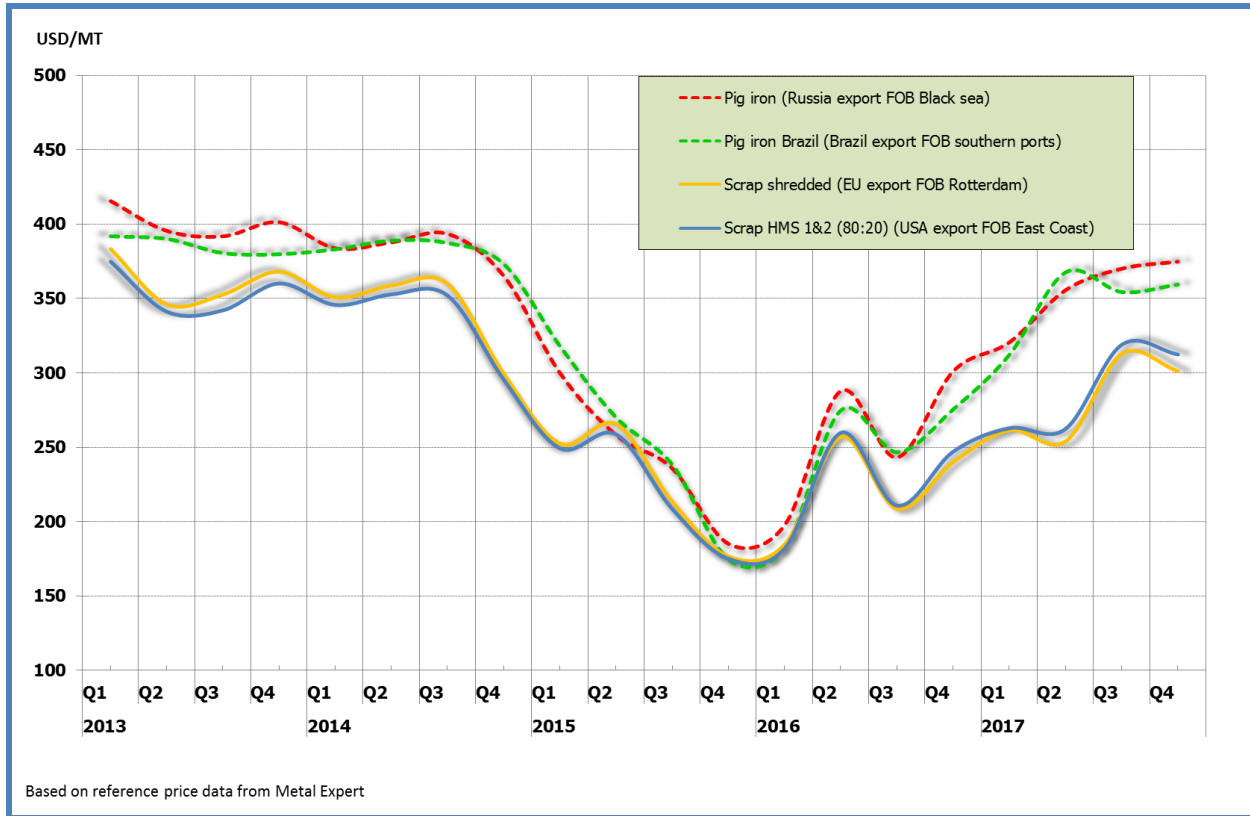
Source: World Steel Association

**The main raw materials (Pig iron, shredded scrap)** the price movement of the main raw materials, i.e. scraps and pig iron, had more fluctuated since the first quarter of 2016, by increasing in the first and the second quarters of 2016 and then decreased in the third quarter of 2016 but then turn back increasing continuously until the fourth quarter of 2017. Thus it will become more challenging for the global steel industry participants in all the regions. Careful estimation for raw material purchasing and production cost management is seriously needed in order to cope with the more dynamic business environment.

The raw material reference prices on the world market are that the HMS 1&2 (80:20 ratio) scrap USA export price of the fourth quarter of 2017 was averaged at USD 313/mt. FOB, decreased

from the previous quarter at USD 319/mt. FOB, and pig iron Russia export price of the fourth quarter of 2017 averaged at USD 375/mt. FOB, up from USD 370/mt. in the previous quarter.

Chart of raw material reference prices on world market for Q1/2013 – Q4/2017

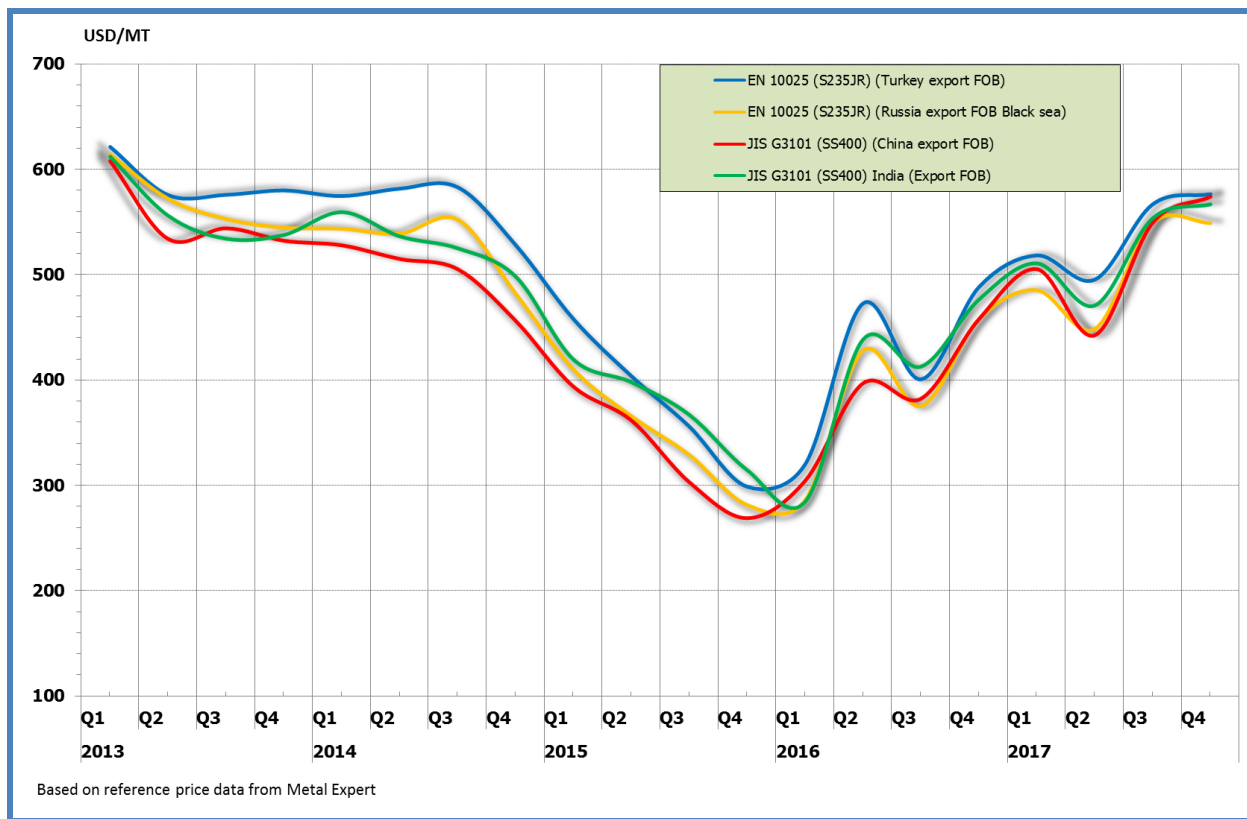


Processed price data from: Metal Expert

**Hot Rolled** the prices for hot-rolled coil on the world market during the first quarter of 2016 to the fourth quarter of 2017 had more fluctuated by moving from the lowest point in the first quarter of 2016 then rebounded in the second quarter, and fell again in the third quarter and then turn back increasing continuously from Q4/2016 to Q1/2017 and decreased again in the second quarter of 2017 then rebounded again in the second half of 2017.

The reference prices for hot-rolled coil on the world market are that China export price average for Q4/2017 was USD 574/mt. FOB, increased from the previous quarter at USD 549/mt., and Russia export price average was USD 549/mt, FOB, remained the same price as previous quarter.

Chart of hot-rolled coil reference prices on world market for Q1/2013 – Q4/2017



Processed price data from: Metal Expert

### Overview of Thai Steel Industry

ISIT had reported the domestic steel-production for 2017 was at 6.87 million metric tons, decreasing 13.72% compared to the previous year consisting of the long finished steel production of 3.94 million metric tons, decreasing 25.38% and the flat finished steel production of 2.93 million metric tons, increasing 9.28% compared to the previous year.

The consumption of finished steel products in Thailand in 2017 was at 16.64 million metric tons, decreasing 13.69% compared to the previous year consisting of the long finished steel consumption at 5.64 million metric tons, decreasing 25.72% resulting from the less consumption of structural steel and the flat finished steel consumption at 11.00 million metric tons, decreasing 5.87% resulting from the demand of Hot Rolled Steel and Galvanize Steel which decreasing compared to the previous year.

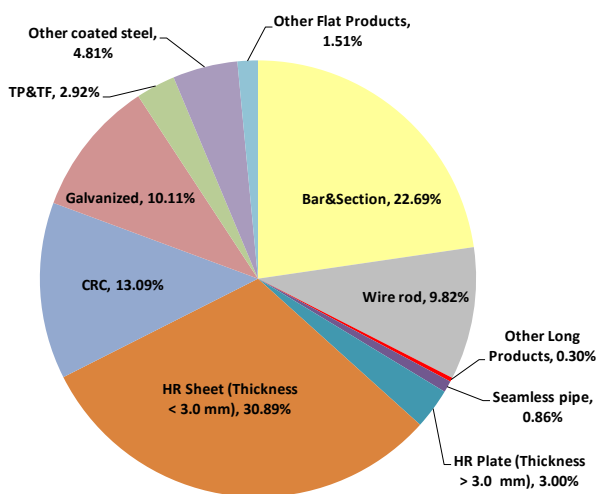


Table : The production and the domestic demand of Finished Steel in 2016 and 2017

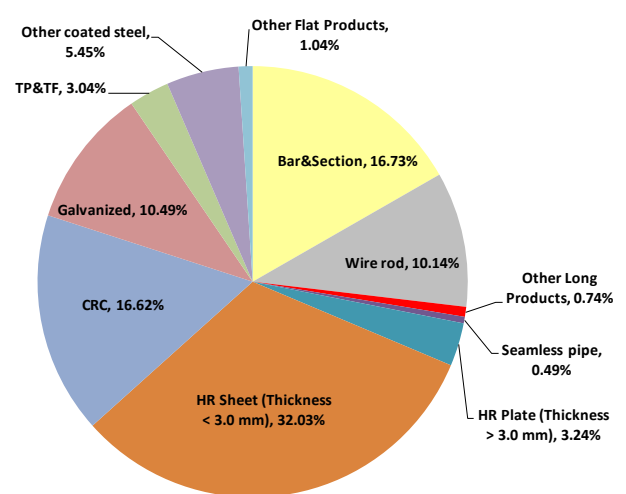
Total Apparent Finished Steel (Unit : Tons)	2016	2017	% Change
Production	7,957,351	6,865,628	-13.72%
Import	12,614,629	11,326,134	-10.21%
Export	1,294,821	1,553,247	19.96%
Consumption	19,277,158	16,638,515	-13.69%

Source : Iron and Steel Institute of Thailand, by Steel Business Intelligence

Steel Consumption 2016



Steel Consumption 2017



The imported of finished steel in Thailand in 2017 was at 11.33 million metric tons, decreasing 10.21% compared to the previous year. The highest import quantity was Hot Rolled Steel at 4.16 million metric tons, decreasing 16.42% compared to the previous year. The second highest import quantity was Cold Rolled steel at 1.57 million metric tons and Galvanize steel at 1.42 million metric tons respectively.

The export of finished steel in Thailand in 2017 was at 1.55 million metric tons, increasing 19.96% compared to the previous year. The highest export quantity was structural steel at 0.354 million metric tons. The export of Cold Rolled steel in 2017 was at 0.196 million metric tons respectively.

**Overview of Hot Rolled Steel in Thailand**

The Hot Rolled Steel production in 2017 was at 2.92 million metric tons, increasing 9.28% consisting of thin gauge at 2.72 million metric tons, increasing 8.68% and Thick gauge at 0.206 million metric tons, increasing 17.82% compared to the previous year.

Table : The production and the domestic demand of the Hot Roll Flat Steel for 2016 and 2017

Total Hot Roll (Unit : Tons) (Excluding Stainless Steel)	2016	2017	% Change
Production	2,676,344	2,924,761	9.28%
Import	4,684,252	3,865,120	-17.49%
Export	16,195	10,322	-36.27%
Consumption	7,344,401	6,779,559	-7.69%

Total Hot Roll Plate (Unit : Tons) (Excluding Stainless Steel, Thickness > 3 mm.)	2016	2017	% Change
Production	175,016	206,205	17.82%
Import	486,363	424,603	-12.70%
Export	3,296	1,654	-49.83%
Consumption	658,082	629,154	-4.40%

Total Hot Roll Sheet (Unit : Tons) (Excluding Stainless Steel, Thickness < 3 mm.)	2016	2017	% Change
Production	2,501,328	2,718,556	8.68%
Import	4,197,890	3,440,517	-18.04%
Export	12,899	8,668	-32.80%
Consumption	6,686,319	6,150,405	-8.02%

Source : Iron and Steel Institute of Thailand, by Steel Business Intelligence

The Hot Rolled Steel consumption in 2017 was at 6.87 million metric tons, decreasing 7.69% consisting of thin gauge at 6.15 million metric tons, decreasing 8.02% and thick gauge at 0.629 million metric tons, decreasing 4.40% compared to the previous year.

The import of Hot Rolled Steel in 2017 had decreased of 17.49% at 3.87 million metric tons consisting of thin gauge at 3.44 million metric tons, decreasing of 18.04% and at 0.425 million metric tons, decreasing 12.70% for the thick gauge compared to the previous year.

The export of Hot Rolled Steel in Thailand in 2017 was at 10.3 thousand metric tons, decreasing 36.27% consisting of thin gauge at 8.67 thousand metric tons, decreasing of 32.80% and at 1.65 thousand metric tons, decreasing 49.83% for the thick gauge compared to the previous year.

## 5. Performance of the Company and its Subsidiaries

### Operating results

The Company reported a net profit of THB 990 million and a net loss of THB 7 million for year 2017 and 2016 in respectively. The main results caused from:

- **Revenue from sales and cost of goods sold**

The Company had total sales volumes and total production volumes were higher than last year mainly due to increased capacity according to Tolling agreement with G Steel during off peak power usage in 4<sup>th</sup> Quarter of 2017.

The Company had revenue from sale of goods for year 2017 and 2016 of THB 15,178 million and THB 11,669 million in respectively and had profit margin of THB 859 million and THB 803 million for year 2017 and 2016, in accordingly. The increase in profit margin was caused from the selling price increasing according to HRC market price worldwide trend increased.

- **Selling expenses**

Selling expenses for year 2017 and 2016 amounting to THB 185 million and THB 160 million in respectively, with the amount was recorded at the same level.

- **Administrative expenses**

Administrative expenses for year 2017 and 2016 amounted to THB 496 million and THB 529 million in respectively, whereby the decreased in administrative expenses of THB 33 million mainly came from:

	THB million
- In year 2016 there was import tax and VAT surcharge from Custom Department	(72)
- In year 2016 there was the accrued expenses for withholding tax on the accrued interest from a big trade creditor as the company defaulted	(29)
- Specialized business review & advisory fees and financial advisory fees in respect to debt-to-equity conversion scheme	17
- Employee benefit expenses	36
- Others	<u>15</u>
	<u>(33)</u>

- **Financial costs**

The Company had the financial costs for the year 2017 and 2016 amounted to THB 271 million and THB 203 million in respectively. The increased of financial costs of THB 68 million resulted from the restructuring of short-term loan to Long-term loan 5 years in order to preserve cash for the operation and also to improve the liquidity of the company.

- **Net foreign exchange gain**

The Company had a net gain on foreign exchange for year 2017 amounted to THB 311 million which higher than last year by THB 257 million, derived from the strengthen of the Thai Baht against the US dollar.

- **Gain from debt restructuring**

In year 2017 the Company had recorded gain from debt restructuring amounted to THB 734 million resulting from the creditor agreed to reduce some partial of the interest payable according to the debt-to-equity conversion scheme which receiving the resolution from the Extra Ordinary Shareholders' meeting no. 1/2017 on 30th August 2017.

## 6. Financial Status

### Statement of financial positions

- **Total assets**

As of 31 December 2017, the Company has total assets amounted to THB 19,546 million which was 9.7% increased as compared to the year ended 2016. From the total assets divided into the current assets amounted to THB 4,378 million, increased by 149.8% from year 2016 and total non-current assets amounted to THB 15,168 million, decreased by 5.6% from year 2016. The increased in current assets mainly derived from the increasing in inventories and advance payment to supplier whereas the decreased in non-current assets mainly due to the depreciation for property, plant and equipment.

- **Total Liabilities**

As of 31 December 2017, the Company has total liabilities amounted to THB 5,492 million which divided into total current liabilities amounted to THB 3,706 million and total non-current liabilities amounted to THB 1,786 million. Total liabilities for year ended 2017 decreased THB 378 million or 6.5% decreased from year ended 2016. This was a consequence of:

1. Long-term loan from other parties increased by THB 1,479 million in 2017 for repayment the liabilities under debt restructuring regarding to the major 4 trade creditors.
2. Debt restructuring according to debt-to-equity conversion scheme which receiving resolution from the Extra Ordinary Shareholders' meeting no. 1/2017 on 30<sup>th</sup> August 2017 by newly issuing ordinary shares of the Company to pay the net trade debts of THB 1,136 million including the waived some portion of accrued interests from trade creditor in according to debt-to-equity scheme of THB 734 million.
3. Short-term loan from related parties increased by THB 1,476 million for working capital.
4. Trade creditors, other creditors and accrued expenses decreased by THB 739 million due to the Debt restructuring scheme and repayment.
5. Short-term loan from other party decreased by THB 19 million due to the Company's repayment.
6. Liabilities under rehabilitation plan decreased by THB 21 million due to the Company's repayment.
7. Provisions for tax liabilities decreased by THB 72 million due to the Company's repayment.
8. Debenture decreased from year ended 2016 in amounted of THB 63 million due to the Company has redeemed the undue debenture.

- **Total equity**

As of 31 December 2017, the Company has total equity amounted to THB 14,054 million increased THB 2,111 million or 17.7% from year ended 2016 mainly due to the Company had newly issued ordinary shares in respect to debt-to-equity conversion scheme in amounted to THB 1,136 million and the net profit for the year 2017 contributed of THB 990 million and partial offset with the adjustment in other comprehensive income for actuarial of employee benefit obligations increased by THB 16 million.

## Appendix

Table 4: Summary of Financial Results

Unit : Million Baht	For the year 2017	For the year 2016	% Increase (Decrease)
<b>Income</b>			
Revenue from sale of goods	15,178,062	11,669,472	30%
Net foreign exchange gains	310,910	53,612	480%
Gain for debt restructuring	734,023	7,711	9419%
Other income	42,589	21,955	94%
<b>Total income</b>	<b>16,265,585</b>	<b>11,752,750</b>	<b>38%</b>
<b>Expenses</b>			
Cost of sale - Cost of goods sold	14,315,400	10,808,548	32%
- idle costs	-	66,126	(100%)
- Loss on devaluation of inventories	4,051	(8,607)	-147%
Total cost of sale	14,319,451	10,866,067	32%
Selling expenses	185,210	159,814	16%
Administrative expenses	496,310	529,147	(6%)
Bad and doubtful debts expense	3,156	1,292	144%
Finance costs	271,128	203,461	33%
<b>Total expenses</b>	<b>15,275,254</b>	<b>11,759,781</b>	<b>30%</b>
<b>Loss for the year</b>	<b>990,331</b>	<b>(7,030)</b>	<b>(14186%)</b>
Basic loss per share (in Baht)	0.086	(0.001)	(13044%)

Table 5: Condensed Statement of Financial Position

Unit : Million Baht	31 December 2017	31 December 2016	% Increase (Decrease)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	578,124	610,143	(5%)
Trade accounts receivable	32,960	195,960	(83%)
Inventories	3,278,914	854,626	284%
Short-term loan to related parties	94,000	-	100%
Other current assets	394,308	91,761	330%
<b>Total current assets</b>	<b>4,378,306</b>	<b>1,752,490</b>	<b>150%</b>
<b>Non-current assets</b>			
Advance payment for purchase of property, plant and equipment	210,000	210,000	0%
Property, plant and equipment	14,637,996	15,558,145	(6%)
Intangible assets	6,225	7,807	(20%)
Other non-current assets	313,228	284,427	10%
<b>Total non-current assets</b>	<b>15,167,448</b>	<b>16,060,379</b>	<b>(6%)</b>
<b>Total assets</b>	<b>19,545,754</b>	<b>17,812,868</b>	<b>10%</b>

Table 5: Condensed Statement of Financial Position

Unit : Million Baht	31 December 2017	31 December 2016	% Increase (Decrease)
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade accounts payable	870,385	2,039,409	(57%)
Other payables and accrued expenses	723,524	1,238,899	(42%)
Advance from customers	192,349	190,096	1%
Short-term loan from other parties	-	18,500	(100%)
Short-term loan from related parties	1,476,201	-	100%
Accrued interest expenses	201,051	1,477,824	(86%)
Current portion of liabilities under rehabilitation plan	204,360	225,734	(9%)
Current portion of liabilities under financial lease	395	-	100%
Provisions	-	72,240	(100%)
Other current liabilities	38,251	35,076	9%
<b>Total current liabilities</b>	<b>3,706,516</b>	<b>5,297,778</b>	<b>(30%)</b>
<b>Non-current liabilities</b>			
Trade accounts payable			
Other payables and accrued expenses	232,316	456,222	(49%)
Long-term loan from related parties	1,479,358	-	100%
Liabilities under financial lease	1,805	-	100%
Debentures	-	62,607	(100%)
Employee benefit obligations	72,154	53,982	34%
<b>Total non-current liabilities</b>	<b>1,785,634</b>	<b>572,811</b>	<b>212%</b>
<b>Total liabilities</b>	<b>5,492,150</b>	<b>5,870,589</b>	<b>(6%)</b>
<b>Total equity</b>	<b>14,053,605</b>	<b>11,942,280</b>	<b>18%</b>
<b>Total liabilities and equity</b>	<b>19,545,754</b>	<b>17,812,868</b>	<b>10%</b>



Table 6: Condensed Statement of Cash Flow

Unit : Million Baht	Jan -Dec 2017
<i>Cash flows from operating activities</i>	
Net profit (Loss) for the period	987,215
Adjustments for	
Depreciation and amortization	926,259
Work roll amortisation	107,198
Interest income	(9,338)
Finance costs	271,128
Doubtful debts expense from advance to suppliers	3,132
(Reversal of) loss on impairment expense of property, plant and equipment	(212)
Gain from debt restructuring	(733,936)
Gain from the Creditor waived the debt	(78,651)
Gain from debt restructuring ( Debt to Equity)	(94,920)
(Reversal of) loss on devaluation of inventories	4,051
Employee benefit expenses	7,042
Loss on write-off of assets	7,792
	<u>1,396,760</u>
<i>Changes in operating assets and liabilities</i>	
Trade accounts receivable	(8,869)
Inventories	(2,428,339)
Advances to suppliers	(855,906)
Other current assets	(136,040)
Other non-current assets	(123,041)
Trade accounts payable	1,135,560
Advances received from customers	2,253
Other payables and accrued expenses	(174,685)
Other current liabilities	5,681
Liabilities under financial lease	2,200
Paid employee benefit obligations	(1,295)
<b>Net cash from (used in) operating activities</b>	<u><b>(1,185,722)</b></u>
<i>Cash flows from investing activities</i>	
Interest received	3,798
Short-term loan to related parties decrease (increase)	(94,000)
Purchase of property, plant and equipment	(12,108)
<b>Net cash from (used in) investing activities</b>	<u><b>(102,310)</b></u>

Table 6: Condensed Statement of Cash Flow

Unit : Million Baht	Jan -Dec 2017
<b>Cash flows from financing activities</b>	
Cash received from long-term loan	3,037,818
Payment for redemption of debentures	(62,607)
Repayment of liabilities under rehabilitation plan	(13,009)
Repayment of liabilities under debt restructuring	(922,204)
Repayment of short-term loan from other party	(18,500)
Finance costs paid	
- Liabilities under debt restructuring	(516,034)
- Others	(248,893)
<b>Net cash from (used in) financing activities</b>	<b>1,256,571</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(31,460)</b>
Cash and cash equivalents at 1 January 2017	610,143
Effect of exchange rate changes on balances held in foreign currencies	(559)
<b>Cash and cash equivalents at 30 September 2017</b>	<b>578,124</b>
 <b>Non-cash transactions</b>	
Transfer trade accounts payable, others payable, accrued expenses and accrued interest to liabilities under the process of the debt restructuring	3,240
Transfer accrued interest expenses to others payable and accrued expenses	72
Transfer provisions for tax to others payable and accrued expenses	207
Reduction in trade account payable and accrued expenses, and accrued interests from conversion debt-to-equity	1,137