

1. Highlights

	Unit: million Baht	1 st Quarter 2018	1 st Quarter 2017
Performance	Revenues	8,117	3,526
	Sales Volume (k tons)	388	189
	EBITDA	548	317
	Net Profit (Loss)	366	967
HRC	HRC Sales (k tons)	388	189
	HRC Production Volume (k tons)	382	183
	HRC Average Selling Price (THB./ton)	20,942	18,695
	HRC Cash Margin (THB./Ton)	1,937	3,327
	Unit: million Baht	31 March 2018	31 December 2017
Financial Status	Total Liabilities	5,789	5,492
	Total Asset	20,209	19,546
	Total Equity	14,420	14,054

- The Company posted net profit for the first quarter of 2018 amounted to THB 366 million which lower than last year quarter by THB 601 million mainly due to in last year quarter the Company had gain from the creditor waived the debt amounted to THB 622 million after the Company had repaid some partial of debt. Therefore, if it excluded this special transaction in last year quarter, then the Company shall has its net profit increases from last year quarter by THB 21 million which resulting from:
 - Sale volumes (Coil tons) and production volumes in the first quarter of 2018 were significantly higher than last year quarter due to the Company entered the Tolling agreement with G Steel for producing of HRC to increase the normal capacity during off peak power usage commencing in 4th Quarter of 2017 till to present which can demonstrate as the following:

	1st Quarter 2018			1st Quarter 2017		
	Own production	Tolling	Total	Own production	Tolling	Total
HRC Sales (k tons)	192	196	388	189	0	189
HRC Production Volume (k tons)	178	204	382	183	0	183
HRC Average Selling Price (THB/ton)	20,810	21,071	20,942	18,695	0	18,695

- Increasing of HRC price: the average selling price of HRC in 1st Quarter of 2018 was THB 20,942/ton, increased by 12% as compared with last year quarter (THB 18,695/ton) according to HRC market price worldwide trend.
- HRC cash margin (excluding depreciation) in 1st Quarter of 2018 was achieved at THB 1,937/ton, lower by 42% from last year due to the proportionate of an increased in scrap cost is greater than an increased in HRC market price.

2. Business Outlook on Q2/2018

In Q2/18, an overall market for Steel industry has dropped as cyclical situation according to a long holiday period in April and starting of the rain season which will result to a decline in consumption of Construction Sectors, as well as Steel Sectors. However, the Company still maintains the operation at 15 hours per day in order to keep production capacity at high level and, at the same time, prepare to increase production to 17 hours per day in the second half of 2018, and further ramping up to 24 hours per day in 2019.

The average sale price in this quarter is declined due to the cycle of the market which lowering the demand of steel products. The Company has exported its products as according to the marketing plan in order to expand marketing strategy, improve standard of the product to the worldwide level and increase competence and capability of the company continuously and sustainably.

3. Management's Message

Executive Summary

The steel industry in Thailand grew in the first quarter of 2018 having total steel products consumption at 4.35 million tons, increased by 3.3%, long steel consumption grew 6.5% to be at 1.51 million tons, flat steel consumption grew 1.8% to be at 2.8 million tons. For the company, the production and sale in Q1/18 were at 381,739 and 387,611 tons respectively. Those increases in production and sale were benefitted from hiring G Steel PLC to produce hot rolled coils (HRC) under Tolling Agreement in order to increase production capacity during the off peak period since G Steel has been in the process of rehabilitation at current and waiting for the court's order to allow G Steel accessibility to a new credit facility, then G Steel will be able to resume their own operation.

The average selling price of the Company in Q1/18 was at THB 20,810 per ton, increasing from the previous quarter (QoQ) by 4% and from the same quarter of last year (YoY) by 11%. The scrap costs, raw materials, were also increased in the same trend of HRC price, nevertheless, the Company was able to maintain growth in metal spread in this quarter rose to THB 8,093 per ton, increasing from the previous quarter by 6.1% and from the same quarter last year by 3.7%.

As a result mentioned above, the Company had normalized net profit in this quarter at THB 366 million, comparing to its net profit in the previous quarter THB 188 million and from the same quarter last year at THB 345 million (excluded one-time revenue from debt restructuring in Q1/17).

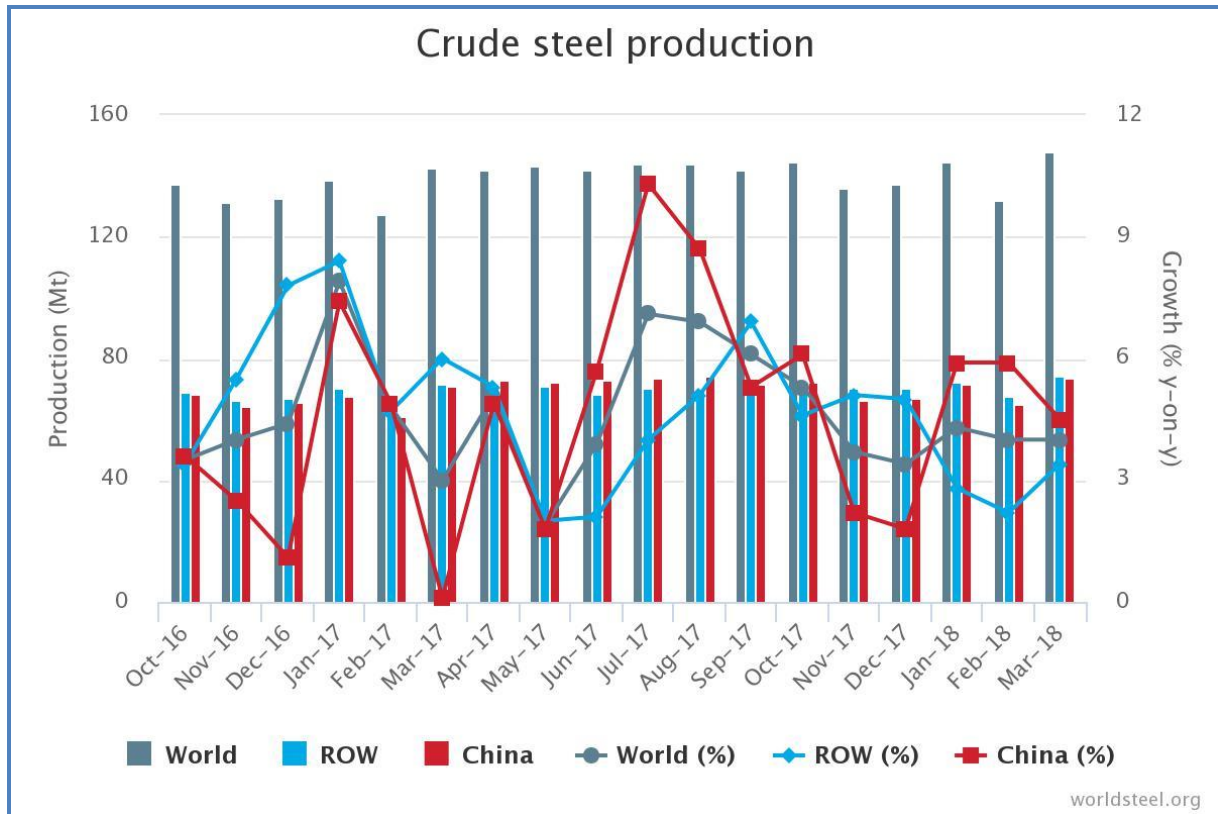
4. Industry Overview and Outlook

Overview of World Steel Industry

With reference to World Steel Association's report on world crude steel production was 426.6 Mt in the first three months of 2018, up by 4.1% compared to the same period in 2017. Asia produced 294.1 Mt of crude steel, an increase of 4.6% over the first quarter of 2017. The EU produced 43.1 Mt of crude steel in the first quarter of 2018, up by 0.9% compared to the same quarter of 2017. North America's crude steel production in the first three months of 2018 was 29.5 Mt, an increase of 1.9% compared to the first quarter of 2017.

In March 2018, Asian countries had the following crude steel production: China produced crude steel at 74 Mt up by 4.5%, India produced crude steel at 9.2 Mt increased by 5.3%, Japan at 9.1 Mt increased 2.2% and South Korea at 6.1 Mt up 4.7% from March 2017.

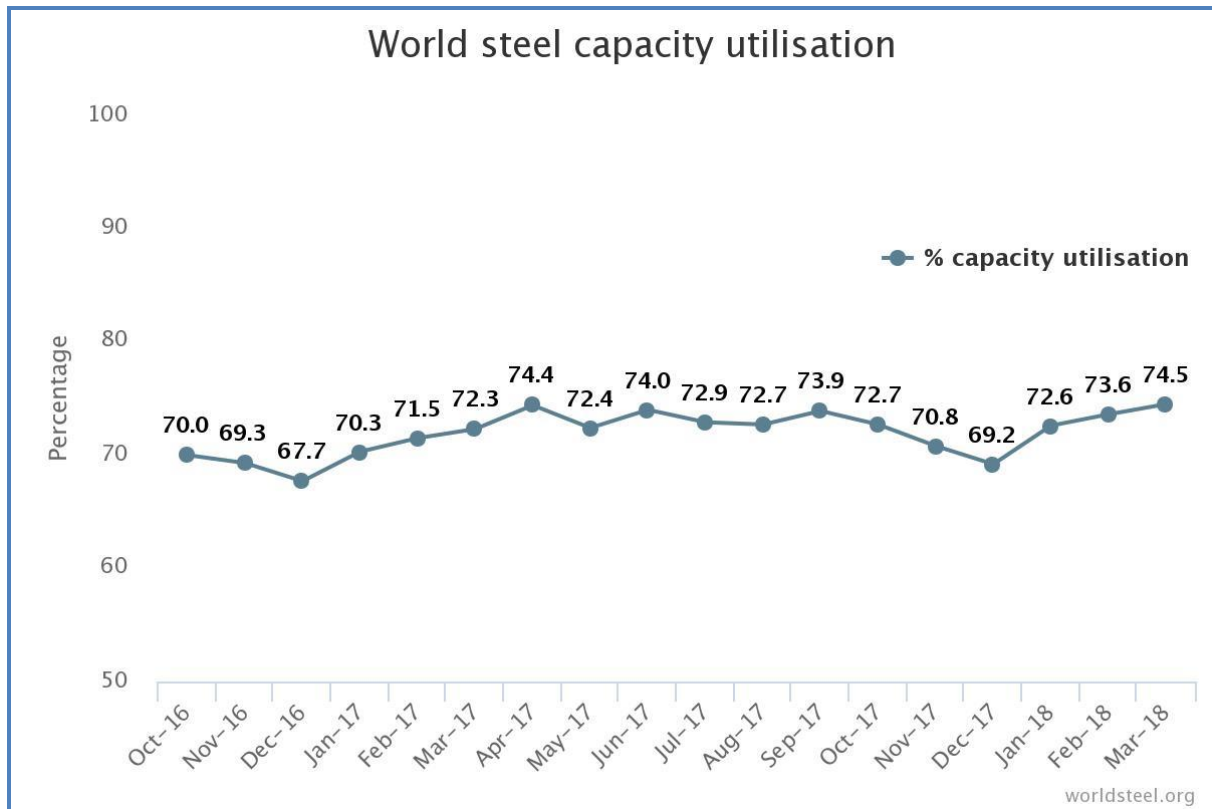
Chart of world crude steel production monthly, ending 31 March 2018



Source: World Steel Association

The world steel production capacity utilization ratio of the 64 countries in March 2018 was 74.5%, increased by 2.2% compared to the same period of previous year, and increased from February 2017 by 0.9%. This shows that the world steel industry started to recovery.

Chart of world steel production capacity utilization, ending March 2018

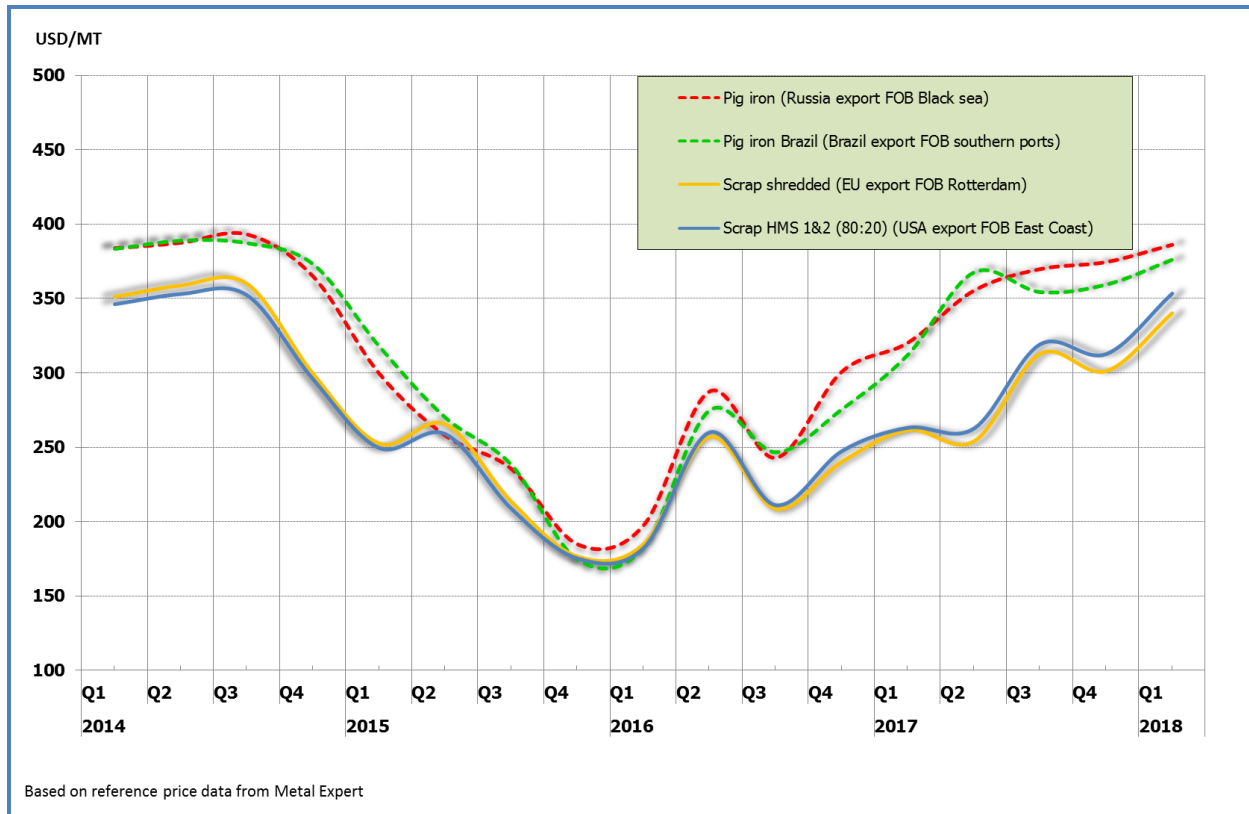


Source: World Steel Association

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 first quarter of 2018. 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 first quarter of 2018 was averaged at USD 353/mt. FOB, increased from the previous quarter at USD 313/mt. FOB, and pig iron Russia export price of the first quarter of 2018 averaged at USD 387/mt. FOB, up from USD 375/mt. in the previous quarter.

Chart of raw material reference prices on world market for Q1/2014 – Q1/2018

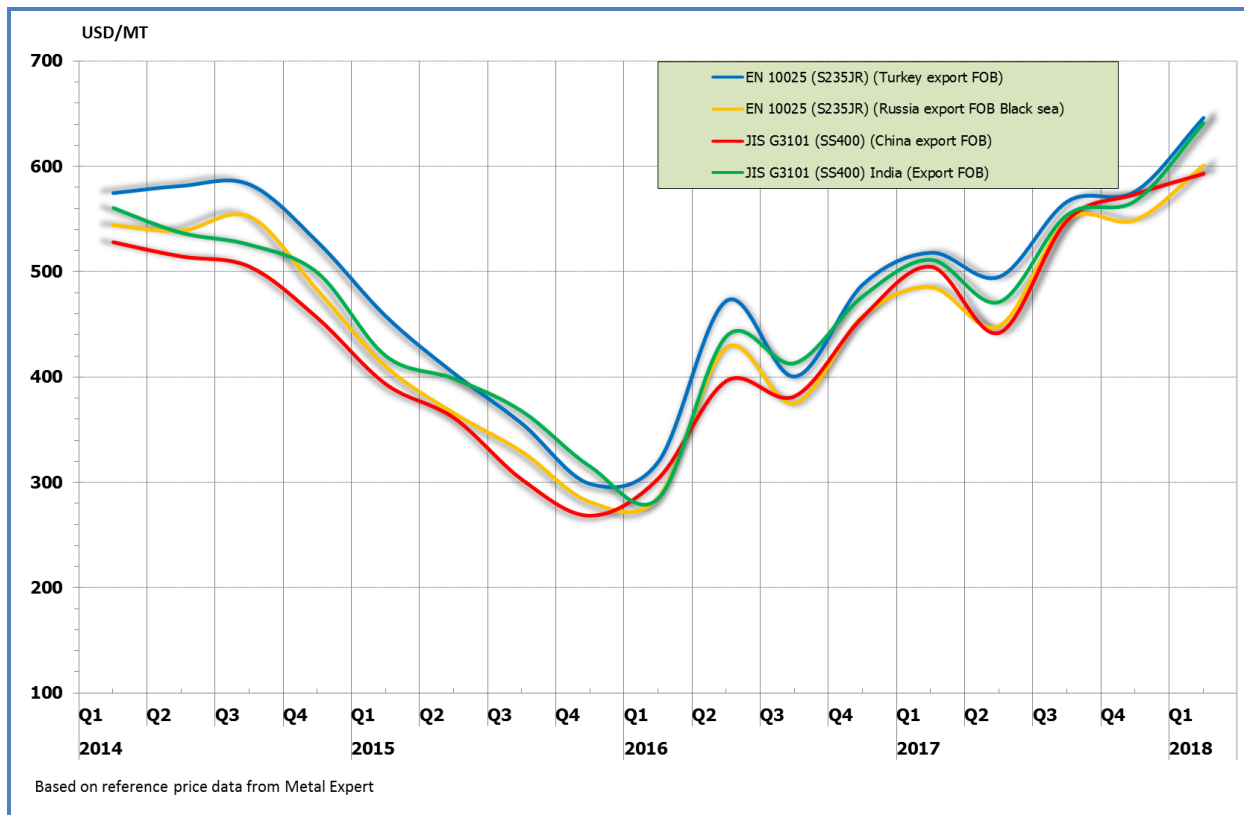


Processed price data from: Metal Expert

Hot Rolled the prices for hot-rolled coil on the world market during the first quarter of 2016 to the first quarter of 2018 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 quickly until first quarter of 2018.

The reference prices for hot-rolled coil on the world market are that China export price average for Q1/2018 was USD 594/mt. FOB, increased from the previous quarter at USD 574/mt., and Russia export price average was USD 601/mt, FOB, increased from the previous quarter at USD 549/mt.,

Chart of hot-rolled coil reference prices on world market for Q1/2014 – Q1/2018



Processed price data from: Metal Expert

Overview of Thai Steel Industry

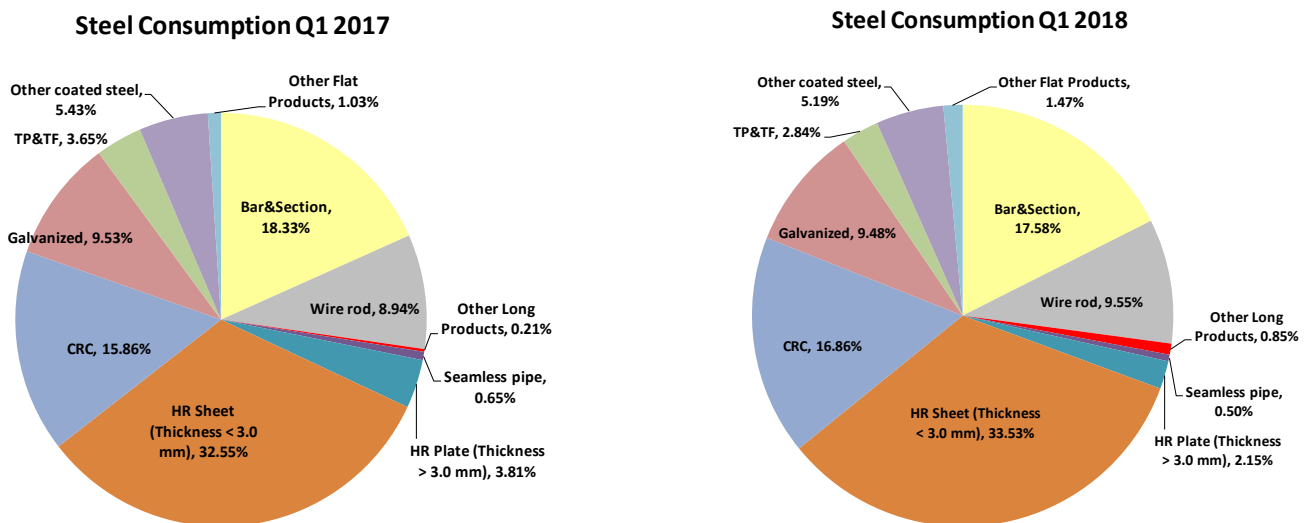
ISIT had reported the domestic steel-production Q1/2018 was at 1.95 million metric tons, increasing 8.06% compared to the same period of previous year consisting of the long finished steel production of 1.13 million metric tons, increasing 4.78% and the flat finished steel production of 0.815 million metric tons, increasing 12.96% compared to the same period of previous year.

The consumption of finished steel products in Thailand in Q1/2018 was at 4.35 million metric tons, increasing 3.35% compared to the same period of previous year consisting of the long finished steel consumption at 1.51 million metric tons, increasing 6.46% resulting from the more consumption of structural steel and wire rods and the flat finished steel consumption at 2.84 million metric tons, increasing 1.77% resulting from the demand of Hot Rolled Steel and Cold Rolled Steel which increasing compared to the same period of previous year.

Table: The production and the domestic demand of Finished Steel in Q1 2017 and 2018

Total Apparent Finished Steel (Unit : Tons)	Quarter 1/2017	Quarter 1/2018	% Change
Production	1,802,067	1,947,269	8.06%
Import	2,812,967	2,838,215	0.90%
Export	403,713	433,121	7.28%
Consumption	4,211,321	4,352,363	3.35%

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



The imported of finished steel in Thailand in Q1/2018 was at 2.84 million metric tons, increasing 0.90% compared to the same period of previous year. The highest import quantity was Hot Rolled Steel at 1.10 million metric tons, decreasing 1.37% compared to the same period of previous year. The second highest import quantity was Cold Rolled steel at 0.379 million metric tons and Wire rod at 0.312 million metric tons respectively.

The export of finished steel in Thailand in Q1/2018 was at 0.433 million metric tons, increasing 7.28% compared to the same period of previous year. The highest export quantity was structural steel at 97.4 thousand metric tons. The export of deformed bars for construction in Q1/2018 was at 63.9 thousand metric tons.

Overview of Hot Rolled Steel in Thailand

The Hot Rolled Steel production in Q1/2018 was at 0.815 million metric tons, increasing 12.96% consisting of thin gauge at 0.776 million metric tons, increasing 20.72% and Thick gauge at 39.7 thousand metric tons, decreasing 49.92% compared to the same period of previous year.

Table: The production and the domestic demand of the Hot Roll Flat Steel for Q1 2017 and 2018

Total Hot Roll (Unit : Tons) (Excluding Stainless Steel)	Quarter 1/2017	Quarter 1/2018	% Change
Production	721,908	815,487	12.96%
Import	1,034,389	1,022,710	-1.13%
Export	3,907	23,331	497.11%
Consumption	1,752,390	1,814,866	3.57%

Total Hot Roll Plate (Unit : Tons) (Excluding Stainless Steel, Thickness > 3 mm.)	Quarter 1/2017	Quarter 1/2018	% Change
Production	79,306	39,716	-49.92%
Import	106,409	88,136	-17.17%
Export	213	16,680	7746.27%
Consumption	185,502	111,172	-40.07%

Total Hot Roll Sheet (Unit : Tons) (Excluding Stainless Steel, Thickness < 3 mm.)	Quarter 1/2017	Quarter 1/2018	% Change
Production	642,602	775,771	20.72%
Import	927,980	934,574	0.71%
Export	3,695	6,651	80.01%
Consumption	1,566,888	1,703,694	8.73%

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

The Hot Rolled Steel consumption in Q1/2018 was at 1.81 million metric tons, increasing 3.57% consisting of thin gauge at 1.70 million metric tons, increasing 8.73% and thick gauge at 0.111 million metric tons, decreasing 40.07% compared to the same period of previous year.

The import of Hot Rolled Steel in Q1/2018 had decreased of 1.13% at 1.02 million metric tons consisting of thin gauge at 0.935 million metric tons, increasing of 0.71% and at 88.1 thousand metric tons, decreasing 17.17% for the thick gauge compared to the same period of previous year.

The export of Hot Rolled Steel in Thailand in Q1/2018 was at 2.33 thousand metric tons, increasing 497.11% consisting of thin gauge at 6.65 thousand metric tons, increasing of 80.01% and at 16.7 thousand metric tons, increasing 7,746.27% for the thick gauge compared to the same period of previous year.

5. Performance of the Company and its Subsidiaries

Operating results

The Company reported a net profit of THB 366 million and THB 967 million for 1st Quarter of 2018 and 2017 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 1st Quarter of 2018.

The Company had revenue from sale of goods for year 2018 and 2017 of THB 8,117 million and THB 3,526 million in respectively and had profit margin of THB 526 million and THB 421 million for 1st Quarter of 2018 and 2017, in accordingly. The increase in profit margin was caused from the increased capacity according to Tolling agreement with G Steel resulting to the sale volume increased.

- **Selling expenses**

Selling expenses for 1st Quarter of 2018 and 2017 amounting to THB 92 million and THB 43 million in respectively, with the amount was recorded at the same level.

- **Administrative expenses**

Administrative expenses for 1st Quarter of 2018 and 2017 amounted to THB 131 million and THB 119 million in respectively, whereby the increased in administrative expenses of THB 12 million mainly came from financial and legal advisory fee.

- **Financial costs**

The Company had the financial costs for the 1st Quarter of 2018 and 2017 amounted to THB 112 million and THB 60 million in respectively. The increased of financial costs of THB 52 million resulted from the restructuring of short-term liabilities to Long-term loan 5 years in order to preserve cash for the operation and also to improve the liquidity of the company which commenced in February 2017 and after the Company had successfully converted debt-to-equity in the 3rd Quarter of 2017, the Company had a short-term loan for purpose of increasing working capital.

- **Gain from debt restructuring**

In the 1st Quarter of 2017 the Company had recorded gain from the creditor waived the debt restructuring amounted to THB 622 million after the Company had repaid some partial of debt in later on its outstanding debts had successfully converted debt-to-equity in 3rd Quarter of 2017.

6. Financial Status

Statement of financial positions

- **Total assets**

As of 31 March 2018, the Company has total assets amounted to THB 20,209 million which was 3% increased as compared to the year ended 2017. From the total assets divided into the current assets amounted to THB 5,266 million, increased by 20% from the year ended 2017 and total non-current assets amounted to THB 14,943 million, decreased by 1% from the year ended 2017. The increased in current assets mainly derived from the increasing in cash and cash equivalents, trade accounts receivable and inventories whereas the decreased in non-current assets mainly due to the depreciation for property, plant and equipment.

- **Total Liabilities**

As of 31 March 2018, the Company has total liabilities amounted to THB 5,789 million which divided into total current liabilities amounted to THB 4,298 million and total non-current liabilities amounted to THB 1,491 million. To compare with the year ended 2017 increased THB 298 million or 5% increased, this was a consequence of:

1. Trade accounts payable increased by THB 901 million, which is payable for raw material for the increasing production volume.
2. Short-term loan from related parties decreased by THB 220 million.
3. Accrued interest expenses decreased by THB 61 million.
4. Other payables and accrued expenses decreased by THB 74 million.
5. Long-term loan from other parties decreased by THB 253 million.

- **Total equity**

As of 31 March 2018, the Company has total equity amounted to THB 14,420 million increased THB 366 million or 3% from year ended 2017 mainly due to the Company had the net profit for the period contributed of THB 366 million.

Appendix

Table 4: Summary of Financial Results

Unit : Million Baht	1st Quarter 2018	1st Quarter 2017	% Increase (Decrease)
Income			
Revenue from sale of goods	8,117	3,526	130%
Gain from the creditor waived the debts	0	622	(100%)
Net foreign exchange gains	158	142	11%
Other income	8	8	0%
Total income	8,283	4,298	93%
Expenses			
Cost of sale - Cost of goods sold	7,517	3,105	142%
- idle costs	67	0	100%
- (Reverse of) loss on devaluation of inventories	6	0	322995%
Total cost of sale	7,591	3,105	144%
Selling expenses	92	43	112%
Administrative expenses	122	119	2%
Bad and doubtful debts expense	0	3	(100%)
Finance costs	112	60	86%
Total expenses	7,916	3,330	138%
Loss for the year	366	967	(62%)
Basic loss per share (in Baht)	0.026	0.091	(71%)

Table 5: Condensed Statement of Financial Position

Unit : Million Baht	31 March 2018	31 December 2017	% Increase (Decrease)
Assets			
Current assets			
Cash and cash equivalents	754	578	30%
Trade accounts receivable	201	33	511%
Inventories	3,742	3,279	14%
Short-term loan to related parties	94	94	0%
Other current assets	476	394	21%
Total current assets	5,267	4,378	20%
Non-current assets			
Advance payment for purchase of property, plant and equipment	210	210	0%
Property, plant and equipment	14,427	14,638	(1%)
Intangible assets	6	6	(8%)
Other non-current assets	300	313	(4%)
Total non-current assets	14,943	15,167	(1%)
Total assets	20,209	19,546	3%

Table 5: Condensed Statement of Financial Position

Unit : Million Baht	31 March 2018	31 December 2017	% Increase (Decrease)
Liabilities and equity			
Current liabilities			
Trade accounts payable	1,772	870	104%
Other payables and accrued expenses	693	724	(4%)
Advance from customers	185	192	(4%)
Short-term loan from related parties	1,256	1,476	(15%)
Accrued interest expenses	140	201	(30%)
Current portion of liabilities under rehabilitation plan	199	204	(3%)
Current portion of liabilities under financial lease	1	0	27%
Other current liabilities	53	38	37%
Total current liabilities	4,299	3,707	16%
Non-current liabilities			
Trade accounts payable			
Other payables and accrued expenses	189	232	(19%)
Long-term loan from related parties	1,227	1,479	(17%)
Liabilities under financial lease	2	2	(13%)
Employee benefit obligations	74	72	3%
Total non-current liabilities	1,491	1,786	(17%)
Total liabilities	5,790	5,492	5%
Total equity	14,420	14,054	3%
Total liabilities and equity	20,209	19,546	3%

Table 6: Condensed Statement of Cash Flow

Unit : Million Baht	Jan -Mar 2018
<i>Cash flows from operating activities</i>	
Net profit (Loss) for the period	366
Adjustments for	
Depreciation and amortization	217
Work roll amortisation	25
Finance costs	112
Unrealised loss (gain) on foreign exchange	(122)
	<u>606</u>
<i>Changes in operating assets and liabilities</i>	
Trade accounts receivable	(168)
Inventories	(469)
Advances to suppliers	(22)
Other current assets	(59)
Other non-current assets	(12)
Trade accounts payable	902
Advances received from customers	(7)
Other payables and accrued expenses	(73)
Other current liabilities	15
Net cash from (used in) operating activities	<u>712</u>
<i>Cash flows from investing activities</i>	
Purchase of property, plant and equipment	(5)
Net cash from (used in) investing activities	<u>(5)</u>
<i>Cash flows from financing activities</i>	
Repayment of liabilities under rehabilitation plan	(1)
Repayment of short-term loan from related party	(164)
Repayment of long-term loan from related party	(197)
- Others	(168)
Net cash from (used in) financing activities	<u>(531)</u>
Net increase (decrease) in cash and cash equivalents	<u>176</u>
Cash and cash equivalents at 1 January 2018	578
Cash and cash equivalents at 31 March 2018	<u>754</u>