

1. Highlights

	Unit: million Baht	2 nd Quarter 2018	2 nd Quarter 2017
Performance	Revenues	7,815	3,276
	Sales Volume (k tons)	378	188
	EBITDA	118	64
	Net Profit (Loss)	(451)	(233)
HRC	HRC Sales (k tons)	378	188
	HRC Production Volume (k tons)	363	188
	HRC Average Selling Price (THB./ton)	20,702	17,403
	HRC Cash Margin (THB./Ton)	891	1,033
	Unit: million Baht	30 June 2018	31 December 2017
Financial Status	Total Liabilities	5,774	5,492
	Total Asset	19,743	19,546
	Total Equity	13,969	14,054

- The Company posted net loss for the second quarter of 2018 amounted to THB 451 million which higher than last year quarter by THB 217 million mainly due to in last year quarter, the exchange rate of THB against US Dollar was weaken resulting to the Company had loss from exchange rate by THB 184 million. However, in the second quarter of 2018, the Company had the sale revenues and sale volumes increased in significantly, which can summarized as follow:
 - Sale volumes (Coil tons) and production volumes in the second 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:

	2nd Quarter 2018			2nd Quarter 2017		
	Own production	Tolling	Total	Own production	Tolling	Total
HRC Sales (k tons)	204	173	378	188	0	188
HRC Production Volume (k tons)	205	158	363	188	0	188
HRC Average Selling Price (THB/ton)	20,730	20,670	20,702	17,403	0	17,403

- Increasing of HRC price: the average selling price of HRC in 2nd Quarter of 2018 was THB 20,702/ton, increased by 19% as compared with last year quarter (THB 17,403/ton) according to HRC market price worldwide trend.
- HRC cash margin (excluding depreciation) in 2nd Quarter of 2018 was achieved at THB 891/ton, lower by 14% from last year due to the increase in the price of graphite electrode (significantly increased from USD 2,000 per ton in the beginning of 2017 to USD 18,000 per ton this year) and the proportionate of an increased in scrap cost is greater than an increased in HRC market price.

2. Business Outlook on Q3/2018

In Q3/2018, the company will maintain an overall output of the company as in Q2/2018. The company will continue and increase export volume in order to expand the export market since the products are now recognizable in the overseas level and maintain the products standard, the export volume of the company is approximately 26,000 tons in the first half of 2018 and the company planned to export up to 20,000 tons in Q3/2018.

The average sale price in Q3/2018 shall be improved from Q2/2018 due to the cycle of the market which has passed the long holiday period that has sluggish demand of steel products. However, the Company will increase and maintain the production at 17 hours per day and continue the test run for 24 hours production per day which started in June 2018 for many days as a preparation, according to the ramp-up plan to increase the production capacity to the full capacity level in 2019.

3. Management's Message

Executive Summary

The steel industry in Thailand shrunk in the second quarter of 2018 having total steel products consumption at 4.19 million tons, decreased by 4.2%, long steel consumption dropped 21.1% to be at 1.21 million tons, flat steel consumption grew 5.0% to be at 2.98 million tons while Hot Rolled Coil consumption dropped by 7.2% to be at 1.65 million tons but still higher than Q2/2017 by 3.4%.

In Q2/2018 the company had the production and sale volume at 363,250 and 377,501 tons respectively, decreased from Q1/2018 due to the dropped in production volume under Tolling Agreement. However, if comparing to Q2/2017 where production and sale volume reported at 188,249 and 188,225 tons respectively, such volume in Q2/2018 significantly increased double from the same period of last year. Besides, the Company had an accident of an Electric Arc Furnace (EAF) in May 2018 which resulted in a 12-day shutdown for repair and maintenance. Following in June 2018, the company had the production volume hit to more than 86,000 tons, the highest production quantity recorded since its resumption in 2013.

The earning for this quarter reported a net loss of THB 451 million, mainly due to the impact of Thai baht depreciation in this quarter, which this item was unrealized loss according to accounting standard, and partly from narrowing of spread margin. Nevertheless, EBITDA in Q2/2018 still remained positive at THB 119 million. Comparing to the same period of last year which the Company posted a net loss of THB 233 million, however, if we excluded an extraordinary item on foreign exchange, the net results of Q2/2018 and Q2/2017 should have a net loss at THB 266 million and THB 283 million respectively. Thus, the result of Q2/2018 was actually improved and better than the same period of last year THB 17 million.

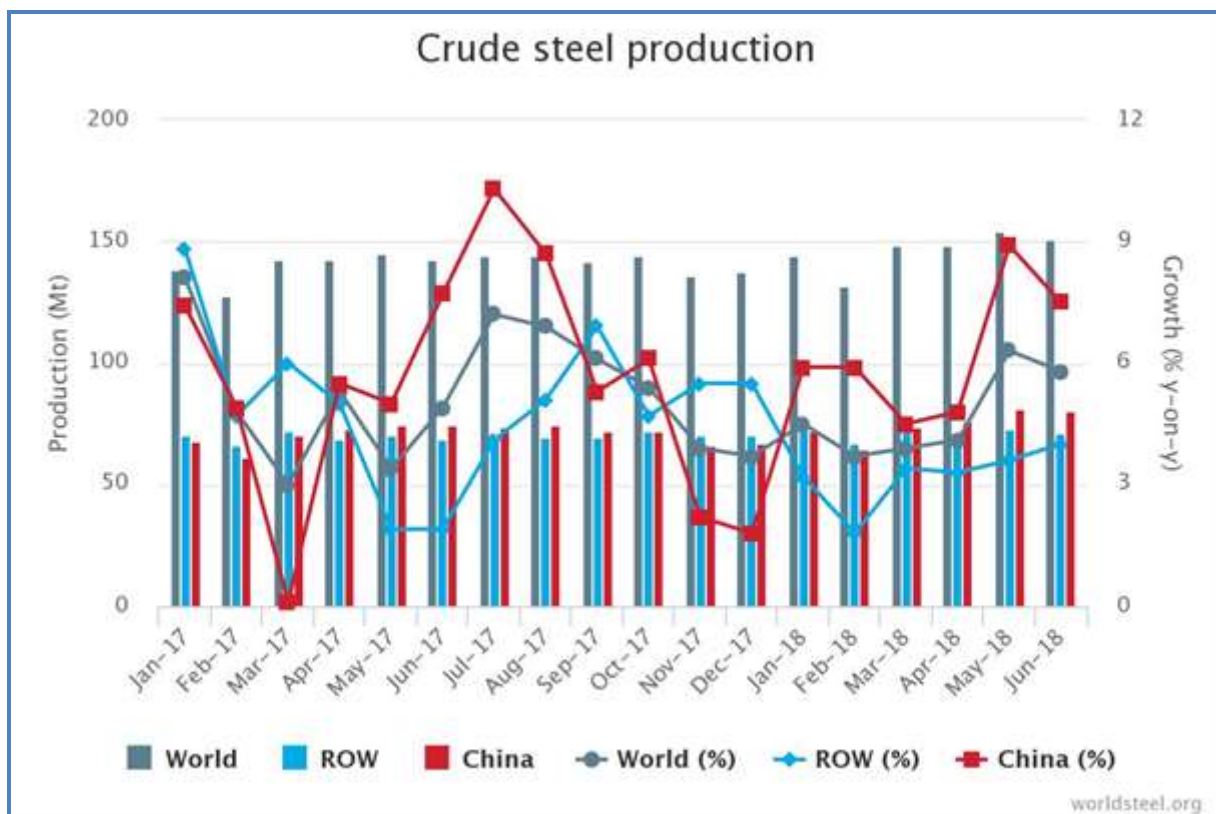
4. Industry Overview and Outlook

Overview of World Steel Industry

With reference to World Steel Association’s report on world crude steel production was 454.9 million tons in the second-quarter of 2018 and accumulated world crude steel production in the first half of 2018 was 881.5 million tons, up by 4.6% compared to the same period in 2017. The region with most production was Asia (including China, but not including the Middle East) 613.9 Mt, an increase by 5.2% from the same period of previous year. The second most producing region was the European Union (EU), with 87.3 Mt, equivalent to 1.6% increase and North America’s crude steel production in the first six months of 2018 was 59 Mt, an increase of 2.4% compared to the same period of 2017.

In June 2018, Asian countries had the following crude steel production: China produced crude steel at 80.2 Mt up by 7.5%, India produced crude steel at 8.7 Mt increased by 7.4%, Japan at 8.8 Mt increased 4.2% and South Korea at 6.1 Mt up 3.2% from June 2017.

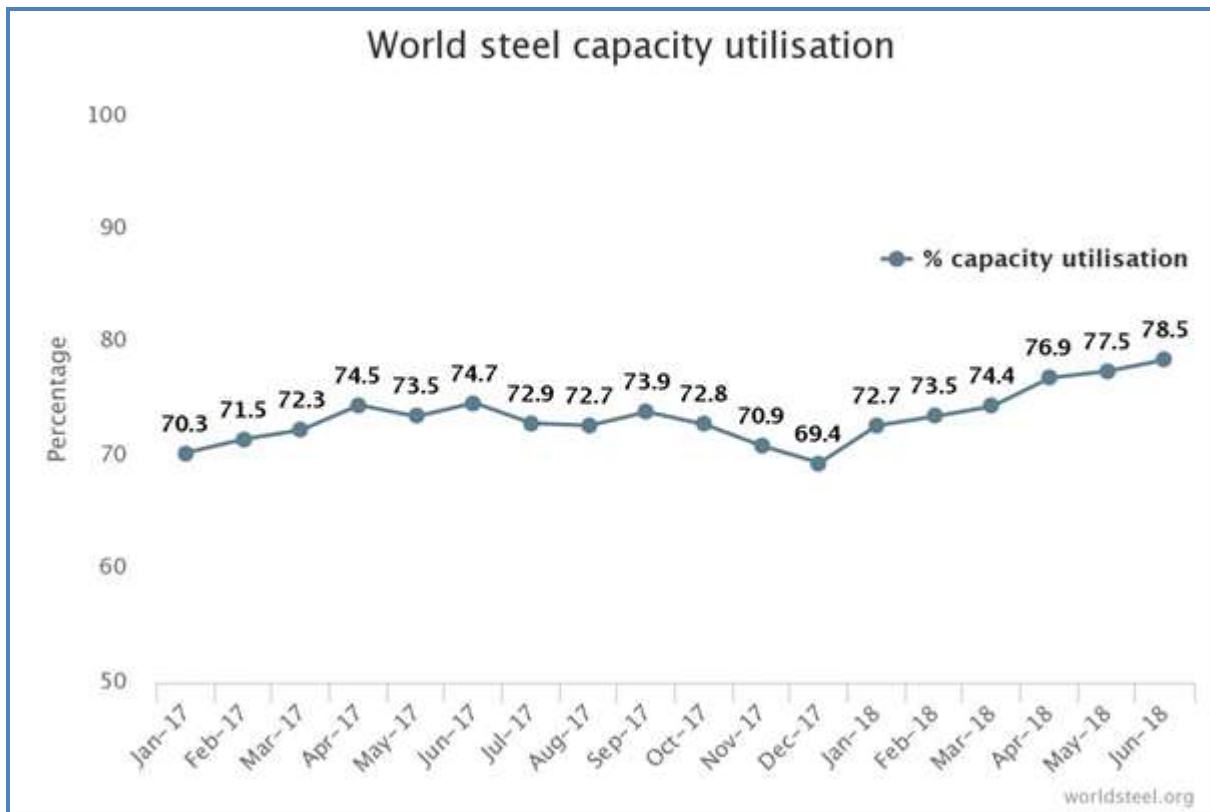
Chart of world crude steel production monthly, ending 30 June 2018



Source: World Steel Association

The world steel production capacity utilization ratio of the 64 countries in June 2018 was 78.5%, increased by 3.8% compared to the same period of previous year, and increased from May 2018 by 1.0%.

Chart of world steel production capacity utilization, ending 30 June 2018

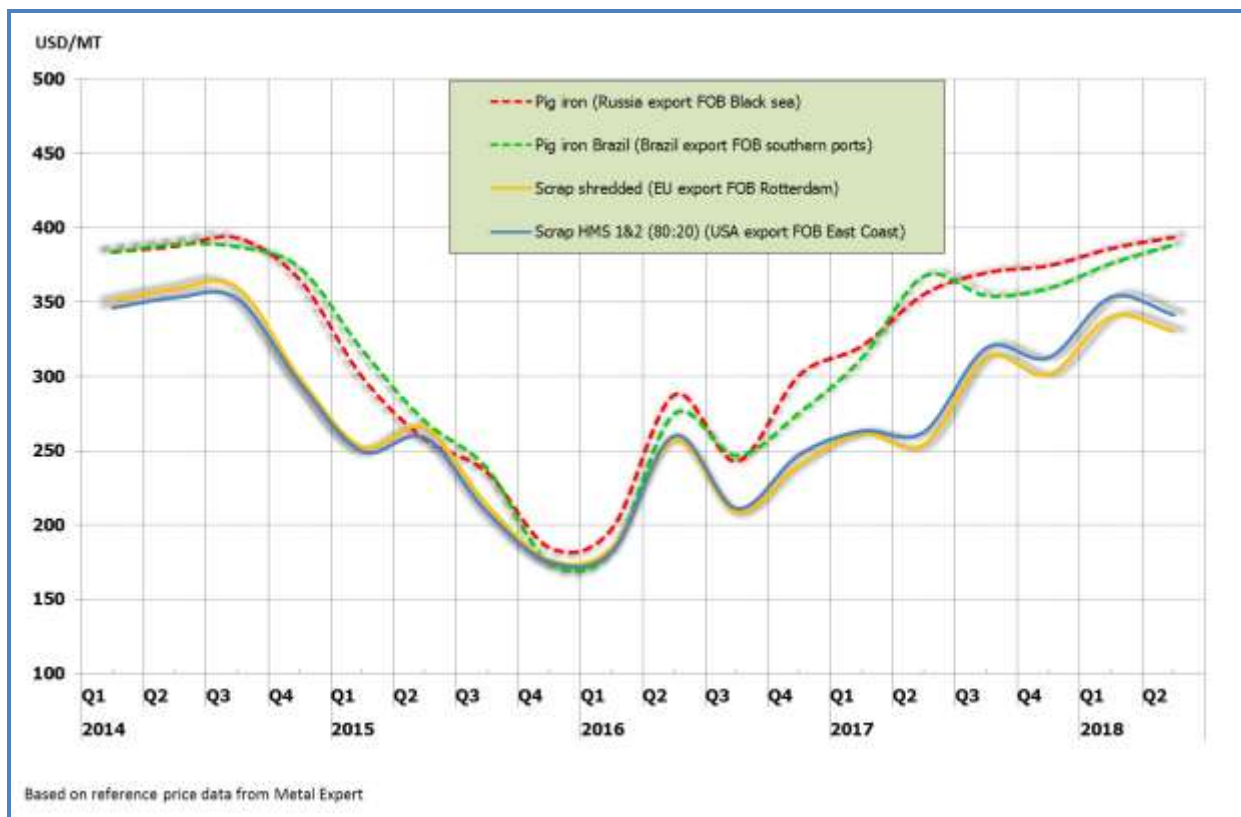


Source: World Steel Association

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. For second quarter of 2018, the price of pig iron continues to increase while the price of scrap seems to drop from previous quarter. 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 second quarter of 2018 was averaged at USD 342/mt. FOB, decreased from the previous quarter at USD 353/mt. FOB, and pig iron Russia export price of the second quarter of 2018 averaged at USD 394/mt. FOB, up from USD 387/mt. from the previous quarter.

Chart of raw material reference prices on world market for Q1/2014 – Q2/2018

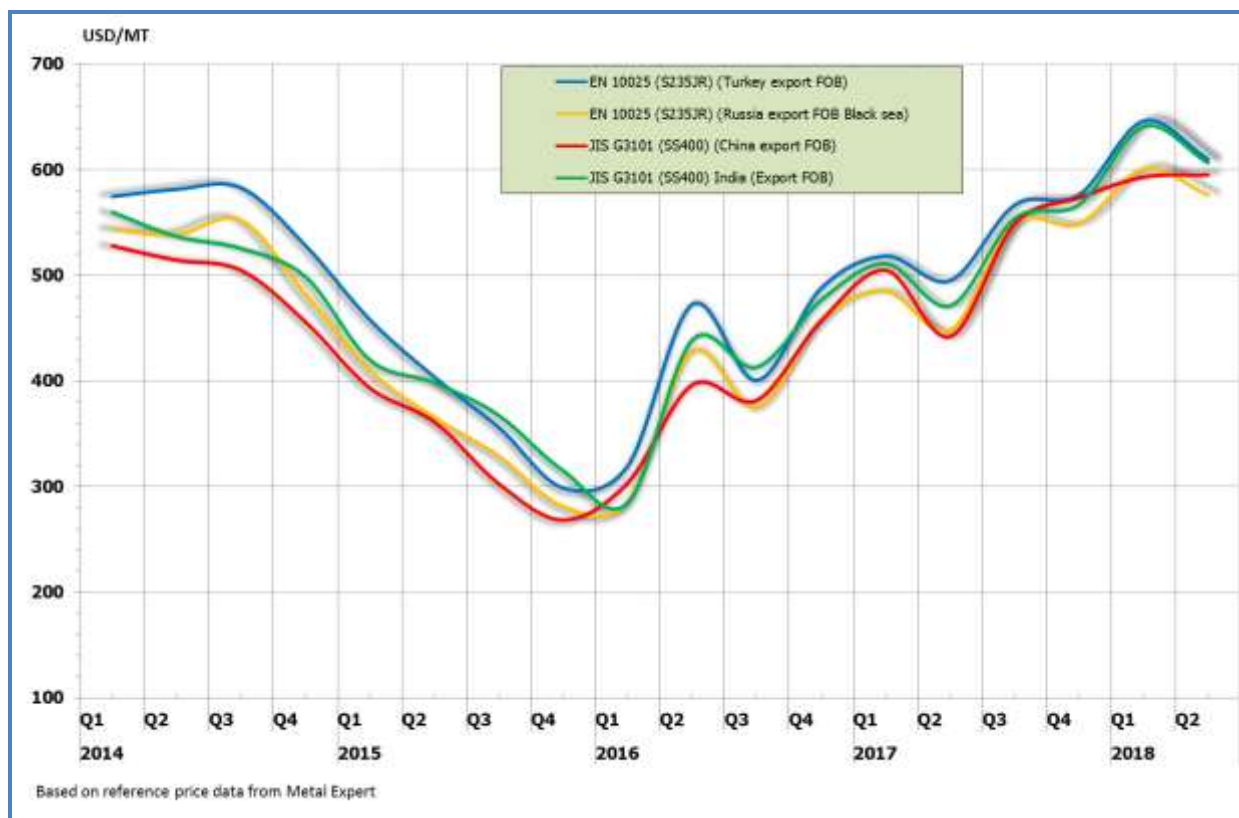


Processed price data from: Metal Expert

Hot Rolled the prices for hot-rolled coil on the world market during the first quarter of 2016 to the second 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 and then decreased again in second quarter of 2018.

The reference prices for hot-rolled coil on the world market are that China export price average for Q2/2018 was USD 596/mt, FOB, a small increase from the previous quarter at USD 594/mt. Meanwhile, Russia export price average was dropped from USD 601/mt. FOB, to 576/mt. Turkey export price average was dropped from USD 647/mt, FOB, to 611/mt. and India export price average was also dropped from USD 641/mt. FOB, to 607/mt. in second quarter of 2018.

Chart of hot-rolled coil reference prices on world market for Q1/2014 – Q2/2018



Processed price data from: Metal Expert

Overview of Thai Steel Industry

ISIT had reported the domestic steel-production in Jan. – Jun. 2018 was at 3.46 million metric tons, decreasing 0.41% compared to the same period of previous year consisting of the long finished steel production of 1.89 million metric tons, decreasing 10.85% and the flat finished steel production of 1.58 million metric tons, increasing 15.84% compared to the same period of previous year.

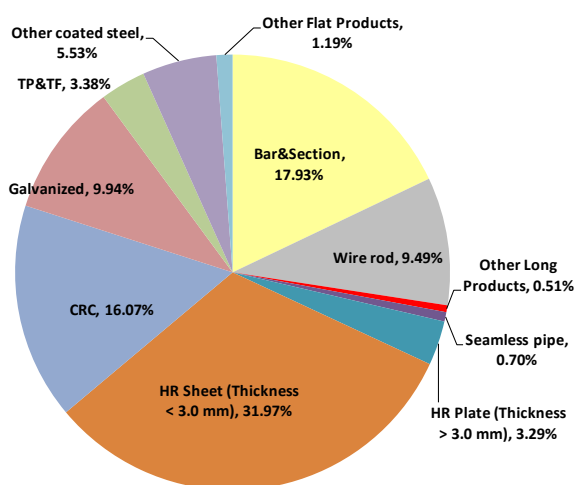
The consumption of finished steel products in Thailand in Jan. – Jun. 2018 was at 8.57 million metric tons, increasing 1.95% compared to the same period of previous year consisting of the long finished steel consumption at 2.74 million metric tons, decreasing 5.36% resulting from the less consumption of bar and structural steel and the flat finished steel consumption at 5.82 million metric tons, increasing 5.79% 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 Jan - Jun 2017 and 2018

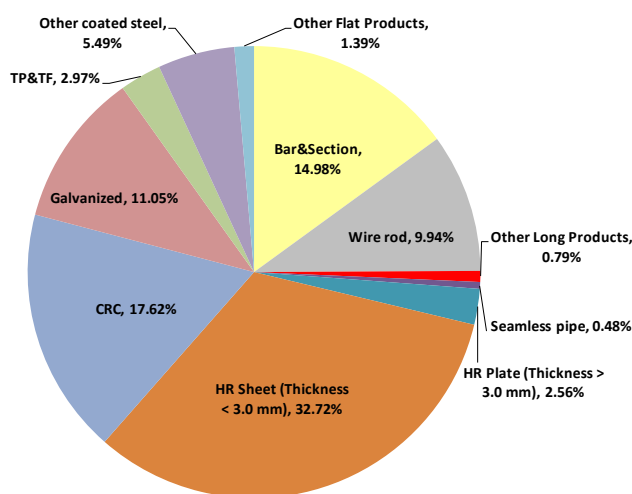
Total Apparent Finished Steel (Unit : Tons)	Jan - Jun 2017	Jan - Jun 2018	% Change
Production	3,477,634	3,463,421	-0.41%
Import	5,732,968	5,992,031	4.52%
Export	805,068	886,217	10.08%
Consumption	8,405,535	8,569,235	1.95%

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

Steel Consumption Jan - Jun 2017



Steel Consumption Jan - Jun 2018



The imported of finished steel in Thailand in Jan. – Jun. 2018 was at 5.99 million metric tons, increasing 4.52% compared to the same period of previous year. The highest import quantity was Hot Rolled Steel at 2.17 million metric tons, decreasing 2.27% compared to the same period of previous year. The second highest import quantity was Cold Rolled steel at 0.829 million metric tons and Galvanize steel at 0.746 million metric tons respectively.

The export of finished steel in Thailand in Jan. – Jun. 2018 was at 0.886 million metric tons, increasing 10.08% compared, to the same period of previous year. The highest export quantity was structural steel at 0.198 million metric tons. The export of deformed bars for construction was at 0.133 million metric tons.

Overview of Hot Rolled Steel in Thailand

The Hot Rolled Steel production in Jan. – Jun. 2018 was at 1.58 million metric tons, increasing 15.84% consisting of thin gauge at 1.49 million metric tons, increasing 20.46% and Thick gauge at 89.1 thousand metric tons, decreasing 29.40% compared to the same period of previous year.

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

Total Hot Roll (Unit : Tons) (Excluding Stainless Steel)	Jan - Jun 2017	Jan - Jun 2018	% Change
Production	1,360,781	1,576,282	15.84%
Import	2,060,295	2,011,291	-2.38%
Export	6,339	45,606	619.50%
Consumption	3,414,737	3,541,967	3.73%

Total Hot Roll Plate (Unit : Tons) (Excluding Stainless Steel, Thickness > 3 mm.)	Jan - Jun 2017	Jan - Jun 2018	% Change
Production	126,216	89,106	-29.40%
Import	197,313	189,872	-3.77%
Export	896	16,833	1778.34%
Consumption	322,633	262,145	-18.75%

Total Hot Roll Sheet (Unit : Tons) (Excluding Stainless Steel, Thickness < 3 mm.)	Jan - Jun 2017	Jan - Jun 2018	% Change
Production	1,234,565	1,487,175	20.46%
Import	1,862,982	1,821,419	-2.23%
Export	5,442	28,773	428.68%
Consumption	3,092,104	3,279,821	6.07%

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

The Hot Rolled Steel consumption in Jan. – Jun. 2018 was at 3.54 million metric tons, increasing 3.73% consisting of thin gauge at 3.28 million metric tons, increasing 6.07% and thick gauge at 0.262 million metric tons, decreasing 18.75% compared to the same period of previous year.

The import of Hot Rolled Steel in Jan. – Jun. 2018 had decreased of 2.38% at 2.01 million metric tons consisting of thin gauge at 1.82 million metric tons, decreasing of 2.23% and at 0.19 million metric tons, decreasing 3.77% for the thick gauge compared to the same period of previous year.

The export of Hot Rolled Steel in Thailand in Jan. – Jun. 2018 was at 45.6 thousand metric tons, increasing 619.50% consisting of thin gauge at 28.8 thousand metric tons, increasing of 428.68% and at 16.8 thousand metric tons, increasing 1,778.34% 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 loss of THB 451 million and THB 233 million for 2nd 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 2nd Quarter of 2018.

The Company had revenue from sale of goods and profit margin for 2nd Quarter of 2018 of THB 7,815 million and THB 83 million in respectively, whereby in 2nd Quarter of 2017, the Company had revenue from sale of goods and loss margin of THB 3,276 million and THB 34 million in accordingly. The improved 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 2nd Quarter of 2018 and 2017 amounting to THB 94 million and THB 42 million in respectively, with the amount was recorded at the same level.

- **Financial costs**

The Company had the financial costs for the 2nd Quarter of 2018 and 2017 amounted to THB 117 million and THB 69 million in respectively. The increased of financial costs of THB 48 million resulted from the Company had a short-term loan for purpose of increasing working capital commencing in 4th Quarter of 2017.

- **Loss from exchange rate**

The Company had recorded loss on exchange rate for 2nd Quarter of 2018 amounted to THB 184 million due to the devalued in THB currency against US Dollar.

6. Financial Status

Statement of financial positions

- **Total assets**

As of 30 June 2018, the Company has total assets amounted to THB 19,743 million which was nearly to the year ended 2017. From the total assets divided into the current assets amounted to THB 4,991 million, increased by 14% from the year ended 2017 and total non-current assets amounted to THB 14,752 million, decreased by 3% from the year ended 2017. The increased in current assets mainly derived from the increasing in trade accounts receivable, inventory and other current assets whereas the decreased in non-current assets mainly due to the depreciation for property, plant and equipment.

- **Total Liabilities**

As of 30 June 2018, the Company has total liabilities amounted to THB 5,774 million which divided into total current liabilities amounted to THB 4,412 million and total non-current liabilities amounted to THB 1,362 million. To compare with the year ended 2017 increased THB 282 million or 5% increased, this was a consequence of:

1. Trade accounts payable increased by THB 933 million.
2. Short-term loan from related parties decreased by THB 143 million.
3. Accrued interest expenses decreased by THB 61 million.
4. Other payables and accrued expenses decreased by THB 96 million.
5. Long-term loan from other parties decreased by THB 341 million.

- **Total equity**

As of 30 June 2018, the Company has total equity amounted to THB 13,969 million decreased by THB 85 million or 1% from year ended 2017 mainly due to the Company had the net loss for the period contributed of THB 85 million.

Appendix

Table 4: Summary of Financial Results

Unit : Million Baht	2nd Quarter 2018	2nd Quarter 2017	% Increase (Decrease)
Income			
Revenue from sale of goods	7,815	3,276	139%
Gain from the creditor waived the debts	0	2	(100%)
Net foreign exchange gains	0	50	(100%)
Other income	12	13	(5%)
Total income	7,828	3,341	134%
Expenses			
Cost of sale - Cost of goods sold	7,639	3,290	132%
- idle costs	58	0	100%
- (Reverse of) loss on devaluation of inventories	36	20	78%
Total cost of sale	7,733	3,310	134%
Selling expenses	94	42	126%
Administrative expenses	126	126	0%
Loss on confirmed purchase orders	24	28	(14%)
Net foreign exchange loss	184	0	100%
Finance costs	117	69	70%
Total expenses	8,278	3,574	132%
Loss for the year	(451)	(233)	93%
Basic loss per share (in Baht)	(0.032)	(0.022)	47%

Table 5: Condensed Statement of Financial Position

Unit : Million Baht	30 June 2018	31 December 2017	% Increase (Decrease)
Assets			
Current assets			
Cash and cash equivalents	597	578	3%
Trade accounts receivable	205	33	522%
Inventories	3,488	3,279	6%
Short-term loan to related parties	94	94	0%
Other current assets	607	394	54%
Total current assets	4,991	4,378	14%
Non-current assets			
Advance payment for purchase of property, plant and equipment	210	210	0%
Property, plant and equipment	14,227	14,638	(3%)
Intangible assets	7	6	12%
Other non-current assets	307	313	(2%)
Total non-current assets	14,752	15,167	(3%)
Total assets	19,743	19,546	1%

Table 5: Condensed Statement of Financial Position

Unit : Million Baht	30 June 2018	31 December 2017	% Increase (Decrease)
Liabilities and equity			
Current liabilities			
Trade accounts payable	1,803	870	107%
Other payables and accrued expenses	715	724	(1%)
Advance from customers	137	192	(29%)
Short-term loan from related parties	1,333	1,476	(10%)
Accrued interest expenses	140	201	(30%)
Current portion of liabilities under rehabilitation plan	202	204	(1%)
Provision	24	0	100%
Other current liabilities	57	38	49%
Total current liabilities	4,412	3,707	19%
Non-current liabilities			
Trade accounts payable			
Other payables and accrued expenses	145	232	(38%)
Long-term loan from related parties	1,139	1,479	(23%)
Liabilities under financial lease	2	2	(11%)
Employee benefit obligations	76	72	5%
Total non-current liabilities	1,362	1,786	(24%)
Total liabilities	5,774	5,492	5%
Total equity	13,969	14,054	(1%)
Total liabilities and equity	19,743	19,546	1%

Table 6: Condensed Statement of Cash Flow

Unit : Million Baht	Jan -Jun 2018
<i>Cash flows from operating activities</i>	
Net profit (Loss) for the period	(85)
Adjustments for	
Depreciation and amortization	437
Work roll amortisation	50
Interest income	(2)
Finance costs	229
Unrealised loss (gain) on foreign exchange	57
(Reversal of) loss on devaluation of inventories	42
(Reversal of) loss on confirmed purchase orders of undelivered of raw material	24
Employee benefit expenses	4
	757
<i>Changes in operating assets and liabilities</i>	
Trade accounts receivable	(172)
Inventories	(251)
Advances to suppliers	(84)
Other current assets	(129)
Other non-current assets	(44)
Trade accounts payable	913
Advances received from customers	(55)
Other payables and accrued expenses	(97)
Other current liabilities	19
Net cash from (used in) operating activities	857
<i>Cash flows from investing activities</i>	
Interest received	2
Purchase of property, plant and equipment	(25)
Purchase of intangible assets	(2)
Net cash from (used in) investing activities	(25)

Table 6: Condensed Statement of Cash Flow

Unit : Million Baht	Jan -Jun 2018
Cash flows from financing activities	
Repayment of liabilities under rehabilitation plan	(3)
Repayment of short-term loan from related party	(160)
Repayment of long-term loan from related party	(366)
Finance costs paid	
- Others	(285)
Net cash from (used in) financing activities	(814)
Net increase (decrease) in cash and cash equivalents	18
Cash and cash equivalents at 1 January 2018	578
Effect of exchange rate changes on balances held in foreign currencies	2
Cash and cash equivalents at 30 June 2018	597