

## 1. Highlights

	Unit: million Baht	3 <sup>rd</sup> Quarter 2018	3 <sup>rd</sup> Quarter 2017
<b>Performance</b>	Revenues	8,666	3,292
	Sales Volume (k tons)	418	182
	EBITDA	27	213
	Net Profit (Loss)	(311)	65
<b>HRC</b>	HRC Sales (k tons)	418	182
	HRC Production Volume (k tons)	418	190
	HRC Average Selling Price (THB./ton)	20,715	18,079
	HRC Cash Margin (THB./Ton)	483	1,423
	Unit: million Baht	30 September 2018	31 December 2017
<b>Financial Status</b>	Total Liabilities	4,801	5,492
	Total Asset	18,459	19,546
	Total Equity	13,658	14,054

- The Company posted net loss for the third quarter of 2018 amounted to THB 311 million which higher than last year quarter by THB 376 million mainly due to HRC selling price is stable whilst the cost for import scraps is continuous increase. However, in the third 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 third 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 4<sup>th</sup> Quarter of 2017 till to present which can demonstrate as the following:

	3rd Quarter 2018			3rd Quarter 2017		
	Own production	Tolling	Total	Own production	Tolling	Total
HRC Sales (k tons)	226	192	418	182	0	182
HRC Production Volume (k tons)	231	187	418	190	0	190
HRC Average Selling Price (THB/ton)	20,744	20,681	20,715	18,079	0	18,079

- Increasing of HRC price: the average selling price of HRC in 3<sup>rd</sup> Quarter of 2018 was THB 20,715/ton, increased by 15% as compared with last year quarter (THB 18,079/ton) according to HRC market price worldwide trend.
- HRC cash margin (excluding depreciation) in 3<sup>rd</sup> Quarter of 2018 was achieved at THB 482/ton, lower by 66% from last year due to the increase in the cash conversion cost which has increased by 316% from the same quarter of last year which are mainly caused by the increasing price of graphite electrode and higher repair and maintenance cost and the proportionate of an increased in raw material cost is greater than an increased in HRC market price.

## 2. Business Outlook on Q4/2018

The company expects the lower of production and sales due to the slowdown of Tolling during Q4/18. The company therefore will maximize our own capacity by producing up to 17hours per day in order to compensate the lower volume of Tolling. The market demand is not yet picking up to the same level as Q4/17 due to the delay of Government spending of Infrastructure project. In addition, the influx of Galvanized products from China and Vietnam also affect to HRC market as well. To cope up with the aforesaid issue, we try to find new export market and also expedite the new products in order to serve the new market segments i.e. Gas cylinder.

Though the HRC price is soften in ASEAN of which affected from Trade War between China and USA, some of the excess HRC try to commute to Thailand and our neighbor countries. This resulting in the soften of HRC price but the scrap price is also soften as well. As such, the company is still positive to see an improving of metal spread comparing to Q4/18.

### 3. Management's Message

#### Executive Summary

The total apparent finished steel consumption of steel industry in Thailand in the third quarter of 2018 surged to 4.66 million tons, an increase of 11.1% comparing to the previous quarter (QoQ) and 12.2% from the same period of last year (YoY). Long steel consumption rose to 1.63 million tons or increased by 34.6% QoQ and 22.8% YoY. Flat steel consumption also grew to 3.03 million tons which increased by 1.6% QoQ and 7.3% YoY. Under the flat steel product, Hot Rolled Coil (HRC) consumption was at 1.77 million tons, increased by 7.5% QoQ and 6.8% YoY, which imported HRC of 0.93 million tons or 51.1% was contributed in HRC supply in Thailand.

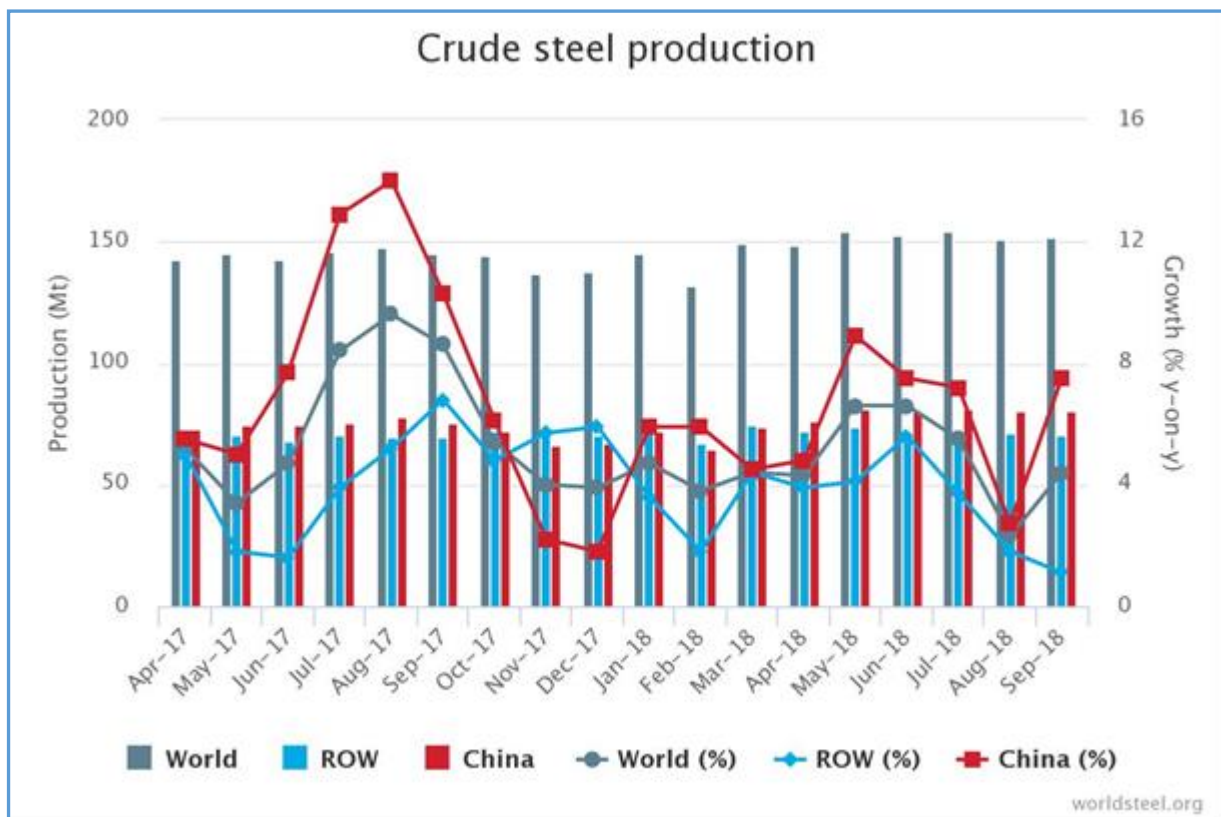
In Q3/2018 the company had the production and sale volume at 417,825 and 418,365 tons respectively, increased 15.0% and 10.9% QoQ respectively, since the production became smoothly after the accidental shutdown for repair and maintenance in Q2/2018. This quarter, the company had more than double production and sales volume comparing to the same quarter of last year in which its production and sale volume was at 190,389 and 182,095 tons respectively. In addition, the company has continued 24 hours-production plan for preparing ramp up to full capacity in the future. In terms of sales, the average selling price this quarter was at THB 20,715 per ton relatively the same as previous quarter while the cost of raw materials increased by 6.6% QoQ. This was resulting in loss on gross margin of THB 52.8 million and also the net loss of THB 311.31 million in this quarter with earnings before interest tax depreciation and amortization (EBITDA) at THB 27 million. However, the company had better performance than the previous quarter this year which had net loss of THB 451 million but worse than the same quarter last year which had profit of THB 65 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 465.5 million tons in the third-quarter of 2018 and accumulated world crude steel production in the first nine months of 2018 was 1,347 million tons, up by 4.7% compared to the same period in 2017. The region with most production was Asia (including China, but not including the Middle East) 946.8 million tons, an increase by 5.5% over the first nine months of 2017. The second most producing region was the European Union (EU), with 128 million tons, equivalent to 1.3% increase and North America's crude steel production in the first nine months of 2018 was 89.7 million tons, an increase of 3.4% compared to the same period of 2017.

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



Source: World Steel Association

In September 2018, China produced crude steel at 80.8 million tons up by 7.5%, Japan at 8.4 million tons decreased 2.4% compared to September 2017.

In the EU, France produced 1.3 million tons of crude steel in September 2018, an increase of 1.4% compared to September 2017. Italy's crude steel production for September 2018 was 2.2 million tons, down by 0.8% on September 2017. Spain produced 1.3 million tons in September 2018, an increase of 5.1% on 2017.

Turkey's crude steel production for September 2018 was 2.8 million tons, a decrease of 5.9% compared to September 2017.

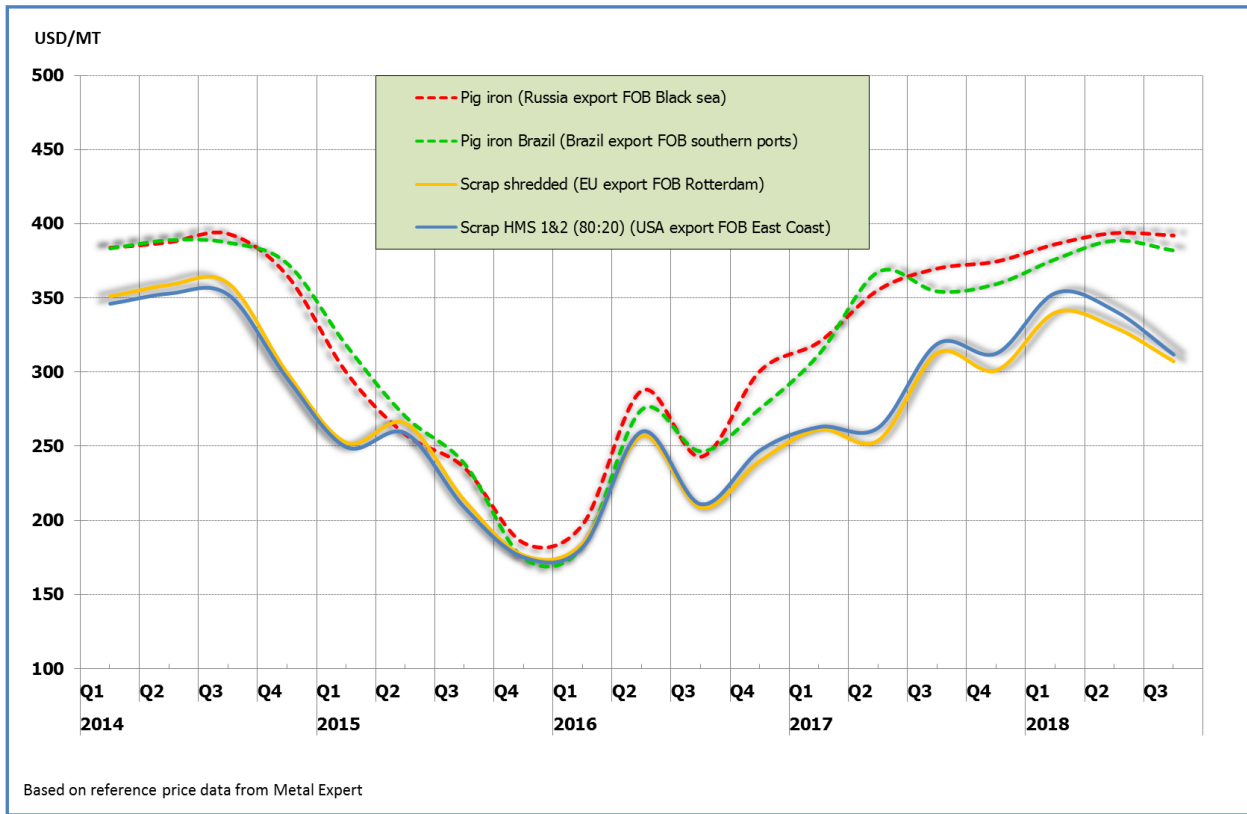
The US produced 7.3 million tons of crude steel in September 2018, an increase of 9.0% compared to September 2017.

Brazil's crude steel production for September 2018 was 3.0 million tons, up by 2.5% on September 2017.

**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 to third quarter of 2018, the price of pig iron remained stable at the same level while the price of scrap started to fall continuously. 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 third quarter of 2018 was averaged at USD 312/mt. FOB, decreased from the previous quarter at USD 342/mt. FOB, and pig iron Russia export price of the third quarter of 2018 averaged at USD 393/mt. FOB, dropped a little bit from USD 394/mt. from the previous quarter.

Chart of raw material reference prices on world market for Q1/2014 – Q3/2018

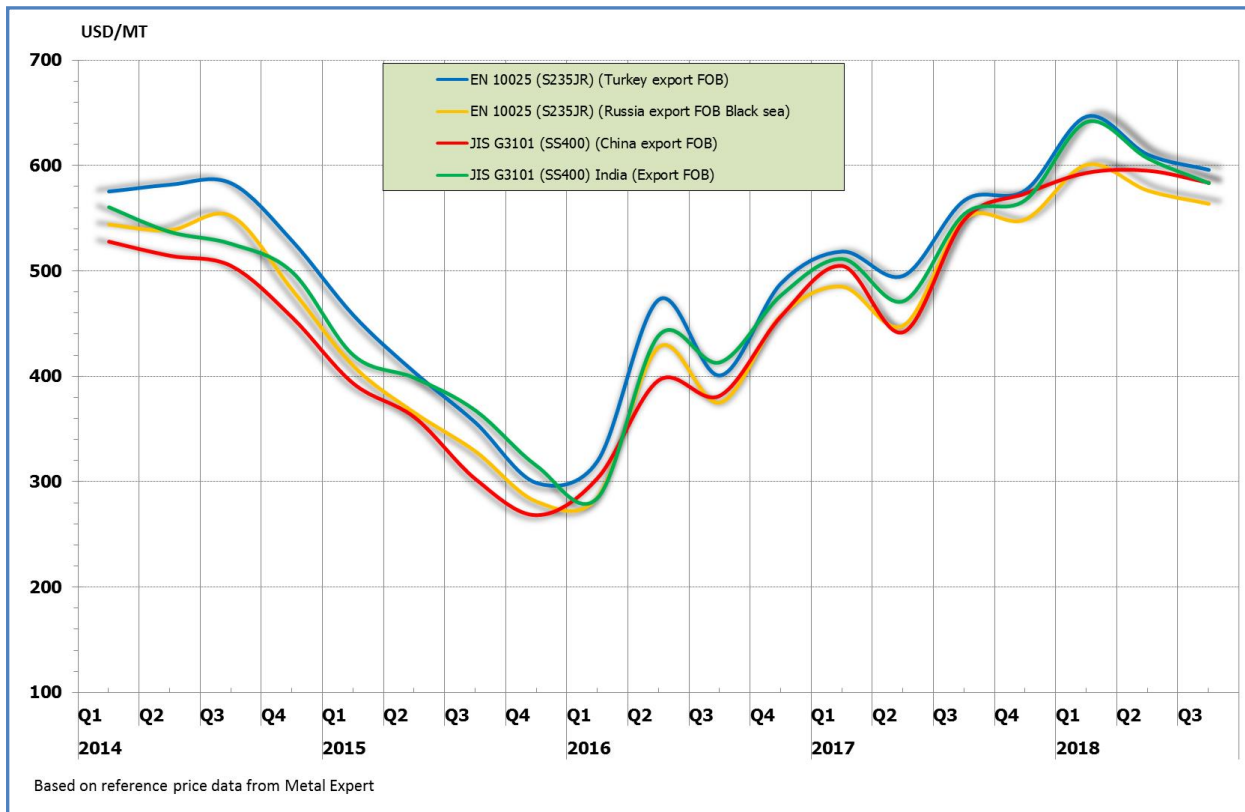


Processed price data from: Metal Expert

**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 but then dropped again until third quarter of 2018.

The reference prices for hot-rolled coil on the world market are that China export price average for Q3/2018 was USD 584/mt, FOB, dropped from the previous quarter at USD 596/mt. Meanwhile, Russia export price average was dropped from USD 576/mt. FOB, to 564/mt. Turkey export price average was dropped from USD 611/mt, FOB, to 596/mt. and India export price average was also dropped from USD 607/mt. FOB, to 583/mt. in third quarter of 2018.

Chart of hot-rolled coil reference prices on world market for Q1/2014 – Q3/2018



Processed price data from: Metal Expert

**Overview of Thai Steel Industry**

ISIT had reported the domestic steel-production in Jan. – Sep. 2018 was at 5.52 million metric tons, increasing 6.701% compared to the same period of previous year consisting of the long finished steel production of 3.02 million metric tons, increasing 0.75% and the flat finished steel production of 2.50 million metric tons, increasing 14.90% compared to the same period of previous year.

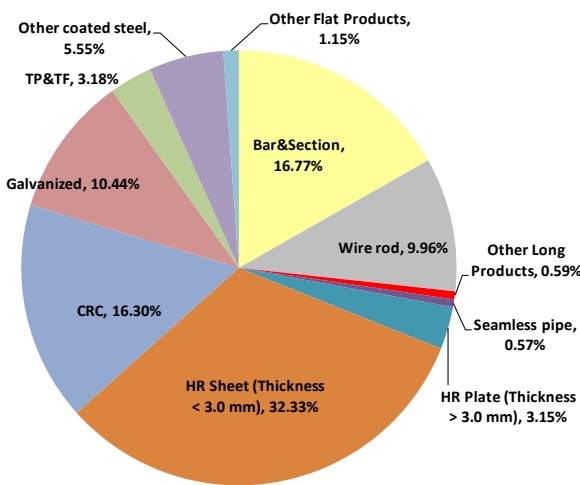
The consumption of finished steel products in Thailand in Jan. – Sep. 2018 was at 13.23 million metric tons, increasing 5.35% compared to the same period of previous year consisting of the long finished steel consumption at 4.37 million metric tons, increasing 3.47% resulting from the more consumption of bar and structural steel and wire rods while the flat finished steel consumption at 8.86 million metric tons, increasing 6.30% 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 - Sep 2017 and 2018

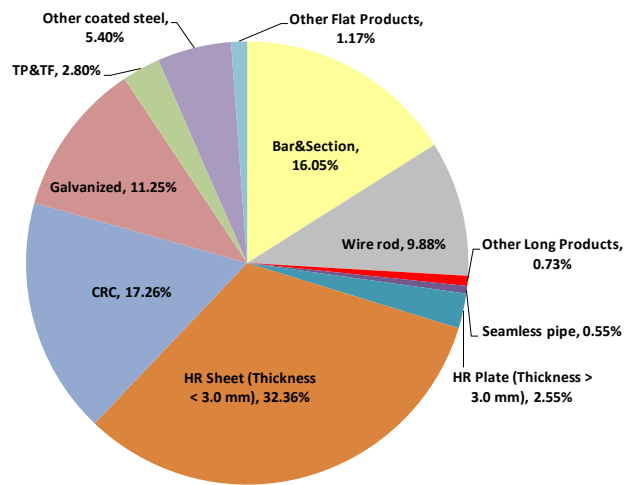
Total Apparent Finished Steel (Unit : Tons)	Jan - Sep 2017	Jan - Sep 2018	% Change
Production	5,170,245	5,516,808	6.70%
Import	8,576,272	8,987,453	4.79%
Export	1,187,518	1,273,851	7.27%
Consumption	12,558,999	13,230,410	5.35%

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

Steel Consumption Jan - Sep 2017



Steel Consumption Jan - Sep 2018



The imported of finished steel in Thailand in Jan. – Sep. 2018 was at 8.99 million metric tons, increasing 4.79% compared to the same period of previous year. The highest import quantity was Hot Rolled Steel at 3.18 million metric tons, decreasing 0.93% compared to the same period of previous year. The second highest import quantity was Cold Rolled steel at 1.26 million metric tons and Galvanize steel at 1.17 million metric tons respectively.

The export of finished steel in Thailand in Jan. – Sep. 2018 was at 1.27 million metric tons, increasing 7.27% compared to the same period of previous year. The highest export quantity was structural steel at 0.294 million metric tons. The export of deformed bars for construction was at 0.169 million metric tons.

**Overview of Hot Rolled Steel in Thailand**

The Hot Rolled Steel production in Jan. – Sep. 2018 was at 2.50 million metric tons, increasing 14.90% consisting of thin gauge at 2.36 million metric tons, increasing 16.60% and Thick gauge at 0.143 million metric tons, decreasing 7.32% compared to the same period of previous year.



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

Total Hot Roll (Unit : Tons) (Excluding Stainless Steel)	Jan - Sep 2017	Jan - Sep 2018	% Change
Production	2,174,611	2,498,634	14.90%
Import	2,986,250	2,951,568	-1.16%
Export	8,516	63,492	645.52%
Consumption	5,152,344	5,386,710	4.55%

Total Hot Roll Plate (Unit : Tons) (Excluding Stainless Steel, Thickness > 3 mm.)	Jan - Sep 2017	Jan - Sep 2018	% Change
Production	154,374	143,068	-7.32%
Import	307,821	272,119	-11.60%
Export	1,428	17,106	1098.05%
Consumption	460,767	398,081	-13.60%

Total Hot Roll Sheet (Unit : Tons) (Excluding Stainless Steel, Thickness < 3 mm.)	Jan - Sep 2017	Jan - Sep 2018	% Change
Production	2,020,237	2,355,566	16.60%
Import	2,678,428	2,679,449	0.04%
Export	7,089	46,386	554.37%
Consumption	4,691,577	4,988,629	6.33%

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

The Hot Rolled Steel consumption in Jan. – Sep. 2018 was at 5.39 million metric tons, increasing 4.55% consisting of thin gauge at 4.99 million metric tons, increasing 6.33% and thick gauge at 0.398 million metric tons, decreasing 13.60% compared to the same period of previous year.

The import of Hot Rolled Steel in Jan. – Sep. 2018 had decreased of 1.16% at 2.95 million metric tons consisting of thin gauge at 2.68 million metric tons, increasing of 0.04% and at 0.272 million metric tons, decreasing 11.60% for the thick gauge compared to the same period of previous year.

The export of Hot Rolled Steel in Thailand in Jan. – Sep. 2018 was at 63.5 thousand metric tons, increasing 645.52% consisting of thin gauge at 46.4 thousand metric tons, increasing of 554.37% and at 17.1 thousand metric tons, increasing 1,098.05% 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 311 million for 2<sup>nd</sup> Quarter of 2018 and a profit of THB 65 million for 3<sup>rd</sup> Quarter of 2017. 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 3<sup>rd</sup> Quarter of 2018.

The Company had revenue from sale of goods and loss margin for 3<sup>rd</sup> Quarter of 2018 of THB 8,666 million and THB 39 million in respectively, whereby in 3<sup>rd</sup> Quarter of 2017, the Company had revenue from sale of goods and loss margin of THB 3,292 million and THB 68 million in accordingly. The cause of loss margin in this year mainly due to the increased capacity according to the price of graphite electrode (significantly increased from the beginning of this year and the proportionate of an increased in scrap cost is greater than an increased in HRC market price.

- **Selling expenses**

Selling expenses for 3<sup>rd</sup> Quarter of 2018 and 2017 amounting to THB 109 million and THB 41 million in respectively, with the amount was recorded at the same level.

- **Financial costs**

The Company had the financial costs for the 3<sup>rd</sup> Quarter of 2018 and 2017 amounted to THB 124 million and THB 63 million in respectively. The increased of financial costs of THB 61 million resulted from the Company had a short-term loan for purpose of increasing working capital commencing in 4<sup>th</sup> Quarter of 2017.

- **Gain from exchange rate**

The Company had recorded gain from exchange rate for 3<sup>rd</sup> Quarter of 2018 amounted to THB 113 million due to the strength in THB currency against US Dollar.

- **Allowance for doubtful account**

The Company had recorded allowance for doubtful account for 3<sup>rd</sup> Quarter of 2018 amounted to THB 64 million due to one customer did not comply with the sale and purchase contract and the Company had filed a lawsuit against the Civil Court.

## 6. Financial Status

### Statement of financial positions

- **Total assets**

As of 30 September 2018, the Company has total assets amounted to THB 18,459 million which decreased from the year ended 2017 by THB 1,087 million. From the total assets divided into the current assets amounted to THB 3,849 million, decreased by 12% from the year ended 2017 and total non-current assets amounted to THB 14,610 million, decreased by 4% from the year ended 2017. The reduction in current assets mainly derived from the decreasing in cash & cash in banks, 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 September 2018, the Company has total liabilities amounted to THB 4,801 million which divided into total current liabilities amounted to THB 3,506 million and total non-current liabilities amounted to THB 1,296 million. To compare with the year ended 2017 decreased THB 691 million or 13% decreased, this was a consequence of:

1. Trade accounts payable increased by THB 188 million.
2. Advance from customer decreased by THB 140 million.
3. Short-term loan from related parties decreased by THB 173 million.
4. Accrued interest expenses decreased by THB 58 million.
5. Other payables and accrued expenses decreased by THB 169 million.
6. Long-term loan from other parties decreased by THB 365 million.

- **Total equity**

As of 30 September 2018, the Company has total equity amounted to THB 13,658 million decreased by THB 396 million or 3% from year ended 2017 mainly due to the Company had the net loss for the period contributed of THB 396 million.

## Appendix

Table 4: Summary of Financial Results

Unit : Million Baht	3rd Quarter 2018	3rd Quarter 2017	% Increase (Decrease)
<b>Income</b>			
Revenue from sale of goods	8,666	3,292	163%
Gain for debt restructuring	1	110	(99%)
Net foreign exchange gains	113	82	38%
(Reversal of) loss on confirmed purchase orders of undelivered of raw material	9	28	(68%)
Other income	14	10	43%
<b>Total income</b>	<b>8,803</b>	<b>3,522</b>	<b>150%</b>
<b>Expenses</b>			
Cost of sale - Cost of goods sold	8,665	3,244	167%
- (Reverse of) loss on devaluation of inventories	40	(19)	306%
Total cost of sale	8,705	3,224	170%
Selling expenses	109	41	164%
Administrative expenses	112	128	(12%)
Bad and doubtful debts expense	64	0	100%
Finance costs	124	63	96%
<b>Total expenses</b>	<b>9,115</b>	<b>3,457</b>	<b>164%</b>
<b>Profit (loss) for the year</b>	<b>(311)</b>	<b>65</b>	<b>(579%)</b>
Basic profit (loss) per share (in Baht)	(0.022)	0.006	(464%)

Table 5: Condensed Statement of Financial Position

Unit : Million Baht	30 September 2018	31 December 2017	% Increase (Decrease)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	329	578	(43%)
Trade accounts receivable	115	33	249%
Inventories	3,027	3,279	(8%)
Short-term loan to related parties	94	94	0%
Other current assets	285	394	(28%)
<b>Total current assets</b>	<b>3,849</b>	<b>4,378</b>	<b>(12%)</b>
<b>Non-current assets</b>			
Advance payment for purchase of property, plant and equipment	210	210	0%
Property, plant and equipment	14,038	14,638	(4%)
Intangible assets	7	6	6%
Other non-current assets	355	313	13%
<b>Total non-current assets</b>	<b>14,610</b>	<b>15,167</b>	<b>(4%)</b>
<b>Total assets</b>	<b>18,459</b>	<b>19,546</b>	<b>(6%)</b>

Table 5: Condensed Statement of Financial Position

Unit : Million Baht	30 September 2018	31 December 2017	% Increase (Decrease)
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade accounts payable	1,059	870	22%
Other payables and accrued expenses	685	724	(5%)
Advance from customers	53	192	(73%)
Short-term loan from related parties	1,303	1,476	(12%)
Accrued interest expenses	144	201	(29%)
Current portion of liabilities under rehabilitation plan	198	204	(3%)
Provision	15	0	100%
Other current liabilities	49	38	29%
<b>Total current liabilities</b>	<b>3,506</b>	<b>3,707</b>	<b>(5%)</b>
<b>Non-current liabilities</b>			
Trade accounts payable			
Other payables and accrued expenses	102	232	(56%)
Long-term loan from related parties	1,114	1,479	(25%)
Liabilities under financial lease	1	2	(17%)
Employee benefit obligations	78	72	8%
<b>Total non-current liabilities</b>	<b>1,296</b>	<b>1,786</b>	<b>(27%)</b>
<b>Total liabilities</b>	<b>4,801</b>	<b>5,492</b>	<b>(13%)</b>
<b>Total equity</b>	<b>13,658</b>	<b>14,054</b>	<b>(3%)</b>
<b>Total liabilities and equity</b>	<b>18,459</b>	<b>19,546</b>	<b>(6%)</b>

Table 6: Condensed Statement of Cash Flow

Unit : Million Baht	Jan - Sep 2018
<i>Cash flows from operating activities</i>	
Net profit (Loss) for the period	(396)
Adjustments for	
Depreciation and amortization	659
Work roll amortisation	78
Interest income	(2)
Finance costs	353
Debts and doubtful debts	64
Gain from debt restructuring	(1)
Unrealised gain on foreign exchange	(33)
(Reversal of) loss on devaluation of inventories	82
(Reversal of) loss on confirmed purchase orders of undelivered of raw material	15
Employee benefit expenses	6
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<i>Changes in operating assets and liabilities</i>	
Trade accounts receivable	(144)
Inventories	170
Advances to suppliers	125
Other current assets	(18)
Other non-current assets	(120)
Trade accounts payable	200
Advances received from customers	(140)
Other payables and accrued expenses	(168)
Other current liabilities	11
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<b>Net cash from (used in) operating activities</b>	<b>743</b>
<i>Cash flows from investing activities</i>	
Interest received	2
Purchase of property, plant and equipment	(58)
Purchase of intangible assets	(2)
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<b>Net cash from (used in) investing activities</b>	<b>(58)</b>
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Table 6: Condensed Statement of Cash Flow

Unit : Million Baht	Jan - Sep 2018
<b>Cash flows from financing activities</b>	
Repayment of liabilities under rehabilitation plan	(5)
Repayment of short-term loan from related party	(164)
Repayment of long-term loan from related party	(361)
Finance costs paid	
- Others	(403)
<b>Net cash from (used in) financing activities</b>	<b>(934)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(249)</b>
Cash and cash equivalents at 1 January 2018	578
Effect of exchange rate changes on balances held in foreign currencies	(0)
<b>Cash and cash equivalents at 30 September 2018</b>	<b>329</b>