

## 1. Highlights

	Unit: million Baht	Year 2018	Year 2017
Performance	Revenues	29,910	15,178
	Sales Volume (k tons)	1,447	812
	EBITDA	612	1,062
	Net Profit (Loss)	(836)	990
HRC	HRC Sales (k tons)	1,447	812
	HRC Production Volume (k tons)	1,436	876
	HRC Average Selling Price (THB./ton)	20,663	18,690
	HRC Cash Margin (THB./Ton)	886	2,093
	Unit: million Baht	31 December 2018	31 December 2017
Financial Status	Total Liabilities	5,607	5,492
	Total Asset	18,824	19,546
	Total Equity	13,218	14,054

- The Company posted net loss for the year 2018 amounted to THB 836 million which loss higher than last year mainly due to HRC selling price is stable whilst the cost for import scraps is continuous increase. However, for the year 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 year 2018 were significantly higher than last year 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:

	Year 2018			Year 2017		
	Own production	Tolling	Total	Own production	Tolling	Total
HRC Sales (k tons)	805	642	1,447	764	48	812
HRC Production Volume (k tons)	808	629	1,436	786	90	876
HRC Average Selling Price (THB/ton)	20,617	20,722	20,663	18,591	20,247	18,690

- Increasing of HRC price: the average selling price of HRC in year 2018 was THB 20,663/ton, increased by 11% as compared with last year (THB 18,690/ton) according to HRC market price worldwide trend.
- HRC cash margin (excluding depreciation) in year 2018 was achieved at THB 886/ton, lower by 58% from last year due to the increase in the cash conversion cost which has increased by 18% from the 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 Q1/2019

The company terminated the Tolling Contract in January due to unfavorable market sentiment. From February onwards, the Company has to increase their production volume within their capacity of the facility. The production volume in Q1/19 hence reduce comparing to Q1/18. HRC price is quite stable in Q1/19 though the Safe Guard of Alloy HRC was terminated in February. This does not affect HRC price as we still foresee that other measures i.e. Anti-Dumping is still valid until 2020. Recently the Anti-Circumvention law is just approved and will be effective in the next 6 months. This will be the first law that going to protect steel industry. The good point of Anti-Circumvention law is no expiring date, unlike other measures i.e. Anti-Dumping, Safe Guard.

The consumption of this quarter is considered low especially the government project as the public is still waiting for the national election on 24 March 19. As such, the Company do not foresee

any improving of the consumption of steel in this quarter. In addition, the Company has move the annual shut down early to February due to the slowdown of the market. Hence, there Q1/19 production will be low comparing to other quarter.

### 3. Management's Message

#### Executive Summary

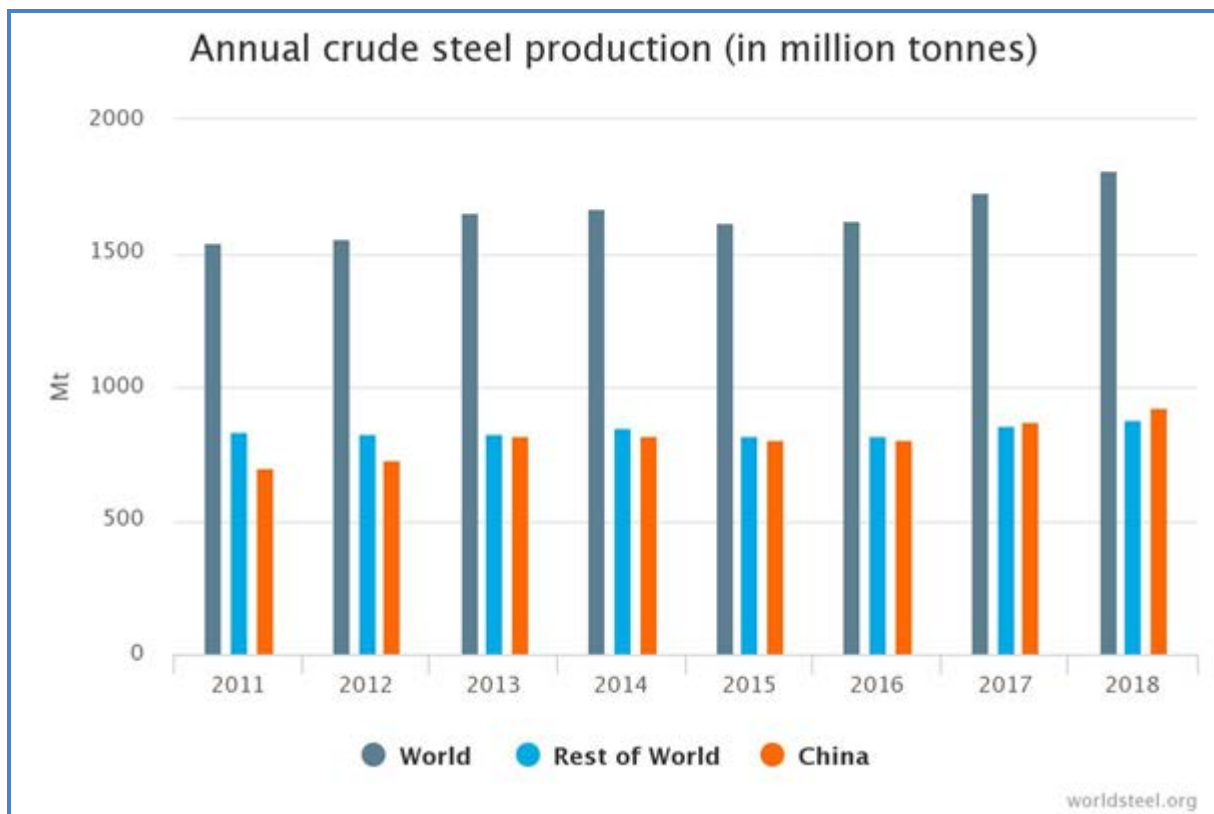
The company's operating results in the year 2018 has significantly increased both sales revenue and volume of hot rolled coil (HRC) in which sales revenue rose from Baht 15,178 million from 2017 to Baht 29,910 million in 2018, also the HRC volume surged from 812,113 tons in 2017 to be 1,447,472 tons in 2018. The huge increase was came from tolling activity that the Company hired G Steel Plc to produce HRC during G Steel has been in the debt restructuring process and try to obtain new funding for its own production. This is to maintain market share and to meet demand for HRC local customers. However, the domestic steel industry has been affected by a trade war between China and the United States, caused slowdown of the global economic growth and resulted to the narrow of metallic spread. The company's gross profit margin fell from 5.7 percent in 2017 to just 0.9 percent in 2018 which not able to cover selling and administrations expenses of the Company. In addition, in 2017 the company had realized gain from debt restructuring by converting major portion of trade debts into equity and gain form exchange rate which those non-cash revenues were high at Baht 1,045 million while this year the company has such non-cash gain only Baht 225 million.

From the above reason, the Company has incurred a net loss of Baht 836 million in 2018, compared with the year 2017 with a net profit of Baht 990 million, however, the Company's EBITDA was still remain positive at Baht 612 million in 2018.

## 4. Industry Overview and Outlook

Overview of World Steel Industry

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



According to the World Steel Association's report on world crude steel production was 461.6 million tons in the fourth quarter of 2018 and accumulated world crude steel production in 2018 was 1,808.6 million tons, significant increase by 4.6% compared to 2017. The region with most production in 2018 was Asia (including China, but not including the Middle East) 1,271.1 million tons; where China alone had crude steel production for 2018 was 928.3 million tons, as top rank of the world, increase by 6.6% compared to 2017. The second and Third most producing countries were India with 106.5 million tons and Japan with 104.3 million tons respectively.

Top 10 steel-producing countries				
Rank	Country	2018 (Mt)	2017 (Mt)	%2018/2017
1	China	928.3	870.9	6.6
2	India	106.5	101.5	4.9
3	Japan	104.3	104.7	-0.3
4	United States	86.7	81.6	6.2
5	South Korea	72.5	71.0	2.0
6	Russia (e)	71.7	71.5	0.3
7	Germany (e)	42.4	43.3	-2.0
8	Turkey	37.3	37.5	-0.6
9	Brazil	34.7	34.4	1.1
10	Iran (e)	25.0	21.2	17.7

Chart of Crude steel production growth (annually), ending 31 December 2018

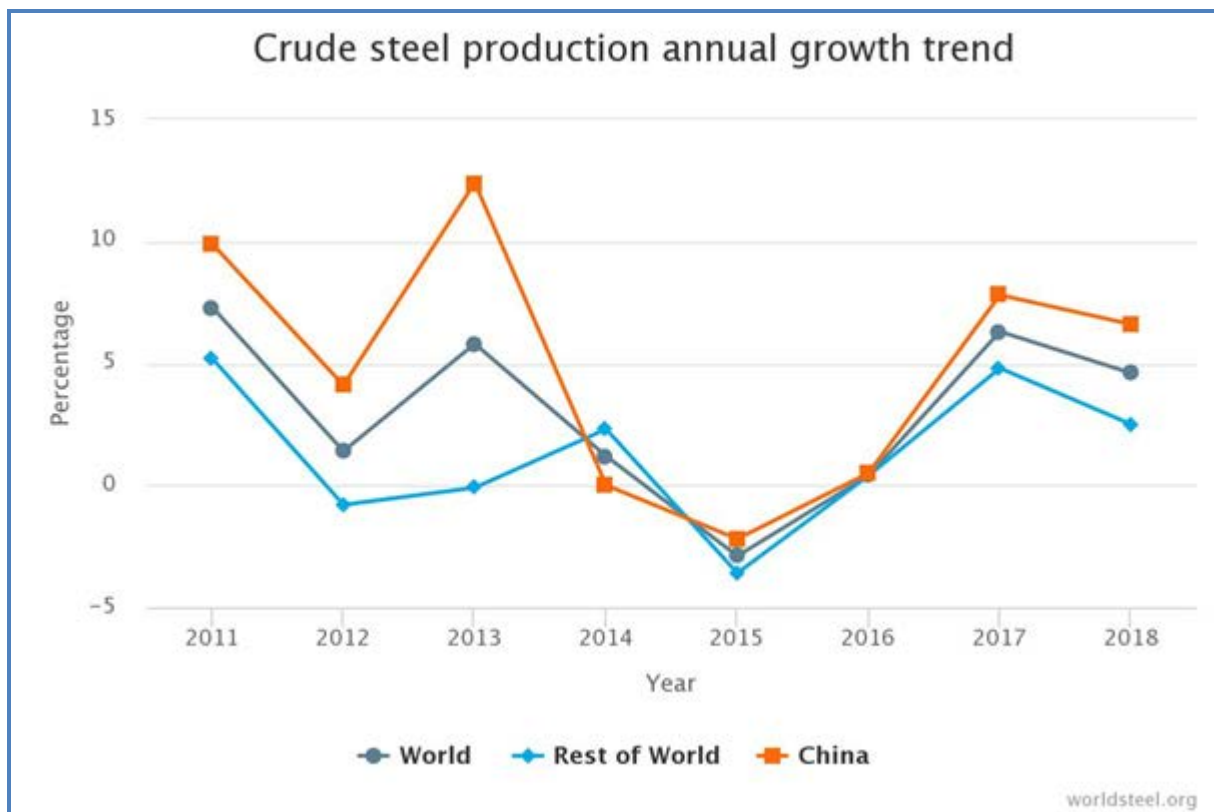
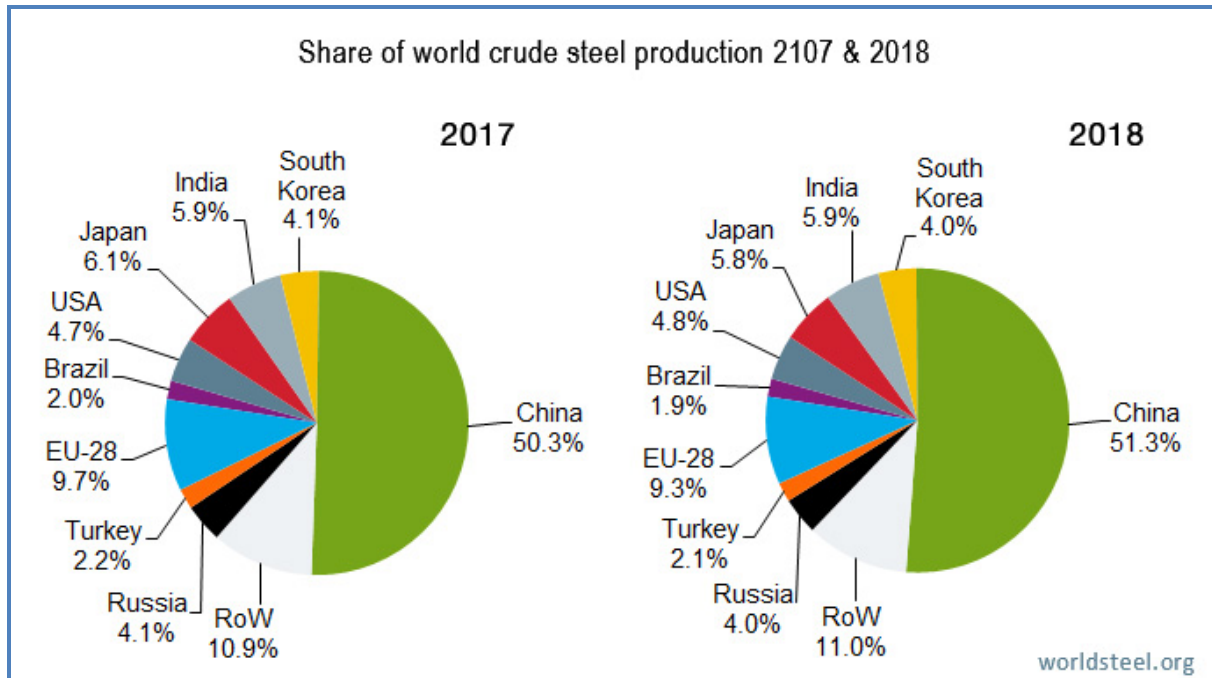


Chart of share of world crude steel production 2017 and 2018



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. 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.

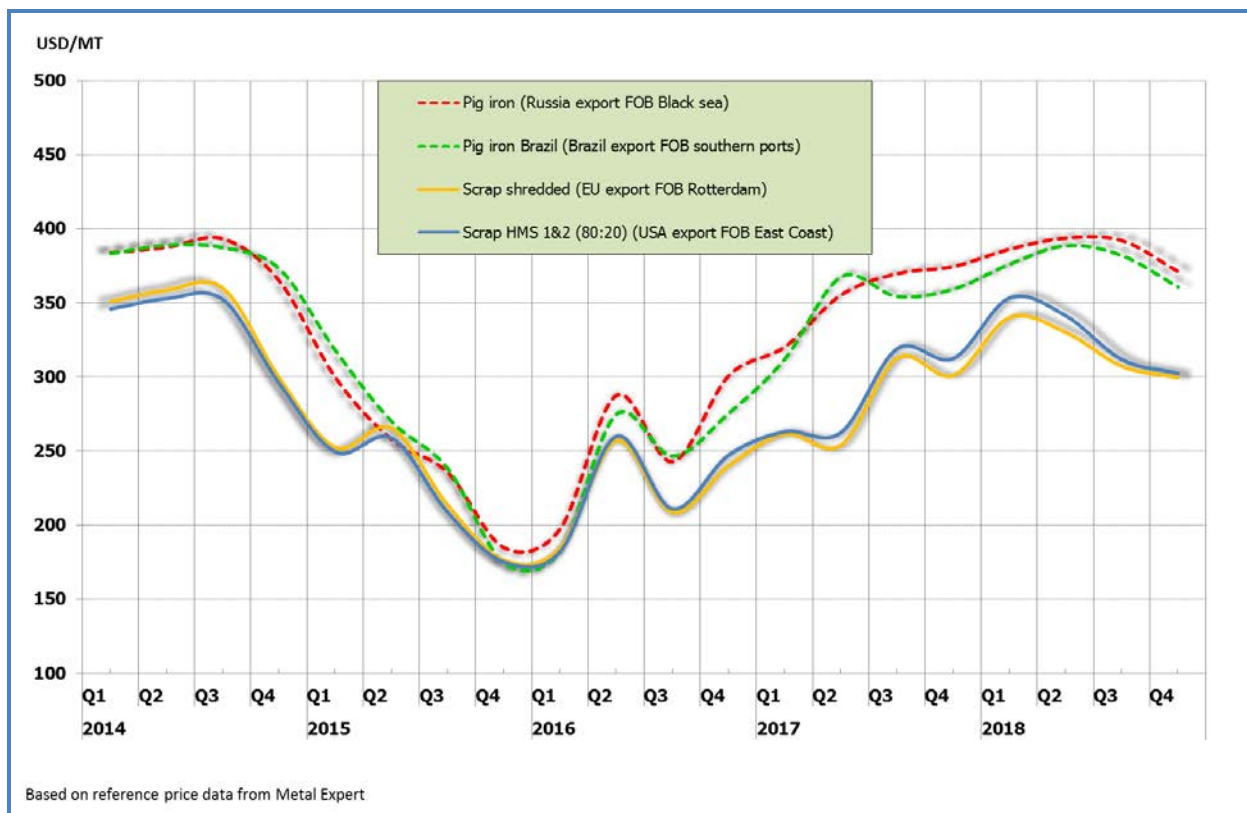
#### Remarks:

1. For antitrust reasons, worldsteel no longer produces a monthly global capacity utilisation ratio. Information on capacity can be found on the OECD website.

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 fourth quarter of 2018, the price of pig iron and 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 fourth quarter of 2018 was averaged at USD 303/mt. FOB, decreased from the previous quarter at USD 312/mt. FOB, and pig iron Russia export price of the fourth quarter of 2018 averaged at USD 372/mt. FOB, dropped from USD 393/mt. from the previous quarter.

Chart of raw material reference prices on world market for Q1/2014 – Q4/2018

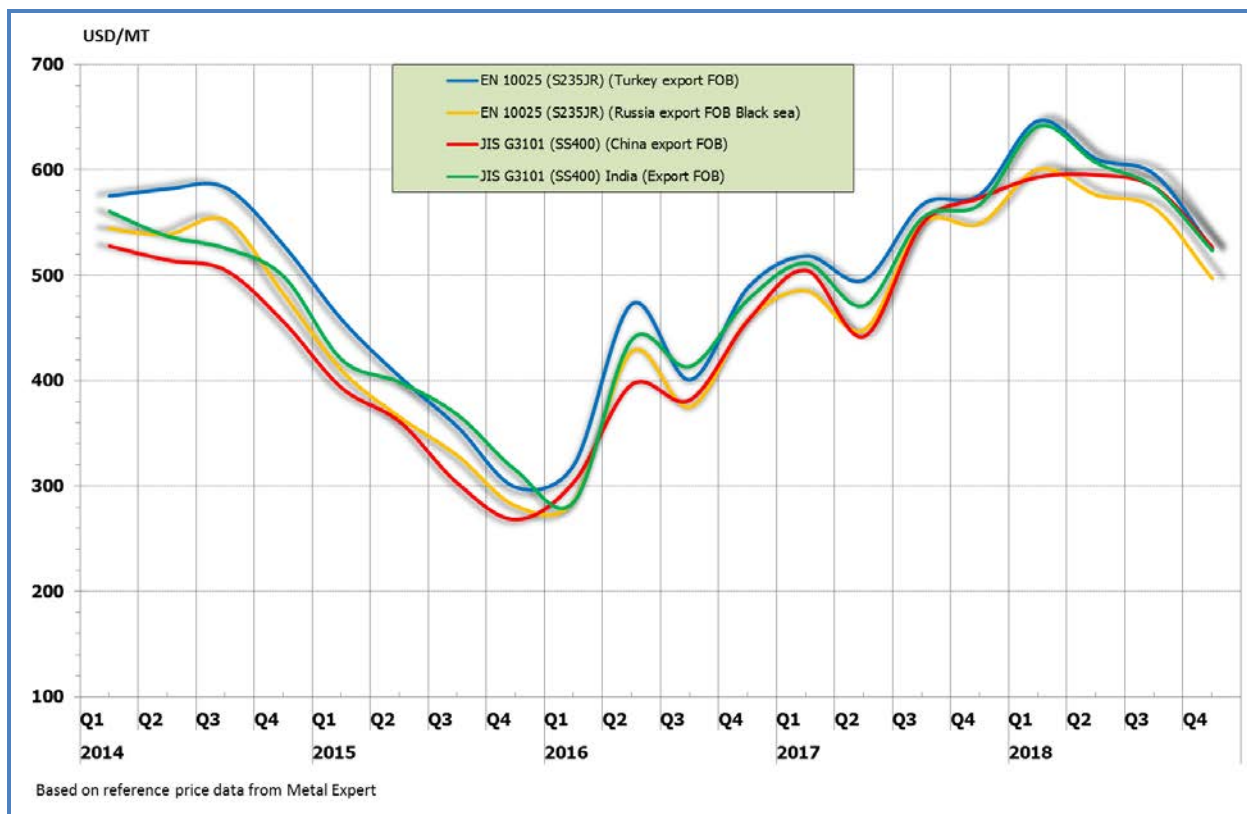


Processed price data from: Metal Expert

**Hot Rolled** the prices for hot-rolled coil on the world market during the first quarter of 2016 to fourth 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 fourth quarter of 2016 to first quarter of 2017 and decreased again in the second quarter then rebounded quickly until first quarter of 2018 and dropped continuously from second quarter to fourth quarter of 2018.

The reference prices for hot-rolled coil on the world market are that China export price average for fourth quarter of 2018 was USD 527/mt, FOB, dropped from the previous quarter at USD 584/mt. Meanwhile, Russia export price average was dropped from USD 564/mt. FOB, to 497/mt. Turkey export price average was dropped from USD 596/mt, FOB, to 525/mt. and India export price average was also dropped from USD 583/mt. FOB, to 523/mt. in fourth quarter of 2018.

Chart of hot-rolled coil reference prices on world market for Q1/2014 – Q4/2018



Processed price data from: Metal Expert



### Overview of Thai Steel Industry

ISIT had reported the domestic steel-production for 2018 was at 7.11 million metric tons, increasing 3.36% compared to the previous year consisting of the long finished steel production of 3.90 million metric tons, decreasing 1.22% and the flat finished steel production of 3.20 million metric tons, increasing 9.54% compared to the previous year.

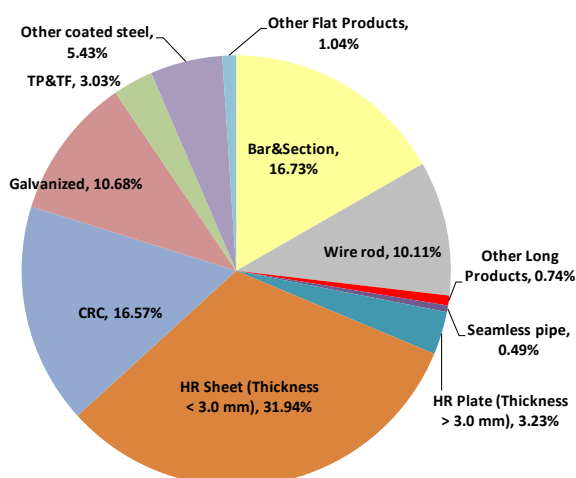
The consumption of finished steel products in Thailand in 2018 was at 17.44 million metric tons, increasing 4.79% compared to the previous year consisting of the long finished steel consumption at 5.77 million metric tons, increasing 2.15% resulting from the more consumption of bar and structural steel and wire rods while the flat finished steel consumption at 11.68 million metric tons, increasing 6.14% resulting from the demand of Hot Rolled Steel and Cold Rolled Steel which increasing compared to the previous year.

*Table: The production and the domestic demand of Finished Steel for 2017 and 2018*

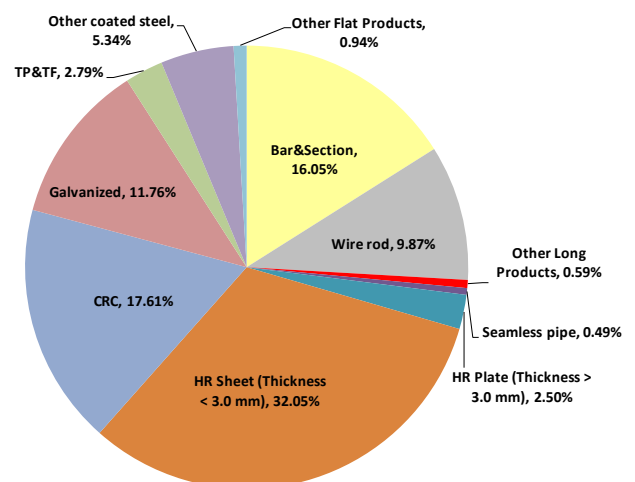
Total Apparent Finished Steel (Unit : Tons)	2017	2018	% Change
Production	6,875,446	7,106,526	3.36%
Import	11,325,592	12,051,411	6.41%
Export	1,553,242	1,713,317	10.31%
Consumption	16,647,796	17,444,620	4.79%

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

**Steel Consumption 2017**



**Steel Consumption 2018**



The imported of finished steel in Thailand in 2018 was at 12.05 million metric tons, increasing 6.41% compared to the previous year. The highest import quantity was Hot Rolled Steel at 4.26 million metric tons, increasing 2.40% compared to the previous year. The second highest import quantity was Cold Rolled steel at 1.70 million metric tons and Galvanize steel at 1.55 million metric tons respectively.

The export of finished steel in Thailand in 2018 was at 1.71 million metric tons, increasing 10.31% compared to the previous year. The highest export quantity was structural steel at 0.388 million metric tons. The export of deformed bars for construction was at 0.224 million metric tons.

### Overview of Hot Rolled Steel in Thailand

The Hot Rolled Steel production in 2018 was at 3.20 million metric tons, increasing 9.54% consisting of thin gauge at 3.02 million metric tons, increasing 11.24% and Thick gauge at 0.180 million metric tons, decreasing 12.79% compared to the previous year.

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

Total Hot Roll (Unit : Tons) (Excluding Stainless Steel)	2017	2018	% Change
Production	2,924,761	3,203,905	9.54%
Import	3,865,122	3,962,448	2.52%
Export	10,322	73,977	616.71%
Consumption	6,779,562	7,092,376	4.61%

Total Hot Roll Plate (Unit : Tons) (Excluding Stainless Steel, Thickness > 3 mm.)	2017	2018	% Change
Production	206,205	179,839	-12.79%
Import	424,603	356,684	-16.00%
Export	1,655	18,268	1003.68%
Consumption	629,153	518,255	-17.63%

Total Hot Roll Sheet (Unit : Tons) (Excluding Stainless Steel, Thickness < 3 mm.)	2017	2018	% Change
Production	2,718,556	3,024,066	11.24%
Import	3,440,519	3,605,764	4.80%
Export	8,667	55,709	542.80%
Consumption	6,150,409	6,574,121	6.89%

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

The Hot Rolled Steel consumption in 2018 was at 7.09 million metric tons, increasing 4.61% consisting of thin gauge at 6.57 million metric tons, increasing 6.89% and thick gauge at 0.518 million metric tons, decreasing 17.63% compared to the previous year.

The import of Hot Rolled Steel in 2018 had increased of 2.52% at 3.96 million metric tons consisting of thin gauge at 3.61 million metric tons, increasing of 4.80% and at 0.357 million metric tons, decreasing 16.00% for the thick gauge compared to the previous year.

The export of Hot Rolled Steel in Thailand in 2018 was at 74.0 thousand metric tons, increasing 616.71% consisting of thin gauge at 55.7 thousand metric tons, increasing of 542.80% and at 18.2 thousand metric tons, increasing 1,003.68% for the thick gauge compared to the previous year.

## 5. Performance of the Company and its Subsidiaries

### Operating results

The Company reported a net loss of THB 836 million for the year 2018 and a profit of THB 990 million for last year. 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 year 2018.

The Company had revenue from sale of goods and profit margin for year 2018 of THB 29,910 million and THB 282 million in respectively, whereby in last year, the Company had revenue from sale of goods and profit margin of THB 15,178 million and THB 859 million in accordingly.

- **Selling expenses**

Selling expenses for year 2018 and 2017 amounting to THB 362 million and THB 185 million in respectively, with the amount was recorded at the same level.

- **Financial costs**

The Company had the financial costs for the year 2018 and 2017 amounted to THB 475 million and THB 271 million in respectively. The increased of financial costs of THB 204 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 year 2018 amounted to THB 105 million due to the strength in THB currency against US Dollar.

- **Net gain from write-off expired legal prescription of debts**

The Company had recorded net gain from write-off expired legal prescription of debts for year 2018 amounted to THB 119 million according to the resolve approval from the Company's Board of Directors on 9<sup>th</sup> and 19<sup>th</sup> November 2018.

## 6. Financial Status

### Statement of financial positions

- **Total assets**

As of 31 December 2018, the Company has total assets amounted to THB 18,824 million which decreased from the year ended 2017 by THB 721 million. From the total assets divided into the current assets amounted to THB 4,488 million, increased by 1% from the year ended 2017 and total non-current assets amounted to THB 14,386 million, decreased by 5% from the year ended 2017. The increased in current assets mainly derived from the increasing in inventory of THB 582 million and partial offset with the decreasing in cash & cash in banks 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 31 December 2018, the Company has total liabilities amounted to THB 5,607 million which divided into total current liabilities amounted to THB 4,350 million and total non-current liabilities amounted to THB 1,257 million. To compare with the year ended 2017 increased THB 115 million or 2% increased, this was a consequence of:

1. Trade accounts payable increased by THB 1,163 million.
2. Advance from customer decreased by THB 160 million.
3. Short-term loan from related parties decreased by THB 237 million.
4. Accrued interest expenses decreased by THB 69 million.
5. Other payables and accrued expenses decreased by THB 237 million.
6. Long-term loan from other parties decreased by THB 362 million.

- **Total equity**

As of 31 December 2018, the Company has total equity amounted to THB 13,192 million decreased by THB 836 million or 6% from year ended 2017 mainly due to the Company had the net loss for the period contributed of THB 836 million.

## Appendix

Table 4: Summary of Financial Results

Unit : Million Baht	For the year 2018	For the year 2017	% Increase (Decrease)
<b>Income</b>			
Revenue from sale of goods	29,910	15,178	97%
Net foreign exchange gains	105	311	(66%)
Net gain for debt restructuring	1	734	(100%)
Net gain from write-off expired legal prescription of liabilities	119	0	100%
Other income	45	43	6%
<b>Total income</b>	<b>30,180</b>	<b>16,266</b>	<b>86%</b>
<b>Expenses</b>			
Cost of sale - Cost of goods sold	29,342	14,315	105%
- idle costs	125	0	100%
- (Reverse of) loss on devaluation of inventories	160	4	3861%
Total cost of sale	29,628	14,319	107%
Selling expenses	362	185	95%
Administrative expenses	500	496	1%
Bad and doubtful debts expense	10	3	228%
Loss on confirmed purchase orders	41	0	100%
Finance costs	475	271	75%
<b>Total expenses</b>	<b>31,016</b>	<b>15,275</b>	<b>103%</b>
<b>Profit (loss) for the year</b>	<b>(836)</b>	<b>990</b>	<b>(184%)</b>
Basic profit (loss) per share (in Baht)	(0.060)	0.086	(170%)

Table 5: Condensed Statement of Financial Position

Unit : Million Baht	31 December 2018	31 December 2017	% Increase (Decrease)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	201	578	(65%)
Trade accounts receivable	14	33	(58%)
Inventories	3,861	3,279	18%
Short-term loan to related parties	94	94	0%
Other current assets	268	394	(32%)
<b>Total current assets</b>	<b>4,438</b>	<b>4,378</b>	<b>1%</b>
<b>Non-current assets</b>			
Advance payment for purchase of property, plant and equipment	210	210	0%
Property, plant and equipment	13,839	14,638	(5%)
Intangible assets	7	6	15%
Other non-current assets	330	313	5%
<b>Total non-current assets</b>	<b>14,386</b>	<b>15,167</b>	<b>(5%)</b>
<b>Total assets</b>	<b>18,824</b>	<b>19,546</b>	<b>(4%)</b>

Table 5: Condensed Statement of Financial Position

Unit : Million Baht	31 December 2018	31 December 2017	% Increase (Decrease)
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade accounts payable	2,033	870	134%
Other payables and accrued expenses	661	724	(9%)
Advance from customers	33	192	(83%)
Short-term loan from related parties	1,239	1,476	(16%)
Accrued interest expenses	132	201	(34%)
Current portion of liabilities under rehabilitation plan	180	204	(12%)
Provision	41	0	100%
Other current liabilities	31	38	(19%)
<b>Total current liabilities</b>	<b>4,350</b>	<b>3,707</b>	<b>17%</b>
<b>Non-current liabilities</b>			
Trade accounts payable			
Other payables and accrued expenses	58	232	(75%)
Long-term loan from related parties	1,118	1,479	(24%)
Liabilities under financial lease	1	2	(23%)
Employee benefit obligations	80	72	11%
<b>Total non-current liabilities</b>	<b>1,257</b>	<b>1,786</b>	<b>(30%)</b>
<b>Total liabilities</b>	<b>5,607</b>	<b>5,492</b>	<b>2%</b>
<b>Total equity</b>	<b>13,218</b>	<b>14,054</b>	<b>(6%)</b>
<b>Total liabilities and equity</b>	<b>18,824</b>	<b>19,546</b>	<b>(4%)</b>



Table 6: Condensed Statement of Cash Flow

Unit : Million Baht	Jan - Dec 2018
<i>Cash flows from operating activities</i>	
Net profit (Loss) for the period	(836)
Adjustments for	
Depreciation and amortization	882
Work roll amortisation	112
Interest income	(3)
Finance costs	485
Gain from debt restructuring	(1)
Net gain from write-off the expired prescription of liabilities	(119)
Unrealised gain on foreign exchange	(30)
Debts and doubtful debts	10
(Reversal of) loss on devaluation of inventories	160
(Reversal of) loss on confirmed purchase orders of undelivered of raw material	41
Employee benefit expenses	8
	<hr/> 710
<i>Changes in operating assets and liabilities</i>	
Trade accounts receivable	19
Inventories	(743)
Advances to suppliers	172
Other current assets	(61)
Other non-current assets	(146)
Trade accounts payable	1,186
Advances received from customers	(160)
Other payables and accrued expenses	(144)
Other current liabilities	10
Net cash from (used in) operating activities	<hr/> 844
<i>Cash flows from investing activities</i>	
Interest received	3
Purchase of property, plant and equipment	(84)
Net cash from (used in) investing activities	<hr/> (81)

Table 6: Condensed Statement of Cash Flow

Unit : Million Baht	Jan - Dec 2018
<b>Cash flows from financing activities</b>	
Repayment of liabilities under rehabilitation plan	(7)
Repayment of short-term loan from related party	(230)
Repayment of long-term loan from related party	(361)
Payment for financial lease liabilities	(1)
- Others	(542)
<b>Net cash from (used in) financing activities</b>	<b>(1,140)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(377)</b>
Cash and cash equivalents at 1 January 2018	578
<b>Cash and cash equivalents at 31 December 2018</b>	<b>201</b>

**Non-cash transactions**

For the year ended December 31, 2018

Transfer from write-off the expired prescription of liabilities

Decrease in advance to suppliers	(3)
Decrease in suspense input tax	(1)
Decrease in deposit	(17)
Decrease in trade account payable	13
Decrease in other payable and accrued expenses	93
Decrease in accrued interest	2
Decrease in liabilities under rehabilitation plan	16
Decrease in other current liabilities - others	17