

## **Management Discussion and Analysis Quarter 1 Ending 31 March 2018**

### **Highlights**

	Unit : million Baht	Q 1/2018	Q 1/2017
Group	Group Revenues	8,148	6,299
	Group EBITDA	1,223	2,635
	Group Net Profit (Loss)	495	1,963
HRC	HRC Sales (k tons)	389	333
	HRC Production Volume (k tons)	382	361
	HRC Average Selling Price (Bht/Ton)	20,939	18,907
	HRC Cash Margin (Bht/Ton)	1,927	3,185
	Unit : million Baht	31-Mar-18	31-Dec-17
Group	Total Assets	32,599	32,172
	Total Liabilities	19,645	19,781
	Total Equity	12,954	12,391

Q1/2018, the Company and subsidiary's total net profit equals Baht 495 million, increased by Baht 1,410 million comparing with previous quarter. Total revenue from sales and services amounted to Baht 8,148 million which increased by Baht 1,296 million or 19% QoQ due to the increase in sale quantity and selling price.

On a YoY basis, the Company and subsidiary's total net profit decreased by Baht 1,468 million or 75% while total revenue from sales and services increased by Baht 1,850 million or 29%. Raw material cost and cash conversion cost increase higher proportion than selling price increase is the main reason why net profit decrease. Graphite Electrode's price which is a part of conversion cost increase significantly.

Separate financial statement, the Company posted net profit Baht 119 million, increased by Baht 1,235 million QoQ but decreased by Baht 1,063 million YoY. Total revenue from sales and services amounted to Baht 1,295 million, decreased by Baht 1,008 million or 44% QoQ and decreased by Baht 1,478 million or 53% YoY. Main factor was from the company entered to tolling from November 2017 onwards. The Company then realized revenue from the production cost that charge to GJ Steel under the tolling service agreement, GJ Steel provided main raw material, scrap, for the company's production.

## **Performance**

### **Revenue from sale and cost of sale**

Q1/2018, The Company and subsidiary recorded a sales volume of 389,148 tons, increased by 49,167 tons or 14% QoQ and increased by 54,678 tons or 16% YoY. (Separated Financial Statement: The company recorded sale volume 1,538 tons, reduced by 85,263 tons QoQ and reduce by 142,998 tons YoY. In Q1/2018, the company produce for GJ Steel's tolling 203,199 tons. The company start produce for tolling service from mid of 4<sup>th</sup> quarter of year 2017 onwards so decrease in sale quantity but increase in tolling quantity in these period.

Total revenue from sales and services of the Company and subsidiary amounted to Baht 8,148 million, increased by Baht 1,296 million or 19% QoQ and increased by Baht 1,850 million or 29% YoY due to increase in sale volume and selling price. (Separate: Baht 1,295 million, decreased by Baht 1,008 million QoQ and Baht 1,478 million YoY. Since the company produce for GJ Steel's tolling which they has provided raw material so tolling fee exclude raw material cost, therefore tolling service fee is cheaper than finished goods' selling price.)

Consolidated cost of goods sold and cost of service amounted to Baht 7,612 million, increased by Baht 1,159 million or 18% QoQ due to increase in sale volume and increase in raw material price and increase by Baht 1,907 million or 33% YoY due to the increase in sale volume as well as the increase in raw material price and cash conversion cost. (Separate: total costs of goods sold and service amount to Baht 1,391million, decreased by Baht 974 million QoQ and decreased by Baht 1,218 million YoY due to no raw material cost from tolling.)

Consolidated gross profit amounting to Baht 527 million, increased by Baht 137 million QoQ but decreased by Baht 57 million YoY (Separate: gross loss Baht 96 million comparing with gross loss Baht 61 million of previous quarter and gross profit Baht 164 million of same period of last year. Gross loss of Q1/2018 mainly resulted from depreciation. The company record depreciation by straight-line method while depreciation charge for tolling service use unit of production method, however, the company still could generate the Cash Margin

### **Net gain on foreign exchange rate**

Consolidated net gain on foreign exchange amounted to Baht 584 million. The gain is attributed to the appreciation of the Thai Baht versus the US dollar. (Separate: Baht 376 million).

### **Selling expenses**

Total selling expenses of the Company and subsidiary amounting to Baht 95 million, decreased by Baht 5 million QoQ and decreased by Baht 28 million YoY. (Separate: Baht 3 million, decreased by Baht 38 million QoQ and Baht 76 million YoY. Major factor came from the significant decrease of sale volume of the Company.)

### **Administrative expense**

Total administrative expense of the Company and subsidiary amounting to Baht 200 million, increased by Baht 2 million QoQ and increased by Baht 21 million YoY. (Separate: Baht 24 million, decreased by Baht 18 million and Baht 36 million for QoQ and YoY, respectively. The major reason came from the expenses allocation from administrative expense to be tolling service expense.)

### **Other Expenses**

Q1/2018, Other expenses of the Company and subsidiary amounted to Baht 68 million, mainly came from loss on impairment of assets Baht 42 million and provision for court case claim Baht 25 million comparing with previous quarter which amounted to Baht 1,029 million which mainly came from loss on impairment of assets Baht 998 million and comparing with same period of last year which amounted to Baht 3 million (Separate: Baht 76 million, resulted from loss on impairment of assets Baht 42 million and provision for court case claim Baht 25 million comparing with previous quarter which amounted to Baht 1,042 million. Due to Q4/2017, the company recorded loss on impairment of assets Baht 998 million and loss from disposal investment Baht 120 million.

### **Financial cost**

The Company and subsidiary has total financial cost amounted to Baht 267 million, increased by Baht 18 million and Baht 30 million for QoQ and YoY, respectively. This resulted from the increase of short-term loan for purpose of increasing working capital of GJ Steel in order to increase sale and maintain continuous HRC production for local market (Separate: Baht 170 million, decreased by Baht 16 million QoQ and decreased by Baht 27 million YoY).

## **Financial position**

### **Total Assets**

As of 31 March 2018, the Company and subsidiary has total asset amounted to Baht 32,599 million, increased by Baht 426 million or 1% from year ended 2017 which has total asset Baht 32,172 million. Total assets separate into current assets amounted to Baht 6,246 million, increased 17% from 2017 and non-current assets amounted to Baht 26,352 million, decreased 2% from year 2017. Current assets mainly increased from the increase of cash and cash equivalents, trade accounts receivable and inventory of the Subsidiary Company. Non-current assets mainly decreased from depreciation.

### **Cash and cash equivalent**

The Company and subsidiary has cash and cash equivalent as at 31 March 2018 amounted to Baht 851 million, increased Baht 260 million or 44% from year ended 2017 since the Company and subsidiary has

- Net cash flows provided by operating activities Baht 730 million

- Net cash flows used in investing activities Baht 62 million which proceeds from liquidation of subsidiary Baht 68 million
  - Net cash flows used in financing activities Baht 533 million. Major items came from repayment long-term loans from related parties Baht 197 million, the finance costs paid Baht 172 million and repayment short-term loans from related party Baht 162 million
- (See more details in Statement of cash flows)

#### **Trade accounts receivable**

As of 31 March 2018, the Company and subsidiary has trade accounts receivable amounted to Baht 1,233 million, deducted allowance for doubtful account Baht 1,023 million, remaining net trade accounts receivable amounted to Baht 209 million. (At the end of year 2017, the Company and subsidiary has trade accounts receivable amounted to Baht 1,076 million, deducted allowance for doubtful account Baht 1,028 million, remaining net trade accounts receivable amounted to Baht 48 million). Net account receivable was increased by Baht 161 million.

#### **Inventories**

Inventories as of 31 March 2018 of the Company and subsidiary amounted to Baht 4,508 million or 14% of total assets, increased Baht 397 million from year ended 2017 which resulted from the increase of raw materials of subsidiary.

#### **Total liabilities**

Total liabilities of the Company and subsidiary as at 31 March 2018 amounted to Baht 19,645 million, decreased Baht 137 million or 1% from year ended 2017 which resulted from;

#### **Current liabilities increased Baht 639 million derived from:**

- Trade accounts payable increased Baht 707 million

#### **Non-current liabilities decreased Baht 776 million derived from:**

- Long-term loan from related party decreased Baht 429 million
- Other payables and accrued expenses decreased Baht 162 million

#### **Shareholders' equity**

As of 31 March 2018 the Company and its subsidiaries had the shareholders' equity of Baht 12,954 million which increased by Baht 563 million or 5% from year ended 2017 due to net profit of the Company and its subsidiaries.

## Summary of Consolidated Financial Results

	31 March 2018	31 December 2017	+ (-) %
<i>(in million Baht)</i>			
<b>Current assets</b>			
Cash and cash equivalents	851	591	31%
Temporary investment-trading security	12	12	(5%)
Trade accounts receivable	209	48	77%
Amounts receivable from related parties	0	-	100%
Inventories	4,508	4,110	9%
Other current assets	667	575	14%
<b>Total current assets</b>	<b>6,246</b>	<b>5,337</b>	<b>15%</b>
<b>Non-current assets</b>			
Investments in subsidiaries	-	-	
Advance payment for purchases of property, plant and equipment	210	210	
Property, plant and equipment	25,550	26,005	(2%)
Intangible assets	11	12	(8%)
Other non-current assets	581	609	(5%)
<b>Total non-current assets</b>	<b>26,352</b>	<b>26,835</b>	<b>(2%)</b>
<b>Total assets</b>	<b>32,599</b>	<b>32,172</b>	<b>1%</b>
<b>Current liabilities</b>			
Short-term loans from financial institution	213	213	
Trade accounts payable	2,033	1,326	35%
Amount due to related parties	-	-	
Current portion of liabilities under rehabilitation plan	678	535	21%
Current portion of long-term loan from related party	314	138	56%

## Summary of Consolidated Financial Results

	31 March 2018	31 December 2017	+ (-) %
	<i>(in million Baht)</i>		
Current portion of bonds	487	510	(5%)
Short-term loan from related parties	1,286	1,506	(17%)
Short-term loan from other parties	107	107	(0%)
Loan from shareholder	4	4	
Advances received from customers	194	203	(5%)
Other payables and accrued expenses	7,023	7,147	(2%)
Accrued interest expenses	4,855	4,937	(2%)
Provisions	319	270	15%
Other current liabilities	386	364	6%
<b>Total current liabilities</b>	<b>17,899</b>	<b>17,260</b>	<b>4%</b>
<b><i>Non-current liabilities</i></b>			
Liabilities under rehabilitation plan - net of current portion	-	148	
Long-term loan from related parties	1,227	1,655	(35%)
Other payables and accrued expenses	383	545	(42%)
Accrued interest expenses	-	16	
Provision	-	24	
Employee benefit obligations	134	130	2%
Other non-current liabilities	2	2	(8%)
<b>Total non-current liabilities</b>	<b>1,745</b>	<b>2,521</b>	<b>(44%)</b>
<b>Total liabilities</b>	<b>19,645</b>	<b>19,781</b>	<b>(1%)</b>

## Summary of Consolidated Financial Results

	31 March 2018	31 December 2017	+ (-) %
<b>Liabilities and equity</b>			
	<i>(in million Baht)</i>		
<b>Equity</b>			
Share capital			
Authorised share capital	48,776	48,776	
Issued and paid-up share capital	34,251	34,251	
Warrants	14	14	
Additional (Discount) paid in capital:			
Share discount	(10,163)	(10,163)	
Premium on capital reduction	206	206	
Retained earnings (deficit)			
Appropriated:			
Legal reserve	764	764	
Unappropriated	(23,040)	(23,099)	(0%)
<b>Equity attributable to owners of the Company</b>	<b>2,032</b>	<b>1,973</b>	<b>3%</b>
Non-controlling interests	10,922	10,418	5%
<b>Total equity</b>	<b>12,954</b>	<b>12,391</b>	<b>4%</b>
<b>Total liabilities and equity</b>	<b>32,599</b>	<b>32,172</b>	<b>1%</b>

**Condensed Consolidated Statement of Financial Position**

	Three month period ended 31		
	March		+ (-) %
	2018	2017	
	<i>(in million Baht)</i>		
<b>Income</b>			
Revenue from sale of goods	8,148	6,299	23%
Revenue from service - Tolling	-	-	
Reversal of bad and doubtful debts expense	5	22	(376%)
Reversal of loss on impairment in subsidiaries	-	-	
Reversal of provision for deferred difference from debt restruct	-	765	
Gain from the Creditor waived the debt	-	622	
Net foreign exchange gain	584	543	7%
Other income	9	40	(359%)
<b>Total income</b>	<b>8,746</b>	<b>8,291</b>	<b>5%</b>
<b>Expenses</b>			
Cost of sale			
- Cost of goods sold	7,549	5,668	25%
- Idle cost	67	-	100%
- Loss on devaluation of inventories (Reversal)	5	46	(840%)
Total cost of sale	7,621	5,714	25%
Cost of services - Tolling	-	-	
Selling expenses	95	122	(29%)
Administrative expenses	200	179	10%
Loss on confirmed purchase orders	-	-	
for undelivered raw materials	-	68	
Other expenses	68	3	95%
Finance costs	267	237	11%
<b>Total expenses</b>	<b>8,250</b>	<b>6,324</b>	<b>23%</b>



**Condensed Consolidated Statement of Financial Position**

	Three month period ended 31 March		
	2018	2017	+ (-) %
	<i>(in million Baht)</i>		
Profit (loss) before income tax expense	495	1,967	(297%)
Income tax expense	-	4	
<b>Profit (loss) for the period</b>	<b>495</b>	<b>1,963</b>	<b>(296%)</b>
Other comprehensive income for the period	-	-	
<b>Total comprehensive income for the period</b>	<b>495</b>	<b>1,963</b>	<b>(296%)</b>
<b>Profit (loss) attributable to :</b>			
Owners of the Company	197	1,244	(533%)
Non-controlling interests	299	719	(141%)
<b>Profit (loss) for the period</b>	<b>495</b>	<b>1,963</b>	<b>(296%)</b>
<b>Comprehensive income (loss) attributable to :</b>			
Owners of the Company	197	1,244	(533%)
Non-controlling interests	299	719	(141%)
<b>Total comprehensive income (loss) for the period</b>	<b>495</b>	<b>1,963</b>	<b>(296%)</b>
<b>Earnings (loss) per share</b>			
Basic earnings (loss) per share	0.03	0.18	(500%)

## Consolidated Statement of Cash Flow

	Three - month period ended 31		
	March		+ (-) %
	2018	2017	
	<i>(in million Baht)</i>		
<b><i>Cash flows from operating activities</i></b>			
Profit (loss) for the period	495	1,963	(296%)
<i>Adjustments for</i>	-	-	
Depreciation and amortisation	461	474	(3%)
Interest income	(0)	(0)	96%
Finance costs	267	237	11%
Unrealized loss (gain) on exchange rate	(531)	(437)	18%
Gain on adjustment in value of securities	1	-	100%
Bad and doubtful debts expense (Reversal of)	(5)	(22)	(376%)
Loss on impairment of assets	42	-	100%
Provision for a guarantee of subsidiary	-	-	
Withholding tax write-off	16	-	100%
Loss on devaluation of inventories (Reversal of)	5	46	(840%)
Gain from debt restructuring	-	(15)	(100%)
Reversal of provision for deferred difference from debt restructuring	-	(765)	(100%)
Gain from the Creditor waived the debt	-	(622)	(100%)
Loss on confirmed purchase orders of undelivered raw material (Reversal of)	-	68	(100%)
Reversal of loss on impairment of investment in subsidiaries	-	-	
Loss from disposal of assets	0	7	(122533%)
Provision for court case claim	25	-	100%
Employee benefit obligations	3	3	6%
Tax expense	-	4	(100%)
	<b>778</b>	<b>941</b>	<b>(21%)</b>
<b><i>Changes in operating assets and liabilities</i></b>			
Trade accounts receivable	(161)	(16)	90%
Amount due from related parties	(0)	-	

## Consolidated Statement of Cash Flow

	Three - month period ended 31		
	March		+ (-) %
	2018	2017	
	<i>(in million Baht)</i>		
Inventories	(402)	(695)	(73%)
Other current assets	(57)	(123)	(118%)
Other non-current assets	(14)	(69)	(388%)
Trade accounts payable	786	429	45%
Advance received from customers	(7)	(42)	(480%)
Other payables and accrued expenses	(166)	(214)	(29%)
Other current liabilities	31	3	92%
Employee benefit paid	(0)	-	100%
Cash received (paid) for Income tax	(58)	(2)	97%
<b>Net cash used in operating activities</b>	<b>730</b>	<b>211</b>	<b>71%</b>
<b><i>Cash flows from investing activities</i></b>			
Interest received	0	0	96%
Purchase of property, plant and equipment	(6)	(1)	86%
Purchase of intangible assets	-	(0)	
Payment for long-term loans to related parties	-	-	
Proceeds from disposal of investment in subsidiary	68	-	100%
<b>Net cash from (used in) investing activities</b>	<b>62</b>	<b>(1)</b>	<b>101%</b>
<b><i>Cash flows from financing activities</i></b>			
Finance costs paid	(172)	(571)	(232%)
Repayment of liabilities under rehabilitation plan	(1)	(4)	(306%)
Repayment of liabilities under the process of debt restructuring	-	(906)	(100%)

## Consolidated Statement of Cash Flow

	Three - month period ended 31		
	March		+ (-) %
	2018	2017	
	<i>(in million Baht)</i>		
Proceeds (Repayment) from loans from financial institution	-	(19)	(100%)
Proceeds (Repayment) from short-term loans from other parti	(0)	1,396	2537729%
Proceeds (Repayment) from short-term loans from related pai	(162)	-	100%
Proceeds (Repayment) from long-term loans from related part	(197)	(36)	82%
Payment for financial lease liabilities	(0)	-	
<b>Net cash from (used in) financing activities</b>	<b>(533)</b>	<b>(140)</b>	<b>74%</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>260</b>	<b>70</b>	<b>73%</b>
Cash and cash equivalents at 1 January	591	623	(5%)
Effect of exchange rate changes on balances held in foreign currencies	(0)	(0)	
<b>Cash and cash equivalents at 31 March</b>	<b>851</b>	<b>693</b>	<b>18%</b>
<b>Non-cash transactions</b>			
Transfer provisions to other payables and accrued expenses	-	72.24	(100%)
Transfer provisions to accrued interest	-	2,230.99	(100%)
Transfer trade accounts payable to other payables and accrue	-	4,442.19	(100%)
liabilities under the process of debt restructuring	-	1,453.51	(100%)
Transfer accrued expenses to liabilities under the process of debt restructuring	-	612.84	(100%)
Transfer accrued interest expenses to liabilities under the process of debt restructuring	-	1,182.19	(100%)
Transfer accrued interest expenses to other payables and accr	-	206.58	(100%)
Transfer trade accounts payable to other payables and accrue	68.00	-	100%
Transfer advances received from customers to trade accounts	1.78	-	100%
The accompanying notes to interim financial statements			(100%)
are an integral part of these interim financial statements.			(100%)