

1. Highlights

	Unit: million Baht	2016	2015
Group	Group Revenues	11,669	12,260
	Group Sales Volume (k tons)	722	728
	Group EBITDA	1,285	155
	Group Net Profit (Loss)	(7)	(1,515)
HRC	HRC Sales (k tons)	722	728
	HRC Production Volume (k tons)	733	719
	HRC Average Selling Price (Bht./ton)	16,164	16,836
	HRC Cash Margin (Bht./Ton)	2,190	937
	Unit: million Baht	2016	2015
Group	Total Liabilities	5,871	6,051
	Total Asset	17,813	18,000
	Total Equity	11,942	11,949

- In year 2016, the Company has net loss amounted to THB 7 million which is improved performance as compared to last year which loss of THB 1,515 million due to;
 - Decreased in average cost of goods sold from last year by 12.9% whereas the average selling price is lower from last year by 4.2% resulting to the profit margin is higher as compared to last year.

- In year 2016 has gain on exchange rate in amounted of THB 54 million in which last year had loss on exchange rate in amounted of THB 338 million.
- Finance costs is decreased from last year by THB 89 million resulting from lower accrued interest to accounts payable and strengthen in THB as compared to US dollar

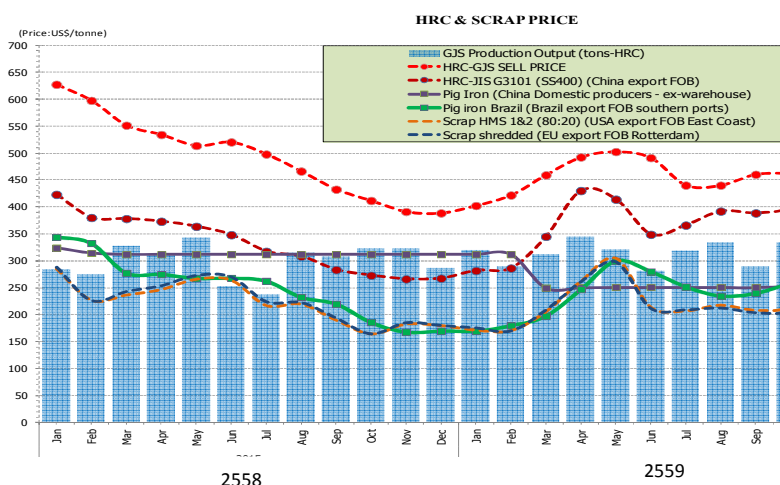
2. Business Outlook on Q1/2017

- The company expects the price increase around 10% in Q1/17 comparing to the previous quarter of which the average selling price is at THB 18.00- 19.00 / kg. While the sales volume and production are expected at the similar level of 170,000 – 180,00 tons for Q1/17 which is the same level of Q1/16.
- The Company has succeeded to control the conversion cost to the target level at the last year (best ever recorded since resumed the operation) resulting the significant increasing of cash margin. The company is positive to maintain the conversion cost through out the year 2017 as well.

3. Group CEO's Message

Executive summary

The company's operating results in year 2016 reported in total production of hot-rolled coils (HRC) and sales volume approximately 733,000 tons and 722,000 tons respectively, slightly increase compared with the previous year. The average selling price of HRC in 2016 was 16,163 baht/ ton, down 4% from last year due to threatening of imported HRC which still increased steadily. Moreover, the trend of HRC price in the world markets fell from the previous year (see below graph of HRC price during 2015-2016).



The company has still produced only off-peak period with utilization rate at 94%, nearly reach the full capacity, due to cost saving from lower electricity rate. With more effectiveness in production cost control in 2016, the company was able to reduce the production cost by 12.9% comparing with the previous year. Thanks to the greater of cost reduction than the drop of the selling price as mentioned above, the gross profit in year 2016 rose to Baht 795 million. Though its net result in year 2016 was still shown a slight loss of Baht 7 million, which turnaround from huge loss of Baht 1,515 million in the previous year, EBITDA for 2016 was quite impressive at Baht 1,285 million.

In this year 2017, the company is in the process of debt restructuring with the aim of enhancing its balance sheet and financial strength. The company has obtained the new long-term loans of USD 111 million with tenor of 5-7 years. Purpose of the loan is to repay legacy defaulted debts with foreign scrap suppliers and partial of loan amount will be utilized in order to ramp-up the production capacity for the upsurge demand of local HRC which has been driven by the public sector's investment in mega infrastructure projects including large projects in various industries.

4. Industry Overview and Outlook

Overview of World Steel Industry

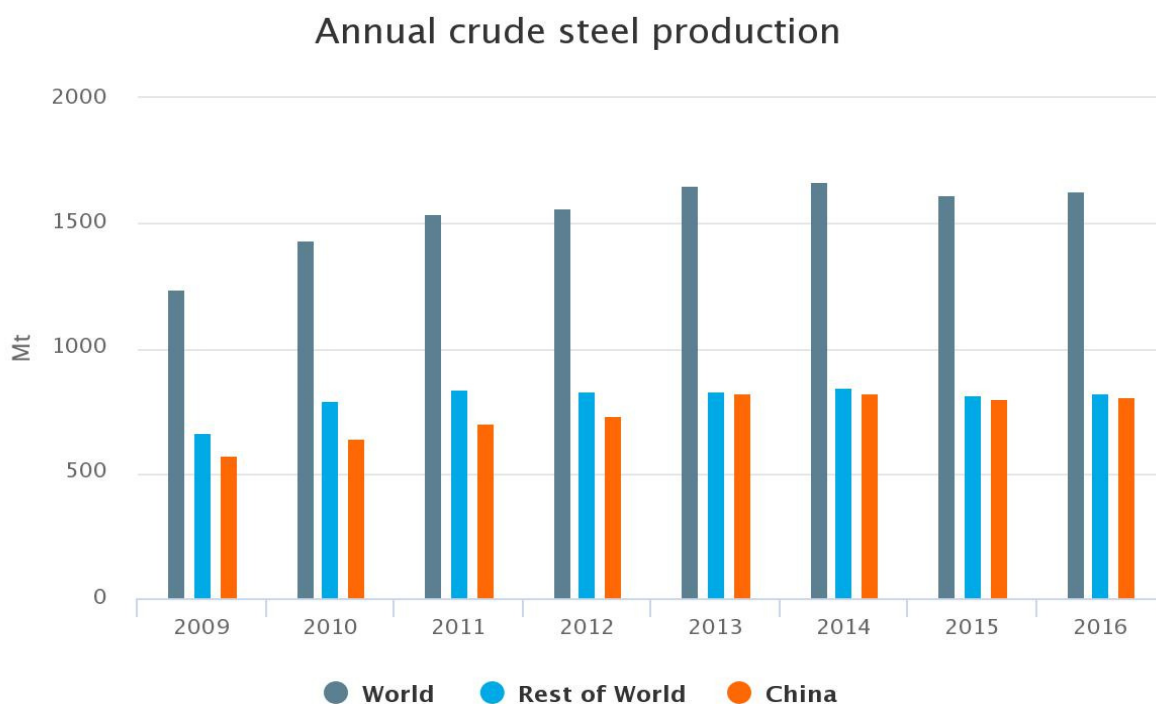
With reference to World Steel Association's report on crude steel production for the year 2016 (lately published on 24/1/17), the total crude steel production (all countries) was 1,628.5 million metric tons, an increase by 0.8% from previous year (2015). China was the biggest producing country with

808.4 million tons, up 1.2% from previous year, keeping away the 2nd rank Japan producing 104.8 million tons and India producing 95.6 million tons of crude steel.

The said situation reveals a concurrent movement of the world steel industry along with the world economy. In addition, the overall steel prices jumped up in the second half of 2016, especially in China; thus put the steel prices back on track, getting upturn to the recovery phase of the usual market mechanism. Anyhow, the implementation of free trade schemes among the bound parties were still going on according to the FTA frameworks for tariff reduction or cut as earlier agreed and committed to in a long run.

The trend for world crude steel production had already passed the stagnation state during the last 2 years (2015–2016), following the steel oversupply flooded the world market in 2014, which hit steel prices hard for the 2 years accordingly, after then demand and supply adjustment took place on movement towards equilibrium, and resulted in improved stability of the world market since Q4/2016 to date.

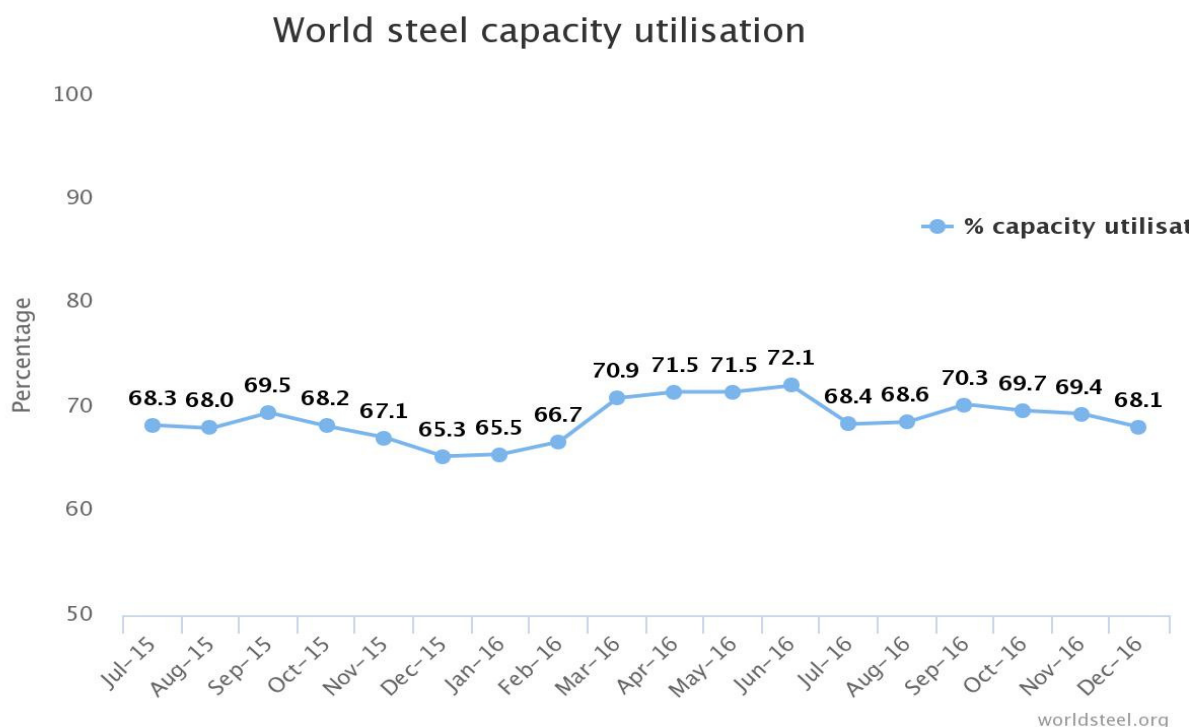
Chart of world crude steel production yearly, ending 2016



worldsteel.org

The world steel production capacity utilization rate (or ratio) swung between 65.5% – 72.1% throughout the year 2016, over the cycle, anyhow overall went on at higher level than previous year, somewhat improved but not so sound as it should be, while big portion of idle capacity still existed. Hence, the oversupply risk will pertain with high probability towards 2017 and afterwards, if China and major steel producing countries do not adequately use effective measures for steel production control.

Chart of world steel production capacity utilization, ending December 2016



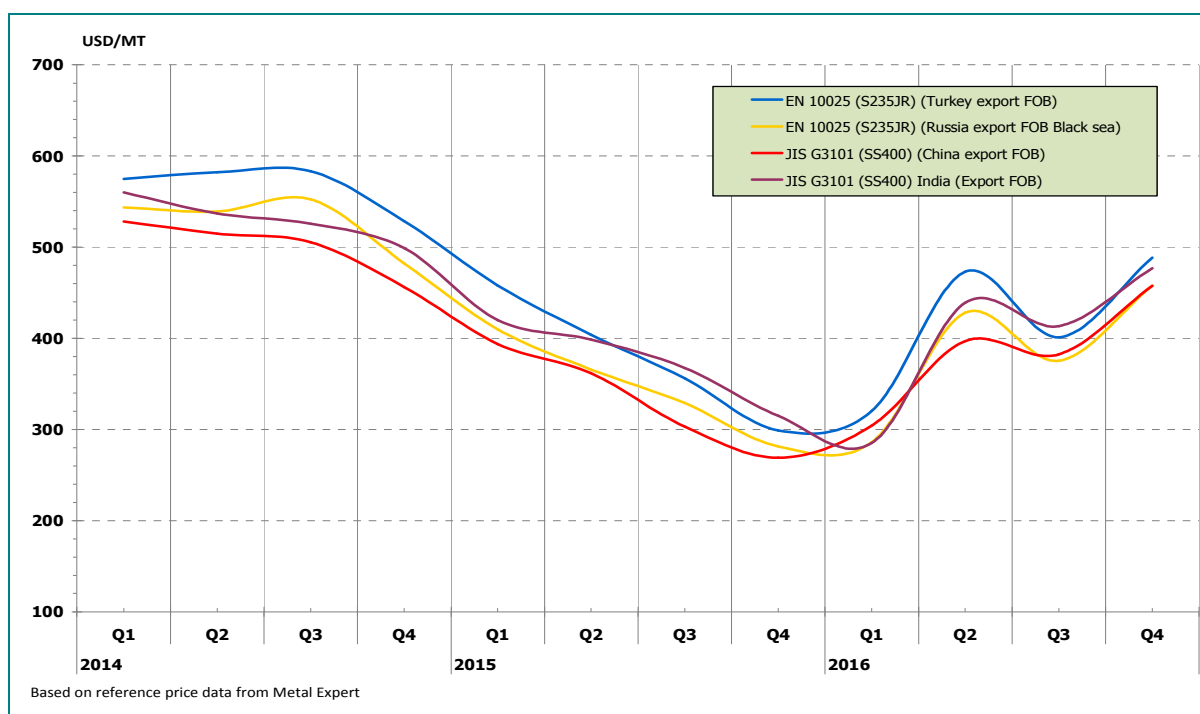
Source: World Steel Association

The prices for hot-rolled coil on the world market highly fluctuated throughout the year 2016, starting from the recovery from the trough at the beginning of year, then surged rapidly in the second quarter and dropped fast into the third quarter, and finally rebounded hard as a jump over the second quarter, where the latest price level saw the uptrend in the fourth quarter, signaling the adjustment phase of market prices that will clearly lead to a stable price level in 2017.

The reference prices for hot-rolled coil on the world market are as follow: (1) China export price average for Q4/2016 was USD458 per metric ton ("mt"), FOB, a rise from the same quarter of previous year (Q4/2015) average price USD269/mt, which was the lowest level within the recent cycle previous

year, meanwhile the reference prices for the whole year 2016 ranged from USD304 to 458/mt, higher than in previous year, where prices ranged from USD269 to 394/mt. In Q4/2016 Russia export price average was USD458/mt, FOB, equal to China export price, increased from the same quarter of previous year that stayed at USD281/mt. Likely, the market price movement direction was recently on the upturn after fluctuation during the year 2016, and almost fully recovered to a normal state.

Chart of hot-rolled coil reference prices on world market for Q1/2014 – Q4/2016



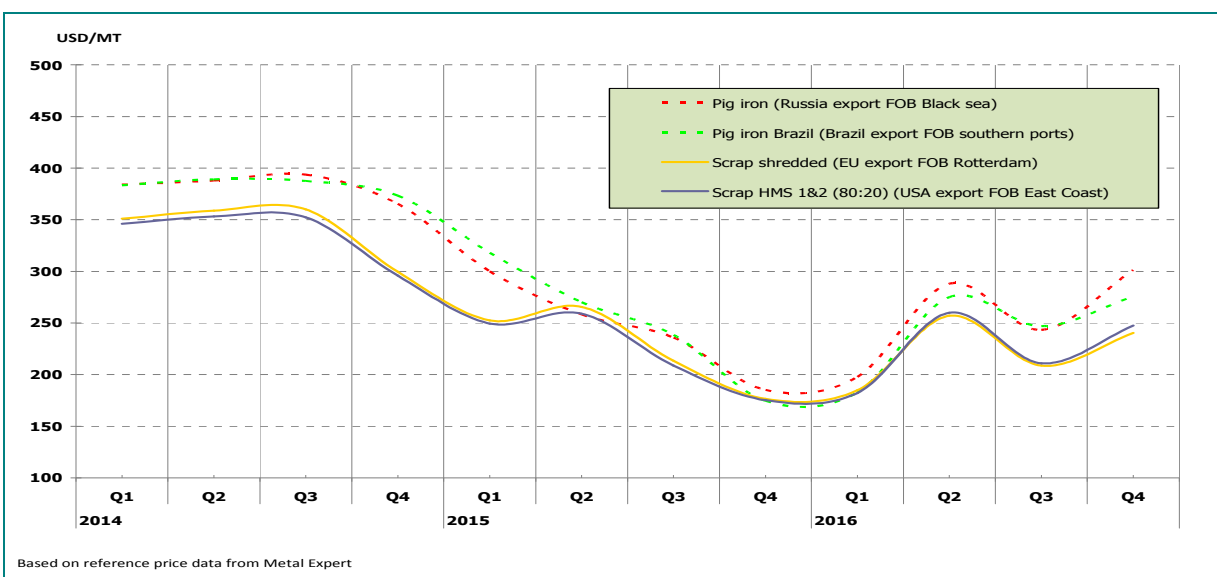
Processed price data from: Metal Expert

The main raw materials, i.e. scraps and pig iron, followed the same pattern of movement of the above-mentioned hot-rolled coil prices, or say, started to recover from the beginning of year 2016, then fluctuated during the second and third quarters, and rebounded to a higher level in Q4/2016, at a comparable level to that of the second quarter. The recent changes in raw material prices happened in shorter period than in 2015, thus have 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 than

ever. Anyhow, the movement direction of raw material prices in the fourth quarter was seen a little lagging behind the hot-rolled coil prices. The Company's management understand such the situation was short-term when the raw material inventories overweighed the hot-rolled coil finished goods inventories, then afterwards would be followed by a balancing state where both the movements get along in harmony.

The raw material reference prices on the world market are that the HMS 1&2 (80:20 ratio) scrap USA export price in the fourth quarter of 2016 was averaged at USD247/mt, FOB, a rise from USD175/mt in the same quarter of previous year, and 2016 yearly averaged at USD182–247/mt, nearly the same level of previous year (2015) where the range was USD175–259/mt, and (2) pig iron Russia export price averaged at USD301/mt in Q4/2016, down from USD185 in the same quarter of previous year that was the trough of recent cycle, and yearly averaged USD198–301/mt, similar to the year 2015 average range of USD185–300. The movement of pig iron prices was consequence to the changed production cost structure of iron making industry of the major iron and steel producing countries, especially the effects from the significant coking coal price surges; anyhow going along on the same trend with scrap prices on the way towards normal market price levels.

Chart of raw material reference prices on world market for Q1/2014 – Q4/2016



Processed price data from: Metal Expert

Overview of Hot Rolled Steel in Thailand

ISIT had reported the domestic steel-production Q4/2016 was at 2.18 million metric tons, increasing 56.98% compared to the same period of previous year consisting of the long finished steel production of 1.46 million metric tons, increasing 86.16% and the flat finished steel production of 0.714 million metric tons, increasing 18.87% compared to the same period of previous year. The cumulative of the domestic steel-production of 2016 was 7.97 million metric tons, increasing 22.77% compared to year 2015.

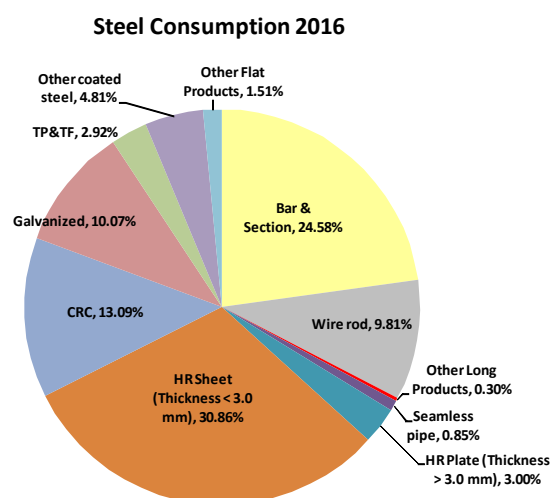
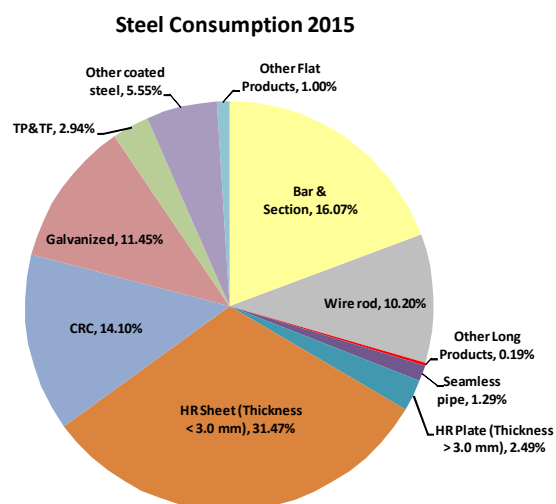
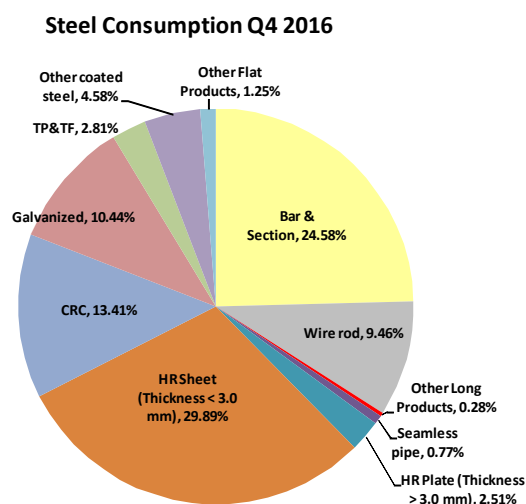
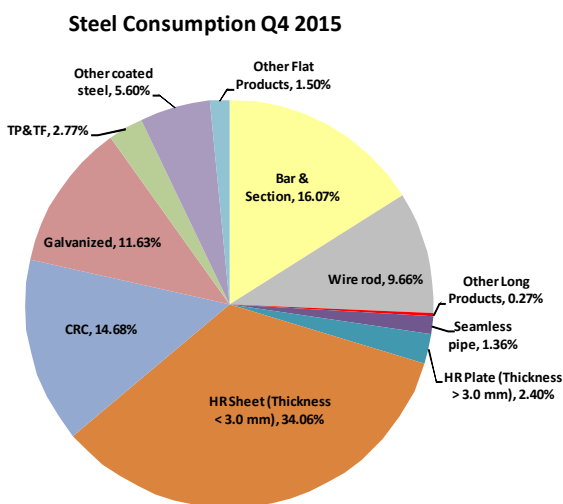
The consumption of finished steel products in Thailand in Q4/2016 was at 4.87 million metric tons, increasing 31.88% compared to the same period of previous year consisting of the long finished steel consumption at 1.99 million metric tons, increasing 65.63% resulting from the more consumption of structural steel and wire rods and the flat finished steel consumption at 2.88 million metric tons, increasing 15.60% resulting from the demand of Hot Rolled Steel, Cold Rolled Steel and Coated Steel which increasing compared to the same period of previous year. The cumulative of the consumption of finished steel products in Thailand of 2016 was 19.29 million metric tons, increasing 15.30% compared to year 2015.

Table : The production and the domestic demand of Finished Steel in Q4 2015 and 2016

Total Apparent Finished Steel (Unit : Tons)	Quarter 4 / 2015	Quarter 4 / 2016	% Change	2015	2016	% Change
Production	1,386,135	2,175,907	56.98%	6,494,991	7,974,175	22.77%
Import	2,595,330	3,015,663	16.20%	11,436,483	12,614,629	10.30%
Export	289,887	322,997	11.42%	1,197,808	1,294,821	8.10%
Consumption	3,691,578	4,868,574	31.88%	16,733,667	19,293,982	15.30%

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

The imported of finished steel in Thailand in Q4/2016 was at 3.02 million metric tons, increasing 16.20% compared to the same period of previous year. The highest import quantity was Hot Rolled Steel at 1.04 million metric tons, increasing 11.17% compared to the same period of previous year. The second highest import quantity was Galvanize steel at 0.42 million metric tons and Wire rod at 0.39 million metric tons respectively. The cumulative of the steel import of 2016 was 12.61 million metric tons, increasing 10.30% compared to year 2015.



The export of finished steel in Thailand in Q4/2016 was at 0.32 million metric tons, increasing 11.42% compared to the same period of previous year. The highest export quantity was structural steel at 84.2 thousand metric tons. The export of deformed bars for construction in Q4/2016 was at 47.9 thousand metric tons. The cumulative of the steel export of 2016 was 1.29 million metric tons, increasing 8.10% compared to year 2015.

Overview of Hot Rolled Steel in Thailand

The Hot Rolled Steel production in Q4/2016 was at 0.71 million metric tons, increasing 18.87% consisting of thin gauge at 0.68 million metric tons, increasing 20.22% and Thick gauge at 31.6 thousand metric tons, decreasing 4.29% compared to the same period of previous year. The cumulative of the domestic hot rolled steel production of 2016 was 2.67 million metric tons, increasing 8.16% compared to year 2015.

The Hot Rolled Steel consumption in Q4/2016 was at 1.76 million metric tons, increasing 14.24% consisting of thin gauge at 1.62 million metric tons, increasing 12.74% and thick gauge at 0.14 million metric tons, increasing 35.40% compared to the same period of previous year. The cumulative of the domestic hot rolled steel consumption of 2016 was 7.34 million metric tons, increasing 13.09% compared to year 2015.

Table : The production and the domestic demand of the Hot Roll Flat Steel for Q4 2015 and 2016

Total Hot Roll (Unit : Tons) (Excluding Stainless Steel)	Quarter 4 / 2015	Quarter 4 / 2016	% Change	2015	2016	% Change
Production	601,089	714,496	18.87%	2,471,223	2,672,928	8.16%
Import	938,196	1,043,031	11.17%	4,032,534	4,684,252	16.16%
Export	2,318	1,662	-28.30%	12,699	16,195	27.53%
Consumption	1,536,967	1,755,865	14.24%	6,491,058	7,340,985	13.09%

Total Hot Roll Plate (Unit : Tons) (Excluding Stainless Steel, Thickness > 3 mm.)	Quarter 4 / 2015	Quarter 4 / 2016	% Change	2015	2016	% Change
Production	33,079	31,659	-4.29%	155,641	175,016	12.45%
Import	69,124	106,882	54.62%	325,665	486,363	49.34%
Export	182	408	124.06%	3,577	3,296	-7.84%
Consumption	102,021	138,133	35.40%	477,729	658,082	37.75%

Total Hot Roll Sheet (Unit : Tons) (Excluding Stainless Steel, Thickness < 3 mm.)	Quarter 4 / 2015	Quarter 4 / 2016	% Change	2015	2016	% Change
Production	568,010	682,837	20.22%	2,315,581	2,497,912	7.87%
Import	869,072	936,149	7.72%	3,706,869	4,197,890	13.25%
Export	2,136	1,254	-41.28%	9,122	12,899	41.40%
Consumption	1,434,946	1,617,731	12.74%	6,013,328	6,682,903	11.13%

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

The import of Hot Rolled Steel in Q4/2016 had increased of 11.17% at 1.04 million metric tons consisting of thin gauge at 0.94 million metric tons, increasing of 7.72% and at 0.11 million metric tons, increasing 54.62% for the thick gauge compared to the same period of previous year. The cumulative of the hot rolled steel import of 2016 was 4.68 million metric tons, increasing 16.16% compared to year 2015.

The export of Hot Rolled Steel in Thailand in Q4/2016 was at 1.66 thousand metric tons, decreasing 28.30% consisting of thin gauge at 1.25 thousand metric tons, decreasing of 41.28% and at 4.08 hundred metric tons, increasing 124.06% for the thick gauge compared to the same period of previous year. The cumulative of the hot rolled steel export of 2016 was 16.2 thousand metric tons, increasing 27.53% compared to year 2015.

5. Performance of the Company and its Subsidiaries

Operating results

The Company reported a net loss of THB 7 million and THB 1,515 million for the year 2016 and 2015 in respectively. The main results caused from:

- **Revenue from sales and cost of goods sold**

The Company had total sales volume decreased from 728,224 tons in year 2015 to 721,972 tons in year 2016, or sale volume decreased by 0.9%. At the meantime, the average selling price decreased from THB 16,836 per ton in year 2015 to THB 16,163 per ton in year 2016 or decreased by 4.2%.

Revenue from sales for the year 2016 and 2015 amounting to THB 11,669 million and THB 12,260 million in respectively, and gross profit (loss) amounted to THB 795 million and THB (130) million in respectively. The major factor contributing to the increase of gross profit was the reduction in average costs of goods sold (12.9% lower) in the proportion greater than the average selling price decrease or 4.2% lower.

- **Cost of goods sold – idle cost**

The Company had an idle cost increase from THB 56 million in year 2015 to THB 66 million in year 2016 due to the amount of number of non-productive hours (during annual shut down plan) is higher in year 2016 than year 2015.

- **Cost of goods sold - reversal of loss on devaluation of inventories**

The Company had recorded reversal of loss on devaluation of inventories of THB 9 million due to the increased average selling price in this year.

- **Selling expenses**

Selling expenses for the year 2016 and 2015 amounting to THB 160 million and THB 161 million in respectively, lower by 0.6% which is the same proportion of sale volume decreased by 0.9%.

- **Administrative expenses**

Administrative expenses for the year 2016 and 2015 amounted to THB 529 million and THB 564 million in respectively. The decreased of administrative expenses of THB 35 million resulted from decreased in professional and consulting service fee and other expenses.

- **Financial costs**

The financial costs for the year 2016 and 2015 amounted to THB 203 million and THB 292 million in respectively. The decreased of financial costs of THB 89 million resulted from the decreased in interest payable to trade creditors and strengthen of Thai Baht against US dollar.

- **Net foreign exchange gain**

The Company had a net gain on foreign exchange for the year 2016 amounted to THB 54 million of which derived from the strengthen of the Thai Baht against the US dollar.

- **Gain from debt restructuring**

The Company had recorded gain from debt restructuring for the year 2016 amounted to THB 8 million due to the successful of negotiation of the company's management.

- **Other incomes**

For the year 2016, the Company had other incomes amounted to THB 22 million major caused from the sales of by product.

6. Consolidated Financial Status

Statement of financial positions

- **Total assets**

As of 31 December 2016, the Company had total assets amounted to THB 17,813 million which was consistent from year 2015. Total current assets amounted to THB 1,752 million, increased by 56% from year 2015 and total non current assets amounted to THB 16,060 million, decreased by 5% from year 2015. The increased in current assets mainly derived from the increase cash and cash equivalent and inventories due to the Company has a reserved for working capital and the increasing in selling price of HRC in the beginning of year 2017.

- **Total Liabilities**

As of 31 December 2016, the Company had total liabilities amounted to THB 5,871 million which decreased THB 180 million or 3% decreased from year 2015. This was a consequence of the decreased in non current liabilities due to the redemption in debentures.

- **Total equity**

As of 31 December 2016, the Company had total equity amounted to THB 11,942 million decreased THB 7 million or 0.3% from year 2015 due to the net loss of year 2016 contributed.

7. Recent Development

Marketing development — In 2016 the Company produced, commercially sold and made deliveries of the fine-tuned or modified specifications of hot-rolled coil products to the existing customers consecutively to the initiative success achieved throughout the year 2016 as well as the successful of new hot – rolled coil products launching. Moreover, the Company implemented the after-sale follow-up plan on the customers' usages of the Company's products to further conduct analysis along with customers' suggestions received in order to continuously improve product quality. The sales of fine-tuned products will still be promoted in order to enhance the customers' satisfaction and increase the Company's competitiveness in the market.

In addition, the Company has initiated and prepared a joint market research on the hot-rolled flat products market in Thailand with a reliable external organization as research partner, and also systematically prepared a comprehensive marketing plan for the next year (2017) onwards for approaching new value-added customer groups and to expand its customer base, by aiming at new users for hot-rolled coil, with the product specifications that the Company is capable to produce, to capture more market share and to generate higher revenue in short and long runs, in accordance with real market demand, amidst dynamic business and industry environment.

Appendix

Table 4: Summary of Consolidated Financial Results

Unit : Million Baht	December 2016	December 2015	+/-
Income			
Revenue from sale of goods	11,669	12,260	(5%)
Net foreign exchange gains	54	-	100%
Gain from debt restructuring	8	7	100%
Other income	22	36	(39%)
Total income	11,753	12,303	(4%)
Expenses			
Cost of sale - Cost of goods sold	10,809	12,390	(13%)
- Cost of goods sold	66	56	18%
- Cost of goods sold	(9)	(6)	45%
Total cost of sale	10,866	12,441	(13%)
Selling expenses	160	161	(1%)
Administrative expenses	529	564	(6%)
Bad and doubtful debts expense	1	-	3221%
Net foreign exchange loss	-	338	(100%)
Loss on impairment of assets	-	23	(100%)
Finance costs	203	292	(30%)
Total expenses	11,760	13,818	(15%)
Loss for the year	(7)	(1,515)	(100%)
Basic loss per share (in Baht)	(0.001)	(0.143)	(100%)

Table 5: Condensed Consolidated Statement of Financial Position

Unit : Million Baht	December 2016	December 2015	+/-
Assets			
Current assets			
Cash and cash equivalents	610	157	288%
Trade accounts receivable	196	215	(9%)
Inventories	855	661	29%
Other current assets	92	88	4%
Total current assets	1,752	1,121	56%
Non-current assets			
Advance payment for purchase of property, plant and equipment	210	210	0%
Property, plant and equipment	15,558	16,447	(5%)
Intangible assets	8	9	(15%)
Other non-current assets	284	212	34%
Total non-current assets	16,060	16,879	(5%)
Total assets	17,813	18,000	(1%)

Table 5: Condensed Consolidated Statement of Financial Position

Unit : Million Baht	December 2016	December 2015	+/-
Liabilities and equity			
Current liabilities			
Trade accounts payable	2,039	2,045	(0%)
Other payables and accrued expenses	1,239	1,186	4%
Advance from customers	190	178	7%
Short-term loan from other parties	19	30	(38%)
Accrued interest expenses	1,478	1,290	15%
Current portion of liabilities under rehabilitation plan	226	242	(7%)
Provisions	72	-	100%
Other current liabilities	35	35	0%
Total current liabilities	5,298	5,006	6%
Non-current liabilities			
Trade accounts payable	-	15	(100%)
Other payables and accrued expenses	456	640	(29%)
Debentures	63	343	(82%)
Employee benefit obligations	54	47	14%
Total non-current liabilities	573	1,045	(45%)
Total liabilities	5,871	6,051	(3%)
Total equity	11,942	11,949	0%
Total liabilities and equity	17,813	18,000	-1%

Table 6: Condensed Statement of Cash Flow

Unit : Million Baht

Jan - Dec 2016

Cash flows from operating activities

Net profit (Loss) for the period	(7)
Adjustments for	
Depreciation and amortisation	1,021
Interest income	(3)
Finance costs	203
Gain from debt restructuring	(8)
Unrealised loss (gain) on foreign exchange	(21)
(Reversal of) bad and doubtful debts expense	1
(Reversal of) loss on devaluation of inventories	(8)
Provision for tax-related liabilities	72
Employee benefit expenses	7
Loss on write-off of assets	(1)
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	1,256

Changes in operating assets and liabilities

Trade accounts receivable	19
Inventories	(185)
Advances to suppliers	(3)
Other current assets	(0)
Other non-current assets	(169)
Trade accounts payable	(9)
Advances received from customers	12
Other payables and accrued expenses	(91)
Other current liabilities	0
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Net cash from (used in) operating activities	830

Cash flows from investing activities

Interest received	3
Purchase of property, plant and equipment	(33)
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Net cash from (used in) investing activities	(30)

Table 6: Condensed Statement of Cash Flow

Unit : Million Baht

Jan - Dec 2016

Cash flows from financing activities

Finance costs paid (40)

Repayment of liabilities under rehabilitation plan (15)

Repayment of short-term loan from other parties (12)

Payment for redemption of debentures (281)

Net cash from (used in) financing activities (347)
Net increase (decrease) in cash and cash equivalents 453

Cash and cash equivalents at 1 January 2016 157

Effect of exchange rate changes on balances held in foreign currencies -

Cash and cash equivalents at 31 December 2016 610