

ที่ GJS/ELCID-21/2015

November 16th, 2015

Subject : Explanation of operational results for the 3rd quarter of 2015

Attention : President

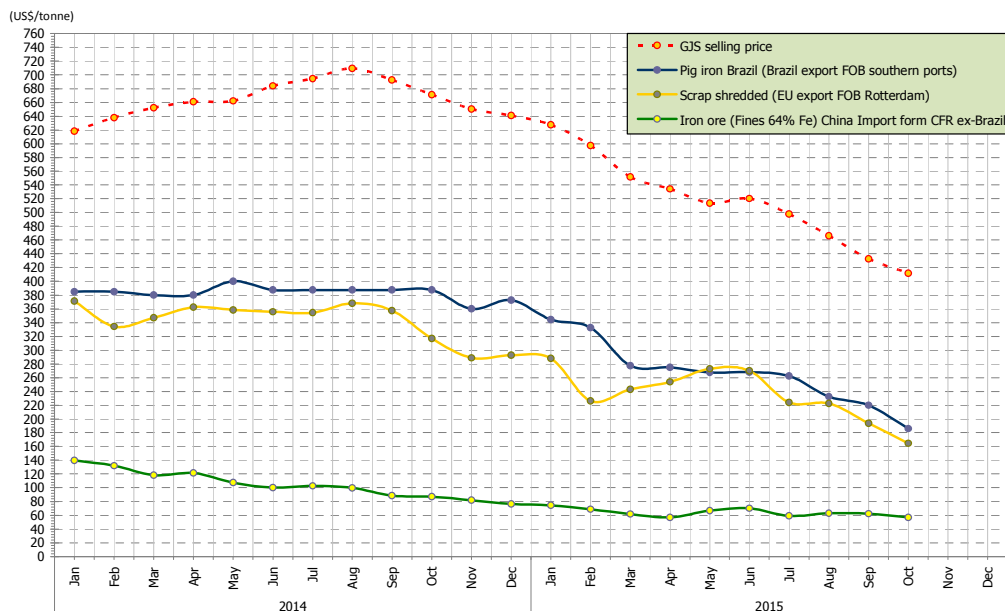
Stock Exchange of Thailand

Reference : 3rd quarter of 2015 Financial Statements of G Steel Public Company Limited (the "Company")

Due to the continuously declining of commodities price, including Pig Iron, scrap and hot rolled coil (HRC) since December 2014, the local average HRC price at 21,097 Baht / ton has decreased in every month, which is in line with the raw material price of HRC. Thus, the price of HRC at the end of 3rd quarter of 2015 down to 24.3% or Baht 15,956 / ton.

The main factors that keeping prices of raw materials and HRC continuing decline. 1) No clearly sign of the world economy and local recovery and 2) The over supply of commodities and HRC, especially the production figures from China which exceed than twice of global demand.

MONTHLY STEEL REFERENCE PRICE



- **Financial Statement**

With reference to the aforementioned financial statements, the Company reports a consolidated net loss of THB 1,940 million and THB 204 million for the 3rd quarter of 2015 and 2014, respectively. The Company (separate) reports a net loss of THB 1,545 million and THB 405 million for the 3rd quarter of 2015 and 2014, respectively. To this extent, the Company would like to provide the following explanations.

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

Although domestic demand has not yet improved, and the supply of the HRC in the world is still over, the company could recorded a sales volume increase for the first nine months from 798,046 tons in 2014 to 1,014,713 tons in 2015, increase 27.1% (Separated Financial Statement: 269,794 tons and 484,985 tons, in 2014 and 2015 respectively).

Consolidated revenue from sales for the 3rd quarter of 2015 and 2014 amounting to THB 4,331 million and THB 7,188 million, respectively, (Separate: THB 1,840 million and THB 3,323 million for the 3rd quarter of 2015 and 2014, respectively), and consolidated gross profit for the 3rd quarter of 2015 and 2014 amounting to THB 57 million THB 344 million, respectively, (Separate: gross loss THB 46 million and gross profit THB 75 million for the 3rd quarter of 2015 and 2014, respectively). The major factors contributing to the reduction in gross profit of the 3rd quarter of 2015 is the decrease in average selling price greater than the decrease in average cost of sales of goods. As it is a consequence of a raw materials price imported for previous 2-3 months, due to the lead time of raw materials imported, whereby the HRC price was at current.

Per Q3/15, Consolidated financial statement the Company recorded net loss at THB 1,940 million comparing to THB 204 million net loss for Q3/14 (Separate : THB 1,545 million loss – Q3/15 and THB 405 million net loss – Q3/14).

The company would like to draw the attention for the loss from Non-recurring items amounting to THB 1,185 million of which mainly affected by;

- **Net foreign exchange loss**

The Company recorded consolidated net loss on foreign exchange (un-realized loss) for the 3rd quarter of 2015 amounting to THB 775 million (Separate: THB 595 million). The loss is attributed to the devaluation of the Thai Baht versus the US dollar.

- **Loss on devaluation of inventories and raw materials**

The Company recorded net loss on devaluation of inventories and loss on confirmed purchase order for undelivered raw material THB 410 million for the 3rd Quarter of 2015 (Separate Financial Statement: THB 332 million).

- **Selling expenses**

Consolidated selling expenses for the 3rd quarter of 2015 and 2014 amounting to THB 89 million and THB 130 million, respectively, (Separate: THB 56 million and THB 91 million, respectively). The decrease in selling expenses for the 3rd quarter of 2015 is primarily attributed to the decrease in sales volume.

- **Administrative expenses**

Consolidated administrative expenses for the 3rd quarter of 2015 and 2014 amounting to THB 318 million and THB 255 million, respectively, (Separate: THB 138 million and THB 102 million, respectively). The increase of THB 63 million (Consolidated) and THB 36 million (Separate) is primarily attributed to the increase in idle expenses.

- **Financial costs**

Consolidated financial costs for the 3rd quarter of 2015 and 2014 amounting to THB 158 million and THB 173 million, respectively. The decrease of THB 15 million is due to some debts are settled.

Please be informed and distribute accordingly.

Yours Sincerely,

-Signature-

(Ms. Soontareeya Wongsirikul)

Director