

Management Discussion and Analysis Yearly ending 31 December 2019

1. Highlights

	Unit : million Baht	Y2019	Y2018
Group	Group Revenues	17,416	29,966
	Group Net Profit (Loss)	1,457	(2,358)
HRC	HRC Sales (k tons)	970	1,450
	HRC Production Volume (k tons)	1,024	2,066
	HRC Average Selling Price (Bht/Ton)	17,950	20,662
	Unit : million Baht	31-Dec-19	31-Dec-18
Group	Total Assets	26,400	30,632
	Total Liabilities	9,219	20,532
	Total Equity	7,014	172
	Minority	10,168	9,928

The Consolidated sale revenue posted stood at Baht 17,416 million decreased by Baht 12,549 million compared to last year since both sale volume and average selling price decreased considerably due to slowdown in Thai economy, strengthening of Thai Baht, and surge in imports of Alloy Steel and Galvanised HRC post expiry of safeguard duties. While total shipment volumes dropped by 33%, the selling prices dropped by 13%

The Company reported sale revenue of Baht 4,494 million which is an increase by Baht 4,438 million compared to Last Year since the Company resumed own production since May 2019 after Termination of Tolling Agreement by GJ Steel Public Company Limited in February 2019.

The Company reported a net profit of Baht 3,345 million compared to loss of Baht 1,810 million last year mainly due to waiver of interest of Baht 5,506 from creditors consequent to conversion of the Debt to Equity, Gain from capital reduction in Subsidiary Baht 1,130 million and Foreign Exchange gain of Baht 684 million.

Significant events during the quarter are -

- Restructuring of Debt of Baht 4,195 million to Equity and waiver of interest as above, thereby increasing the Profit and Equity of the Company.
- Sale of Assets under construction to Free Zone in order to alleviate payment of import duty, VAT, Customs Duty & Penalty. This resulted in Loss from sale of fixed assets Baht 946 million.
- Restructuring of SBLC into deemed loan of USD 12.8 million.

2. Business Outlook

While the Company is gradually regaining its market share back post shutdown from February 2019 to April 2019, the current slowdown continues to pose challenges. Thailand registered a GDP growth of only 2.4% during 2019 against 4.1% in 2018 with the fourth quarter 2019 growth at merely 1.6%.

Further, Total Hot Rolled Steel consumption for 2019 at 6.66 million MT decreased by 8% compared to 2018. Meanwhile, imports of Hot Rolled Steel increased by 2% to 4.04 million MT due to strengthening of THB and removal of safeguard against Alloy Steel since February 2020. The imports constituted 60% of the total consumption in 2019 compared to 54% in 2018. The decrease in total consumption coupled with surge in imports led to 22% decrease in Domestic production compared with 2018. As per ISIT the Domestic capacity utilization was thus reduced to 29% in 2019 compared to 37% in 2018. To regain the market share and reduce imports, the Company had to resort to very competitive pricing which impacted the EBITDA adversely.

These matters are being taken up by all the Steel Associations with the Government at various levels and the Government is taking steps to address the issues. Significant steps are –

- The announcement of revised Anti-dumping and Countervailing of Foreign Products Act, B.E. 2562 (A.D. 2019) with the additional provision relating to anti-dumping and countervailing measurement from November 2019. The Regulations and Notifications to make the Act operative is expected to be announced in the next few months.
- The Government has also imposed Anti Dumping on Steel Pipes and Tubes from Vietnam for a period of 5 years on 12th February 2020.
- Anti Dumping Committee has already initiated the Anti Dumping investigation for Cold Rolled GI product from China on 21st February 2020.

3. Performance of the Company

Operating Results

The Company reported a net profit of Baht 3,345 million compared to loss of Baht 1,810 million last year as explained above. The consolidated post net profit for the year 2019 by Baht 1,457 million, increased by Baht 3,816 million from last year net loss of Baht 2,358 million.

Revenue from sale and cost of sale

The Company reported sale revenue of Baht 4,494 million which is an increase by Baht 4,438 million compared to Last Year as explained above. The consolidated sale revenue of Baht 17,416 million decreased by Baht 12,549 million or 42% compared to last year due to the drop of 33% in sale volume and 13% in selling price.

Selling Expenses

The Company recorded selling expense of Baht 64 million, which increased by Baht 61 million compared to last year because the Company produced for its own sale in this year but under tolling contract last year.

Consolidated selling expenses for the year 2019 amounted to Baht 239 million which decreased by Baht 126 million compared to last year due to decrease in sales volume.

Administrative Expenses

The Company recorded administrative expenses of Baht 378 million for year 2019 and Baht 155 million for 2018. The increase by Baht 223 million, mainly came from the expenses allocated from administrative expense to tolling service expense for Baht 187 million last year, while the allocation reduced only to Baht 18 million in Year 2019 and the balance was charged to administration expenses. (The tolling service contract terminated on 31 January 2019). The Company also recorded expenses for fees of Baht 67 million in year 2019 according to Financial Advisory Services Agreement.

Total consolidated administrative expense for the year 2019 and 2018 amounting to Baht 940 million and Baht 843 million, respectively, increased by Baht 97 million.

Gain from debt restructuring

Consolidated gain from debt restructuring amounted to Baht 5,506 million which resulted from compromise agreements signed by the Company with many creditors whereby debt was converted to equity along with interest haircut from 8 creditors.

Net gain on foreign exchange rate

The consolidated financials recorded a net gain on foreign exchange amounting to Baht 976 million due to the appreciation of the Thai Baht versus the US dollar (Separate: Baht 684 million).

4. Statement of financial positions

Total Assets

As of 31 December 2019, the consolidated total assets amounted to Baht 26,400 million, which decreased by Baht 4,232 million or 14% from year ended 2018, totaling to Baht 30,632 million. Out of the total assets, Current Assets amounted to Baht 3,590 million, decreased 34% and non-current assets amounted to Baht 22,810 million, decreased 9% from year ended 2018. Current Assets reduction mainly on account of decrease in inventory of subsidiary, Non-current assets decreased mainly due to sale of Assets under Construction.

Cash and cash equivalent

As at 31 December 2019, the Consolidated cash and cash equivalent balance was Baht 464 million, which increased by Baht 206 million or 80% from year ended 2018. The Cash and Cash Equivalent for the Company decreased by Baht 17 million.

Cash Flow

- Net cash flows used in operating activities Baht 599 million
- Net cash flows used in investing activities Baht 134 million.
- Net cash flows provided by financing activities Baht 939 million.

(For further details please refer to the Statement of cash flows as attached)

Inventories

Inventories of the consolidated Financial Statement amounted to Baht 2,632 million or 10% of total assets, which reduced by Baht 1,979 million from year ended 2018 mainly due to the decrease of the inventory of the Subsidiary. Inventory of the Company increase by Baht 603 million due to resumption of production for its own sale post termination of Tolling.

Total liabilities

Total liabilities of the consolidated Financial Statement as at 31 December 2019 amounted to Baht 9,219 million, which decreased by Baht 11,313 million or 55% from year ended 2018 since the Company converted debt to equity creditors according to debt to equity program in December 2019.

Current liabilities decreased Baht 13,408 million due to:

- Other payables and accrued expenses decreased by Baht 6,012 million mainly from the debt to equity conversion program and reclassify current liabilities to Non-current liabilities according to Debt Restructuring Agreement and Debt Amendment Agreement of the Company.
- Accrued interest expenses decreased by Baht 4,780 million mainly came from interest hair-cut according to compromise agreements and debt to equity conversion program.
- Trade accounts payable decreased by Baht 1,379 million, mainly due to the repayment of liabilities by the subsidiary. Trade accounts payable of the Company increased by Baht 315 million due to resumption of own operations.
- Short-term loan from related parties decreased by Baht 458 million. Mainly from subsidiary. The Company's short-term loan from related parties decreased by Baht 26 million due to the Company repayment some short term loan to subsidiary (GS Securities holdings company) amounting to Baht 714 million, remaining by Baht 313 million. And repayment loan to GJ Steel Baht 94 million (At year ended, no outstanding debt with GJS) and it had reclassified from current liability to non-current liability Baht 30 million according to compromise agreement. Nevertheless, debt increase from the Company as it entered into non-revolving USD short term loan facility 14.1 million with Link Capital I (Mauritius) Limited and Debt from Standby LC devolvement around USD 12.8 million.
- Short-term loan from financial institution decreased by Baht 213 million due to repayment of the debt by the Company as per the Debt Settlement Agreement.
- Liabilities from terminated rehabilitation plan and compromise decreased by Baht 171 million. Resulted from entered into compromise agreement with some creditors. The Company partly repaid some debt and converted balance debt to equity per the agreement.

Short-term loan from other parties decreased by Baht 107 million resulting from compromise agreement signed by the Company and part if this amounting to Baht 25 million was reclassified as Non-current liabilities and converted to equity amounting to Baht 82 million.

Non-current liabilities increased Baht 2,094 million derived from:

- Long-term loan from related party increased by Baht 817 million. The Company decreased by Baht 201 million since the Company repay long term loan to subsidiary (GS Securities holdings company) amounted to Baht 1,086 million, however, the Company had new non-revolving USD working capital facility 30.0 million USD with Link Capital I (Mauritius) Limited.
- Liabilities under rehabilitation plan and compromise agreement increase Baht 218 million due to Compromise Agreement signed with some creditors so the Company got extension for the repayment and the liabilities under Current Liabilities was reclassified to Non- Current Liabilities.
- Other payables and accrued expenses increased by Baht 1,019 million. Resulted from reclassified current liabilities to Non- current liabilities according to Debt Restructuring Agreement and Debt Amendment Agreement of the Company with one creditor.

Shareholders' equity

As of 31 December 2019, the Consolidated Financial Statement had the shareholders' equity of Baht 17,182 million which increased by Baht 7,081 million YoY. It came from both the Company and subsidiary. The Company had net profit by Baht 3,345 million which resulted from the creditor's debt reduction according to compromise agreement, gain from exchange rate etc.

Summary of significant financial ratio (consolidated financial statements)

Financial Ratio	2019	2018	2017
Liquidity ratio (time)	0.62	0.29	0.31
Debt-to-equity ratio (time)	0.54	2.03	1.60
Gross Profit margin (%)	(10.69)	(0.77)	2.83
Net profit margin to sales* (%)	15.19	(5.55)	(1.51)
Average return on equity** (%)	73.65	(154.97)	(18.81)
Average return on assets*** (%)	9.28	(5.29)	(1.20)
Net profit (loss) per share (Baht)	0.31	(0.24)	(0.06)
Net book value per share**** (Baht)	0.81	0.03	0.29

* Calculate from the profit (loss) of the parent company which excluding Non-controlling interests

** Calculate from the profit (loss) of the parent company divided by total shareholders' equity (Exclude Non-controlling interests)

*** Calculate from the profit (loss) of the parent company which excluding Non-controlling interests

**** Calculate from total shareholders' equity (Exclude Non-controlling interests)

G Steel Public Company Limited and its Subsidiaries

Statements of financial position

	Consolidated		+ (-) %
	financial statements		
	As at 31 December		
Assets	2019	2018	
	<i>(in Baht)</i>		
Current assets			
Cash and cash equivalents	464,124,155	258,184,077	44%
Temporary investment-trading security	4,940,906	11,495,626	-133%
Trade accounts receivable	35,971,335	13,804,613	62%
Amounts receivable from related parties	-	-	
Inventories	2,632,038,201	4,611,490,629	-75%
Other current assets	453,052,255	565,994,428	-25%
Total current assets	3,590,126,852	5,460,969,373	-52%
Non-current assets			
Investments in subsidiaries	-	-	
Advance payment for purchases of property, plant and equipment	210,000,000	210,000,000	0%
Property, plant and equipment	21,859,607,733	24,384,466,002	-12%
Intangible assets	9,188,016	11,539,972	-26%
Other non-current assets	731,533,456	565,467,084	23%
Total non-current assets	22,810,329,205	25,171,473,058	-10%
Total assets	26,400,456,057	30,632,442,431	-16%

G Steel Public Company Limited and its Subsidiaries

Statements of financial position

Liabilities and equity	Consolidated		+ (-) %
	financial statements		
	As at 31 December		
	2019	2018	
	<i>(in Baht)</i>		
Current liabilities			
Current portion of Long-term loans from financial institution	-	212,503,281	-100%
Trade accounts payable	960,912,393	2,339,818,594	-143%
Amount due to related parties	-	-	
Current portion of liabilities from terminated rehabilitation plan and compromise	487,934,137	659,013,001	-35%
Current portion of long-term loan from related party	314,000,000	314,000,000	0%
Current portion of bonds	470,511,788	505,933,824	-8%
Short-term loan from related parties	811,362,306	1,269,363,868	-56%
Short-term loan from other parties	-	107,424,045	-100%
Loan from shareholder	3,850,000	3,850,000	0%
Advances received from customers	130,671,595	42,665,704	67%
Other payables and accrued expenses	1,428,344,684	7,440,181,306	-421%
Accrued interest expenses	693,557,138	5,473,956,815	-689%
Provisions	106,292,596	434,458,440	-309%
Other current liabilities	336,961,618	348,858,799	-4%
Total current liabilities	5,744,398,255	19,152,027,677	-233%
Non-current liabilities			
Long-term loans from financial institution	-	-	
Liabilities from terminated rehabilitation plan and compromise	217,751,857	-	100%
Trade accounts payable		-	
Long-term loan from related party	1,934,155,494	1,117,518,130	42%
Other payables and accrued expenses	1,137,215,015	117,928,412	90%
Employee benefit obligations	184,065,264	143,059,052	22%
Other non-current liabilities	950,062	1,388,843	-46%
Total non-current liabilities	3,474,137,692	1,379,894,437	60%
Total liabilities	9,218,535,947	20,531,922,114	-123%

G Steel Public Company Limited and its Subsidiaries

Statements of financial position

Liabilities and equity	Consolidated		+ (-) %
	financial statements		
	As at 31 December	2018	
	2019	2018	
	<i>(in Baht)</i>		
<i>Equity</i>			
Share capital			
Authorised share capital	158,059,755,140	48,775,743,730	69%
Issued and paid-up share capital	144,643,827,160	34,250,904,820	76%
Warrants	-	14,049,679	-100%
Additional (Discount) paid in capital:			
Share discount	(116,361,266,965)	(10,163,275,674)	91%
Premium on capital reduction	206,307,094	206,307,094	0%
Retained earnings (deficit)			
Appropriated:			
Legal reserve	763,976,886	763,976,886	0%
Unappropriated	(22,253,294,756)	(24,899,544,506)	-12%
Other components of equity	14,049,679	-	100%
Equity attributable to owners of the Company	7,013,599,098	172,418,299	98%
Non-controlling interests	10,168,321,012	9,928,102,018	2%
Total equity (Capital deficiency)	17,181,920,110	10,100,520,317	41%
Total liabilities and equity	26,400,456,057	30,632,442,431	-16%

G Steel Public Company Limited and its Subsidiaries

Statements of comprehensive income

	Consolidated		+ (-) %
	financial statements		
	As at 31 December		
	2019	2018	
	(in Baht)		
Income			
Revenue from sale	17,416,417,795	29,965,744,118	-72%
Revenue from service - Tolling	-	-	
Reversal of bad and doubtful debts expense	13,554,115	-	100%
Reversal of provision for a guarantee of subsidiary	-	-	
Net foreign exchange gains	976,030,090	197,030,561	80%
Gain from debt restructuring	5,505,991,604	-	100%
Gain from compromise debt	86,334,435	-	100%
Gain from decreased capital of investment in subsidiary	-	-	
Other incomes	118,537,891	178,555,798	-51%
Total income	24,116,865,930	30,341,330,477	-26%
Expenses			
Cost of sale			
- Cost of goods sold	18,225,267,129	29,635,851,220	-63%
- Idle cost	1,031,503,026	400,183,219	61%
- Loss on devaluation of inventories (Reversal of)	20,966,163	159,314,204	-660%
Total Cost of sale	19,277,736,318	30,195,348,643	-57%
Cost of services - Tolling	-	-	
Selling expenses	238,841,441	365,224,430	-53%
Administrative expenses	940,093,555	843,319,164	10%
Provision for loss on purchase orders			
for undelivered raw material	65,727,443	40,565,153	38%
Bad and doubtful debts expense	-	9,586,140	-100%
Loss from sale of fixed assets	946,468,146	-	100%
Other expenses	51,359,987	144,047,447	-180%
Finance costs	1,139,327,842	1,101,535,144	3%
Total expenses	22,659,554,732	32,699,626,121	-44%

G Steel Public Company Limited and its Subsidiaries

Statements of comprehensive income

	Consolidated		+ (-) %
	financial statements		
	As at 31 December		
	2019	2018	
	<i>(in Baht)</i>		
Profit (loss) before income tax expense	1,457,311,198	(2,358,295,644)	262%
Income tax expense	-	-	
Profit (loss) for the years	1,457,311,198	(2,358,295,644)	262%
Other comprehensive income (loss) for the years	-	-	
Total comprehensive income (loss) for the years	1,457,311,198	(2,358,295,644)	262%
Profit (loss) attributable to :			
Owners of the Company	2,646,249,750	(1,662,467,063)	163%
Non-controlling interests	(1,188,938,552)	(695,828,581)	41%
Profit (loss) for the years	1,457,311,198	(2,358,295,644)	262%
Total comprehensive income (loss) attributable to:			
Owners of the Company	2,646,249,750	(1,662,467,063)	163%
Non-controlling interests	(1,188,938,552)	(695,828,581)	41%
Total comprehensive income (loss) for the years	1,457,311,198	(2,358,295,644)	262%
Profit (loss) per share			
Basic profit (loss) per share	0.31	(0.24)	177%

G Steel Public Company Limited and its Subsidiaries

Statements of cash flows

	Consolidated		+ (-) %
	financial statements		
	As at 31 December		
	2019	2018	
	(in Baht)		
<i>Cash flows from operating activities</i>			
Profit (loss) for the years	1,457,311,198	(2,358,295,644)	262%
<i>Adjustments for</i>			
Depreciation and amortisation	1,819,252,315	1,865,349,912	-3%
Unrealized gain on exchange rate	(617,072,813)	(96,321,391)	84%
Gain on exchange rate form debt to equity conversion	(449,701,879)	-	100%
Loss on adjustment in value of securities	6,137,766	927,299	85%
Gain from compromise debt	(86,334,435)	-	100%
Gain from decreased capital of investment in subsidiary	-	-	
Gain from debt restructuring	(337,037,447)	(677,203)	100%
Gain from debt to equity conversion	(5,168,954,157)	-	100%
Gain from write-off the expired legal prescription of liabilities - net	(10,387,557)	(119,077,086)	-1046%
Loss on devaluation of inventories (Reversal of)	20,966,163	159,314,204	-660%
Loss on confirmed purchase orders for raw material	65,727,443	40,565,153	38%
Bad and doubtful debts expense (Reversal of)	(13,554,115)	9,586,140	171%
Loss on impairment of assets	-	41,603,214	-100%
Loss on impairment of investment in subsidiaries	-	-	
Loss on written off of assets	950,573,153	163,549	100%
Provision for court case claim	34,822,207	99,878,465	-187%
Provision for a gurantee of subsidiary (Reversal of)	-	-	
Withholding tax write-off	933	38,896,562	-4168878%
Finance costs	1,139,327,842	1,101,535,144	3%
Interest income	(3,170,957)	(5,983,225)	-89%
Dividend income	-	(208,590)	-100%
Employee benefit obligations	56,054,212	13,306,584	76%
	(1,136,040,128)	790,563,087	170%

G Steel Public Company Limited and its Subsidiaries

Statements of cash flows

	Consolidated		+ (-) %
	financial statements		
	As at 31 December		
	2019	2018	
	<i>(in Baht)</i>		
<i>Changes in operating assets and liabilities</i>			
Trade accounts receivable	(22,198,069)	34,394,987	255%
Amount due from related parties	-	-	
Inventories	1,958,486,265	(660,628,983)	134%
Other current assets	87,974,712	113,562,928	-29%
Other non-current assets	(271,570,688)	(141,589,028)	48%
Trade accounts payable	(948,380,823)	1,200,110,419	227%
Advances received from customers	88,005,892	(158,873,781)	281%
Other payable and accrued expenses	(332,057,569)	(176,340,592)	47%
Other current liabilities	(9,341,775)	8,944,454	196%
Employee benefit paid	(4,754,000)	(595,200)	87%
Income tax paid	(8,649,150)	(164,345,364)	-1800%
Net cash flows provided by (used in) operating activities	(598,525,333)	845,202,927	241%
<i>Cash flows from investing activities</i>			
Interest received	3,170,957	5,983,225	-89%
Purchase of property, plant and equipment	(155,404,904)	(115,739,762)	26%
Purchase of intangible assets	(1,617,100)	(3,402,311)	-110%
Proceeds from disposal of property, plant and equipment	19,911,079	-	100%
Proceeds from disposal of temporary investment	416,954	22,945	94%
Proceeds from disposal of investment in subsidiary	-	68,000,000	-100%
Proceeds from decreased capital of investment in subsidiary	-	-	
Net cash flows provided by (used in) investing activities	(133,523,014)	(45,135,903)	66%

G Steel Public Company Limited and its Subsidiaries

Statements of cash flows

	Consolidated		+ (-) %
	financial statements		
	As at 31 December		
	2019	2018	
	<i>(in Baht)</i>		
<i>Cash flows from financing activities</i>			
Receive from non-controlling interests from increase capital of subsidiary	1,429,157,546	-	100%
Finance costs paid	(460,832,915)	(534,305,036)	-16%
Repayment of liabilities from terminated rehabilitation plan and compromise	(62,663,021)	(6,568,141)	90%
Proceeds(Repayment)of long-term loans from financial institution	(106,251,641)	-	100%
Proceeds(Repayment) of short-term loans from related parties	(826,582,703)	(229,928,932)	72%
Proceeds(Repayment) of short-term loans from other parties	-	(54,731)	-100%
Proceeds(Repayment)from long-term loans from related parties	966,587,810	(361,319,200)	137%
Payment for financial lease liabilities	(501,600)	(501,600)	0%
Net cash flows provided by (used in) financing activities	938,913,476	(1,132,677,640)	221%
Net increase (decrease) in cash and cash equivalents	206,865,129	(332,610,616)	261%
Cash and cash equivalents at 1 January	258,184,077	590,829,674	-129%
Effect from exchange rate changes on balances			
held in foreign currencies	(925,051)	(34,981)	96%
Cash and cash equivalents at 31 December	464,124,155	258,184,077	44%

5. Industry Overview and Outlook

Overview of World Steel Industry

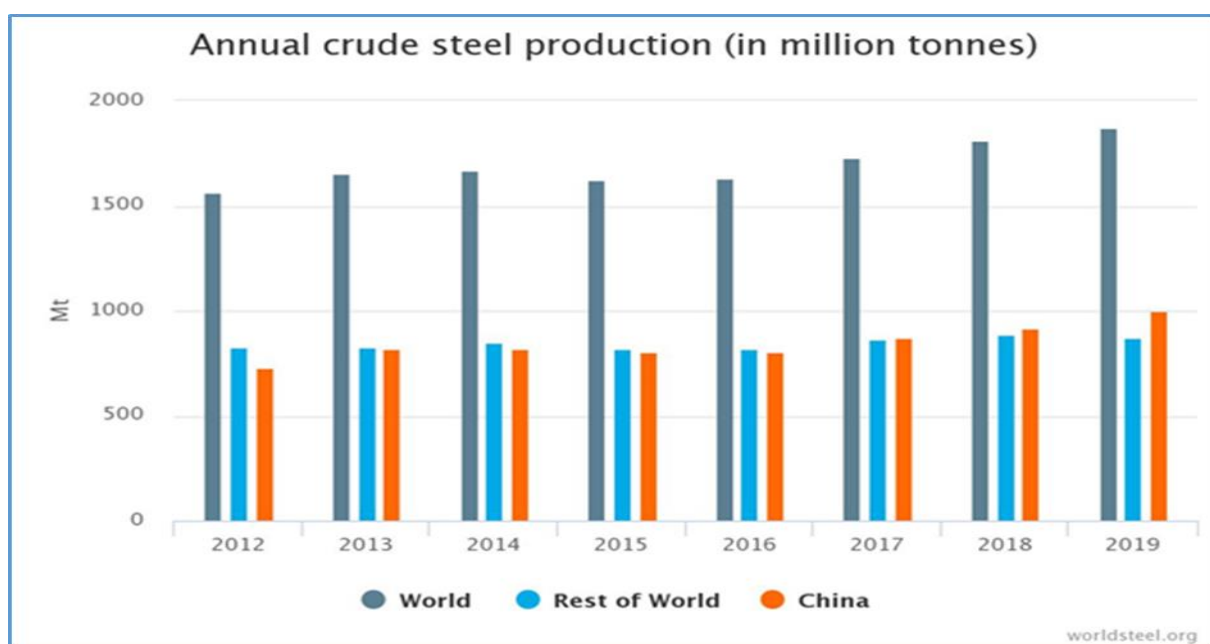
According to the World Steel Association’s report on world crude steel production was 478.7 MT in the fourth-quarter of 2019 and accumulated world crude steel production in 2019 was 1,869.9 MT, up by 3.4% compared to 2018. The region with most production was Asia (including China, but not including the Middle East) 1,341.6 MT, an increase by 5.7%, The second most producing region was the European Union (EU), with 159.4 MT, decreased by 4.9% and North America’s crude steel production was 120 MT, below by 0.8% as compared to 2018.

In 2019, China produced crude steel at 996.3 MT up by 8.3%, India produced crude steel at 111.2 MT increased by 1.8%, Japan at 99.3 MT slightly decreased 4.8% and South Korea at 71.4 MT below by 1.4% as compared to 2018.

Meanwhile, in the EU, Germany produced crude steel at 39.7 MT below by 6.5%, Italy’s crude steel production was 23.2 MT, below by 5.2%, France produced 14.5 MT of crude steel, a decrease of 6.1% and Spain produced crude steel at 13.6 MT, below by 5.2% compared to 2018.

The volumes of crude steel production in the year 2019 from other countries are as follows. The US produced 87.9 MT of crude steel, an increase of 1.5%, Russia produced 71.6 MT of crude steel, below by 0.7%, Brazil produced 32.2 MT, below by 9.0% and Turkey’s crude steel production was 33.7 MT, a decrease of 9.6% compared to 2018.

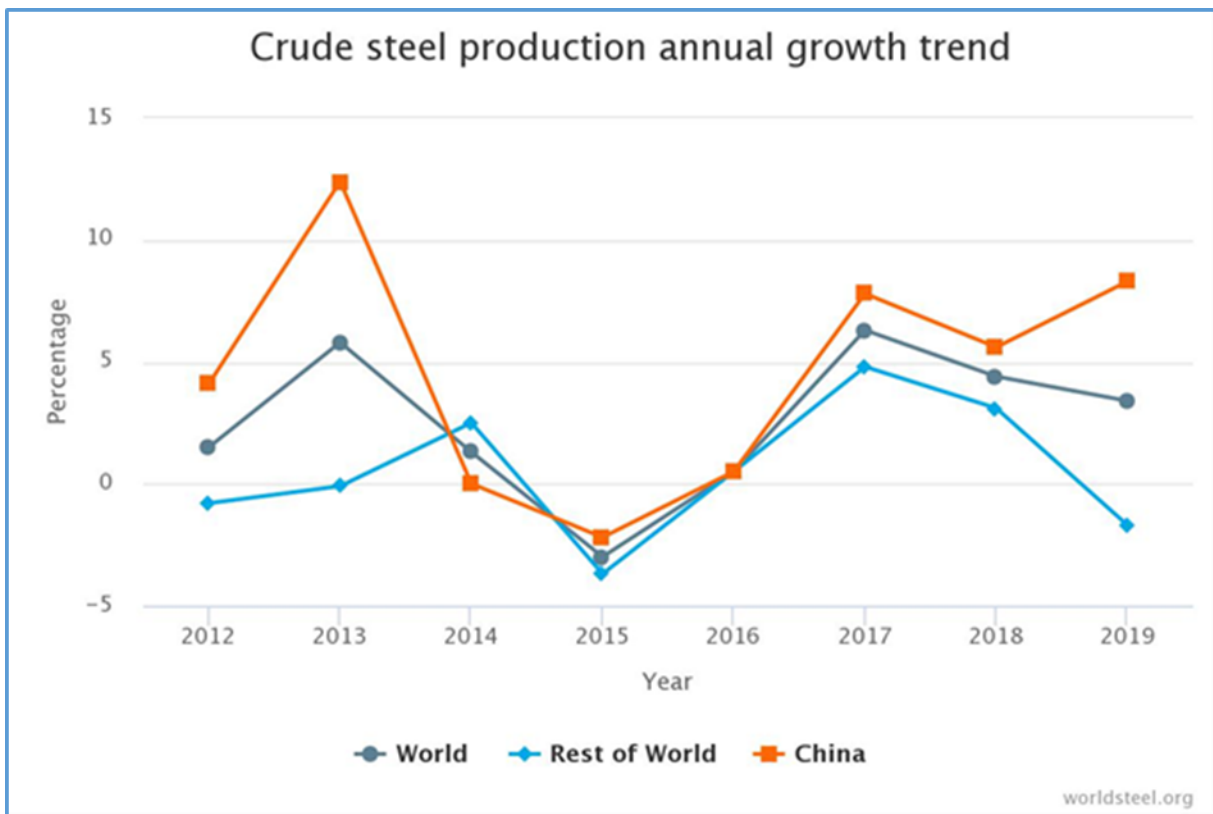
Chart of world crude steel production monthly, ending 31 December 2019



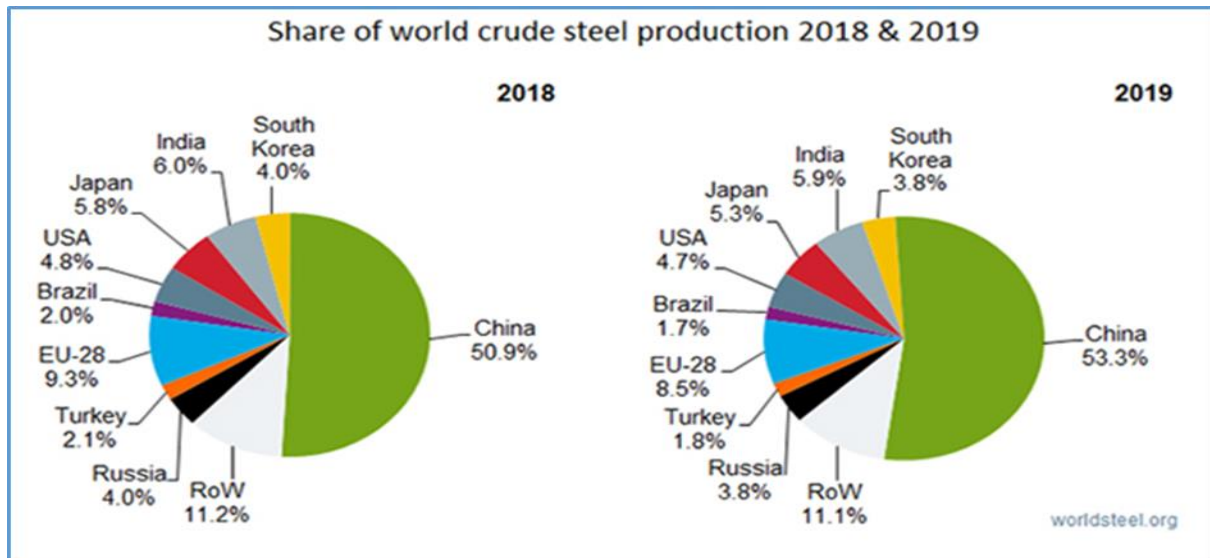
Source: World Steel Association

Top 10 steel-producing countries				
Rank	Country	2019 (Mt)	2018 (Mt)	%2019/2018
1	China	996.3	920.0	8.3
2	India	111.2	109.3	1.8
3	Japan	99.3	104.3	-4.8
4	United States	87.9	86.6	1.5
5	Russia (e)	71.6	72.0	-0.7
6	South Korea	71.4	72.5	-1.4
7	Germany (e)	39.7	42.4	-6.5
8	Turkey	33.7	37.3	-9.6
9	Brazil	32.2	35.4	-9.0
10	Iran (e) (1)	31.9	24.5	30.1

(e) - annual figure estimated using partial data or non-worldsteel resources.



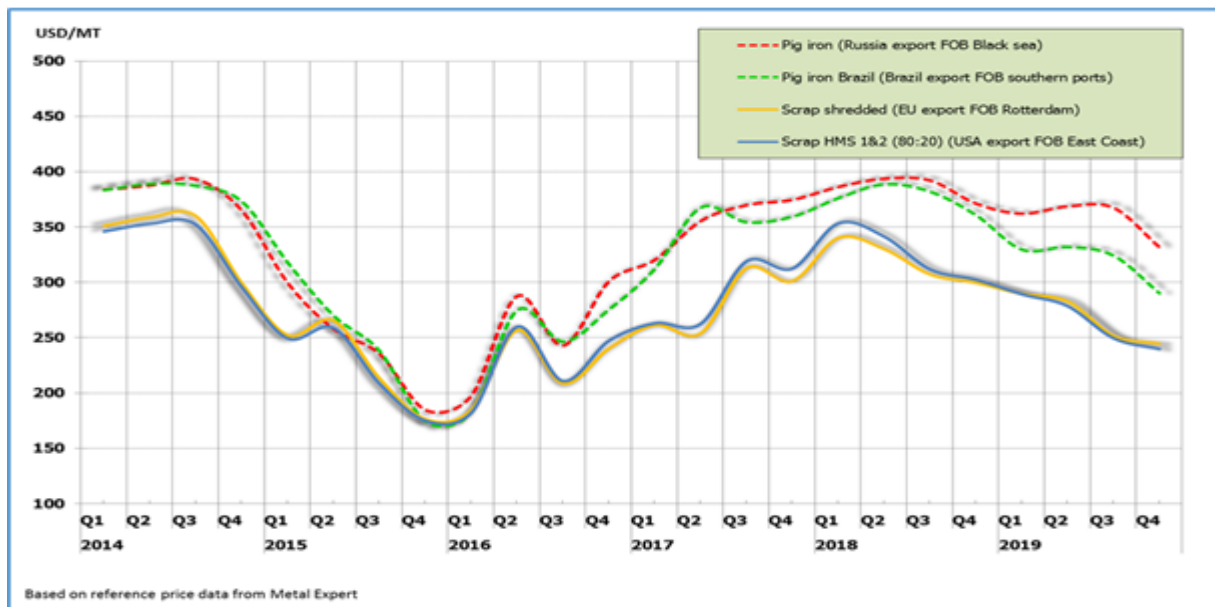
Source: World Steel Association



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 quarter to 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 and then decreased again in second quarter of 2018 to first quarter of 2019. For second quarter to third quarter of 2019, 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 fourth quarter of 2019 was averaged at USD 240/MT. FOB, decreased from the previous quarter at USD 250/MT. FOB, and pig iron Russia export price of the fourth quarter of 2019 averaged at USD 332/MT. FOB, decreased from USD 368/MT. from the previous quarter.

Chart of raw material reference prices on world market for Q1/2014 – Q4/2019

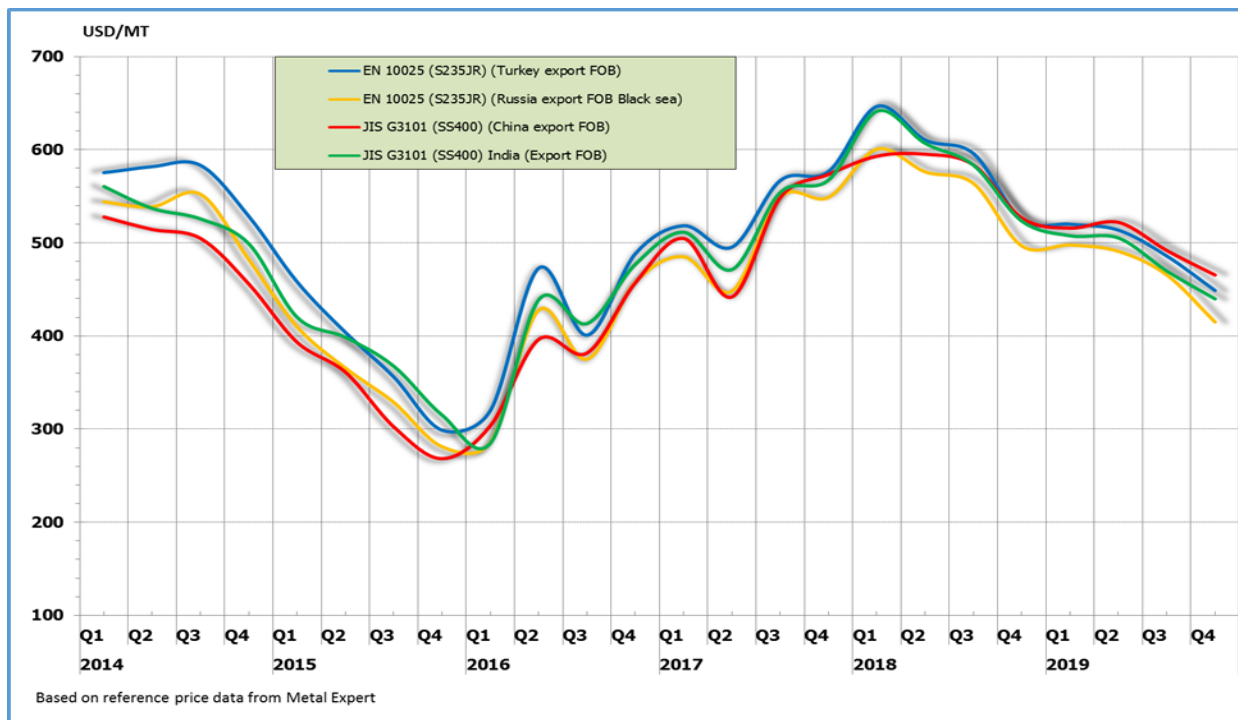


Processed price data from: Metal Expert

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 at price level below USD 300/MT 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 again in second quarter to fourth quarter of 2018. Then maintain the price level at USD 500/ MT until second quarter of 2019 and fell again in third and fourth quarter of 2019 accordingly.

The reference prices for hot-rolled coil on the world market are that China export price for fourth quarter of 2019 was averaged at USD 466/ MT FOB, decreased from the previous quarter at USD 492/ MT FOB. Russia export price average was decreased from USD 466/MT FOB, to 415/mt. FOB, Turkey export price average was dropped from USD 486/MT FOB, to 449/MT FOB and India export price average was also decreased from USD 470/MT FOB, to 440/MT FOB in fourth quarter of 2019

Chart of hot-rolled coil reference prices on world market for Q1/2014 – Q4/2019



Processed price data from: Metal Expert

Overview of Thai Steel Industry

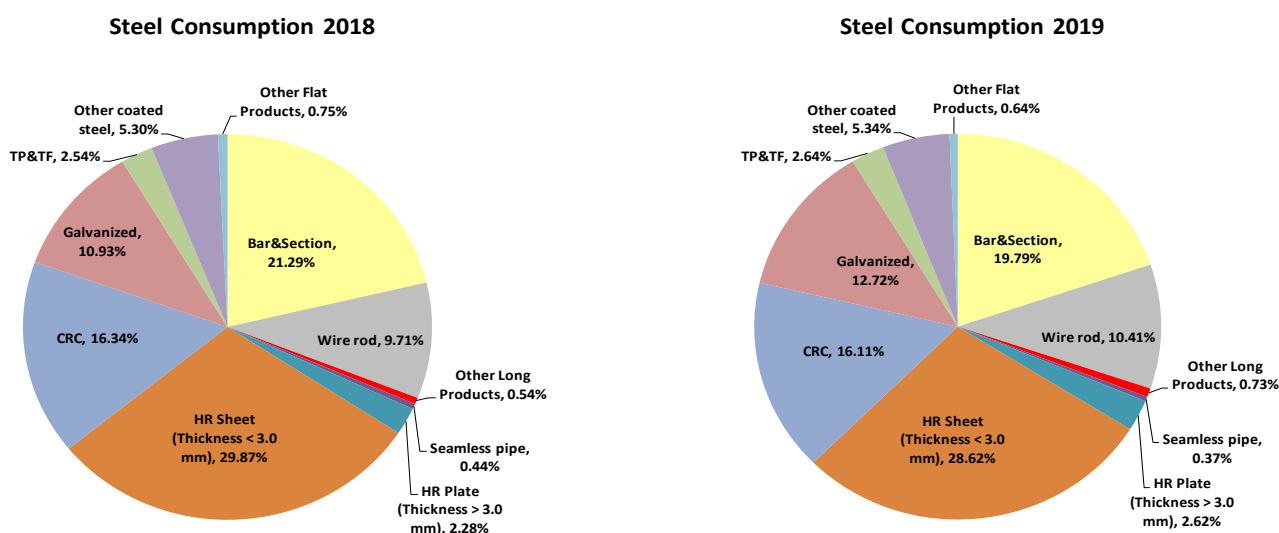
ISIT had reported the domestic steel-production for 2019 was at 7.63 MT, decreasing 15.47% compared to the same period of previous year consisting of the long finished steel production of 5.01 MT, decreasing 11.50% and the flat finished steel production of 2.63 MT, decreasing 22.11% compared to the same period of previous year.

The consumption of finished steel products in Thailand for 2019 was at 18.47 MT, decreasing 4.47% compared to the same period of previous year consisting of the long finished steel consumption at 6.97 MT, decreasing 7.30% resulting from the less consumption of bar and structural steel and the flat finished steel consumption at 11.50 MT, decreasing 2.67% resulting from the demand of Hot Rolled Steel and Cold Rolled Steel which decreasing compared to the same period of previous year.

Table: The production and the domestic demand of Finished Steel in Jan - Sep 2018 and 2019

Total Apparent Finished Steel (Unit : Tons)	2018	2019	% Change
Production	9,031,718	7,634,912	-15.47%
Import	12,056,501	12,219,872	1.36%
Export	1,754,326	1,384,722	-21.07%
Consumption	19,333,893	18,470,062	-4.47%

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



The imported of finished steel in Thailand for 2019 was at 12.22 MT, increasing 1.36% compared to the same period of previous year. The highest import quantity was Hot Rolled Steel at 4.33 MT, increasing 1.63% compared to the same period of previous year. The second highest import quantity was Galvanize steel at 1.80 MT and Cold Rolled steel at 1.65 MT respectively.

The export of finished steel in Thailand for 2019 was at 1.38 MT, decreasing 21.07% compared to the same period of previous year. The highest export quantity was structural steel at 0.308 MT. The export of deformed bars for construction was at 0.226 MT.

Overview of Hot Rolled Steel in Thailand

The Hot Rolled Steel production for 2019 was at 2.63 MT, decreasing 22.11% consisting of thin gauge at 2.50 MT, decreasing 21.69% and Thick gauge at 0.127 MT, decreasing 29.59% compared to the same period of previous year.

Table: The production and the domestic demand of the Hot Roll Flat Steel for 2018 and 2019

Total Hot Roll (Unit : Tons) (Excluding Stainless Steel)	2018	2019	% Change
Production	3,373,850	2,627,809	-22.11%
Import	3,963,408	4,036,952	1.86%
Export	73,977	8,013	-89.17%
Consumption	7,263,281	6,656,748	-8.35%

Total Hot Roll Plate (Unit : Tons) (Excluding Stainless Steel, Thickness > 3 mm.)	2018	2019	% Change
Production	179,839	126,628	-29.59%
Import	356,797	442,014	23.88%
Export	18,268	2,431	-86.69%
Consumption	518,368	566,211	9.23%

Total Hot Roll Sheet (Unit : Tons) (Excluding Stainless Steel, Thickness < 3 mm.)	2018	2019	% Change
Production	3,194,011	2,501,181	-21.69%
Import	3,606,611	3,594,938	-0.32%
Export	55,709	5,582	-89.98%
Consumption	6,744,913	6,090,537	-9.70%

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

The Hot Rolled Steel consumption for 2019 was at 6.66 million metric tons, decreasing 8.35% consisting of thin gauge at 6.09 MT, decreasing 9.70% and thick gauge at 0.566 MT, increasing 9.23% compared to the same period of previous year.

The import of Hot Rolled Steel for 2019 had increased of 1.86% at 4.04 MT consisting of thin gauge at 3.59 MT, decreasing of 0.32% and at 0.442 MT, increasing 23.88% for the thick gauge compared to the same period of previous year.

The export of Hot Rolled Steel in Thailand for 2019 was at 8.01 thousand metric tons, decreasing 89.17% consisting of thin gauge at 5.58 thousand metric tons, decreasing of 89.98% and at 2.43 thousand metric tons, decreasing 86.69% for the thick gauge compared to the same period of previous year.