



MILL 003/2017

February 24, 2017

Subject: Management's Discussion and Analysis of Year 2016, Ending 31 December 2016

Attention: President

The Stock Exchange of Thailand

Millcon Steel Public Company Limited ("the Company") would like to notify the Company's and its affiliates' performance of Year 2016, Ending 31 December 2016, which are verified by auditors approved by the office of SEC, and which are also approved by the Board of Directors of the Company. The details are as follow;

#### Economics overview

Thailand's economy in the last quarter of 2016 grew continuously as a result of government spending. Although private investment shrank, the shrinking was limited in some businesses which were services and renewable energy sectors. Furthermore, the forecasted growth of Thai economy is at 3.6% this year driven by government investment projects, especially infrastructure projects such as Motorways, Double-track train, and Airport, etc.

For Thai steel consumption in 2016, finished steel product consumption grew significantly by 15%, compared with the same period of previous year. Also, the consumption of long steel product dramatically rose by 24% to reach 7.61 million tons. For flat steel product, its consumption was at 11.68 million tons which grew by 10%. This was caused by increasing in demand of bar steel from government construction projects. The consumption of rebar and wire rod increased by 34% and 10%, respectively which were better than the same period of previous year.

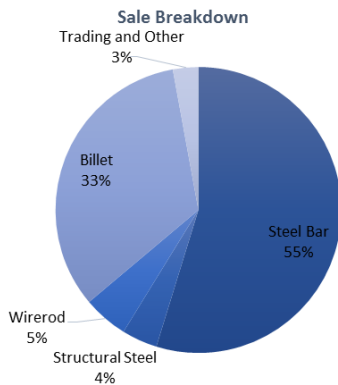
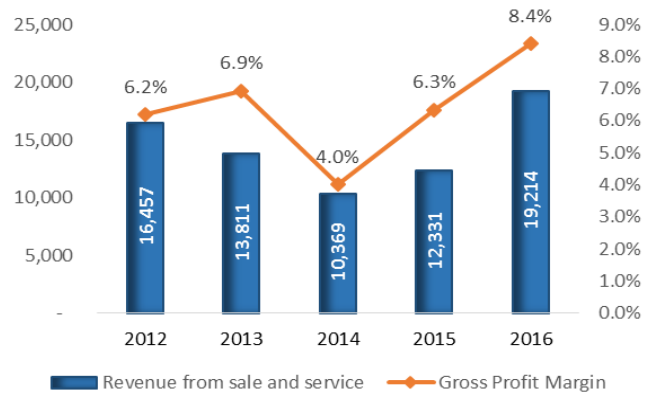
#### Performance summary 2017

Performance	2016	2015	YoY	
	Million Baht	Million Baht	+/- Million Baht	Percentage
Total revenues	19,700	13,605	6,095	45%
Revenues from sale and services	19,214	12,331	6,883	56%
Cost of sales and services	17,596	11,553	6,044	52%
Gross profit	1,617	778	839	108%
SG&A	1,045	693	352	51%
Financial cost	600	629	-29	-5%
EBITDA	1,216	1,628	-412	-25%
Net Profit	394	685	-291	-42%
EBITDA from operating	1,247	847	400	47%
Net Profit from operating	425	-97	522	538%



### Management's Discussion and Analysis

In 2016, revenue from sale and services was of 19,214 million baht, increased rapidly by 56% comparing to 2015. This was a result of the increase in total sale volume which was of 1,403,644 tons or greater than last year by 130%, caused from expanding customer base of wire rod product, expanding customer base in many provinces of Thailand as well as the increase of export volume, especially billets and steel bars to AEC region.



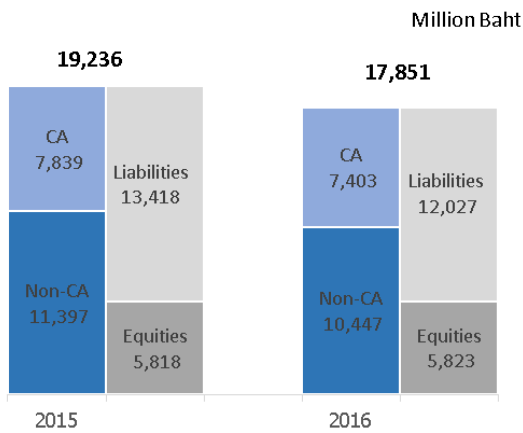
For 2016, gross profit margin increased remarkably to reach at 8.4%, comparing with 6.3% in 2015, due to improving performances of production lines and machines. As a result, the steel bar production could be run at its full capacity. Additionally, another key supporting factor was starting to produce special steels.

Sale goods and services expenses was at 1,045 million baht, increased by 51% which caused from setting up doubtful debts in the amount of 303 million baht as per the Company's accounting policy. At the moment, the case is on the legal and negotiation processes with the customer. Furthermore, there was the expense from special grade steels test-run around 146 million baht. For financial cost in 2016, it decreased by 5% resulting from well-management on financing activities and debt repayments.

In 2016, net profit was in the amount of 394 million baht, declined by 42%, according to the fact that, the net profit in 2015 was included one-time gains from selling lands and machines. In case of considering on the net profit and EBITDA from operating, both of them in 2016 shown the greater amount than last year. The net profit from operating was of 425 million baht and EBITDA from operating was of 1,247 million baht.



Statement of Financial Position



As of December 31, 2016, the Company's total asset was in the amount of 17,851 million baht. Current asset was at 7,403 million baht. Inventories increased by 1,095 million baht, due to purchasing raw materials for production as per customers' orders. Account receivable decreased by 687 million baht.

For non-current assets, it was in the amount of 10,447 million baht, decreased by 950 million baht owing to selling the Company's assets to an associated company. Also, total liabilities declined by 1,391 million baht. Equities was of 5,823 million baht. D/E ratio was at 2.07.

Please be inform accordingly,

Yours sincerely,

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(Ms. Jureerat Lapanavanich)

Director