

SAF # 001/2023\_ENG

February 22, 2023

Subject: Management Discussion and Analysis for the Year Ended December 31, 2022 and clarification of the operating result changed over 20% comparing to the same period of last year

Attention: Directors and Managers  
Stock Exchange of Thailand

S.A.F. Special Steel Public Company Limited (the "Company") would like to clarify the operating results for the year ended December 31, 2022 which changed over 20% comparing to the same period of last year, with the following details:

Statements of Comprehensive Income

Statements of Comprehensive Income	For the Year Ended December 31,		Change	
	2022	2021	Increase / (Decrease)	percent
	Million baht	Million baht		
<b>Revenues</b>				
Revenue from Sales and Services	219.01	213.84	5.17	2.42
Other Income	0.55	0.91	(0.36)	(39.56)
<b>Total Revenues</b>	<b>219.56</b>	<b>214.75</b>	<b>4.81</b>	<b>2.24</b>
<b>Expenses</b>				
Cost of Sales and Services	160.36	156.06	4.30	2.76
Distribution Costs	6.16	6.26	(0.10)	(1.60)
Administrative Expenses	31.26	25.85	5.41	20.93
Loss on Exchange Rates	3.86	3.75	0.11	2.93
<b>Total Expenses</b>	<b>201.64</b>	<b>191.92</b>	<b>9.72</b>	<b>5.06</b>
<b>Profit from Operating Activities</b>	<b>17.92</b>	<b>22.83</b>	<b>(4.91)</b>	<b>(21.51)</b>
Financial Costs	5.46	3.62	1.84	50.83
<b>Profit Before Income Tax Expense</b>	<b>12.46</b>	<b>19.21</b>	<b>(6.75)</b>	<b>(35.14)</b>
Tax Expense	2.46	3.68	(1.22)	(33.15)
<b>Profit for the Year</b>	<b>10.00</b>	<b>15.53</b>	<b>(5.53)</b>	<b>(35.61)</b>

Table Showing Revenue from Sales and Services of the Company's Products Classified by Type

	For the Year Ended December 31,			
	2022		2021	
	Million baht	percent	Million baht	percent
Revenue from Sales:				
1) Revenue from Sales of Special Steel				
- For Mold	151.56	69.03	143.37	66.76
- For Engineering Machinery	47.57	21.67	45.23	21.06
Total Revenue from Sales of Special Steel	199.13	90.70	188.60	87.82
2) Others Sales Revenue <sup>/1</sup>	10.62	4.84	14.77	6.88
Total Revenue from Sales	209.75	95.54	203.37	94.7
Revenue from Services :				
3) Revenue from Vacuum Hardening Services	9.26	4.22	10.47	4.88
Total Revenue from Sales and Services	219.01	99.76	213.84	99.58
Others Income <sup>/2</sup>	0.55	0.24	0.91	0.42
Total Revenues	219.56	100.00	214.75	100.00

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<sup>/1</sup> Other sales revenue, e.g., sales revenue from metal cutting bandsaw blades, metal cutting bandsaw machines, molds, other equipment parts, etc.

<sup>/2</sup> Other income consisted of gain from disposal of assets, interest income and income from the sale of scrap metal, etc.

## Revenue from Sales

Revenue from Sales consisted of sales revenue from special steel and revenue from other sales. The details are as follows:

### 1) Revenue from Sales of Special Steel

In 2022, the Company's primary income from the sale of special steel was equal to 199.13 million baht, accounting for 90.70 percent of the Company's total revenue, which could be divided into two main categories: 1) revenue from sales of special steel for molds, which had a proportion of revenue in 2022, accounting for 69.03 percent of total revenue, and 2) revenue from sales of special steel for engineering machinery, in 2022, the Company's revenue proportion was 21.67 percent of total revenue.

#### 1.1 Revenue from Sales of Special Steel for Mold

For the year 2022, the Company's revenue from sales of special steel for molds was 151.56 million baht, an increase of 8.19 million baht or an increase of 5.71 percent from 2021. This was mainly from the average

steel selling price that increased by about 11.60 percent from the rise in special steel prices in the world market due to the global economic recovery, improving steels demand in many regions worldwide.

#### 1.2 Revenue from Sales of Special Steel for Engineering Machinery

For the year 2022, the Company had revenue from sales of special steel for engineering machinery equal to 47.57 million baht, an increase of 2.34 million baht or 5.17 percent from 2021. It was due to an increase in average selling prices of about 35.77 percent due to the condition of special steel prices in the world market that increased.

#### 2) Others Sales Revenue

Other sales revenue consisted of sales of band saw blades, the finished mold and tools and equipment parts such as cutting tools, spare parts, plastic injection cylinders, etc. For the year 2022, the Company's revenue from other sales was 10.62 million baht, a decrease of 4.15 million baht or a decrease of 28.10 percent from 2021, mainly due to a decrease in sales of band saw blades of 3.29 million baht and molds of 3.96 million baht or a decrease of 39.03 percent and 62.46 percent respectively. The reduction resulted from the production volume of the customer decreased, and the main customers in the molds were in the group of aluminium profile manufacturers.

#### 3) Revenue from Vacuum Hardening Services

For the year 2022, the Company had income from vacuum hardening services equal to 9.26 million baht, an decrease of 1.21 million baht or an decrease of 11.56 percent from 2021, mainly due to the decreased vacuum hardening services quantity from the aluminium profile manufacturers group.

#### **Others Income**

The Company's other income consisted of gain from disposal of assets, interest income and income from scrap steel, etc. For the year 2022, the Company had other income equal to 0.55 million baht, a decrease of 0.36 million baht or a decrease of 39.56 percent from 2021. It was caused by in year 2022 decreased of 0.48 million baht our government ; Department of Employment (DOE) support and the Company's profit from selling assets increased by 0.11 million baht from 2021.

### Cost of Sales and Services and Gross Profit Margin

	For the Year End as of December 31,	
	2022	2021
Revenue from Sales and Services (Million baht)	219.01	213.84
Cost of Sales and Services (Million baht)	160.36	156.06
Gross Profit (Million baht)	58.65	57.78
Proportion of Cost of Sales and Services (%)	73.22	72.98
Gross Profit Margin (%)	26.78	27.02

For the year 2022, the Company had the cost of sales and services equal to 160.36 million baht, an increase of 4.30 million baht or an increase of 2.76 percent from the year 2021, mainly due to the increase in the cost of raw materials for sale, and the cost per unit increased. In year 2022, the Company's gross profit and gross profit margin was nearly the same as 2021 (slightly decreased for 0.24 percent).

### Distribution Costs

For the year 2022, the Company had distribution costs equal to 6.16 million baht, a decrease of 0.10 million baht or a decrease of 1.60 percent from 2021, mainly due to a decrease in promotional and advertising expenses due to the budget approved by the Board of Directors for the year 2022, there was appropriate control of expenses in this section.

### Administrative Expenses

For the year 2022, the Company had administrative expenses equal to 31.26 million baht, a increase of 5.41 million baht or 20.93 percent from the year 2021 as a result of a increase of 1.24 million baht in expense for filing preparation, expenses related to preparation for listing on the mai and PR advertising expense for Initial Public Offering.

### Financial Cost

For the year 2022, the Company had financial costs equal to 5.46 million baht, a increase of 1.84 million baht or a increase of 50.83 percent from the year 2021 due to the Company's overdrafts and short-term loans from financial institutions having been increased.

### Net Profit

For 2022, the Company had a net profit equal to 10.00 million baht, and decrease of 5.53 million baht or 35.61 percent from 2021, even though in year 2022 Company's sales revenue increased and gross profit increased 0.87 million baht, but as a result of 5.38 million baht in expense for filing preparation, expenses related to preparation for listing on the mai and PR advertising expense for Initial Public Offering and more loss on exchange rate 0.11 million baht, resulting in the Company's net profit in 2022 decreased.

### Statements of Financial Position

	Million baht			
	2022	2021	Increase / (Decrease)	
	Million baht	Million baht	Million baht	percent
Assets	310.47	297.33	13.14	4.42%
Liabilities	175.57	152.37	23.20	15.22%
Shareholders' Equity	134.90	144.96	(10.06)	6.94%

### Total Assets

The main assets of the Company consist of 1) inventories 2) Trade and Other Current Receivables 3) Property, Plant and Equipment. As of December 31, 2022, total assets were 310.47 million baht, a increase of 13.14 million baht or 4.42 percent from 2021, mainly due to 1) a increase in inventories 21.61 million baht and 2) the reduction of property, plant, and equipment mainly due to 5.93 million baht of assets depreciation.

### Total Liabilities

The main liabilities of the Company consist of 1) bank overdrafts and short-term loans from financial institutions 2) trade payables and other current payables and 3) , long-term loans from financial institutions and lease liabilities. The Company's total liabilities as of December 31st, 2022, were 175.57 million baht, increasing 23.20 million baht or 15.23 percent from 2021, mainly due to increase in trade payables 9.48 million baht and bank overdrafts and short-term loans from financial institutions 23.08 million baht from 2021 as a result of increase in inventories of special steels during a year 2022. While long-term loans from financial institutions and lease liabilities decreased by 6.79 million baht from 2021.

### Shareholders' Equity

The Company's shareholders' equity as of December 31, 2022, was 134.90 million baht, and decrease of 10.06 million baht from the year 2021 as a result of during the year, the Company paid dividends of 41.80 million

baht, while increase of 31.74 million baht resulting in the registered capital by 20.0 million baht and total comprehensive income for the year 2022 by 11.74 million baht.

In regard to the Annual General Meeting of Shareholders for the year 2022 held on March 15, 2022, the shareholders had a resolution to approve the annual dividend payment 2021 from cumulative operating results since commencing business until December 31, 2021 in the amount 41.20 million baht. The Board of Directors had a resolution to pay interim dividends to the shareholders of the company on September 27, 2021 in the amount of 2.70 million baht. The dividend payment balance to be paid to the shareholders amounted to 38.50 million baht by paying cash dividends at 0.1750 Baht per share to the shareholders whose names appeared in the shareholder register book as at April 5, 2022. The Company had paid the dividends on April 12, 14, 2022. In addition, the shareholder had approved the appropriation of profit as a legal reserve in the amount of 2,030,000 Baht.

In regard to the Board of Directors' Meeting No.6/2022 held on August 8, 2022, the Board of Directors had a resolution to approve the interim dividend payment No.1/2022 from the Company's retained earnings to the shareholders at 0.015 Baht per share in the amount of 3.30 million baht by paying cash dividend to the shareholders whose names appeared in the shareholders' registered book as at August 23, 2022 as persons entitled to receive the dividends. The dividend was paid on September 7, 2022.

For the year ended December 31, 2022, the Company appropriated the legal reserve at the rate of 5% of net profit for the year 2022 amounted to 500,500 Baht.

For the year ended December 31, 2022, the Company has paid the dividend in the total amount of 41.80 million baht and had appropriated the profit as legal reserve in the total amount of 2,530,500 Baht.

Please be informed accordingly.

Yours sincerely,

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(Mr. Pisit Ariyadejwanich)

Chief Executive Officer

S.A.F. Special Steel Public Company Limited