

SAF # 005/2023_ENG

May 09, 2023

Subject: Management Discussion and Analysis for the Quarter 1 Ended March 31, 2023 and clarification of the operating results changed over 20% comparing to the same period of the previous 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 1st Quarter Ended March 31, 2023 which changed over 20% comparing to the same period of the previous year per following details:

Statements of Comprehensive Income

Statements of Comprehensive Income	For the 1 st Quarter Ended March 31,		Change	
	2023	2022	Increase / (Decrease)	percent
	Million baht	Million baht		
Revenues				
Revenue from Sales and Services	46.19	57.70	(11.51)	(19.95)
Other Income	0.44	1.29	(0.85)	(65.98)
Total Revenues	46.63	58.99	(12.37)	(20.96)
Expenses				
Cost of Sales and Services	34.87	41.32	(6.45)	(15.61)
Distribution Costs	1.67	1.46	0.21	14.38
Administrative Expenses	7.94	6.79	1.15	16.94
Loss on Exchange Rates	0.00	0.00	0.00	0.00
Total Expenses	44.48	49.57	(5.09)	(10.27)
Profit from Operating Activities	2.15	9.42	(7.28)	(77.19)
Financial Costs	1.21	1.11	0.10	9.01
Profit Before Income Tax Expense	0.94	8.31	(7.37)	(88.68)
Tax Expense	0.16	1.66	(1.51)	(90.57)
Profit for the Year	0.78	6.65	(5.87)	(88.27)

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

	For the 1 st Quarter Ended March 31,			
	2023		2022	
	Million baht	percent	Million baht	percent
Revenue from Sales:				
1) Revenue from Sales of Special Steel				
- For Mold & Dies	33.09	70.95	41.13	69.72
- For Engineering Machinery	10.18	21.83	9.43	15.98
Total Revenue from Sales of Special Steel	43.27	92.78	50.56	85.70
2) Others Sales Revenue ^{/1}	1.18	2.54	4.63	7.86
Total Revenue from Sales	44.45	95.32	55.19	93.56
Revenue from Services :				
3) Revenue from Vacuum Hardening Services	1.74	3.74	2.51	4.25
Total Revenue from Sales and Services	46.19	99.06	57.70	97.81
Other Income ^{/2}	0.44	0.94	1.29	2.19
Total Revenues	46.63	100.00	58.99	100.00

Remark

^{/1} Other sales revenue, e.g., sales revenue from bandsaw blades, band sawing machines, finished molds & dies, other equipment parts, etc.

^{/2} Other income consists of gain from exchange rates, gain from disposal of assets, interest income and income from the sale of scrap, etc.

Revenue from Sales

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

1) Revenue from Sales of Special Steel

In the 1st Quarter 2023, the Company's primary income from the sale of special steel was 43.27 million baht, 92.78 percent of the Company's total revenue, which could be separated into two main categories: 1) revenue from sales of special steel for molds & dies, which was equal to 70.95 percent of total revenue and 2) revenue from sales of special steel for engineering machinery, which was equal to 21.83 percent of total revenue.

1.1 Revenue from Sales of Special Steel for Molds & Dies

For the 1st Quarter 2023, the Company's revenue from sales of special steel for molds & dies was 33.09 million baht, decrease for 8.04 million baht or 19.55 percent from the 1st Quarter 2022 due to the decreases in automotive parts and construction materials manufacturing.

1.2 Revenue from Sales of Special Steel for Engineering Machinery

For the 1st Quarter 2023, the Company's revenue from sales of special steel for engineering machinery was 10.18 million baht, increase for 0.75 million baht or 7.95 percent from the 1st Quarter 2022 due to higher selling price according to the world market price.

2) Others Sales Revenue

Other sales revenue consisting sales of band saw blades, the finished molds & dies and industrial equipment parts. For the 1st Quarter 2023, the Company's revenue from other sales was 1.18 million baht, decrease for 3.45 million baht or 74.51 percent from the 1st Quarter 2022, mainly due to decrease in sales of band saw blades of 0.44 million baht and molds & dies of 1.61 million baht as the result of the decreasing orders from customers in Aluminium industry, as well as there was no sales revenue from selling industrial equipment parts in this quarter.

3) Revenue from Vacuum Hardening Services

For the 1st Quarter 2023, the Company's revenue from vacuum hardening services was 1.74 million baht, decrease of 0.77 million baht or 30.68 percent from the 1st Quarter 2022, due to decreasing in selling of special steel for molds & dies.

Other Income

The Company's other income consists of gain from exchange rates, gain from disposal of assets, interest income and income from the sale of scrap etc. For the 1st Quarter 2023, the Company's other income was 0.44 million baht, decrease of 0.85 million baht or 65.89 percent from the 1st Quarter 2022, mostly due to decrease of gain from exchange rates.

Cost of Sales and Services and Gross Profit Margin

	For the 1 st Quarter Ended March 31,	
	2023	2022
Revenue from Sales and Services (Million baht)	46.19	57.70
Cost of Sales and Services (Million baht)	34.87	41.32
Gross Profit Margin (Million baht)	11.32	16.38
Cost of Sales and Services (%)	75.50	72.98
Gross Profit Margin (%)	24.51	28.39

For the 1st Quarter 2023, the Company's cost of sales and services was 34.87 million baht, while gross profit margin was 11.32 million baht, decrease of 5.06 million baht or 30.89 percent from the 1st Quarter 2022, because of increased cost of raw materials and cost of sales and services per unit resulted from decreased in revenue.

Distribution Costs

For the 1st Quarter 2023, the Company's distribution costs was 1.67 million baht, increase of 0.21 million baht or 14.38 percent from the 1st Quarter 2022, due to increasing transportation expenses.

Administrative Expenses

For the 1st Quarter 2023, the Company's administrative expenses was 7.94 million baht, increase of 1.15 million baht or 16.94 percent from the 1st Quarter 2022 as a result of PR advertising expense for Initial Public Offering of 0.91 million baht as well as expenses related to preparation for listing 0.13 million baht.

Financial Cost

For the 1st Quarter 2023, the Company's financial costs was 1.21 million baht, increase of 0.10 million baht or 9.01 percent from the 1st Quarter 2022, due to the Company's overdrafts and short-term loans from financial institutions slightly increased.

Net Profit

For the 1st Quarter 2023, the Company's net profit was 0.78 million baht, decrease of 5.87 million baht or 88.27 percent from the 1st Quarter 2022, mainly due to the decrease of revenue from sales and services also gross profit margin, as result of increase of cost of raw materials as well as cost related for PR advertising and IPO occurred in this quarter.

Statements of Financial Position

	Million baht			
	31 March 2023	31 December 2022	Increase / (Decrease)	
	Million baht	Million baht	Million baht	percent
Assets	443.26	310.47	132.79	42.77%
Liabilities	154.46	175.57	(21.11)	(12.02%)
Shareholders' Equity	288.80	134.90	153.90	114.08%

Total Assets

The main assets of the Company consist of 1) Cash and cash equivalents 2) Inventories 3) Trade and Other Current Receivables 4) Property, Plant and Equipment. As of March 31, 2023 total assets were 443.26 million baht, increase of 132.79 million baht or 42.77 percent compared to the end of year 2022, mainly because of 1) Cash and cash equivalents increase 126.51 million baht, 2) increase in inventories of 5.68 million baht and 3) the reduction of property, plant, and equipment due to 1.42 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 3) Long-term loans from financial institutions and lease liabilities. The Company's total liabilities as of March 31, 2023 were 154.46 million baht, decrease of 21.11 million baht or 12.02 percent compared to the end of year 2022, mainly due to decrease in bank overdrafts and short-term loans from financial institutions of 19.83 million baht from year 2022. Meanwhile long-term loans from financial institutions and lease liabilities decreased for 1.43 million baht.

Shareholders' Equity

The shareholders' equity of the Company as of March 31, 2023 was 288.80 million baht, increase of 153.90 million baht compared to the end of year 2022, resulting from the Initial Public Offering of 154.40 million baht, and total comprehensive income for the period by 0.78 million baht. The Company has the direct expenses related to the Initial Public Offering in the amount of 1.29 million baht (net of income tax), shown as a deduction from the premium on ordinary share received from shareholders, as a result, the Company has the premium on ordinary shares amounting to 113.11 million baht shown as a separate item under "shareholders' equity".

According to the Annual General Meeting of shareholders of the year 2023, held on April 24, 2023, the shareholders had resolution to approve the payment of dividends from retained earnings and net profit from the operations for the year 2022 at the rate of 0.035 Baht per share to the Company's shareholders in the amount not exceeding of 10,500,000 Baht by paying dividends in cash to shareholders, whose names appear in the shareholder registration book as of March 9, 2023 to be entitled to receive dividend. The Company dividends to shareholders will be paid on May 23, 2023 and the shareholders also approved the appropriation of profit as a legal reserve in the amount of 500,500 Baht.

Please be informed accordingly.

Yours sincerely,

Pisit Ariyadejwanich

Chief Executive Officer
S.A.F. Special Steel Public Company Limited