

SAF # 007/2023_ENG

August 08, 2023

Subject: Management Discussion and Analysis for the six-month period ended June 30, 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 six-month period ended June 30, 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 6-Month Period Ended on		Change	
	June 30,		Increase / (Decrease)	percent
	2023	2022		
	Million baht	Million baht		
Revenues				
Revenue from Sales and Services	86.61	114.72	(28.11)	(24.50)
Other Income	0.34	0.29	0.05	17.24
Total Revenues	86.95	115.01	(28.06)	(24.40)
Expenses				
Cost of Sales and Services	66.98	82.14	(15.16)	(18.45)
Distribution Costs	3.21	2.88	0.33	11.25
Administrative Expenses	15.27	14.80	0.47	3.20
Loss on Exchange Rates	0.00	0.26	(0.26)	(100.00)
Total Expenses	85.46	100.08	(14.62)	(14.61)
Profit from Operating Activities	1.49	14.93	(13.44)	(90.02)
Financial Costs	2.40	2.46	(0.06)	(2.44)
Profit Before Income Tax Expense	(0.91)	12.47	(13.38)	(107.30)
Tax Expense	0.24	2.51	(2.27)	(90.44)
Profit for the Year	(0.67)	9.96	(10.63)	(106.73)

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

	For the 6-Month Period Ended on June 30,			
	2023		2022	
	Million baht	percent	Million baht	percent
Revenue from Sales:				
1) Revenue from Sales of Special Steel				
- For Mold & Dies	60.10	69.12	83.58	72.67
- For Engineering Machinery	18.84	21.67	19.87	17.28
Total Revenue from Sales of Special Steel	78.94	90.79	103.45	89.94
2) Others Sales Revenue ^{/1}	4.48	5.15	6.33	5.50
Total Revenue from Sales	83.42	95.94	109.78	95.44
Revenue from Services :				
3) Revenue from Vacuum Hardening Services	3.19	3.67	4.95	4.30
Total Revenue from Sales and Services	86.61	99.61	114.73	99.75
Other Income ^{/2}	0.34	0.39	0.29	0.25
Total Revenues	86.95	100.00	115.02	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

For the six-month period ended June 30, 2023, the Company's primary income from the sale of special steel was 78.94 million baht, 90.79 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 69.12 percent of total revenue and 2) Revenue from sales of special steel for engineering machinery, which was equal to 21.67 percent of total revenue.

1.1 Revenue from Sales of Special Steel for Molds & Dies

For the six-month period ended June 30, 2023, the Company's revenue from sales of special steel for molds & dies was 60.10 million baht, decrease for 23.48 million baht or 28.09 percent from the same period of last year due to the decreases in manufacturing of mainly automotive parts and construction materials industries, as well as the less number of operating days in the 2nd quarter.

1.2 Revenue from Sales of Special Steel for Engineering Machinery

For the six-month period ended June 30, 2023, the Company's revenue from sales of special steel for engineering machinery was 18.84 million baht, decrease for 1.03 million baht or 5.18 percent from the same period of last year due to the decrease in orders for machinery maintenance as result of operating capacity in industrial manufacturing decreased.

2) Others Sales Revenue

Other sales revenue consists of sales of band saw blades, the finished molds & dies, and industrial equipment parts. For the six-month period ended June 30, 2023, the Company's revenue from other sales was 4.48 million baht, decrease for 1.85 million baht or 29.23 percent from the same period of last year, due to decrease in sales of band saw blades of 0.94 million baht and especially molds & dies of 1.63 million baht as the result of the decreasing orders from customers in Aluminium industry.

3) Revenue from Vacuum Hardening Services

For the six-month period ended June 30, 2023, the Company's revenue from vacuum hardening services was 3.19 million baht, decrease of 1.76 million baht or 35.56 percent from the same period of last year, 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 six-month period ended June 30, 2023, the Company's other income was 0.34 million baht, increase of 0.05 million baht or 17.24 percent from the same period of last year.

Cost of Sales and Services and Gross Profit Margin

	For the 6-Month Period Ended on June 30,	
	2023	2022
Revenue from Sales and Services (Million baht)	86.61	114.72
Cost of Sales and Services (Million baht)	66.98	82.14
Gross Profit Margin (Million baht)	19.63	32.58
Cost of Sales and Services (%)	77.34	71.60
Gross Profit Margin (%)	22.66	28.40

For the six-month period ended June 30, 2023, the Company's cost of sales and services was 66.98 million baht, while gross profit margin was 19.63 million baht, decrease of 12.95 million baht or 39.75 percent from the same period of last year, because of increases in both cost of raw materials and cost of sales and services per unit which effected from decreased in revenue, resulting in decrease of 5.74 percent in gross profit margin.

Distribution Cost

For the six-month period ended June 30, 2023, the Company's distribution cost was 3.21 million baht, increase of 0.32 million baht or 11.25 percent from the same period of last year, due to increasing transportation expenses as well as sales management cost.

Administrative Expenses

For the six-month period ended June 30, 2023, the Company's administrative expenses was 15.27 million baht, increase of 0.48 million baht or 3.20 percent from the same period of last year, due to accounting record for employee's bonus of 0.55 million baht.

Financial Cost

For the six-month period ended June 30, 2023, the Company's financial costs was 2.40 million baht, decrease of 0.06 million baht or 2.62 percent from the same period of last year, due to the Company's overdrafts and long-term loans from financial institutions decreased totally.

Net Profit

For the six-month period ended June 30, 2023, the Company's net loss was 0.67 million baht, decrease of 10.63 million baht or 106.72 percent from the same period of last year, mainly because of the decrease of revenue from sales and services resulted from industry slowdown, as well as increasing cost of raw materials as well as another costs and expenses increased.

Statements of Financial Position

	Million baht			
	30 June 2023	31 December 2022	Increase / (Decrease)	
	Million baht	Million baht	Million baht	percent
Assets	442.42	310.47	131.95	42.50%
Liabilities	165.57	175.57	(10.00)	(5.70%)
Shareholders' Equity	276.85	134.90	141.95	105.23%

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 June 30, 2023 total assets were 442.42 million baht, increase of 131.95 million baht or 42.50 percent compared to the end of year 2022, mainly because of 1) Cash and cash equivalents increase 83.68 million baht, 2) increase in inventories of 16.33 million baht and 3) the increase of property, plant, and equipment due to 31.21 million baht of the land for the new warehouse.

On April 21, 2023 the Company received the Permit for building construction, modification or demolition (Form Aor.1) and the ownership transfer was registered with the Land Department on May 11, 2023

As at June 30, 2023, the Company has advance payments for purchase machines and solar rooftop total 7.34 million baht under the total agreement contracts amounted 24.51 million baht.

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 June 30, 2023 were 165.57 million baht, decrease of 10.00 million baht or 5.70 percent compared to the end of year 2022, due to decrease in bank overdrafts and short-term loans from financial institutions of 9.67 million baht as well as long-term loans from financial institutions and lease liabilities decreased for 2.67 million baht.

Shareholders' Equity

The shareholders' equity of the Company as of June 30, 2023 was 276.85 million baht, increase of 141.95 million baht compared to the end of year 2022, resulting from the Initial Public Offering of 154.40 million baht, including total loss for the period of 0.67 million baht. Meanwhile, 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 of 10,499,881.35 Baht, including the appropriation of profit as a legal reserve in the amount of 500,500 Baht. The dividends in cash for the shareholders, whose names appear in the shareholder registration book as of March 9, 2023 (Record Date) to be entitled to receive dividend, were paid on May 23, 2023.

Please kindly be informed accordingly.

Yours sincerely,

Pisit Ariyadejwanich

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