

SAF # 001/2024_ENG

February 22, 2024

Subject: Management Discussion and Analysis for the Year Ended December 31, 2023 and clarification of the operating results changed over 20% comparing to the same period of the 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 six-month period ended December 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 Year Ended December 31,		Change	
	2023	2022	Increase / (Decrease)	percent
	Million baht	Million baht		
Revenues				
Revenue from Sales and Services	168.92	219.01	(50.09)	(22.87)
Other Income	2.24	0.55	1.69	306.59
Total Revenues	171.16	219.56	(48.40)	(22.04)
Expenses				
Cost of Sales and Services	130.67	160.36	(29.69)	(18.51)
Distribution Costs	6.39	6.16	0.23	3.73
Administrative Expenses	27.78	31.26	(3.48)	(11.13)
Loss on Exchange Rates	0.00	3.86	(3.86)	(100.00)
Total Expenses	164.84	201.64	(36.80)	(18.25)
Profit from Operating Activities	6.32	17.92	(11.60)	(64.73)
Financial Costs	4.85	5.46	(0.61)	(11.17)
Profit Before Income Tax Expense	1.47	12.46	(10.99)	(88.20)
Tax Expense	0.20	2.46	(2.26)	(91.78)
Profit for the Year	1.27	10.00	(8.73)	(87.32)

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

	For the Year Ended December 31,			
	2023		2022	
	Million baht	percent	Million baht	percent
Revenue from Sales:				
1) Revenue from Sales of Special Steel				
- For Mold & Dies	123.98	72.44	151.56	69.03
- For Engineering Machinery	32.29	18.87	47.57	21.67
Total Revenue from Sales of Special Steel	156.27	91.31	199.13	90.70
2) Others Sales Revenue ^{/1}	6.64	3.88	10.62	4.84
Total Revenue from Sales	162.91	95.19	209.75	95.54
Revenue from Services :				
3) Revenue from Vacuum Hardening Services	6.01	3.51	9.26	4.22
Total Revenue from Sales and Services	168.92	98.70	219.01	99.76
Other Income ^{/2}	2.24	1.30	0.55	0.24
Total Revenues	171.16	100.00	219.56	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 2023, the Company's primary income from the sale of special steel was 156.27 million baht, accounting for 91.31 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 72.44 percent of total revenue and 2) Revenue from sales of special steel for engineering machinery, which was equal to 18.87 percent of total revenue.

1.1 Revenue from Sales of Special Steel for Molds & Dies

For the year 2023, the Company's revenue from sales of special steel for molds & dies was 123.98 million baht, decrease for 27.58 million baht or 18.19 percent from the previous year due to the decreases in industrial manufacturing mainly in automotive parts industry and construction materials industry especially aluminium profiles and construction steels sectors.

1.2 Revenue from Sales of Special Steel for Engineering Machinery

For the year 2023, the Company's revenue from sales of special steel for engineering machinery was 32.29 million baht, decrease for 15.28 million baht or 32.12 percent from the previous year due to the decrease in orders for machinery maintenance as result of operating capacity in industrial manufacturing still in the low level, also slowdown in new machinery production.

2) Others Sales Revenue

Other sales revenue consists of sales of band saw blades, the finished molds & dies, and industrial equipment parts. For the year 2023, the Company's revenue from other sales was 6.64 million baht, decrease for 3.98 million baht or 37.48 percent from the previous year, due to decrease in sales of band saw blades of 1.72 million baht, industrial equipment parts of 0.33 million baht, and molds & dies of 1.87 million baht as the result of the decreasing orders in overall industrial manufacturing, especially the finished dies for Aluminium profiles production.

3) Revenue from Vacuum Hardening Services

For the year 2023, the Company's revenue from vacuum hardening services was 6.01 million baht, decrease of 3.25 million baht or 35.10 percent from the previous year, due to significantly 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 year 2023, the Company's other income was 2.24 million baht, increase of 1.69 million baht or 307.27 percent from the previous year. It was caused by the Company's gain from exchange rate 0.50 mill baht and the Company's profit from selling assets increased by 1.24 million baht in 2023 comparing to 2022.

Cost of Sales and Services and Gross Profit Margin

	For the Year Ended December 31,	
	2023	2022
Revenue from Sales and Services (Million baht)	168.92	219.01
Cost of Sales and Services (Million baht)	130.67	160.36
Gross Profit Margin (Million baht)	38.25	58.65
Cost of Sales and Services (%)	77.35	73.22
Gross Profit Margin (%)	22.65	26.78

For the year 2023, the Company's cost of sales and services was 130.67 million baht, 77.35 percent of Revenue from Sales and Services, decrease for 29.69 million baht or 18.51 percent from year 2022. While gross profit margin was 38.25 million baht, 22.65 percent of Revenue from Sales and Services, decrease of 20.40 million baht from year 2022, because of increases in both cost of raw materials and cost of sales and services per unit which effected from decreased revenue, resulting in decrease of 4.13 percent in gross profit margin.

Distribution Cost

For the year 2023, the Company's distribution cost was 6.39 million baht, increase of 0.23 million baht or 3.73 percent from year 2022, due to increasing transportation expenses as well as sales management cost.

Administrative Expenses

For the year 2023, the Company's administrative expenses was 27.78 million baht, decrease of 3.48 million baht or 11.13 percent from year 2022, due to the Company's cost control measures.

Financial Cost

For the year 2023, the Company's financial costs was 4.85 million baht, decrease of 0.61 million baht or 11.17 percent from year 2022, due to the overall decrease of Company's overdrafts and long-term loans from financial institutions.

Net Profit

For the year 2023, the Company's net profit was 1.27 million baht, decrease of 8.73 million baht or 87.32 percent from year 2022, 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

	For the Year Ended December 31,			
	2023	2022	Increase / (Decrease)	
	Million baht	Million baht	Million baht	percent
Assets	404.15	310.47	93.68	30.17
Liabilities	125.90	175.57	(49.67)	(28.29)
Shareholders' Equity	278.25	134.90	143.35	106.26

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 December 31, 2023 total assets were 404.15 million baht, increase of 93.68 million baht or 30.17 percent compared to the end of year 2022, mainly because of 1) Cash and cash equivalents increase of 5.20 million baht, 2) increase in inventories of 17.54 million baht and 3) the increase of property, plant, and equipment due to 73.15 million baht of the land for the new warehouse.

On April 21, 2023 the Company obtained 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 of December 31, 2023, the Company has paid the partial advance payments for purchasing machines and solar roof of total 8.66 million baht under the total purchasing contracts of 12.90 million baht. Moreover, the Company also has paid the partial advance payments of 27.01 million baht under the total new warehouse construction contract of 34.83 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 December 31, 2023 were 125.90 million baht, decrease of 49.67 million baht or 28.29 percent compared to the end of year 2022, due to decrease in Trade payables of 11.86 million baht as well as Bank overdrafts and short-term loans from financial institutions decreased for 34.99 million baht.

Shareholders' Equity

The shareholders' equity of the Company as of December 30, 2023 was 278.25 million baht, increase of 143.35 million baht compared to year 2022, resulting from the Initial Public Offering of 154.40 million baht, including total profit for the period of 0.73 million baht.

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.



บริษัท เอส.เอ.เอฟ. สเปเชียล สตีล จำกัด (มหาชน)
S.A.F. SPECIAL STEEL PUBLIC COMPANY LIMITED

สำนักงานใหญ่ เลขที่ 110 ซอยเทียนทะเล 24 ถนนบางขุนเทียน-ชายทะเล แขวงท่าข้าม เขตบางขุนเทียน กรุงเทพฯ

In regard to the Board of Directors' Meeting No.1/2024 held on February 22, 2024, the Board of Directors agree to propose the shareholders' meeting to consider and approve the appropriation of profit as legal reserve at 68,000.- baht for the year ended December 31, 2023.

Please kindly be informed accordingly.

Yours sincerely,

Pisit Ariyadejwanich

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