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บริษัท สหวิริยาสตีลอินดัสตรี จำกัด (มหาชน)
SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED

บริษัทหลักชั้นนำด้านนวัตกรรมและความเชื่อมั่น
Leading Innovative and Reliable Steel Company

-Translation-

Management Discussion and Analysis for Year 2020

Sahaviriya Steel Industries Public Company Limited (the “Company”) would like to clarify operating results and financial status of the Company and its subsidiaries for Year 2020 period ended 31 December 2020 as follows:

Unit: million Baht	2020 New TFRS ²⁾	2019		Δ YoY
		New TFRS	Original TFRS	New TFRS
Sales and service revenues	18,125	25,199	25,199	-28%
Cost of sales and service	17,415	25,570	25,103	-32%
Gross profit (loss)	710	(371)	97	292%
SG&A	706	1,699	2,166	-58%
EBITDA ¹⁾	2,751	(1,254)	(1,254)	319%
Net profit (loss)	376	(1,803)	(1,803)	121%

Remark:

- EBITDA: Including the provision (or reversal) for loss on decline in value of inventories and provision (or reversal) for loss under onerous contracts = Net Profit + Interest + Tax + Depreciation and Amortization
- The Company has applied the new Thai Financial Reporting Standards (TFRS), effective for financial statements for the accounting period beginning 1 January 2020. The TFRSs that affect the financial statements are as follows:
 - TFRS 7 Financial Instruments: Disclosure related to the new reclassification of accounting items which has impact on Income Statement for year 2020 and 2019 but has no impact on Balance Sheet.
 - TFRS 9 Financial Instruments related to the measurement of value of financial instruments which has impact on both Balance Sheet and Income Statement for year 2020 but has no impact on those for year 2019 because the Company has chosen to adjust the beginning retained earnings.

Operating Performance

1. Revenues

The Company and its subsidiaries recorded sales and service revenues Baht 18,125 million, decreased by 28% yoy. HRC Sales Volume was 1,012k tons, dropped 20% yoy. HRC Average Selling Price was Baht 16,956/ton or approx. USD 542/ton, down 14% yoy following steel prices in the world market. The total HRC sales Volume included SSI Principal Products (SPP) 32%, Innovated Value Products (IVP) 30%, and Customized Prime Products (CPP) 37%.

2. Cost of Sales and Services

The Company and its subsidiaries recorded total cost of sales and services Baht 17,415 million, including the reversal of the provision for loss on decline in value of inventories Baht 472 million. Cost of sales and services decreased by 32% yoy from Baht 25,570 million in year 2019 due to the decrease in sales and the adoption of the new financial reporting standard (TFRS 7) in 2020 which a new classification of accounting items has been applied by adjusting some items in the distribution cost in SG&A to the cost of sales. Accordingly, an amount of Baht 467 million was adjusted in 2019 (New TFRS) from the distribution cost to the cost of sales to be in line with the reclassification of accounting transactions in 2020.

1/10



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3. SG&A

The Company and its subsidiaries recorded SG&A Baht 706 million, decreased 58% yoy from Baht 1,699 million in year 2019, in accordance with TFRS 7, due to additional allowance for doubtful accounts on the overdue debts of related parties Baht 889 recorded in 2019 but did not appear in year 2020.

4. Profit

The Company and its subsidiaries recorded **Gross Profit** Baht 710 million, increased from Baht loss 371 million in year 2019, in accordance with TFRS 7, or up 292% yoy. **EBITDA** increased 319% from minus Baht 1,254 million in the previous year to Baht 2,751 million in 2020. **Net Profit** was Baht 376 million, improved 121% yoy from net loss Baht 1,803 million in 2019 due to (a) the increase in gross profit, (b) the decrease in SG&A and (c) the implementation of the TFRS 9, showing profit from measurement of fair value on finance liabilities Baht 2,191 million in year 2020 which was not recorded in 2019 (New TFRS).

Financial Position

1. Assets

As at 31 December 2020, the Company and its subsidiaries had total assets Baht 19,680 million, decreased 10% from Baht 21,888 million as at 31 December 2019 from the decrease in inventory.

2. Liabilities

As at 31 December 2020, the Company and its subsidiaries had total liabilities Baht 34,201 million, down 46% from Baht 63,146 million as at 31 December 2019 as a result of the implementation of the new financial reporting standards related to TFRS9 in year 2020. In 2020, the Company has short-term debt under the Plan which is due within 1 year Baht 255 million and long-term debt under the Plan Baht 29,527 million.

3. Equity

As at 31 December 2020, equity attributable to owners of the Company was negative Baht 15,042 million, down from negative Baht 41,803 million as at 31 December 2019, due to the implementation of the new financial reporting standard related to TFRS 9 in year 2020.