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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 2023

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 2023 period ended 31 December 2023 as follows:

Unit: million Baht	2023	2022 (Restated ²⁾)	Δ YoY
Sales and service revenues	25,362	33,933	-25%
Cost of sales and service	24,644	33,528	-26%
Gross profit (loss)	718	406	+77%
SG&A	1,090	871	+25%
Consolidated EBITDA ¹⁾	4,685	(75)	N.A.
Gain on a bargain purchase	-	503	-100%
Gains (loss) on exchange rate from liabilities under the rehabilitation plan	44	(690)	N.A.
Gain on re-measurement of financial liabilities measured at amortized cost	4,303	-	+100%
Finance costs	1,964	1,790	+10%
Net profit (loss) attributable to owners of the Company	2,163	(2,420)	N.A.

- 1) Consolidated EBITDA: EBITDA of the consolidated financial statement which included the provision (or reversal) for loss on decline in value of inventories, provision (or reversal) for loss under onerous contracts, and gain (loss) from non-operating item = Net Profit + Interest + Tax + Depreciation and Amortization
- 2) During the year, the Company and its subsidiaries has retrospectively adjusted the consolidated financial statements, as stated in note 34 and 35, due to the business combination. The accounting for the business combination had restated 2022 financial statements in the 2023 financial statements by reviewing assets and liabilities acquired of Redcar Bulk Terminal Limited which is business acquisition in 2022.

Operating Performance

1. Revenues

The Company and its subsidiaries recorded sales and service revenues of Baht 25,362 million, down 25% YoY. Total Sales Volume was 937k tons, dropped by 12% YoY due to the decline in domestic economy and the increase in market competition from imported steel. HRC average selling price was Baht 25,229/ton or approximately USD 726/ton, 16% decline YoY following the world market price. In 2023, Innovated Value Products (IVP) accounted for 79% of overall HRC sales volume while SSI Principal Products (SPP) made up 21% *pc*

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2. Cost of Sales and Services

The Company and its subsidiaries recorded total cost of sales and services of Baht 24,644 million, including net reversal of provision for loss on decline in value of inventories Baht 304 million comparing to the net provision of Baht 44 million in year 2022. The cost of sales and services fell by 26% YoY from Baht 33,528 million in the same period last year mainly from the decrease in sales volume and drop of average raw material costs.

3. SG&A and Finance Costs

The Company and its subsidiaries recorded SG&A of Baht 1,090 million, up 25% from Baht 871 million in the same period last year as a result of provision and write-off of deteriorated assets at year end. The Company and its subsidiaries recorded finance costs of Baht 1,964 million, up 10% YoY from Baht 1,790 million in the same period of the previous year due to the accrual of deferred interest in accordance with the Plan.

4. Profit

The Company and its subsidiaries recorded **Gross Profit** of Baht 718 million, increased from Baht 406 million due to the increase in metal spread. **Consolidated EBITDA** was Baht 4,685 million and **Net Profit** was Baht 2,163 million (restated), primarily due to the fair value measurement of the liabilities under the rehabilitation plan pursuant to the Financial Reporting Standards No. 9 (TFRS9), which resulted in the following gains in total amount of Baht 4,347 million:

- 1) Gains on exchange rate from liabilities under the rehabilitation plan of Baht 44 million
- 2) Gain on re-measurement of financial liabilities measured at amortized cost of Baht 4,303 million as a result of a decrease in net present value of the liabilities under the Plan because of
 - 2.1) an increase in discount rate used in the measurement following the increase in current interest rates and
 - 2.2) the suspension repayment of liabilities under the Plan from August 2023 to June 2024, totally 11 installments.

Excluding the aforementioned non-operating items which contributed gains of Baht 4,347 million, operating result would be a net loss attributable to owners of the Company of Baht 2,184 million, primarily due to accrual of deferred interest in accordance with the Plan and other aforementioned reasons.

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Financial Position

Unit: million Baht	31 Dec. 23	31 Dec.22	Δ Change
Cash and cash equivalents	393	552	-29%
Inventories	7,395	7,536	-2%
Property, plant and equipment	11,552	11,777	-2%
Other assets	3,292	3,080	+7%
Total Assets	22,632	23,448	-3%
Trade accounts payable	5,725	4,930	+16%
Current contract liabilities	589	659	-11%
Liabilities under rehabilitation plan	29,160	32,464	-10%
Short-term loan from related parties	931	1,520	-39%
Other Liabilities	1,647	1,470	12%
Total Liabilities	38,052	41,043	-7%
Equity attributable to owners of the Company	(15,861)	(18,059)	N.A.
Total liabilities and shareholders' equity	22,632	23,448	-3%

1. Assets

As at 31 December 2023, the Company and its subsidiaries had total assets of Baht 22,632 million, slightly decreased from Baht 23,448 million (restated) as at 31 December 2022.

2. Liabilities

As at 31 December 2023, the Company and its subsidiaries had total liabilities of Baht 38,052 million, a 7% decrease from Baht 41,043 million as at 31 December 2022, mainly due to the effect of the aforementioned Financial Reporting Standards No. 9 (TFRS9).

The total liabilities under rehabilitation plan of Baht 29,160 million comprise 1) debt under the Plan due within 1 year Baht 319 million, down from Baht 1,359 million and 2) debt under the Plan due over 1 year Baht 28,841 million, a decrease from Baht 31,104 million as at the end of year 2022.

3. Equity

As at 31 December 2023, equity attributable to owners of the Company was negative Baht 15,861 million, improved from negative Baht 18,059 million (restated) as at 31 December 2022, as a result of the net profit of the group.

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