

NO. ZIGA 024/2022

14 November 2022

Subject: Management explanation and analysis Quarter 3/2022 ending 30 September 2022

Attention: Director and Managing Director
The Stock Exchange of Thailand

Ziga Innovation Public Company Limited main revenue is derived from the manufacturer and distributor of pre-zinc structural steel pipes ZIGA brand and DAIWA brand conduits, which are innovative replacement products in galvanized steel pipe or painted black steel pipe segment.

The Company focuses on developing and increasing the value of products in both steel and non-steel forms and create a brand close to customers, especially focusing on the niche market.

However, as China's zero Covid measures and lockdown continue to impact supply, the company's raw material costs are rising coupled with price fluctuations. There was a sharp and abrupt and continuous decline in prices. Given the global economic recession and the impact of the trade war between China and Russia. As a result, pre-zinc steel substitutes cost much more than conventional steel. It affects the popularity of this type of steel. The company will make a marketing plan to stimulate sales through social media to educate users and solve such problems and organize a proportion of products to penetrate more large projects.

The Company sees an opportunity to do new business opportunities. In terms of digital assets, the Company specializes in electrical products as it is a manufacturer of conduits and equipment and has been in the electrical contractor industry for more than 25 years. The Company is confident in starting to enter the technology business. It can create business opportunities to grow by investing in the Bitcoin Mining business. Currently, the Group has a total of 400 bitcoin mining machines equivalent to 41,600 TH/s.

The company has 200 machines installed at the company's office building and 200 bitcoin mining machines, which the Company has in the past had the main approach to managing volatility. Pause bitcoin mining machines and buy bitcoin coins instead, and the company also plans a business model to increase the value of bitcoin.

However, doing business during challenging and new times can be uncontrollable. The Company considers that investing in innovations such as digital assets will have a positive impact in the long run. The Company monitors the situation in order to adjust the investment plan accordingly and with caution in order to preserve the best interests of all stakeholders who have trusted the Company, including its main business, namely, being a steel pipe manufacturer pre zinc under the brand Ziga and Daiwa are also developing new products to improve the Company's profit margins.

ZIGA Innovation Public Company Limited (“the Company”) would like to clarify operating performance of the Company for the Quarter 3/2022 ended 30 September 2022 are as follows:

Consolidated Financial Statements

| Statement of Income: | Million Baht | | Change increase (decrease) |
|--|--------------|---------|-------------------------------|
| | Q3/2022 | Q3/2021 | |
| Sales | 216.7 | 285.1 | - 24.0% |
| Revenue from digital assets | 0.4 | - | 100.0% |
| Other income | 2.9 | 55.1 | - 94.8% |
| Cost of sales and digital assets | - 270.6 | - 208.9 | 29.5% |
| Loss on exchange rates | - 6.1 | - 12.0 | -49.5% |
| Reversal impairment loss of digital assets | 5.5 | - | 100% |
| Loss on disposal of digital assets | - 3.4 | - | 100% |
| Distribution costs | - 5.8 | - 7.4 | - 21.7% |
| Administrative expenses | - 25.9 | - 15.7 | 64.7% |
| Finance costs | - 10.3 | - 5.3 | 94.8% |
| Profit (Loss) for the period | - 88.5 | 73.2 | - 220.9% |
| Net Profit (Loss) | - 40.3% | 21.5% | |
| EBITDA (MB) | - 66.8 | 104.6 | - 163.9% |
| EBITDA (%) | - 30.4% | 30.7% | |
| Earnings per share (Baht) | - 0.13 | 0.15 | - 186.7% |

Remark: EBITDA = Profit before finance costs, income tax, Depreciation and Amortization

The Company's total revenues in the third quarter of 2022 and 2021 were 225.4 million baht and 340.2 million baht, respectively, a decrease of 114.8 million baht or equivalent to a 33.7% reduction in total revenue and the change can be summarized as follows:

The Company's sales revenue in the third quarter of 2022 and 2021 was 216.7 million baht and 285.1 million baht, respectively, a decrease of 68.5 million baht or a decrease in sales revenue of 24 percent. Although sales volumes in Q3 2022 began to improve over Q2 2022, due to fluctuations in economic conditions and cost of goods prices. As well as the weakening of the baht, the steel industry fluctuates, causing the market price to fall sharply. Meanwhile, the company cannot adjust the selling price to the extent that the market price changes.

In the third quarter of 2022, the Company had revenue from the sale of digital coins amounting to 0.4 million baht. In the third quarter of 2022, the Group temporarily stopped bitcoin mining due to the impact of the current decline in bitcoin market prices. Turning on a bitcoin miner will have the costs incurred in mining cryptocurrency coins, not as cost-effective as buying cryptocurrency coins through exchange platforms. During the bitcoin mining machine stop, the depreciation of the bitcoin miner. and amortization of cryptocurrency mining charges. 13.4 million baht. It is recorded in administrative expenses and because of central bank policy around the world. As a result, the entire economy, including digital assets, has been affected by global liquidity. If the overall situation of the economy goes in a better direction. The Company still believes that the price of bitcoin will improve accordingly.

The Company's other revenues in the third quarter of 2022 and 2021 were 2.9 million baht and 55.1 million baht, respectively. Decrease compared to the same period last year in the third quarter of 2021, the Company had revenue from collateral refunds of 50.9 million baht. According to the notification, the Committee considers dumping and subsidies. Department of Foreign Trade, Ministry of Commerce.

Total distribution and management costs in the third quarter of 2022 and 2021 were 31.7 million baht and 23.2 million baht, respectively. Increased by 8.6 million baht This represented a 37 percent increase, largely due to the perceived depreciation of bitcoin miners and the amortization of cryptocurrency mining services while temporarily stopping bitcoin mining machines. Financial costs in the third quarter of 2022 and 2021 were 10.3 million baht and 5.3 million baht, respectively. Increased by 5.0 million baht This represented a 94.8 percent increase, primarily due to interest on debentures.

Due to the volatility of the exchange rate, the baht has deteriorated significantly. As a result, the Company's foreign exchange losses in the third quarter of 2022 and 2021 were 6.1 million baht and 12.0 million baht, respectively, decreasing by 5.9 million baht. That's a 49.5 percent decline.

The Company's net profit (loss) in the third quarter of 2022 and 2021 amounted to -88.5 million baht and 73.2 million baht, respectively, with the company's net profit (loss) accounting for -40.3% and 21.5% of total revenue in the third quarter of 2022 and 2021, respectively. Compared to the same period last year, the Company's net profit decreased by 161.8 million baht or represented a decrease in net profit of 220.9 percent, with EBITDA in the third quarter of 2022 and 2021 amounting to -66.8 million baht and 104.6 million baht, respectively.

Statement of Financial Position

Assets

The Company's total assets as of September 30, 2022 and December 31, 2021, the Company had total assets of 2,002.7 million baht and 1,810.0 million baht, respectively. As of September 30, 2022, the company had current assets of 53.0% of total assets. and non-current assets 47.0% of total assets

| | Consolidated Financial Statements | | | |
|--------------------|--|----------|-------------------------|----------|
| | 30 September 2022 | | 31 December 2021 | |
| | THB MB | % | THB MB | % |
| Current assets | 1,060.9 | 53.0 | 980.4 | 54.2 |
| Non-current assets | 941.8 | 47.0 | 829.6 | 45.8 |
| Total assets | 2,002.7 | 100.0 | 1,810.0 | 100.0 |

1. Current assets

The Company had total current assets of 1,060.9 million baht and 980.4 million baht as of the third quarter of 2022 and the end of 2021, or 53.0% and 54.2% of total assets, respectively. The Company had cash and cash equivalents of 463.4 million baht and 199.0 million baht at the third quarter of 2022 and the end of 2021, or 23.1 percent and 11.0 percent per total asset, respectively, followed by inventories of 420.3 million baht and 590.4 million baht at the third quarter of 2022 and the end of 2021, or 21.0 percent and 32.6 percent per total asset, respectively. The increase in current assets was primarily driven by increased cash and cash equivalents from cash received from the issuance of debentures and cash from the exercise of warrants.

2. Non-current assets

As of the third quarter of 2022 and the end of 2021, the Company had total non-current assets of 941.8 million baht and 829.6 million baht, respectively, or 47.0% and 45.8 percent, respectively. The Company has a significant list of non-current assets, namely land, buildings and equipment, accounting for 40.0% and 41.2% of total assets, mainly from land, buildings and equipment. Net amount 56.3 million baht. From the purchase of additional assets/ transfers amounting to 94.3 million baht and depreciation of 38.0 million baht.

Liabilities

The Company's total liabilities as of September 30, 2022 and December 31, 2021, the Company has total liabilities of 1,016.4 million baht and 814.4 million baht, respectively. As of September 30, 2022, the company has current liabilities of 65.4% of total liabilities. and non-current liabilities 34.6% of total liabilities.

| | Consolidated Financial Statements | | | |
|-------------------------|--|----------|-------------------------|----------|
| | 30 September 2022 | | 31 December 2021 | |
| | THB MB | % | THB MB | % |
| Current liabilities | 664.3 | 65.4 | 603.9 | 74.1 |
| Non-current liabilities | 352.1 | 34.6 | 210.5 | 25.9 |
| Total liabilities | 1,016.4 | 100.0 | 814.4 | 100.0 |

1. Current liabilities

At the third quarter of 2022 and the end of 2021, the Company had total current liabilities of 664.3 million baht and 603.9 million baht, respectively, representing 65.4% and 74.1% of total liabilities, up from 60.3 million baht in 2021. This is largely due to liabilities under the Trust Receivable Agreement. multiply 121.4 million baht from purchases of raw materials from abroad, trade creditors decreased by 42.1 million baht and income tax arrears decreased by 19.7 million baht.

2. Non-current Liabilities

At the third quarter of 2022 and the end of 2021, the Company had non-current debts of 352.1 million baht and 210.5 million baht, respectively, or 34.6 percent and 25.9 percent of total debt, with the majority of non-current liabilities being long-term-net debentures of Baht 191.8 million, issued on April 26, 2022, due on April 26, 2024, and followed by long-term loans from financial institutions, net of which 91.4 million baht and 141.3 million baht, respectively, or 9.0 percent and 17.3 percent of total debt, respectively. Long-term loans decreased from the end of 2021 due to gradual repayment of loans.

Shareholder's equity

As of September 30, 2022 and December 31, 2021, the Company had equity of Baht 986.3 million and Baht 995.5 million, respectively. Equity decreased by 9.7 million baht. From the capital and excess of the value of the common shares increased from the exercise of the warrants and included the portion of the shares received from the exercise of the warrants. The total amount was 93.3 million baht and the retained profit decreased by 103.0 million baht.

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Please be informed accordingly,

Yours Sincerely,

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