

CHOW 261/ 2023

15 May 2023

Subject : Management’s Discussion and Analysis for the three-month period ended 31 March 2023
 Attention : Committee and Manager, The Stock Exchange of Thailand
 Refer to : The Regulation of the Stock Exchange of Thailand in regards with the preparation and submission of the financial Statements and reports on financial condition and results of operations of the Company Act 2001

According to the regulation of the Stock Exchange of Thailand as mentioned above, CHOW Steel Industries Public Company Limited (“CHOW”), would like to declare the operating results for the three-month period ended 31 March 2023 and 2022 as follows:

1. Consolidated Operating Result for the three-month period ended 31 March 2023 and 2022:

Significant Financial Information - Operating Results	Q1 2023	Q1 2022	Changes	
	Mb	Mb	Mb	%
Sale and service income	466.69	212.44	254.25	119.7%
Cost of sale and service	(425.51)	(202.51)	(223.00)	110.1%
Profit margin	41.18	9.93	31.26	314.8%
% Profit margin	8.8%	4.7%	4.2%	
Gain on sales of investments and solar power plants	-	1,423.46	(1,423.46)	-100.0%
Other income	0.80	0.97	(0.17)	-17.4%
Gain on exchange rate, net	7.16	52.54	(45.39)	-86.4%
Selling and administrative expenses	(22.18)	(147.74)	125.56	-85.0%
Profit from continued operation	26.96	1,339.16	(1,312.20)	-98.0%
Share of loss from investments in joint ventures	(0.04)	(0.21)	0.18	-81.8%
Finance cost	(27.70)	(41.39)	13.70	-33.1%
Income tax	(2.78)	7.37	(10.15)	-137.8%
Profit (loss) for the period from continued operation	(3.56)	1,304.92	(1,308.48)	-100.3%
Loss after income tax from discontinued operation	-	(99.57)	99.57	-100.0%
Profit (loss) for the period	(3.56)	1,205.35	(1,208.91)	-100.3%
EPS (Baht/ share)	(0.01)	1.31	(1.32)	-100.8%

Sale and service income: the overall Group's revenue was Baht 466.69 million compared to 212.44 million Baht in Q1 2022. The increasing mainly contributed from:

- **Steel business:** Income from the sale of steel billets and round steel increased by 40% compared with the previous year. Round steel is a new product that has received the Thai Industry Standard certificate since 2022. Revenue from services amounted to Baht 216 million, an increase from Q1 2022 when revenue from services was Baht 53 million. This was due to the company receiving more OEM orders for steel billets and round steel products in the current period.
- **Renewable energy business:** revenue from electricity sales amounted to 41 million baht and increased by 28 million baht year-on-year as the Group generated a total of 30.5 megawatts for rooftop solar projects COD since Q4 22, compared to 6.6 megawatts in Q1 2022. As a result, the Group fully recognized revenue from electricity sales in Q1 23. There are additional 3 megawatts PPA project which completely constructed and will generate revenue in Q2 and Q3 2023.

Profit margin: Profit margin increased in both the steel and services businesses. In 1Q23, the average gross profit margin was 12.3% compared to 5.3% in the same period of the previous year, due to a higher profit margin on the sale of electricity in line with the projects of PPA and the adjustment of the Ft rate by the government. The service business contributed 5.5% to the profit margin, which increased due to more OEM orders in the current period compared to the previous year.

Significant Financial Information - Operating Results	Q1 2023	Q1 2022	Changes	
	Mb	Mb	Mb	%
Sale	229.84	146.42	83.42	57.0%
Cost of sale	(201.60)	(138.62)	(62.97)	45.4%
Profit margin	28.24	7.79	20.45	262.4%
% Profit margin to sale	12.3%	5.3%	7.0%	130.9%
Service income	236.85	66.02	170.83	258.8%
Cost of service	(223.91)	(63.89)	(160.03)	250.5%
Profit margin	12.94	2.14	10.81	506.1%
% Profit margin to revenue	5.5%	3.2%	2.2%	68.9%

Selling and administrative expenses: Significant decrease compared to Q1'22, in which mainly expenses directly related to the disposal of the solar power plant project in the previous year were recorded.

Finance cost: Interest expenses decreased compared to the previous year and amounted to Baht 27.7 million due to the repayment of loans to financial institutions that supported the overseas solar power plant project. In addition, the Group partially paid debentures in 2022.

Loss after income tax from discontinued operation: In Q1 2022, there were operating result from solar power plant projects that the Group intended to sell to investors (discontinued operations). The accounting standard requires them to present separately from the normal continuing operation in the financial statements. In the current period, the Group has one project under construction in Japan.

2. Financial Position as at 31 March 2023 and 31 December 2022

Statement of financial position	31 Mar 23	31 Dec 22	Changes	
	Mb	Mb	Mb	%
ASSETS				
Current assets	2,402.90	2,382.10	20.80	0.9%
Non-current assets	2,342.31	2,320.87	21.44	0.9%
Total Assets	4,745.22	4,702.97	42.24	0.9%
Liabilities and Equity				
Liabilities	-	-		
Current liabilities	2,148.22	2,536.35	(388.14)	-15.3%
Non-current liabilities	703.86	230.54	473.32	205.3%
Total Liabilities	2,852.08	2,766.90	85.19	3.1%
Shareholders' equity	1,893.13	1,936.08	(42.95)	-2.2%
Total Liabilities and Equity	4,745.22	4,702.97	42.24	0.9%

Total assets as of March 31, 2023 amounted to Baht 4,745.22 million, an increase of Baht 42.24 million compared to the previous year, mainly due to:

- Current assets: an increase of Baht 20.80 million due to trade and other receivables from steel and renewable energy business. The Group sold more products and services to customers in the current period.
- Non-current assets: Baht 21.44 million more than in the previous year, mainly due to CAPEX costs for rooftop solar projects at PPA.

Total liabilities increased 85.19 million Baht due to

- Current liabilities: Decrease of Baht 388.14 million due to repayment of short-term loans from financial institutions supporting CAPEX costs for machinery and equipment related to Solar Rooftop under PPA totaling Baht 342 million, and repayment of short-term loans from unrelated parties totaling Mb 100. Trade payables and accounts payable increased slightly due to payables for solar systems and accrued interest costs amounting to Baht 51.5 million.
- Non-current liabilities: Increased by 473.32 MB due to additional loan from financial institution for PPA project finance in February 2023.

The decrease in shareholders' equity of 42.95 million baht was mainly due to the loss on translation of foreign financial statements recorded in shareholders' equity of 28.5 million baht, loss on fair value of financial instruments under hedge accounting of 5.8 million baht and operating loss in the current period.

3. Consolidated cashflow statement

Cash and cash equivalents totaled Baht 49.41 million as of March 31, 2023, a decrease of Baht 18.27 million from the previous year. The movement of cash flow can be analyzed as follows:

Summary of statement of Cashflow: Consolidated)	Mb
Net cash in-flows from operating activities	9.6
Net cash out-flow from investing activities	-25.29
Net cash in-flows from financing activities	27.92
Decrease in translation adjustments	<u>-30.5</u>
Net decreased in cash and cash equivalents	-18.27
Cash and cash equivalent - beginning of the period	<u>67.68</u>
Cash and cash equivalent - end of the period	<u>49.41</u>

Net cash inflows from operating activities was 9.6 million baht comprising of cash flows from operating activities of Baht 57.4 million and adjust with changes of assets and liabilities from operation decreased by 47.8 million baht

Net cash outflows from investing activities for 25.29 million baht due to additional invested in PPA projects during the period.

Net cash inflows from financing activities for 27.92 million baht which came from additional loan from financial institution to support Solar PPA Projects for 474.67 million baht and repayment short-term loan from financial institution and unrelated parties total of Baht 342 million and 102 million, respectively.

Yours sincerely,

(Mr. Anavin Jiratomsiri)

Chief Executive Officer