

CHOW 277/ 2024

15 May 2024

Subject : Management's Discussion and Analysis for the 3-month period ended 31 March 2024

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

Chow Steel Industries Public Company Limited ("the Company") would like to declare its operating results for the 3-month period ended 31 March 2024 and statement of financial position as of 31 March 2024. The analysis topics are as follows.

1. Management Discussion & Analysis
2. Company performance analysis for the 3-month period ended 31 March 2024
3. Consolidated Statement of Financial Position analysis
4. Consolidated Statement of Cash Flows analysis

1. Management Discussion & Analysis

In the first quarter of 2024, the group of companies achieved its set targets, resulting in a net profit of 90.3 million baht exclamation. This profit was generated from operations in all business units, which can be analyzed by business type as follows:

Steel Business: The group of companies received an increase in production orders during the current quarter compared to the previous year. The products manufactured are diverse and meet industry-standard production capabilities. In addition, the company has been able to leverage the experience of its team to increase revenue from sales of customized products (Trading) of both industrial-standard steel billets and round bars into the market. This has resulted in the steel business generating a continuous profit from operations.

Renewable Energy Business: The company's revenue from providing Engineering, Procurement, and Construction (EPC) services for power generation systems increased, in line with the expansion of the joint venture group's solar power plant projects. The group has a portfolio of solar power plant projects under development, construction, and operation with a total capacity of no less than 250 megawatts in 2024. This has resulted in an increase in revenue from operations in this segment. In addition, the group continues to generate additional revenue from its investment in solar power generation businesses in Thailand with BlackRock Fund, in line with the group's business plan to enhance shareholder value and support further investment in power plant projects.

Sustainable Corporate Development: ESG

The group of companies has begun to apply the concept of sustainable corporate development: ESG to its management practices, integrating environmental, social, and governance responsibilities into all processes in a transparent and auditable manner. The company believes that developing the organization under the ESG framework will enable the group to grow and coexist with society sustainably, rather than simply conducting business to generate returns for stakeholders. Implementing ESG into the organization's development takes time, cost, and a sense of responsibility among all employees. The company is committed to achieving its goals and has established an ESG working group to oversee its implementation in each business segment.

Steel Business:

The company is currently in the process of collecting carbon footprint data for all stages of its product manufacturing. This project is expected to be completed by the second quarter of 2024. The company will then submit a report to the relevant authorities for review and approval of the data collection process and carbon footprint calculations by the third quarter of 2024.

Renewable Energy Business:

The company is in the process of developing an Environmental and Social Management System (ESMS) in accordance with the World Bank Group's IFC Performance Standards. This system will cover the company's environmental, social, and occupational health and safety (OHS) policies and procedures. The company has hired an international consultant to ensure that the implementation of the system is in compliance with all applicable requirements. The ESMS is expected to be completed by the third quarter of 2024.

2 The Group Performance Analysis

2.1) Analysis for 3-month period ended 31 March 2024

| Significant Financial Information - Operating Results | Q1 2024 | Q1 2023 | Changes | |
|---|-----------------|---------------|------------------|----------------|
| | Mb | Mb | Mb | % |
| Sale and service income | 1,274.79 | 466.69 | 808.10 | 173.2% |
| Revenue from the delivery of work under JV agreement | 95.09 | - | 95.09 | 100.0% |
| Total revenue | 1,369.87 | 466.69 | 903.18 | 193.5% |
| Cost of sale and service | (1,233.88) | (425.51) | (808.37) | -190.0% |
| Profit margin | 135.99 | 41.18 | 94.81 | 230.2% |
| % Profit margin | 9.9% | 8.8% | 1.1% | |
| Other income | 5.32 | 7.96 | (2.64) | -33.1% |
| Selling and administrative expenses | (44.27) | (22.18) | 22.09 | -99.6% |
| Profit from continued operation | 97.04 | 26.96 | 70,085.00 | 260.0% |
| Share of profit (loss) from investments in joint ventures | 1.15 | (0.04) | 1.19 | 3041.0% |
| Finance cost | (7.47) | (27.70) | 20.23 | 73.0% |
| Income tax | (0.35) | (2.78) | 2.43 | 87.4% |
| Profit (loss) for the period | 90.37 | (3.56) | 93.93 | 2638.5% |
| EPS (Baht/ share) | 0.10 | (0.01) | 0.11 | 1100.0% |

Q1 2024, the Group presented total revenue at Baht 1,369.87 million, increased from prior year 903.18 mB which equivalent to 193.5% expanding of revenue. Such changes of revenue can analysed as follows:

| Business Units | Q1 2024 | Q1 2023 | Unit: million Baht | |
|---|-----------------|---------------|--------------------|---------------|
| | | | Changes Mb | % |
| Steel Business | | | | |
| Trading Steel Products | 922.62 | 188.39 | 734.23 | 389.8% |
| OEM Services and others | 237.59 | 216.28 | 21.31 | 9.9% |
| Total | 1,160.21 | 404.66 | 755.54 | 186.7% |
| Renewable Energy | | | | |
| Sale electricity and equipments | 6.91 | 41.45 | (34.54) | -83.3% |
| EPC services | 107.67 | 20.57 | 87.09 | 423.4% |
| Total | 114.58 | 62.03 | 52.56 | 84.7% |
| Revenue from joint venture contract completion | 95.09 | - | 95.09 | 100.0% |
| Total revenue | 1,369.87 | 466.69 | 903.18 | 193.5% |

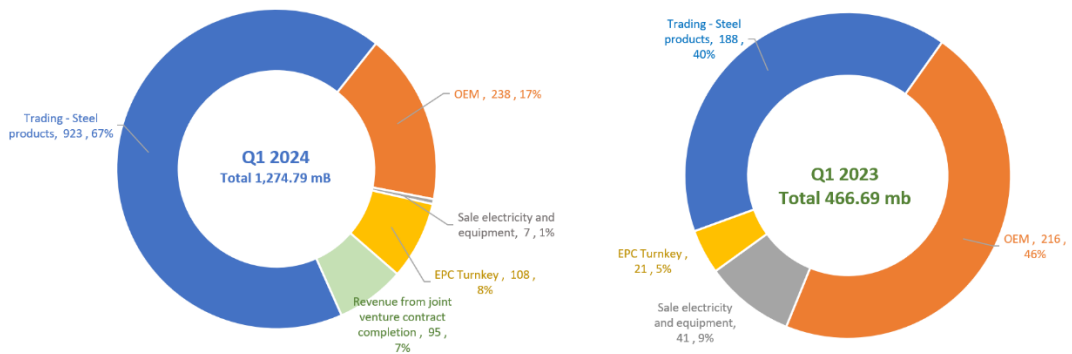
Steel Business

- Revenue growth:** The steel business experienced substantial year-over-year revenue growth of 734.23 million baht or + 186.7%. The key drivers of growth were expanded customer base to include a larger number of rebar customers. The Group extensive product portfolio enables it to cater to a broader ranged of customer order and the Group also received steady OEM orders throughout the current quarter.

Renewable Energy Business

- **Revenue from electricity and electrical equipment sales:** Due to the company's decision to partner with BlackRock Fund in 2023 to invest in its electricity generation and sales business under a PPA (Power Purchase Agreement) in Thailand, the group has changed its revenue recognition method for electricity sales to a share of the joint venture's operating income. Consequently, there is no revenue from electricity sales in the current period.
- **Revenue from Services:** EPC (Engineering, Procurement, and Construction) revenue experienced significant growth due to the provision of solar power plant construction services to affiliated companies with projects under development, construction, and electricity generation of no less than 250 megawatts in 2024. This has led to a gradual increase in service revenue for the group.
- **Revenue from Joint Venture Contract Completion:** The group recognized revenue of 95.09 million baht from the completion of work under a joint venture agreement signed with BlackRock Fund in 2023.

Sale Mix Analysis: The company's revenue mix has undergone a significant shift compared to the previous year. The steel business now accounts for a dominant 84% of total revenue, driven by substantial growth in both steel product sales (67%) and OEM services (17%). The remaining 16% of revenue streams from the renewable energy business, comprising EPC services (8%), joint venture contract completion revenue (7%), and sales of solar power generation equipment (1%).



Gross Profit and Gross Profit Margin

The company's gross profit for the current period amounted to 135.99 million baht, representing 9.9% of total revenue. This reflects an increase compared to the corresponding period, when gross profit was 41.18 million baht (8.8%).

- **Steel Product Sales:** The majority of revenue (72% or 923 million baht) in the current period stems from the steel trading business. This represents a substantial increase compared to the corresponding period, when steel sales accounted for only 40% of revenue (188 million baht). The average gross profit margin for trading remains around 1%, indicating consistent profitability for this type of revenue.
- **Electricity Sales:** Unlike the corresponding period, there is no revenue from electricity sales in the current period. This change is due to the company's decision to partner with BlackRock Fund in September 2023 to invest in its solar power generation business under a PPA (Power Purchase Agreement). As a result of this partnership, the company now recognizes revenue from electricity sales as a share of the joint venture's operating profit, in accordance with accounting standards.

- **Other type of revenue:** The gross profit margins for other revenue types, such as OEM and EPC services, remain largely unchanged.

Administrative Expenses: The company's administrative expenses have increased compared to the corresponding period. This rise is primarily attributed to the following factors:

- **Employee Salaries and Benefits:** The company has hired additional employees to support its business expansion, leading to higher payroll expenses.
- **Project and Legal Consulting Fees:** The company has incurred expenses related to consulting services for international projects.

Finance Costs: A decrease of 20.23 million baht in finance costs during the current period. This reduction is primarily attributed to:

- No interest expenses related to Bond and project finance for solar power plant projects in current period due to the establishment of a joint venture with BlackRock Fund, which may have taken on a portion of the project's financing and associated interest expenses.
- Finance cost in current period largely related to short-term loan from financial institution and un-related individual investors, those receiving loan are directly utilized as the working capital for the Group' business operation.

3. Analysis of Consolidated financial position as at 31 March 2024

| Consolidated Statement of Financial Position | 31-Mar-24 | 31 Dec 23 | Changes | |
|--|-----------------|-----------------|---------------|--------------|
| | Mb | Mb | Mb | % |
| ASSETS | | | | |
| Current assets | 1,799.12 | 1,631.93 | 167.19 | 10.2% |
| Non-current assets | 2,010.78 | 1,750.91 | 259.87 | 14.8% |
| Total Assets | 3,809.90 | 3,382.84 | 427.06 | 12.6% |
| Liabilities and Equity | | | | |
| Liabilities | | | | |
| Current liabilities | 1,396.65 | 1,060.41 | 336.25 | 31.7% |
| Non-current liabilities | 78.35 | 77.77 | 0.58 | 0.7% |
| Total Liabilities | 1,475.00 | 1,138.18 | 336.83 | 29.6% |
| Shareholders' equity | 2,334.90 | 2,244.66 | 90.24 | 4.0% |
| Total Liabilities and Equity | 3,809.90 | 3,382.84 | 427.06 | 12.6% |

Total Assets

As at March 31st, 2024, the Group reported total assets of Baht 3,809.90 million, an increase of Baht 427.06 million compared to the previous year.

Current Assets: The company's current assets have increased by 167.19 million baht. This rise is primarily attributed to the following factors:

- **Trade and Other Receivables:** increased by 62 million baht mainly due to an increase in outstanding receivables from steel product sales. These receivables represent amounts owed by customers for products sold on credit, typically with payment terms extending into the next month (April 2024).
- **Contract assets:** increased by 118 million baht represents deferred revenue from EPC (Engineering, Procurement, and Construction) projects which were recognized as the work progresses, in accordance with financial reporting standards.

Non-Current Assets: The company's noncurrent assets have increased by 259.87 million baht. This rise is primarily attributed to the Group has increased its investment in a joint venture by 216 million baht to support the expansion of the joint venture's solar power plant projects under PPA (Power Purchase Agreement) arrangements. And other non-current assets, related to withholding tax expected to refund from Revenue department for 44 million baht.

Total Liabilities

The company's total liabilities have increased by 336.83 million baht to 1,475.00 million baht as of March 31, 2024. This rise is primarily attributed to the following factors:

Current Liabilities: increased by 336.25 million baht due to

- Short-term bank loans have increased by 84 million baht. These loans are likely being used as working capital for steel trading activities and the construction of solar power plants under EPC (Engineering, Procurement, and Construction) contracts with joint ventures.
- Trade and Other Payables have increased by a total of 249 million baht. This includes payables for steel products and OEM services (70 million baht) and, more significantly, payables related to solar power plant construction projects and accrued interest on short-term bank loans (179 million baht).

Total Shareholders' equity: increased by 90.24 million baht from the Group operating result in current period.

4. Analysis of Cashflow Statement

| Summary of Consolidated Statement of Cashflow | Mb |
|---|----------------------|
| Net cash in-flows from operating activities | 171.93 |
| Net cashout-flows from investing activities | (214.10) |
| Net cash in-flows from financing activities | 83.15 |
| Changes in translation adjustments | 1.09 |
| Net increased in cash and cash equivalents | 42.08 |
| Cash and cash equivalent - beginning of the period | 90.58 |
| Cash and cash equivalent - end of the period | <u>132.66</u> |

Net cash in-flow from operating activities

The Group had a net cash inflows from operating activities of Baht 171.93 million, of which Baht 188.23 million was received for operating activities during the year and net interest and income tax was paid total of 16.3 million baht

Net cash out-flow from investing activities

The Group had net cash outflow from investments amounting to Baht 214.10 million, which consisted of cash paid for investment in Joint Venture amount of Baht 224.4 million, decreased in bank deposits pledged as collateral by 12.2 million baht and purchasing of equipment amount of Baht 1.8 million.

Net cash in-flow from financing activities

The Group received additional short-term loans from financial institution for 84.38 million baht.

Yours sincerely,

(Mr. Anavin Jiratomsiri)
Chief Executive Committee