

## 4. Management Discussion and Analysis (MD&A)

### 4.1 Operation, financial condition and material changes

#### Operational overview

##### Executive Summary

In 2024, Chow Steel Industries Public Company Limited (the parent company) and its subsidiaries (the Group) continued to generate profits from both the steel and renewable energy businesses. The Group's key growth areas are as follows:

**Steel Business** : The overall steel market in Thailand has been affected by the decline in steel prices due to the import of low-priced steel from China. However, the company has been able to grow continuously since 2016. The company's steel sales revenue has increased by approximately 20% (an increase of 400 million baht), mainly from the expansion of its customer base in the Thai steel industry. This is because the company has a wide variety of products, quality that meets industry standards, and competitive prices, resulting in continuous sales growth, which is beneficial to the group. Importantly, the company's products have also been certified with the Carbon Footprint label for products from the Greenhouse Gas Management Organization, which enhances the company's competitiveness in the market.

**Renewable Energy Business** : Following the Group's joint venture with BlackRock in 2023 to strengthen its capital base to support long-term growth in the renewable energy business and enhance its access to low-cost funding sources, the Group currently has power plant projects with CODs under PPAs in Thailand and Japan totaling 70.2 megawatts, with an additional 39 megawatts scheduled for COD in the first quarter of 2025. In addition, the Group has projects under construction and awaiting contracts of no less than 100 megawatts, representing the company's growth that benefits society and the environment by reducing the use of electricity generated from energy sources that pollute society.

##### Sustainable Organizational Development: ESG

The Group has begun to adopt the concept of Sustainable Organizational Development: ESG in its management and to integrate environmental, social, and governance responsibilities into all of its operations in a transparent and verifiable manner. The company believes that developing the organization under the ESG framework will enable the Group to grow and coexist with society sustainably, not just to seek returns for stakeholders. Implementing ESG in organizational development takes time, cost, and the development of a sense of responsibility among the company's personnel, which the company is committed to achieving. The Group has begun to establish an ESG working group to implement each part of the Group's business as follows:

**Steel Business** : As of December 31, 2024, the Group has been approved and awarded labels for both 1) Product Carbon Footprint and 2) Circular Economy Product Carbon Footprint from the Greenhouse Gas Management Organization.

**Renewable Energy Business** : The Group has established a policy related to the "Environmental and Social Management System (ESMS)", which is in line with the guidelines set by the World Bank through the IFC: International Finance Corporation, under the supervision of the World Bank Group. This will cover business operations that must comply with environmental, social, and business safety management policies. In addition, the Group has been certified to ISO 14001, the environmental management system standard, in 2024.

#### Analysis on the operation and financial condition

##### Operating results and profitability

##### Consolidated Performance Analysis for the Year Ended December 31, 2024

In 2024, the Group had total revenue (Top line) of Baht 3,522.09 million, of which Baht 3,150.36 million was from the steel business, representing approximately 90% of total revenue, and the remaining 10% was from the alternative energy business.

**Revenue from Steel Business - Sales** : This consists of revenue from the sale of steel-related products, which includes revenue from the sale of various types of steel, which grew by approximately 21% or an increase in steel sales of approximately Baht 400 million. This was due to the expansion of the customer base to a wider range of steel customers, resulting from the Company's

ability to produce a wider variety of steel and to meet industry standards for a wider range of sizes to meet market demand.

**Revenue from Alternative Energy Business - Sales** : Revenue from sales, including the sale of electricity and equipment related to solar power generation systems. In the current year, the Group recognized total revenue from electricity sales of Baht 21 million (COD of 1 utility-scale power plant project in Japan), and the rest was revenue from equipment sales. Compared to the previous year, revenue from sales decreased by approximately Baht 201 million, mainly due to the change in the revenue recognition model from the sale of solar power in Thailand (C&I scale) of 31.3 MW since September 2023, which is a joint venture with the BlackRock Fund. Revenue will be recognized in the form of share of profit from operations in the statement of profit or loss.

**Revenue from Alternative Energy Business - EPC Services** : Revenue from EPC services has not changed materially from the previous year.

**Profit from Strategic Business Operations** : In 2023, the Group recognized net income from the joint venture establishment with BlackRock Fund in the current period of Baht 426.51 million to operate a Solar Rooftop business in Thailand. This is in line with the Group's strategic plan to bring the Power Purchase Agreement (PPA) power generation and distribution business operating in Thailand through its shareholding in Shining Sky Holding Co., Ltd. (SSH) to jointly invest with the BlackRock Fund through CFP Master Holding S.E.A.R.L. (CFP) by holding 49% of SSH (resulting in the Group's shareholding in SSH decreasing from 100% to 51%) and receiving compensation from such transactions totaling Baht 429.57 million, which is the price calculated using the discounted cash flow method from the solar power plant projects in the Group's portfolio. The Group will have a total profit from such transactions of Baht 237 million (after deducting the carrying amount of the investment in SSH at 49%). This transaction resulted in the Group having joint control with CFP over the investment in SSH. The Company recognized a gain on the increase in fair value of the investment in SSH for the 51% stake held by the Company of Baht 189 million in the financial statements (as required by accounting standards), which will be amortized over the PPA term of the projects in the Company's portfolio. This resulted in the Company having a profit from strategic business operations in the consolidated financial statements of Baht 426 million (Baht 237 million + Baht 189 million).

#### **Revenue Proportion [Sale Mix Analysis]**

The revenue proportion in both 2024 and 2023, the majority of revenue was generated from the steel business at 89% and 74%, respectively. For revenue from the alternative energy business in 2024, it decreased from 26% to an average of 11%, mainly in 2023, there was revenue from the joint venture establishment with the BlackRock Fund at 11% (none in the current year). The rest is divided into revenue from the EPC service segment, averaging 9% and 8%, and the electricity and equipment sales segment decreased from 7% in 2023 to 2% in the current year.

#### **Gross Profit and Gross Profit Margin**

##### **Year 2023**

- The report shows a total gross profit of Baht 675.35 million, or a gross profit margin of 17.8% of total revenue. The key profit is the profit from strategic management by entering into a joint venture of Baht 427 million.
- Other gross profit totaled Baht 248.8 million, mainly Baht 102 million and Baht 94 million from the profit of the alternative energy segment, which is the sale of electricity and equipment, and the steel business segment, which is the provision of manufacturing services, respectively.

##### **Year 2024**

- The Group had a total gross profit of Baht 169.4 million, or 4.8% of total sales. The majority of the profit came from the steel service business, which had a gross profit of approximately Baht 96 million, or 56% of the total gross profit for the year, and the remaining profit came from the other 3 segments.
- The gross profit and gross profit margin of each segment did not differ from 2023, except for the gross profit margin of the alternative energy business, which is the sale of electricity and equipment, which had a gross profit of Baht 21 million (GP 31.6%) compared to 2023, which had a gross profit of Baht 101.92 million (GP 38.0%). This is because 2023 included profit from the electricity sales business of the 31 MW project during January - August 2023 before the Group entered into a joint venture with the BlackRock Fund from September 2023 onwards.

#### **Revenue from the delivery of work under the joint venture agreement:**

In 2024, the Group recognized revenue from the delivery of work under the joint venture agreement of Baht 95.09 million. The Group has completed the restructuring of personnel and business restructuring for the EPC service unit in the first quarter, which consists of

- **Business Restructuring for the EPC Service Unit:** The Company has transferred various operating activities related to the construction of solar power generation systems and related contracts for the operation and maintenance of power generation systems, which were previously contracted under Premier Solution Co., Ltd., to be operated under Shining Solution Co., Ltd.
- **Workforce Restructuring:** The Group has transferred personnel involved in A) Solar power generation and distribution business in Thailand, B) EPC services, C) Operation and Maintenance (O&M) services, and D) Asset Management to Shining Solution Co., Ltd.

**Selling and Administrative Expenses:** Selling and administrative expenses for 2024 decreased by Baht 83.45 million from 2023, mainly due to a decrease in expenses related to employees and business operations related to EPC and O&M services from the restructuring under the completed joint venture agreement.

**Financial Costs :** Financial costs decreased by Baht 50.1 million, which in the current period arose from bank loans and loans from unrelated investors, which the Company used as working capital for the Group's operations (both steel and alternative energy businesses). The Group has no debenture interest expense and project finance interest expense for solar power plant projects due to the establishment of a joint venture with the BlackRock Fund in 2023.

#### **Consolidated Statement of Financial Position Analysis as of December 31, 2024**

##### **Total Assets and Total Liabilities:**

As of December 31, 2024, the Group had total assets of Baht 3,578.89 million, an increase of Baht 196.05 million from 2023. The Group had total liabilities of Baht 1,238.42 million, an increase of Baht 100.24 million. The significant items are as follows:

##### **Total Assets**

- The Group has successfully achieved COD for the solar power plant project in Japan and has changed the plan to sell the project. Therefore, the presentation in the financial statements has been changed from 2023, which was presented under Non-current assets held for sale (current assets) to be presented as Land, buildings and equipment and Intangible assets (non-current assets), which have a value of approximately Baht 170 million.
- The Group invested an additional amount in accordance with its shareholding proportion in the joint venture operating the solar power generation and distribution business of Baht 220 million during the year. Therefore, the overall effect was an increase in total assets.

##### **Total Liabilities**

- The increase in total liabilities was mainly due to creditors of the solar power plant construction project under the Group for projects that occurred before the restructuring of EPC services, which included both short-term loans from financial institutions and creditors of the construction project. Both of these can be collected in full from customers.

##### **Contingent Liabilities**

The Group has been appealing the tax assessment from the Revenue Department since 2019 for the amount of Baht 31 million, for which the Group has provided a full letter of guarantee. Currently, the Revenue Department is under review. The Company has not recognized a provision for this liability in the financial statements as the management has submitted complete evidence to the Revenue Department at the appeal stage. Therefore, it is believed that the Board of Appeal will consider the additional evidence mentioned, which is beneficial to the Company and will not result in any adverse impact.

#### **Consolidated Statement of Cash Flows Analysis as of December 31, 2024**

- **Cash flows from operating activities** For the year ended December 31, 2024, the Group had net cash flows from operating activities of Baht 476.60 million, consisting of cash flows from operating activities during the year of Baht 543.76 million and net interest paid and income tax paid of Baht 67.16 million.
- **Cash flows from investing activities** The Group had a net cash outflow from investing activities of Baht 219.54 million, mainly due to the payment of additional investment in accordance with the shareholding proportion in the investment in joint ventures of Baht 224.40 million, and net investment receipts of Baht 4.86 million.
- **Cash flows from financing activities** The Group had a net cash inflow of Baht 4.45 million, resulting from short-term bank loans

of Baht 32.35 million, dividend payments by a subsidiary to non-controlling interests of Baht 24.05 million, and principal payments under finance leases of Baht 3.85 million.

### **Asset management capability**

The group of companies has a systematic process for regularly assessing the suitability of its assets to ensure that the company manages and utilizes its existing assets to maximize efficiency, generate returns, and add value to the group. This asset management process considers the following aspects:

1) Asset Acquisition

- The Group procures or leases high-quality assets suitable for its operations, ensuring reasonable warranty periods.
- The Group conducts comparative analyses of prices, product quality, delivery times, and conditions to select assets that best meet its needs.

2) Asset Control

- The company group maintains a policy of regular asset inventory checks to prevent loss or damage including providing training on asset usage and maintenance to reduce repair costs and ensure employee safety.

3) Asset Maintenance

- It is Operating and Maintenance department who are responsible on asset's performance monitoring and scheduling for annually preventive maintenance and also repair those asset's, which underperform comparing to the standard or experiencing downtime (corrective maintenance), to ensure consistent and efficient asset operation. The repair and maintenance services from suppliers also selected at the same procedure as Asset Acquisition i.e. selecting qualified service providers who meet the company group's standards and offer reasonable service prices.

### **Liquidity and capital adequacy**

The company group has a current ratio of 1.28 times, which indicates that the company group has the ability to efficiently meet its short-term debt obligations. Furthermore, the company has no outstanding long-term loans from financial institutions. Therefore, it can be analyzed that the company group has excellent liquidity. The company has total equity of 2,340 million baht, which is a result of profitable operations in all of the group's businesses. Therefore, the group has sufficient capital to operate the business, including expanding the business for further growth.

### **Debt obligations and management of off-balance sheet**

The group has contingent liabilities from tax assessment by Revenue Department since 2019, amounting to 31 million baht. The Group is in the process of appealing a tax assessment, which is under process of consideration by Revenue Department. The Group has provided a full amount of bank guarantee. The Company has not record a provision for liabilities in the financial statements because management has submitted complete evidence to the Revenue Department at the appeal stage. Therefore, it is believed that the appeals committee will consider the additional evidence, which is beneficial to the Company, and no adverse impact will occur.

### **Material Transaction (MT) and Related Party Transaction (RPT)**

-None-

### **Issuance of debt securities with an obligation to maintain financial ratios**

Is there an issuance of debt securities with an obligation : No  
to maintain financial ratios?

## 4.2 Potential factors or incidents that may materially affect the financial condition or the operating results

### Significant factors or incidents that may materially affect the future financial condition or the operating results

#### 1) Economic Factors and Government Policies

Steel Business: Economic growth in Thailand directly influences the demand for steel products, leading to increased orders and production. This strengthens the financial position of already well-established companies, positively impacting their overall performance. The company offers a diverse range of steel products that meet industrial standards, catering to various customer segments. These products include billet steel (semi-finished steel), deformed bars, round bars, and wire rods in multiple sizes, supporting a wide range of industries. This enhances the company's operational capabilities. Additionally, the company has sufficient production capacity to meet rising demand if Thailand's overall economy continues to improve.

However, the current global economic slowdown has led to an oversupply of steel in the market. As a result, excess steel from foreign markets is being imported into Thailand at lower prices, causing some customers to opt for these cheaper imported products instead. If the continuous influx of low-cost billet steel and rebar imports persists, it will inevitably impact the company's steel sales volume, financial position, and overall performance.

Renewable Energy Business: The economic situation directly influences electricity demand in both the manufacturing and service sectors. The company operates solar power plant projects under Power Purchase Agreements (PPAs) with various business sectors. The electricity rates in these agreements are based on tariffs set by government agencies. Currently, the government is helping to offset electricity costs by reducing the fuel tariff (Ft). This reduction lowers the company's electricity sales revenue, impacting its overall performance and profit recognition in the alternative energy business.

#### 2) Business Factors

Steel Business: The steel industry in Thailand faces no significant pressure from new competitors due to government measures prohibiting the expansion, addition, or issuance of new steel production licenses for the next five years. This policy was implemented because the existing steel manufacturers in Thailand still have substantial excess production capacity. Many consumers prefer to purchase imported steel, which is priced lower than domestically produced steel. As a result, competition among domestic manufacturers focuses on producing steel products that meet industry standards, reducing production costs, and emphasizing environmentally friendly business practices. This is beneficial for the company, as it has undertaken production process improvements over the past 3–4 years. These enhancements have increased production efficiency, lowered costs, and made operations more environmentally friendly.

In 2025, the company received a "Carbon Footprint Certification" for its manufactured products, further strengthening its market position. This certification allows the company to maintain its existing customer base while expanding into new market segments.

Renewable Energy Business: The solar power installation industry has grown significantly in popularity, attracting many new entrants. This trend is driven by societal changes and consumer preferences that prioritize businesses committed to sustainability and environmental responsibility. Additionally, the introduction of regulations such as the Carbon Border Adjustment Mechanism (CBAM) and Carbon Tax, both internationally and within Thailand, has further encouraged the shift towards renewable energy solutions. Many new players in the industry, lacking experience, often offer substantial discounts without fully considering the associated risks and uncertainties. Furthermore, the solar energy business requires high initial investment, with returns generated steadily over long-term Power Purchase Agreements (PPAs) lasting 10 to 20 years. The company holds a competitive advantage with over 10 years of experience in this sector, serving as a project developer, investor, and operator across projects of all sizes, including solar farms, commercial and industrial-scale systems, and residential-scale installations. The company focuses on high-quality solutions, excellent after-sales service, and a well-trained team that meets industry standards. This ensures long-term system maintenance and customer support for a minimum of 20 years, reinforcing its strong market position.