

CHOW. 287/ 2025

27 February 2025

Subject : Management's Discussion and Analysis for the year ended 31 December 2024 (Additional Information)

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 year ended 31 December 2024 and statement of financial position as of 31 December 2024. The analysis topics are as follows.

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

1. Management Discussion & Analysis

In 2024, Chow Steel Industries Public Company Limited and its subsidiaries achieved consistent operational profits in both the steel and renewable energy sectors. Key growth highlights for the group are as follows:

Steel Business: Overall, the steel market in Thailand was impacted by declining steel prices due to low-cost imports from China. Nevertheless, the company continued its growth from 2023, with steel sales revenue expanding by approximately 20% (an increase of 400 million baht). This growth was primarily driven by expanding the customer base for in Thailand. The company's diverse product range, adherence to industry standards, and competitive pricing contributed to sustained sales growth, benefiting the group. Importantly, the company's products have also received Carbon Footprint product certification from the Thailand Greenhouse Gas Management Organization, enhancing its market competitiveness.

Renewable Energy Business: Following the group's joint venture with BlackRock in 2023 to strengthen its capital base for long-term growth in the renewable energy sector and enhance access to low-cost funding, the group now has power plant projects with Commercial Operation Dates (COD) under Power Purchase Agreements (PPAs) totaling 70.2 megawatts in Thailand and Japan. Additionally, projects with 39 megawatts are scheduled for COD in the first quarter of 2025. The group also has projects under construction and awaiting contract execution, totaling at least 100 megawatts. This growth benefits society and the environment by reducing reliance on polluting energy sources.

Sustainable Corporate Development: ESG

The Group has begun to apply the concept of sustainable corporate development: ESG to manage and incorporate environmental responsibility, and corporate governance to be transparent. The Company is convinced that developing the organization within the framework of ESG will enable the Group to grow and exist sustainably with society. It is not just about running a business to provide returns to stakeholders. Implementing ESG systems into business development requires time, cost and a sense of responsibility from all employees of the company. The Group has initiated the appointment of an ESG working Group to address each part of the Group's business as follows:

Steel Business: As of December 31, 2024, the group has been approved and certified for both 1) Carbon Footprint of Product labeling and 2) Circular Economy Carbon Footprint of Product labeling by the Thailand Greenhouse Gas Management Organization.

Renewable Energy Business: The group has established policies related to the "Environmental and Social Management System (ESMS)," which align with the guidelines set by the World Bank through the IFC: International Finance Corporation, under the supervision of the World Bank Group. This covers business operations that must comply with environmental, social, and safety management policies. Additionally, the group has received ISO 14001 certification for environmental management system standards in 2024.

2 The Group Performance Analysis

2.1) Analysis for year ended 31 December 2024

Significant Financial Information - Operating Results Unit : MB	FY 2024			FY 2023			Changes YoY	
	Steel Business	Renewable Energy	Total	Steel Business	Renewable Energy	Total	MB	%
Sale	2,320.47	66.68	2,387.15	1,919.22	268.40	2,187.61	199.54	9.1%
Service income	829.89	305.05	1,134.94	859.36	322.34	1,181.69	(46.75)	-4.0%
Profit from strategic operation	-	-	-	-	426.51	426.51	(426.51)	-100.0%
Total revenue	3,150.36	371.73	3,522.09	2,778.57	1,017.24	3,795.81	(273.72)	-7.2%
Revenue from JV contract achievement	-	95.09	95.09	-	-	-	95.09	100.0%
Profit margin before operation			313.38			675.35	(361.97)	-53.6%
Selling and administrative expenses			140.59			224.04	(83.45)	-37.2%
Profit from operation			172.78			451.31	(278.52)	-61.7%
Share of profit (loss) from investments in joint ventures			1.54			(1.48)	3.02	-204.1%
Finance cost			(28.88)			(78.98)	50.10	-63.4%
Income tax			1.89			(15.33)	17.22	-112.3%
Profit (loss) for the period			161.36			460.30	(298.95)	-64.9%
EPS (Baht/ share)			0.18			0.28		
Profit margin	118.68	50.71	169.39	110.89	137.95	675.35	(505.96)	-74.9%
Gross profit margin	3.8%	13.6%	4.8%	4.0%	13.6%	17.8%		-13.0%
EBITDA			256.13			653.92	(397.79)	-60.8%
EBITDA / Sale			7.3%			17.2%		-10.0%

In 2024, the group of companies had a total revenue (Top line) of 3,522.09 million baht, of which 3,150.36 million baht was from the steel business, accounting for approximately 90 percent of the total revenue. The remaining 10 percent was generated from the renewable energy business.

Steel business - Trading: This includes revenue from the sale of steel-related products, which grew by approximately 21 percent, or an increase in steel sales of approximately 400 million baht. This is due to the expansion of the customer base to a larger group of steel customers, resulting from the company's ability to produce industrial standard steel bars with increased variety in sizes to meet market demands.

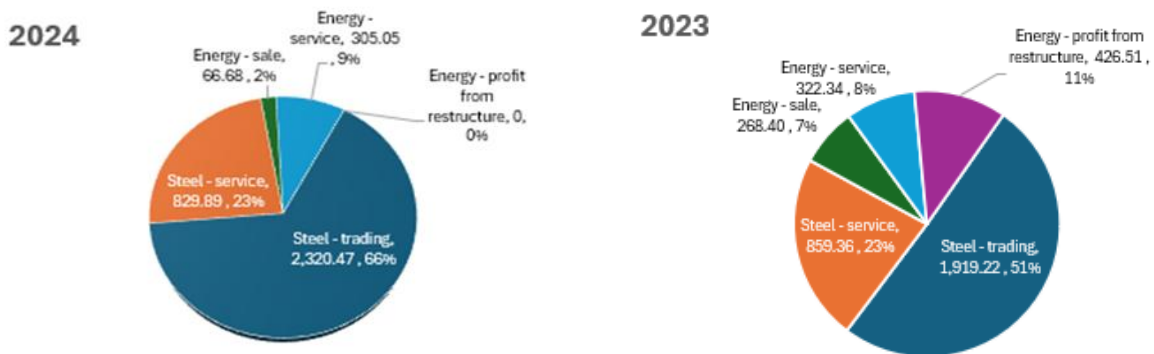
Renewable Energy Business – Sales: Revenue from sales, including the sale of electricity and equipment related to solar power generation systems. In the current year, the group recognized total electricity sales revenue of 21 million baht (Commercial Operation Date (COD) of a utility-scale power plant project in Japan). The remaining revenue came from equipment sales. Compared to the previous year, revenue from the renewable energy business decreased by approximately

201 million baht. This was mainly due to changes in the revenue recognition method for solar power business in Thailand (C&I scale) of 31.3 megawatts, since September 2023. This involved the establishment of a joint venture with BlackRock, where revenue will be recognized in the form of a share of operating profit in the income statement.

Renewable Energy Business – EPC Service: Revenue from EPC (Engineering, Procurement, and Construction) services remained relatively unchanged from the previous year.

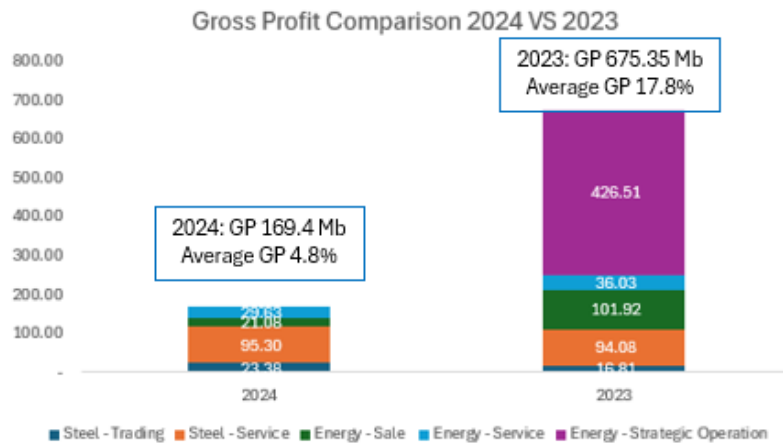
Profit from Strategic Business Management: In 2023, the group recognized a net income from the establishment of a joint venture with BlackRock of 426.51 million baht in the current period, for the operation of the Solar Rooftop business in Thailand, which aligns with the group's strategic plan, which involves the joint venture of a group of businesses that produce and sell electricity under Power Purchase Agreements (PPAs) operating in Thailand, through shareholding in Shining Sky Holding Company Limited (SSH), with BlackRock through CFP Master Holding S.à r.l. (CFP). This is achieved by holding 49% of the shares in the SSH group (resulting in the group's shareholding in SSH decreasing from 100% to 51%) and receiving compensation from the transaction totaling 429.57 million baht, which is a price calculated using the discounted cash flow method from the solar power plant projects in the group's portfolio. The group recorded a profit from this transaction totaling 237 million baht (after deducting the book value of the investment in the SSH group at 49%). This transaction results in the group having joint control with CFP over the investment in the SSH group. The company recognized a gain from the increase in fair value for the investment in SSH for the 51% stake held by the company, amounting to 189 million baht in the financial statements and will be amortized throughout the PPA period of projects under portfolio of the Group (which is a requirement under accounting standards). Resulting, the group reported profit from strategic business operations in the consolidated financial statements totaling 426 million baht (237 + 189).

Sales Mix Analysis



The revenue proportion in both 2024 and 2023 primarily came from the steel business, accounting for 89 percent and 74 percent, respectively. For the renewable energy business in 2024, the revenue decreased from 26 percent to an average of 11 percent. A significant portion of the 2023 revenue, 11 percent, was derived from the establishment of a joint venture with BlackRock (which did not occur in the current year). The remaining revenue is divided into EPC service revenue, which remained unchanged approximately 9 percent and 8 percent in both years. Revenue from electricity and equipment sales, which decreased from 7 percent in 2023 to 2 percent in the current year.

Profit margin and gross profit margin analysis



In 2024

- the group of companies had a total gross profit of 169.4 million baht, or 4.8 percent of total sales. The majority of the profit came from the steel business's service segment, which had a gross profit of approximately 96 million baht, or 56 percent of the group's total gross profit for the year. The remainder came from the other three segments.
- The gross profit & margin of each segment did not differ significantly from 2023, except for the gross profit of the Energy Sale unit which reported 21 million Baht (GP 31.6%) in current year comparing to 101.92 million Baht (GP 38.0%) in previous period. This changes is due to the 2023 figures including profits from the 31-megawatt electricity sales project from January to August 2023, before the group of companies with PPA contracts in Thailand entered into a joint venture with BlackRock in September 2023. In the current year, there was a 2-megawatt COD power plant project, resulting in a lower overall gross profit margin.

In 2023

- the reported total gross profit was 675.35 million baht, representing a gross profit margin of 17.8 percent of total revenue. A significant portion of this profit, 427 million baht, came from strategic management through the establishment of a joint venture with the BlackRock fund group.
- The gross profit from other operations totaled 248.8 million baht, with 102 million baht and 94 million baht coming from the renewable energy segment's electricity and equipment sales and the steel business's manufacturing services segment, respectively.

Revenue from Joint Venture Contract Achievement:

"In 2024, the group of companies recognized revenue from joint venture contract achievement amounting to 95.09 million baht. The group completed the restructuring of its personnel and business structure for the EPC & OM service unit in the first quarter, which included:"

- **Business Restructuring for EPC Service and O&M Service Providers:** The company has transferred various operational activities related to the construction of solar power generation systems and related contracts for the maintenance of power generation systems, which were originally contracted under Premier Solution Co., Ltd., to be conducted under Shining Solution Co., Ltd.
- **Employee Restructuring:** The group of companies has transferred personnel involved in: a) Solar power generation and distribution business in Thailand, b) EPC services, c) Power generation system maintenance services (O&M) and d) Power generation system asset management unit to be under Shining Solution Co., Ltd

Selling and Administrative Expenses: Selling and administrative expenses for 2024 decreased by 83.45 million baht from 2023, primarily due to a reduction in expenses related to personnel and business operations associated with EPC and O&M services, resulting from the successful joint venture restructuring.

Financial Costs: Financial costs decreased by 50.1 million baht. This decrease in the current period is due to bank loans and loans from unrelated individual investors, which the company utilized as working capital for the group's operations (both the steel and renewable energy businesses). Additionally, the group no longer has bond interest obligations or Project Finance interest for solar power plant projects, following the establishment of a joint venture with BlackRock Fund in 2023.

3. Analysis of Consolidated financial position

Consolidated Statement of Financial Position	31 Dec 24	31 Dec 23	Changes	
	Mb	Mb	Mb	%
ASSETS				
Current assets	1,492.98	1,631.93	(138.95)	-8.5%
Non-current assets	2,085.91	1,750.91	335.00	19.1%
Total Assets	<u>3,578.89</u>	<u>3,382.84</u>	<u>196.05</u>	<u>5.8%</u>
Liabilities and Equity				
Liabilities				
Current liabilities	1,161.36	1,060.41	100.95	9.5%
Non-current liabilities	77.05	77.77	(0.72)	-0.9%
Total Liabilities	<u>1,238.42</u>	<u>1,138.18</u>	<u>100.24</u>	<u>8.8%</u>
Shareholders' equity	<u>2,340.47</u>	<u>2,244.66</u>	<u>95.81</u>	<u>4.3%</u>
Total Liabilities and Equity	<u>3,578.89</u>	<u>3,382.84</u>	<u>196.05</u>	<u>5.8%</u>

Total Assets and Total Liabilities:

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

Total Assets:

- The group of companies successfully achieved Commercial Operation Date (COD) for a solar power plant project in Japan and revised the project's sales plan. Consequently, the financial statement presentation was changed from 2023, which presented the items under non-current assets held for sale (current assets), to property, plant, and equipment and intangible assets (non-current assets), with an item value of approximately 170 million baht.
- The group of companies increased its investment in a joint venture that operates a solar power generation and distribution business by 220 million baht during the year. This resulted in an overall increase in total assets

Total Liabilities:

- The increase in total liabilities is primarily due to accounts payable related to the construction of solar power generation systems, which were carried out under the group of companies for projects that occurred before the EPC service restructuring. These include short-term loans from financial institutions and construction accounts payable. Both of these items are fully collectible from customers.

Contingent Liabilities

- The Group is in the process of appealing a tax assessment from the Revenue Department since 2019, amounting to 31 million baht, which is under process of consideration by Revenue Department. The Group has provided a full letter of 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.

4. Analysis of Cashflow Statement

Summary of Consolidated Statement of Cashflow	Mb
Net cash in-flows from operating activities	476.60
Net cash out-flows from investing activities	(219.54)
Net cash in-flows from financing activities	4.45
Changes in translation adjustments	(20.07)
Net increased in cash and cash equivalents	241.43
Cash and cash equivalent - beginning of the period	90.58
Cash and cash equivalent - end of the period	<u>332.02</u>

Cash Flow from Operating Activities:

- For the year ended December 31, 2024, the group of companies had net cash flow from operating activities of 476.60 million baht. This consisted of cash flow from operating activities during the year of 543.76 million baht, less net interest paid and income tax paid totaling 67.16 million baht.

Cash Flow Used in Investing Activities:

- The group of companies had net cash used in investing activities of 219.54 million baht. This was primarily due to additional investment in a joint venture of 224.40 million baht, offset by net cash received from other investments of 4.86 million baht.

Cash Flow from Financing Activities:

- The group of companies had net cash flow from financing activities of 4.45 million baht. This was due to short-term loans from banks of 32.35 million baht, less dividends paid to non-controlling interests of 24.05 million baht, and lease payments of 3.85 million baht.

Yours sincerely,

(Mr. Anavin Jiratomsiri)
Chief Executive Committee