

CHOW. 1128/2017

24 February 2017

Subject : Management's Discussion and Analysis for the year ended 31 December 2016
Attention : Committee and Manager
The Stock Exchange of Thailand

Chow Steel Industries Public Company Limited ("the Company") would like to declare its operating results for the year ended 31 December 2016, based of the consolidated financial statement as follows;

| Operating Results | 2016 | 2015 | Increased(Decreased) | |
|--|--------------|--------------|----------------------|-----------|
| | Million Baht | Million Baht | Million Baht | % |
| Revenues from sales and services | 2,619.84 | 2,171.45 | 448.39 | 20.65% |
| Cost of sales and services | (2,245.84) | (2,026.93) | (218.91) | 10.80% |
| Gross profit margin | 374.00 | 144.52 | 229.48 | 158.79% |
| Net profit (loss) | 36.71 | (109.21) | 145.92 | (133.61%) |
| Earnings (loss) per share (Baht per share) | 0.04 | (0.14) | 0.18 | (128.57%) |

Net Profit (loss)

The company and subsidiaries realized net profit for the year ended 31 December 2016 of THB 36.71 million, an increase of THB 145.92 million or 133.61% from 2015 net loss of THB 109.21 million for the following reasons.

➤ Revenues from sales and services

The company and subsidiaries realized THB 2,619.84 million of revenue in the year period end 31 December 2016 which increased by 20.65% or THB 448.39 million from the 2015 of THB 2,171.45 million due to revenue from the sales of steel billet had increased by 21.53% or THB 260.23 million as a result from higher steel billet price and increase in quantity of sales. However, the subsidiaries have recognized revenue from electricity sales and expansion the renewable energy power. As at 31 December 2016 the subsidiaries has COD project total 9 projects (eight projects from oversea and one project in Thailand) with capacity of 13.04 MW (DC), revenue from project development 2 projects with capacity of 28.15 MW (DC), and revenue from sale equipment to produce solar power in total of THB 1,148.26 million.

➤ **Cost of Sales and Services**

The company and subsidiaries realized cost of sales and service for the year ended 31 December 2016, THB 2,245.84 million, increase of 10.80% or THB 218.91 million compare to the same period of the previous year. This is due to the result increasing of demand for steel billets and the Company can increase the sell quantity in this year. The subsidiaries have recognized cost of sale and service amounting THB 839.85 million. As our cost of sales and services mainly consist of depreciation, cost of project development for sale, this is related to the increased in sale electricity and services.

➤ **Gross Profit**

For the year ended 31 December 2016, the Company present gross profit margin amounting THB 374.00 million or 14.27% of revenue and increased from the same period of the previous year by 114.50%.

➤ **Selling expenses**

For the year ended 31 December 2016, the Company present selling expenses amounting THB 30.38 million, increased from the same period of the previous year by THB 2.36 million or 8.42%. Resulting from the increased in quantity of sales steel billet and increasing of the cost for transportation and other expenses, this is related to the increased in sales.

➤ **Administration expenses**

For the year ended 31 December 2016, the Company present administration amounting THB 266.91 million, increase from the same period of the previous year by THB 23.85 million or 9.81%. Resulting increased of number the personnel for support the expansion in renewable energy business.

➤ **Financial costs**

For the year ended 31 December 2016, the Company present financial cost amounting THB 113.13 million, decrease from the same period of the previous year by THB 36.40 million or 24.34%. During the year the average interest rate of interest bearing debt decreased from the previous year.

Statement of financial position

➤ **Total Assets**

As at December 31, 2016 and 2015 the company has total assets of THB 13,232.35 million and THB 8,092.36 million, respectively. As at December 31, 2016, total assets mainly consist of Trade accounts receivable and other receivables THB 1,426.33 million, Project costs under development THB 1,086.59 million, Deposits pledged as collateral THB 2,906.20 million and Property, plant and equipment THB



Chow Steel Industries Public Company Limited

5,187.09 million. The increase was primarily attributable to increase the business expansion in the renewable energy power project.

➤ **Total Liabilities**

As of December 31, 2016 and 2015, the company has total liabilities of THB 11,880.22 million and THB 6,780.03 million, respectively. As of December 31, 2016, total liabilities mainly consist of bank overdrafts and short-term loans from financial institutions THB 5,593.79 million and long-term loans from financial Institutions THB 5,801.50 million. The increase was primarily attributable to increase the business expansion in the renewable energy power project.

➤ **Shareholders' Equity**

As of December 31, 2016 and 2015, our shareholders' equity was THB 1,352.13 million, THB 1,312.33 million, respectively. Our shareholders' equity increased of operations of company. The company has legal reserve 5% of net profit under Public Limited Companies Act.

Please be informed accordingly.

Yours sincerely,

(Mr.Anavin Jiratomsiri)

Chairman of Executive Committee