

Ref: CK-19-0000-AFD(AC)-L-0011

February 28, 2019

Subject: Clarification on Operating Result and Financial Position for the year ended December 31, 2018

Attention: President

The Stock Exchange of Thailand

CH. Karnchang Public Company Limited (“the Company”) and its subsidiaries would like to clarify the consolidated operating result and financial position for the year ended December 31, 2018 as follows:

Performance Overview

The Company and its subsidiaries had profit attributable to equity holders of the Company amounting to Baht 2,494.31 million, increasing from the previous year by Baht 684.30 million mainly due to more share of profit from investments in associated companies and decreases in administrative expenses and finance cost.

Revenues from construction services and sales of construction materials

The Company and its subsidiaries had revenues from construction services and sales of construction materials of Baht 29,295.94 million, representing 93.97% of total revenues, a drop of 18.45% or Baht 6,626.87 million from the prior year. Construction revenue decreased because Xayaburi Hydroelectric Power Project is now close to project completion.

Cost of construction services and sales of construction materials

The Company and its subsidiaries had cost of construction services and sales of construction materials amounting to Baht 26,975.66 million, a reduction by Baht 6,112.42 million or 18.47% from the previous year. Gross profit for 2018 was Baht 2,320.28 million, a decrease by Baht 514.45 million or 18.15% from last year; however, gross profit margin improved from 7.89% in 2017 to 7.92% in 2018.

Other income

The Company and its subsidiaries had other income of Baht 1,879.63 million, increased by Baht 71.76 million or 3.97% from last year because of project management fee and interest income.

Administrative Expenses

The Company and its subsidiaries had Administrative Expenses of Baht 1,984.82 million, decreased by Baht 146.44 million or 6.87% from last year because in 2017 the Company recorded additional allowance for doubtful accounts related to a joint venture. However, in 2018 the National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive not less than 400 days compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits.

Share of profit from investments in associated companies

The Company and its subsidiaries had share of profit from investments in associated companies of Baht 1,657.63 million in 2018, up by Baht 834.70million, or 101.43%, from last year. The increase was mainly from Bangkok Expressway and Metro Public Company Limited (BEM)'s gain on fair value adjustment of investment due to reclassification in the amount of Baht 2,030 Million, net of corporate income tax, as it reclassified the investment in CK Power Public Company Limited (CKP) from an associated company to available-for-sale security. In addition to gain on fair value adjustment, BEM also had gain from sales of investment. As for CKP, its financial performance significantly improved from last year due to more water inflow into Nam Ngum 2 Hydroelectric Power Project.

Financial Position

As of December 31, 2018, the Company and its subsidiaries had total assets of Baht 83,500.54 million. An increase of Baht 4,226.08 million from the end of prior year was mainly due to the additional investment in BEM and the investment in fixed assets. Total liabilities amounted to Baht 57,671.82 million, increasing by Baht 2,270.44 million from the end of prior year mainly due to the increase of accounts payable, other payables and advances received from employers and construction

revenue received in advance. Total shareholders' equity amounted to Baht 25,828.72 million, an increase of Baht 1,955.64 million from the end of prior year.

Cash Flow

In 2018, the Company and its subsidiaries had net cash from operating activities of Baht 7,164.35 million due to the Company and its subsidiaries' financial results. Net cash used in investing activities was Baht 1,876.53 million, most of which came from investments in associated companies and fixed assets. Net cash used in financing activities was Baht 3,357.18 million from loan repayment and dividend payment. As a result, net cash increased by Baht 1,860.73 million from the beginning balance.

Financing

The Company and its subsidiaries had finance cost of Baht 1,247.53 million, decreasing by Baht 145.12 million or 10.42% from 2017 because of decreased average cost of debt and bank loan repayment.

Net-Debt-to-Equity ratio according to the Company's consolidated financial statement as of December 31, 2018 was 1.07 times, compared to 1.27 times as of the end of prior year. Still, the ratio did not exceed 3.00 times, which is the covenant for bank loans and debentures.

Consolidated Income Statement	For the year		Change	
	2018	2017	Amount	%
Unit: Million Baht				
Revenues from construction services and sales of construction materials	29,295.94	35,922.81	(6,626.87)	(18.45)
Other income	1,879.63	1,807.87	71.76	3.97
Total revenues	31,175.57	37,730.68	(6,555.11)	(17.37)
Cost of construction services and sales of construction materials	26,975.66	33,088.08	(6,112.42)	(18.47)
Administrative expenses	1,984.82	2,131.26	(146.44)	(6.87)
Total expenses	28,960.48	35,219.34	(6,258.86)	(17.77)
Profit before share of profit (loss) from investments in associated companies, finance cost and income tax expenses	2,215.09	2,511.34	(296.25)	(11.80)
Add: Share of profit from investments in associated companies	1,657.63	822.93	834.70	101.43
Deduct: Finance cost	(1,247.53)	(1,392.65)	(145.12)	(10.42)
Income tax expenses	(138.78)	(90.89)	47.89	52.69
Profit for the period	2,486.41	1,850.73	635.68	34.35
Profit attributable to equity holders of the Company	2,494.31	1,810.01	684.30	37.81
Profit attributable to non-controlling interests of the subsidiaries	(7.90)	40.72	(48.62)	(119.42)

Consolidated Statement of Financial Position	December 31,	December 31,	Change	
			Amount	%
Unit: Million Baht	2018	2017		
Assets	83,500.54	79,274.46	4,226.08	5.33
Liabilities	57,671.82	55,401.38	2,270.44	4.10
Shareholders' equity	25,828.72	23,873.08	1,955.64	8.19

Please be informed accordingly

Sincerely yours

(Mr. Prasert Marittanaporn) (Mr. Anukool Tuntimas)

Directors