

No. STARK001/2022

February 24, 2022

Subject: Management Discussion and Analysis for the yearly ending of 2021

Attention: President
The Stock Exchange of Thailand

Stark Corporation Public Company Limited (the "Company") would like to clarify the Company's operating result for the yearly ending December, 2021 with important details as follows:

Key summaries (yearly 2021 ending December, 2021 per financial statement):

- **Business synergies lead to higher performance** after investing in Vietnam such as integrating raw materials orders, exchanging information, knowledge, know-how and techniques in order to create and enhance manufacturing processes, reduce costs and increase efficiency. Specifically, the lowering of the production's scrap rate etc.
- **Core revenue for the year 2021 increased 60.7 percent to 27,093 million baht** in 2021 due to higher sales from public and private projects that continue to build according to plans and schedules.
- **Core revenue has been reworked accordingly to the strategy focus on the high margin product.** In 2021, the core revenue from the sale of wires and cables is 25,217 million baht, or approximately **+67.3%**, which comes from the recognition of operating result of investment in Vietnam. In addition, the Company has policy to reduce sales of low margin product such as raw materials and focus on high-margin products, especially in the medium to ultra-high voltage power lines with high growth to support a wide range of government and private projects.
- **Adjusted Core EBITDA margin increased to 19.5 percent in year ended 2021.** An increase of 15.2 percent from 2020 due to the focus on the High margin product as well as the policy to control costs and expenses efficiently. Also, the efficient and effective of the integrated supply chain management of the group according to the product mix at each period of time which mainly focuses on finished goods of the high margin product group.
- **Net profit (Major shareholder's equity) for the year 2021 is 2,783 million baht,** an increase from 1,520 million baht in 2020 or **+83.0%** and has a **net profit margin of 10.3%** in 2021, which increase from 9% in 2020 due to continuous growth in performance.
- **Strong financial position with Net Debt / Equity (adjusted) equal to 0.77 at the end of 2021**

Minor change compare with third quarter 2021.

- Growth strategies for the future
 1. Focus on High Margin products such as Medium / High / Extra High voltage cables, which are in high demand. Providing world class standards for solar power generating systems (Photovoltaic cable), as well as the development of submarine cables, which are increasingly demanded by renewable energy projects such as offshore wind turbine and floating solar panel etc.
 2. Reducing costs and continuously increasing production efficiency of factories in Thailand and Vietnam.
 3. Market Opportunities on a global scale. In 2021, the Company is generating approximately 16.1% total core revenue from exports to approximately 42 countries. The Company expects that the proportion of export revenue will increase to approximately 10 – 12% of sales with 50 countries.

1. Key performance summary

Key Performance summary according to profit and loss statement for year ended 2021 (per financial statement)

Unit: Million Baht	2021	2020	%Chg
Core revenues ⁽¹⁾	27,093	16,858	60.7%
Adj. Core EBITDA ⁽²⁾	5,293	2,558	106.9%
%Adj. Core EBITDA ⁽³⁾	19.5%	15.2%	n.m.
Net profit	2,794	1,530	82.6%
%Net profit ⁽³⁾	10.3%	9.1%	n.m.
Net profit attribute to owners of the parent company	2,783	1,520	83.0%
%Net profit attribute to owners of the parent company	10.3%	9.0%	n.m.
Adj. Core net profit ⁽⁵⁾	3,215	1,193	169.4%
%Adj. Core net profit ⁽³⁾	11.9%	7.1%	n.m.

Remark (1) Core revenues consist of revenue of sales, revenue of services and revenue from rental

- (2) Calculated by core revenue minus (i) core costs are costs of goods sold, costs of services and costs of rental (ii) distribution costs and administrative expenses plus depreciation and amortization expenses and non-recurring expense. The adjustment is as follows:

Unit: Million Baht	2021	2020
Realized gain / (loss) ตามธุรกิจปกติ	566	166
Non-recurring items	32	12

- (3) Calculate ratio based on core revenues
 (4) Calculated by exclude gain / loss from Vietnam acquisition
 (5) Calculated by adjustment of net profit with following items:

Unit: Million Baht	2021	2020
Net profit	2,795	1,530
(Reversal) Impairment loss determined in accordance with TFRS 9	(173)	(14)
Unrealized (gain) / loss from normal business	981	(253)
Unrealized (gain) / loss from derivative	(413)	146
Realized gain / (loss) from Vietnam acquisition	-	(226)
Non-recurring items	26	10
Adj. Core net profit	3,215	1,193
<i>%Adj. Core net profit</i>	11.9%	7.1%
<i>Adj. Core net profit attribute to owners of the parent company</i>	3,203	1,183
<i>%Adj. Core net profit attribute to owners of the parent company</i>	11.8%	7.0%

n.m. = No Meaning

The Company has significantly growth due to higher sales volumes from government and private projects that are continuing to build according to plans and schedules. As a result, the core revenue was 27,093 million baht in 2021 or approximately 60.7% increase from 16,858 million baht in 2020. In addition, the focus on high margin products, especially Medium – Extra High voltage wires and cables, resulting in net profit of the Company in 2021 equal to 2,794 million baht, an increase of approximately 82.6% from 1,530 million baht in 2020.

This is due to the Company's acquisition over TPC and DVN, the wire and cable business in Vietnam since March 31, 2020 and TCI, a small wire and cable company in Thailand. Therefore, the Company has not yet recognized the results of TPC DVN and TCI in the 1st fiscal period year of 2020.

Therefore, the following the Company's operating results are prepared as if the Company has control over such a significant company since January 1, 2020 in order to allow accurate comparison of the results of the 12-month period in 2020 and 2021.

Unit: Million Baht	2021	2020 (Pro-forma)	%Chg
Core revenues ⁽¹⁾	27,093	18,012	50.4%
Adj. Core EBITDA ⁽²⁾	5,293	2,725	69.9%
<i>%Adj. Core EBITDA ⁽³⁾</i>	19.5%	15.1%	n.m.
Net profit	2,794	1,625	62.2%
<i>%Net profit ⁽³⁾</i>	10.3%	9.0%	n.m.
Adj. Core net profit	3,215	1,291	98.9%
<i>%Adj. Core net profit ⁽³⁾</i>	11.9%	7.2%	n.m.

Remark (1) Core revenues consist of revenue of sales, revenue of services and revenue from rental

(2) Calculated by core revenue minus (i) core costs are costs of goods sold, costs of services and costs of rental (ii) distribution costs and administrative expenses plus depreciation and amortization expenses and non-recurring expense.

- (3) Calculate ratio based on core revenues
 (4) Calculated by adjustment of net profit with above items
 n.m. = No Meaning

- The Company's core revenues were 27,093 million baht in 2021 and 18,012 million baht in 2020, an increase of 9,081 million baht from the previous year, or an increase of approximately 50.4% in line with the sales reduction of low product margin policy (such as raw materials) and focusing on high margin products especially the group of Medium – Extra High voltage with high growth to support various public and private projects. The core revenue from the sales of wires and cables in 2021 is 16,846 million baht and in 2020 is 9,978 million baht, an increase of 6,868 million baht from the previous year or 68.8%
- The Company has a core EBITDA of 5,293 million baht in 2021 and equal to 2,725 million baht in 2020 or increased 94.2% from the same period last year. These is mainly due to the strategies to focus on the high margin products, especially Medium to Extra High Voltage cables to support high growth in various of government and private projects. Moreover, the Company has implemented a plan to reduce cost and expense (Lean management) continuously.
- The Company has net profit for yearly ended in 2021 and 2020 equal to 2,794 million baht and 1,625 respectively, which contribute 10.3% margin in 2021 an increase from 9.0% from the same period of previous year.

Considering the net profit attribute to owners of the parent company in 2021 and 2020 equal to 2,783 million baht and 1,520 million baht respectively, which contribute 10.3% margin in 2021 an increase from 9.0% from the same period of previous year.

2. Key Financial Summary

Unit: million baht	Q4/2021	Q3/2021
Total Assets	39,142	38,502
Net interest-bearing debt ⁽¹⁾	13,191	12,629
Equities	6,591	5,872
Total Equities (Equities - Adjusted) ⁽²⁾	17,133	16,414
Net Debt / Equity (Adjusted)	0.77x	0.77x
Net Debt / EBITDA	2.4x	2.6x ⁽³⁾

Remark (1) Comprised of short-term loan, financial lease, long term loan, etc.

(2) Comprised of equities plus Reverse Take Over (RTO) adjustment (amount THB 10,542 million)

(3) Last-twelve-month EBITDA

(4) Annualized EBITDA from Q1/2021

- The Company's total assets equal 39,142 million baht in Q4/2021, an increase of 640 million baht from Q3/2021 as a result of increase in the Company's performance
- The Company's net interest bearing debt equals 13,191 million baht as of Q4/2021, an increase of 562 million baht from Q3/2021 as resulted from a principal payment from Vietnam's acquisition loans and the liabilities from the issuance of debentures in September 2021, which will be used to increase liquidity and repay debt

Unit: million baht	Q4/2021	Q3/2021
Short term loan	3,443	2,322
Long-term loan due within 1 year ⁽¹⁾	2,372	2,515
Long-term loan (Net)	6,244	6,770
Debentures	2,222	2,219
Include Interest bearing debt ⁽²⁾	14,283	13,826
<u>Exclude</u> Cash and guarantee deposit	1,092	1,197
Interest bearing debt exclude cash	13,191	12,629

Note: (1) Comprised of short-term interest-bearing debt exclude short term loan

- As a result of Reverse Takeover (RTO) in 2019, the Company has to record adjusted RTO amount 10,542 million baht in accordance with accounting standards (TFRS3: Business combination). Therefore, Owner's equities will not reflect the actual financial position.
- In this regard, if the company include this special transaction, Owner's equities (adjusted) will be 17,133 million baht in the fourth quarter of 2021 which will reflect the actual Company's financial position. The Company's has interest bearing debt exclude cash per net debt to Equity (Adj.) equals to 0.77 time.
- The Company's has net debt to EBITDA approximately 2.49 times due to concentration mainly on High Margin products as well as effective cost and expense management and integrated supply chain management. The Company expects appropriate level of Net debt to EBITDA to be 2.0 times.

Please be informed accordingly

Sincerely yours,

--Mr. Nirouth Jeakvathanyoo--

(Mr. Nirouth Jeakvathanyoo)

Director