

No. STARK006/2022

May 12, 2022

Subject: Management Discussion and Analysis for the first quarter of 2022 Ended March 31, 2022

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 first quarter of 2022 Ended March 31, 2022 with important details as follows:

Key summaries (Q1/2022 ended March 31, 2022 to 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 and.
- **Core revenues for Q1/2022 an increased 32.7% to 6,176 million Baht** due to higher sales from public and private projects that continue to build according to plans and schedules.
- **Copper cathode prices is surging over the last quarter.** Average LME Copper cathode price in March 2022 is approx. 10,000 USD per ton, increasing from approx. 9,700 USD per ton in January 2022. The Company forecasts that copper cathode price would trade at higher price due to the incremental demand from renewable energy and electricity vehicle. The Company shall closely monitor the situation to ensure to limit the impact of an increase copper cathode to the margin. In the past quarter, the Company is slightly affected from the situation. The Company has a policy to pass through or cost-plus strategy in which the Company secures raw material cost and ordering volume. Moreover, the Company has no speculation policy over raw material. Plus, the Company has conservative accounting policy which value of inventory and raw material is at cost, not mark-to market.
- **Adjusted Core EBITDA margin an increased to 17.9% in 1Q2022** an increased from 16.6% in 1Q2021 due to the focus on the High Margin product as well as the policy to effectively control costs and expenses, and systematically management of the Group (Integrated Supply Chain Management).
- **1Q2022 Adjusted Core net profit is equal to 591 million Baht**, an increased from 368 million Baht in 1Q2021 equals to +60.6% with % Adj core net profit margin equal to 9.6% in 1Q2022, an increased from 7.9% in 1Q2021. In general, the first quarter of every years, the Company has the lowest performance comparing with other quarters per the normal industry practice such as there is a long

vacation over two weeks, in January or February, in Vietnam every years. However, the Company realizes this practice and ready to limit the impacts and to prudentially manage overall performance to ensure sustainable growth.

- Strong financial position with Net Debt / Equity (adjusted) equal to 0.79x as of 1Q2022

Minor change compare with end of 2021.

1. Key performance summary

Key Performance summary according to profit and loss statement for first quarter of 2022 Ended March 31, 2022 (per financial statement)

Unit: Million Baht	Q1/2022	Q1/2021	%Chg
Core revenues ⁽¹⁾	6,176	4,655	32.7%
Adj. Core EBITDA ⁽²⁾	1,182	774	43.1%
%Adj. Core EBITDA ⁽³⁾	17.9%	16.6%	n.m.
Net profit	582	441	31.9%
%Net profit ⁽³⁾	9.4%	9.5%	n.m.
Net profit attribute to owners of the parent company	570	438	30.1%
%Net profit attribute to owners of the parent company	9.3%	9.4%	n.m.
Adj. Core net profit ⁽⁵⁾	591	368	60.6%
%Adj. Core net profit ⁽³⁾	9.6%	7.9%	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	Q1/2022	Q1/2021
Realized gain / (loss) Business as usual	154	(117)
Non-recurring item	74	-

- (3) Calculate ratio based on core revenues.
 (4) Calculated by adjustment of net profit with following items:

Unit: Million Baht	Q1/2022	Q1/2021
Net profit	582	441
(Reversal) Impairment loss determined in accordance with TFRS 9	(2)	(11)
Unrealized (gain) / loss from normal business	(48)	(62)
Realized gain / (loss) from Vietnam acquisition	59	-
Adj. Core net profit	591	368
%Adj. Core net profit	9.6%	7.9%
Adj. Core net profit attribute to owners of the parent company	579	364
%Adj. Core net profit attribute to owners of the parent company	9.4%	7.8%

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 6,176 million Baht in 1Q2022 or approximately 32.66% an increased from 4,655 million Baht in 1Q2021. In addition, the focus on high margin products, especially Medium – Extra High voltage wires and cables to support high growth in various of government and private projects, resulting in net profit of the Company of 1Q2022 equal to 582 million Baht, an increased of approximately 31.9 % from 441 million Baht in 1Q2021.

- The Company has the Adj. Core EBITDA of 1,182 million Baht in 1Q2022, an increased 43.1% from 774 million Baht in 1Q2021. %Adj. Core EBITDA in 1Q2022 equal to 17.9%, an increased from 16.6% from the same period last year. These is mainly to the focus on High margin product, especially Medium to Extra High Voltage cables. Moreover, the Company has implemented a plan to reduce cost and expense (Lean management) continuously. Moreover, the Company has a policy to utilize DVN's refinery for internal use, resulting in cost saving in PDITL.
- The Company has net profit per (financial statements) equals to 582 million Baht in 1Q2022 and 441 million Baht in 1Q2021. Net profit margin in 1Q2022 equals to 9.4%, decreased from 9.5% from same period last year.

Considering the net profit of the owners of the Company in 1Q2022 equal to 570 million Baht and in 1Q2021 equal to 438 million Baht. Net profit margin in 1Q2022 is 9.3%, decreased from 9.4% from same period last year.

In addition, 1Q2022 Adjusted Core net profit per (financial statements) is equal to 591 million Baht, an increased from 368 million Baht in 1Q2021 equals to +60.6% with %Adj core net profit margin equal to 9.6% in 1Q2022, an increased from 7.9% in 1Q2021. In general, the first quarter of every years, the Company has the lowest performance comparing with other quarters per the normal industry practice such as there is a long vacation, over two weeks in January or February, in Vietnam every years. However, the Company realizes this practice and ready to limit the impacts and to prudentially manage overall performance to ensure sustainable growth. (Adjusted core net profit attribute to owners of the parent company in 1Q2022 and 1Q2021 as above mentioned information)

2. Key Financial Summary

Unit: million Baht	Q1/2022	Q4/2021
Total Assets	41,172	39,142
Net interest-bearing debt ⁽¹⁾	14,027	13,191
Equities	7,158	6,591
Total Equities (Equities - Adjusted) ⁽²⁾	17,700	17,133
Net Debt / Equity (Adjusted)	0.79x	0.77x
Net Debt / EBITDA	2.5x ⁽³⁾	2.4x ⁽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) Annualized of EBITDA in 1Q2022

- The Company's total assets equal 41,172 million Baht as of 1Q2022, an increased of 2,030 million Baht from 4Q2021 as a result of increased in the Company's performance.
- The Company's net interest bearing debt equals 14,027 million Baht as of 1Q2022, an increased of 835 million Baht from 4Q2021 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	Q1/2022	Q4/2021
Short term loan	5,199	3,443
Long-term loan due within 1 year ⁽¹⁾	1,874	2,372
Long-term loan (Net)	5,598	6,244
Debentures	2,223	2,222
<u>Include</u> Interest bearing debt ⁽²⁾	14,896	14,283
<u>Exclude</u> Cash and guarantee deposit	869	1,092
Interest bearing debt exclude cash	14,027	13,191

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 17,701 million Baht in the first quarter of 2022 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 0.79 time.

- The Company's has net debt to EBITDA approximately 2.5 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 2.3 - 2.5 times.

Please be informed accordingly

Sincerely yours,

-Mr. Sathar Chantrasettalead-
(Mr. Sathar Chantrasettalead)

Director