

No. STARK010/2022

August 11, 2022

Subject: Management Discussion and Analysis for the second quarter and the six-month period ended June 30, 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 second quarter and the six-month period ended June 30, 2022 with important details as follows:

**Key summaries (Q2/2022 and the six-month period June 30, 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 increased 39.6%** to Baht 7,332 million due to higher sales from public and private projects that continue to build according to plans and schedules.
- **Copper cathode prices is constantly growing.** Average LME Copper cathode price in the first half of the year 2022 was approximately USD 10,000 per ton, increasing from approximately USD 9,700 per ton in January 2022. The Company expected 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 108.8% (Q2/2022) and 80.5% (6M/2022)** according to the product mix at each time. 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).
- **Net Profit (Owners of the Parent Company) equal to Baht 691 million (Q2/2022) and Baht 1,260 million (6M/2022)**, increased from Baht 524 million in 2Q/2021 and increased from Baht 963 million in 6M/2021, respectively, according to the operating results continuously grow.

- Strong financial position with Net Debt / Equity (adjusted) equal to 0.85x as of 2Q2022 increased from 0.79x as of 1Q2022.

## 1. Key performance summary

Key Performance summary according to profit and loss statement for second quarter and the six-month period ended June 30, 2022 (per financial statement)

Unit: Million Baht	Q2/2022	Q2/2021	%Chg	6M/2022	6M/2021	%Chg
Core revenues <sup>(1)</sup>	7,332	5,252	39.6%	13,508	9,908	36.3%
Adj. Core EBITDA <sup>(2)</sup>	1,583	758	108.8%	2,765	1,532	80.5%
%Adj. Core EBITDA <sup>(3)</sup>	21.6%	14.4%	n.m.	20.5%	15.5%	n.m.
Net profit	689	528	30.5%	1,270	969	31.1%
%Net profit <sup>(3)</sup>	9.4%	10.1%	n.m.	9.4%	9.8%	n.m.
Net profit attribute to owners of the parent company	644	351	83.4%	1,223	716	70.8%
%Net profit attribute to owners of the parent company	8.8%	6.7%	n.m.	9.1%	7.2%	n.m.
Adj. Core net profit <sup>(4)</sup>	642	354	81.1%	1,233	722	70.6%
%Adj. Core net profit <sup>(3)</sup>	8.8%	6.7%	n.m.	9.1%	7.3%	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 adjustments are as follows:

Unit: Million Baht	Q2/2022	Q2/2021	6M/2022	6M/2021
Realized gain / (loss) normal business	(134)	(28)	(287)	89
Non-recurring items	146	15	220	15

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

Unit: Million Baht	Q2/2022	Q2/2021	6M/2022	6M/2021
Net profit	689	528	1,270	969
(Reversal) Impairment loss determined in accordance with TFRS 9	(19)	(225)	(21)	(237)
Unrealized (gain) / loss from normal business	(145)	40	(193)	(22)
Realized gain / (loss) from Vietnam acquisition	117	12	176	12
<b>Adj. Core net profit</b>	<b>642</b>	<b>354</b>	<b>1,233</b>	<b>722</b>
%Adj. Core net profit	9.1%	6.7%	9.1%	7.3%
<i>Adj. Core net profit attribute to owners of the parent company</i>	<b>644</b>	<b>351</b>	<b>1,223</b>	<b>716</b>
%Adj. Core net profit attribute to owners of the parent company	8.8%	6.7%	9.1%	7.2%

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 Baht 7,332 million in 2Q2022 or approximately 39.6%, increased from Baht 5,252 million in 2Q2021. The Company has the core revenue equal to Baht 13,508 million in the first half of the year 2022 or approximately 36.3%, increased from Baht 9,908 million from the same period in the previous year resulted of the recognition of business performance in Vietnam. However, the core revenue an increased, resulting to net profit of the Company of 2Q2022 equal to Baht 689 million or approximately 30.5% from Baht 528 million in 2Q2021. The Company has net profit equal to 1,270 million Baht or approximately 31.1% in the first half of the year 2022, increased from Baht 969 million from the same period in the previous year.

Considering the net profit of the owners of the Company in second quarter of 2022 and 2021 equal to Baht 691 million and Baht 524 million, respectively. Net profit margin in 2022 and 2021 equal to 9.4%, and 10.1%, respectively. In the six-month period 2022 and 2021, the Company has net profit of the owners of the Company equal to Baht 1,260 million and Baht 963 million, respectively, or margin equal to 9.3% and 9.7%, respectively.

## 2. Key Financial Summary

Unit: Million Baht	Q2/2022	Q1/2022
Total Assets	45,473	41,172
Net interest-bearing debt <sup>(1)</sup>	15,522	14,027
Equities	7,717	7,158
Total Equities (Equities - Adjusted) <sup>(2)</sup>	18,259	17,700
Net Debt / Equity (Adjusted)	0.85x	0.79x
Net Debt / EBITDA	2.4x <sup>(3)</sup>	2.5x <sup>(3)</sup>

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

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

(3) Annualized of EBITDA last 12 months

- The Company's total assets equal Baht 45,473 million as of 2Q2022, increased of Baht 4,301 million from 1Q2022 as a result of increased in the Company's performance.
- The Company's net interest bearing debt Baht 15,522 million as of 2Q2022, increased from Baht 1,495 million Baht from 1Q2022 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	Q2/2022	Q1/2022
Short term loan	4,807	5,199
Long-term loan due within 1 year <sup>(1)</sup>	2,006	1,874
Long-term loan (Net)	2,896	5,598
Debentures	6,708	2,223
<b>Include</b> Interest bearing debt <sup>(2)</sup>	<b>16,417</b>	<b>14,896</b>
<b>Exclude</b> Cash and guarantee deposit	895	869
<b>Interest bearing debt exclude cash</b>	<b>15,522</b>	<b>14,027</b>

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 Baht 10,542 million 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 Baht 18,259 million in the second quarter of 2022, which will reflect the actual Company's financial position. The Company has interest bearing debt exclude cash per net debt to Equity (Adj.) equals to 0.85x.
- The Company has net debt to EBITDA approximately 2.4x 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 2.3x - 2.5x.

Please be informed accordingly

Sincerely yours,

*-Mr. Sathar Chantrasettalead-*

(Mr. Sathar Chantrasettalead)

Director