

August 15 , 2023

Subject: Management Discussion and Analysis for the six-month period ended June 30 , 2023

Attention: President

The Stock Exchange of Thailand

1. Business Overview

CH. Karnchang Public Company Limited operates its core business of two categories, namely, (1) the construction business; and (2) the regional basic infrastructure investment and development business, as well as establishing the long-term goals to strengthen the synergy towards sustainability to ensure stable and sustainable growth of the Company's business operations . The construction industry is among those sectors of the recovering economy which is gradually recovering, with its trend continually growing in line with the anticipated increase in the overall investment value in construction. However, to fulfill the objectives of the infrastructure action plan, the Company is convinced that many large-scale government projects, would likely pick up steam in 2023.

Significant Events

Annual Dividend Payment

On 28 April 2023, The 2023 Annual General Meeting of the Company's shareholders has approved dividend payment for the second half of 2022 at the rate of Baht 0.10 per share in the total amount Baht 167 Million which the dividend has been paid on May 23, 2023. The total amount of dividend payment for the year 2022, including the interim dividend payment for the first half of 2022 at the rate of Baht 0.15 per share, would thus be at the rate of Baht 0.25 per share, totaling of Baht 416 Million.

CK issued Debentures

On 25 May 2023, CH. Karnchang Public Company Limited issued the Debentures for the total amount of Baht 9,000 Million which increased from the initial target at Baht 5,000 Million due to high demand from investors. There are 4-series of Debentures with duration between 3 – 10 years and fixed interest rate between 3.20 – 4.15 percent per annum.

2. Analysis of Operating Results

The Company had the consolidated operating result and financial position for the six-month period ended June 30 , 2023 as follows:

Description Unit: Million Baht	For the six-month period ended		Change	
	June 30,2023	June 30,2022	Amount	%
Revenues from construction contracts	18,645.29	10,513.70	8,131.59	77.34
Other income	810.40	695.80	114.60	16.47
Total revenues	19,455.69	11,209.50	8,246.19	73.56
Cost of construction services	17,297.34	9,678.94	7,618.40	78.71
Administrative expenses	964.46	965.08	(0.62)	(0.06)
Total expenses	18,261.80	10,644.02	7,617.78	71.57
Operating profit	1,193.89	565.48	628.41	111.13
Share of profit from investments in associated companies	455.53	552.19	(96.66)	(17.50)
Finance cost	869.94	693.82	176.12	25.38
Income tax expenses	32.38	9.69	22.69	234.16
Profit (loss) for the period	747.10	414.16	332.94	80.39
Profit (loss) attributable to non-controlling interests of the subsidiaries	43.47	(6.81)	50.28	(738.33)
Profit (loss) attributable to equity holders of the Company	703.63	420.97	282.66	67.14

Net profit attributable to equity holders of the Company amounting to Baht 704 million, an improvement of Baht 283 million as compared to the same period of the previous year.

Performance for the six-month period ended June 30 ,2023, the Company and its subsidiaries had net profit attributable to equity holders of the Company amounting to Baht 704 million, an improvement of Baht 283 million or 67.14% as compared to the same period of the previous year. This was mainly due to the increase by revenues from construction contracts.

Revenues from construction contracts of Baht 18,645 million, an increase of Baht 8,132 million from the same period of the previous year.

For the six-month period of the year 2023 , the Company and its subsidiaries reported revenues from construction contracts of Baht 18,645 million, representing 95.83% of total revenues, an increase of Baht 8,132 million or 77.34% as compared to the same period of the previous year. The revenue increased because the Company and its subsidiaries have income from going and new project of construction revenue etc., The Construction Project of the Bang Ban - Bang Sai Flood Drainage Canal and Appurtenant Structures,the Construction of the Railway Project, Den Chai-Chiang Rai-Chiang Khong, Contract 2: Ngao-Chiang Rai Section and the Construction of the Railway Project, Den Chai-Chiang Rai-Chiang Khong and Contract 3: Chiang Rai-Chiang Khong Section ,The Construction Project of the MRT Purple Line: Tao Poon - Rat Burana Section and The Luang Prabang Hydroelectric Power Project.

Cost of construction services amounting to Baht 17,297 million, an increase by Baht 7,618 million from the same period of the prior year.

For the six-month period of the year 2023 , the Company and its subsidiaries registered cost of construction services amounting to Baht 17,297 million, an increase by Baht 7,618 million or 78.71% from the same period of the prior year. The Company and its subsidiaries' gross profit was Baht 1,348 million, an increase by Baht 513 million or 61.48% because the Company and its subsidiaries have the progress of construction, while gross profit margin was 7.23% compared 7.94% in the year of 2022.

Administrative Expenses amounting to Baht 964 million, the same period of the prior year.

For the six-month period of the year 2023 , the Company and its subsidiaries had administrative expenses of Baht 964 million, the same period of the last years.

Share of profit from investments in associated companies of Baht 456 million, an decrease by Baht 97 million from the same period of the prior year.

For the six-month period of the year 2023 , the Company and its subsidiaries had share of profit from investments in associated companies of Baht 456 million, an decrease by Baht 97 million or 17.50% from the same period of the last year. The mainly came from CK Power Public Company Limited recognise in Share of Loss from Investments in XPCL driven by lower electricity sales volume and higher finance cost , while Bangkok Expressway and Metro Public Company Limited up by share of profit due to the continuous rise in traffic and ridership volumes,resulting in an increase in revenue which related to an improvement of economic.

Finance cost amount to Baht 870 million and Net-Debt-to-Equity ratio was 1.83 times. For the six-month period of the year 2023 , the Company and its subsidiaries had finance cost amount Baht 870 million, up by Baht 176 million from the same period of last year because of more short-term loans,the interest of the new debentures and increased MLR cost of long term loan. Net-Debt-to-Equity ratio according to the Company’s consolidated financial statement was 1.83 times, increased from the end of prior year which was 1.59 times. Still, the ratio did not exceed 3.00 times, which is the covenant for bank loans and debentures.

Description Unit: Million Baht	June 30 , 2023	December 31 , 2022	Change	
			Amount	%
Assets	94,264.29	85,150.79	9,113.50	10.70
Liabilities	69,268.05	60,684.37	8,583.68	14.14
Shareholders' equity	24,996.24	24,466.42	529.82	2.17

Total Assets amounted to Baht 94,264 million, increased by Baht 9,114 million from the end of 2022. As of June 30, 2023 , the Company and its subsidiaries had total assets of Baht 94,264 million. A growth of Baht 9,114 million from the end of 2022 was primarily from trade and other receivables and advance payment to subcontractors which receiving the progress of construction revenue in the new project including increased investment in associated companies in Bangkok Expressway and Metro Public Company Limited and Luang Prabang Power Company Limited .

Total liabilities amounted to Baht 69,268 million, increased by Baht 8,584 million from the end of 2022. As of June 30, 2023, the Company and its subsidiaries had total liabilities amounted to Baht 69,268 million, increased by Baht 8,584 million from the end of 2022 mainly due to short-term loans, trade and other payables and from more debentures.

Total shareholders’ equity amounted to Baht 24,996 million, increased by Baht 530 million from the end of 2022. As of June 30, 2023, the Company and its subsidiaries had total shareholders’ equity amounted to Baht 24,996 million, increased by Baht 530 million from the end of 2022, mainly due to the operating results in the six months of 2023 and treasury share premium.

Cash flow : Description for the six-month period ended June 30 , 2023	Unit : Million Baht
Net cash flows used in operating activities	(6,597.11)
Net cash flows used investing activities	(315.75)
Net cash flows from financing activities	8,835.90
Effect of exchange rate changes on cash and cash equivalents	(8.15)
Net increase in cash and cash equivalents	1,914.89

Net cash used in operating activities of Baht 6,597 million, Net cash used investing activities of Baht 316 million, Net cash from in financing activities of Baht 8,836 million.

For the first six months of 2023, the Company and its subsidiaries had net cash used in operating activities of Baht 6,597 million which was in line with the operating performance. Net cash used investing activities of Baht 316 million mainly from additional investment in associated offsetting with loan repayment from the associate and dividend income include purchasing of fixed assets. Net cash from financing activities was Baht 8,836 million mainly from more the loans from financial institutions. As a result, net cash increased by Baht 1,915 million from the beginning balance. As 30 June 2023, the Company and its subsidiaries had cash and cash equivalents of Baht 8,875 million.

Significant Financial Ratios

	June 30,2023	December 31,2022	Changes
<u>Liquidity Ratio</u>			
1. Current Ratio	1.23	1.15	0.08
2. Quick Ratio	0.48	0.48	0.00
<u>Leverage Ratios</u>			
3. Net Interest-bearing Debt to Total Shareholders' Equity Ratio	1.83	1.59	0.24
4. Interest Coverage Ratio	2.48	2.25	0.23
	June 30,2023	June 30,2022	Changes
<u>Profitability Ratios</u>			
1. Gross Profit Margin	7.23%	7.94%	(0.71%)
2. Net Profit Margin	3.62%	3.76%	(0.14%)
3. Return on Equity Ratio	5.48%	3.09%	2.39%
4. Earnings per share (Baht)	0.42	0.25	0.17
<u>Efficiency Ratio</u>			
5. Return on Fixed Assets	18.83%	12.57%	6.26%

Please be informed accordingly.

Sincerely yours

(Mr. Nattawut Trivisvavet and Mr. Anukool Tuntimas)

Directors