STARK
CORPORATION

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Explanation on fluctuation of raw material price and foreign exchange rates

Stark Corporation Public Company Limited (the "**Company**") would like to explain the key questions from shareholders and investors as follows:

1. **Impact on the Company If the main raw material price, which is copper and aluminum has risen**

   Explanation

   The Company <u>had small impact</u> from the increased prices of key raw materials with key following details

   - **Made-to-Order**

     The Company has main customer groups, which are government projects and large private projects such as underground cable projects, transmission line improvement project, power plant projects, large chemical plants that require special wire and cables, various large utility projects, and etc. Therefore, **the Company has received Made-to-Order basis which is approximately 80-90 percent of the total revenues**, in which such orders have a specific design of the wire and cable according to customer requirements. It means that the <u>ordering</u> <u>product has been clearly identified the buyer at the beginning.</u>

   - **Pass-through Management Policy or Cost-plus Strategy**

     In general, when the Company is participating in the bidding for various projects, the Company would contact the raw material suppliers to determine the price range for the main raw materials and the profit range for the bidding process. However, **if the Company wins such bidding, the Company will immediately set the prices of the main raw materials and confirm with the suppliers so that the Company can clearly identify the profit of such orders**. These way of processing and operation is a pass-through management policy or cost-plus strategy, so most of the orders have a clear set of raw material prices and been confirmed at the beginning. In addition, <u>such policy and strategy will prevent the speculation on raw material fluctuation (No speculation).</u>

   - **Inventories and raw materials are not adjusted according to the market price (No Mark-to-Market)**

     According to the accounting standard, **the Company conducts the accounting carefully with conservative basis**. Therefore, **inventories and raw materials are booked at cost** which is calculated by the weighted average method or net value that will be recognized whichever is lower.

     In addition, Mark-to-Market concept is an accounting standard for recording accounts of investments in debt and equity securities only.

2. Foreign Exchange Hedging Policy

Explanation

Since the Company has main income in Thai Baht (THB) and US Dollars (USD) and main expenses are in Thai Baht (THB) and US Dollars (USD) as well, these expenses are used to <u>create a balance and reduce the risk of foreign exchange rate naturally (natural hedge).</u> However, if there is any difference from such management, the Company may consider hedging such risks with various financial instruments such as derivatives and etc.

3. Accounting Standard on Gain on Foreign Exchange Rates

Explanation

The Company has majority of order as Made-to-Order and operates the business under the Pass-through policy or Cost-plus strategy (details as per No. 1). In addition, the Company has not only set the main raw materials price with the suppliers at the beginning, but also **coordinated with various commercial banks <u>to determine the exchange rate for such orders immediately as well</u>**; therefore, gain on foreign exchange of normal business operations consist of two main parts as follows:

	Difference between exchange rates A and B		Notes
	A	B	
(1) Realized gain / loss	Contract date	Delivery date	Happened on normal business
(2) Unrealized gain / loss	Contract date	Accounting-ended date (Quarterly / Yearly)	Occurred according to the accounting standard

However, the accounting standard specifies that both types of gain are recorded as "Gain / loss on foreign exchange" in the income statement. **In this regard, part (1) "Realized gain / loss" is a result of normal operation. This realized gain / loss will not be included as part of the core revenues when the Company analyzes the performance, but it will be adjusted for cost instead to reflect the actual performance.**