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Ref. Simat 17-21

May 14th, 2021

Subject Management Discussion and Analysis on operating result for the first quarter of year 2021

To: Managing Director of Stock Exchange of Thailand

Simat Technologies Public Company Limited would like to report the variance in operating result for the first quarter ended 31 March 2021 compared with the same period of year 2020 as follows:

Operating Performance

Income Statements Unit: Million Baht	Quarter 1 2021		Quarter 1 2020		Change	
Revenue from sales and services	254	100%	331	100%	(77)	-23%
Cost of sales and services	(160)	-63%	(239)	-72%	79	-33%
Gross profit	94	37%	91	28%	2	3%
Other income	3	1%	6	2%	(3)	-48%
Selling and administrative expenses	(53)	-21%	(50)	-15%	(3)	6%
Profit before financial cost and income tax	43	17%	47	14%	(3)	-7%
Financial cost	(8)	-3%	(4)	-1%	(5)	137%
Share of profit from associate	(0)	0%	(3)	-1%	3	-97%
Profit before income tax	35	14%	40	12%	(5)	-14%
Income tax	(8)	-3%	(6)	-2%	(2)	32%
Net profit	26	10%	34	10%	(7)	-22%
Portion of non-controlling interest	(9)	-4%	(6)	-2%	(3)	54%
Portion of equity holder of the Company	17	7%	28	8%	(11)	-38%

The consolidated net profit (portion of the parent company) for the first quarter of year 2021 and 2020 were Baht 17 million and Baht 28 million, respectively. The operating profit decreased from the prior year about Baht 11 million or 38%. The Company would like to clarify the significant change in operating performance as below.

Revenue Structure by Business	IT Business	Production and Sales of Label Product	Silkscreen Printing	Broadband	Government Project	Total
Unit: Million Baht						
Quarter 1 / 2021	2	53	117	66	17	254
	1%	*21%*	*46%*	*26%*	*7%*	*100%*
Quarter 1 / 2020	4	61	84	152	29	331
	1%	*18%*	*25%*	*46%*	*9%*	*100%*
Change	(2)	(8)	32	(87)	(13)	(77)
	-56%	*-13%*	*39%*	*-57%*	*-44%*	*-23%*

- Revenue from Sales and Services

Revenue from sales and services of parent and subsidiaries company decreased from prior year about Baht 77 million or 23%. The major decrease came from the revenue from Government Project which decrease from the same period of last year about Baht 87 million mainly due to the revenue of Phase 1 has been recognized in year 2020 then only the Phase 2 (Internet and maintenance services) would be recognized in year 2021 according to the agreement and the decrease in revenue of Broadband business for Baht 13 million. For the subsidiary companies, the revenue of Silkscreen Printing business increased about Baht 32 million due to COVID situation made the increasing trend of "work from home" consumer behavior and caused the expansion of the usage of the electric appliances and the revenue of Label business decreased about 8 million from the decrease in stainless precision stamping as the decrease in orders from the major customer because of the high production cost and price reduction from competitor.

Gross Margin by Business	IT Business	Production and Sales of Label Product	Silkscreen Printing	Broadband	Government Project	Total
Unit: Million Baht						
Quarter 1 / 2021	0	18	51	21	4	94
	14%	*34%*	*44%*	*31%*	*23%*	*37%*
Quarter 1 / 2020	1	20	38	20	12	91
	17%	*33%*	*46%*	*13%*	*41%*	*28%*
Change	(0)	(2)	13	1	(8)	3
	-64%	*-9%*	*33%*	*3%*	*-69%*	*3%*

- Gross Margin

There was no significant change in gross margin from the same period of last year. The gross margin decreased about Baht 3 million or 3%. However, when consider in each segment, the gross margin ratio of the Government Project increased from 13% for the year 2020 to 31% for the year 2021 because the gross margin ratio of Phase 2 which is the internet and maintenance service has the higher margin than the Phase 1 which is the construction and installation. Moreover, the gross margin of the Government project decreased from the budget for Baht 5 million due to the cost of installation of Phase 1 installment no. 4 was over the budget from the editing work of the last installation.

Silkscreen Printing business has the gross margin increased from prior year about Baht 13 million or 33% as sales increased and cost per unit decreased. However, Broadband business has the gross margin decreased from prior year about Baht 8 million or 69% due to the decrease in subscribers as launch of new promotion from the big player competitors.

- Financial Cost

  Financial cost increased from the same period of last year about Baht 5 million as the loan for Governmental project increased during the installation work of Phase 1 along the year 2020. However, during Quarter 1 of year 2021, the Company gradually repay such loan and has the plan to repay continuously during year 2021 from the expected installment cash receipt of Phase 2 in order to decrease the financial cost.

Financial Position

The overview of the Company's financial position as at 31 March 2021 compared with 31 December 2020 are as follow.

Consolidated Balance Sheet Unit: Million Baht	**31-Mar-21**		**31-Dec-20**		**Change**	
Assets						
Current assets						
Cash and cash equivalent	30	2%	162	9%	(132)	-81%
Trade and other debtors - net	220	13%	203	12%	17	8%
Contract assets	224	13%	159	9%	65	41%
Cost of government project - net	-	0%	13	1%	(13)	-100%
Inventories - net	104	6%	78	5%	26	33%
Advance for government project	-	0%	2	0%	(2)	-100%
Total current assets	578	35%	617	36%	(39)	-6%
Non-current asset						
Restricted deposit with financial institution	119	7%	119	7%	-	0%
Contract assets	80		79		1	1%
Investment in associate	31	2%	31	2%	-	0%
Plant, property and equipment - net	166	10%	159	9%	7	4%
Right of use assets	53		62		(9)	-15%
Optical fiber network and equipment	408	25%	408	24%	-	0%
Fiber network construction in process	-	0%	12	1%	(12)	-100%
Goodwill	126	8%	126	7%	-	0%
Other non-current assets	102	6%	102	6%	-	0%
Total non-current assets	1,085	65%	1,098	64%	(13)	-1%
Total assets	**1,663**	**100%**	**1,715**	**100%**	(52)	**-3%**

Consolidated Balance Sheet Unit: Million Baht	31-Mar-21		31-Dec-20		Change	
Liabilities and shareholder's equity						
Liabilities						
Current liabilities						
Bank over-draft and short-term loan	276	17%	318	19%	(42)	-13%
Trade ans other creditors	240	14%	263	15%	(23)	-9%
Current portion of financial lease liabilities due within 1 year	19	1%	19	1%	-	0%
Current portion of long-term loan due within 1 year	163	10%	143	8%	20	14%
Current portion of payable for purchase of investment due within 1 year	13	1%	13	1%	-	0%
Other current liabilities	23	1%	15	1%	8	53%
Total current liabilities	734	44%	771	45%	(37)	-5%
Non-current liabilities						
Financial lease liabilities - net	29	2%	32	2%	(3)	-9%
Long-term loan - net	196	12%	236	14%	(40)	-17%
Other non-current liabilities	18	1%	17	1%	1	6%
Total non-current liabilities	243	15%	285	17%	(42)	-15%
Total liabilities	**977**	**59%**	**1,056**	**62%**	**(79)**	**-7%**
Shareholder's equity						
Paid-up share capital	528	32%	527	31%	1	0%
Paid-in capital in excess of par	71	4%	69	4%	2	3%
Legal reserve	2	0%	2	0%	-	0%
Unappropriated retained earnings	(15)	-1%	(32)	-2%	17	-53%
Other components	(54)	-3%	(52)	-3%	(2)	4%
Total equity of the parent company	532	32%	514	30%	18	4%
Non-controlling interests	154	9%	145	8%	9	6%
Total shareholder's equity	**686**	**41%**	**659**	**38%**	**27**	**4%**
Total liabilities and shareholder's equity	**1,663**	**100%**	**1,715**	**100%**	**(52)**	**-3%**

- Assets

Assets changed as below.

Cash and cash equivalent balance declined from year-end 2020 about Baht 132 million as last year the Company had just received the installment cash receipt of Phase 1 installment no. 3 for Baht 136 million and at the beginning of year 2021, the Company repay the loan principal to the bank and accounts payable of the project then caused the cash balance decreased from last year-end.

Contract assets increased from year-end 2020 about Baht 65 million due to the receivable balance which is recognized for Quarter 1 of 2021 for the maintenance service of phase 2 according the contract of government project.

Cost of government project decreased from year-end 2020 due to the reclassification of the remain balance of the cost of government project to inventories as the installation of phase 1 had completed.

Inventories increased from year-end 2020 about Baht 26 million or 33% because the raw materials, work in process and finished goods of Hinsitsu group increased about Baht 12 million from the sales increased and the cost of government project had been reclassified to inventories for Baht 13 million.

Fiber network construction in process decreased from year-end 2020 about Baht 12 million as the remaining balance was transferred to the fiber network due the delivery and inspection of Phase 1 installment no. 4 had been completed within the Quarter 1 of year 2021.

- Liabilities

Liabilities decreased about Baht 79 million or 7% mainly due to the loan repayment for government project as the Company just received the installment payment for Phase 1 installment no.3. Moreover, Hinsitsu group repaid the long-term loan during the period as well.

- Shareholder's Equity

Shareholder's equity increase from year-end 2020 about Baht 27 million or 4% due to the recognition of net profit for both the portion of the parent company and minority interest about Baht 26 million and the paid-up share capital increase Baht 1 million from the exercise right of ESOP-2 warrant.

<u>Cash Flow</u>

Cash flow of the Company for the Quarter 1 of 2021 has net decrease of Baht 132 million while Quarter 1 of 2020 has net increase of Baht 65 million.

Cash Flow (Million Baht)	Operating activities	Investing activities	Financing activities	Net increase /(decrease)
Quarter 1 / 2021	(59)	(5)	(68)	(132)
Quarter 1 / 2020	28	(28)	65	65

The net cash outflow from operating activities of Baht 59 million arises from the increase of contract assets by the revenue recognition of the government project according to the contract but no cash receipt yet and the decrease of accounts payable from the repayment to creditors of government project during the period. Moreover, the increase in in inventories balance of Hinsitsu Group.

The net cash outflow of Baht 5 million arises from the investment of machineries of the subsidiary company.

The net cash outflow of Baht 69 million arises from the repayment of loan from bank for government project and repayment of loan by the subsidiary.

For your acknowledgement,

Best regards,

(Mr. Boonlerd Iewpornchai)

CEO / Director