

Ref. Simat 17-22

May 17th, 2022

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 2022 compared with the same period of year 2021 as follows:

Operating Results

Unit : Million Baht

รายการ	Q1 2022		Q1 2021		Change	
Revenue from Sales and Services	246	100%	254	100%	(8)	(0%)
Cost of Sales and Services	(153)	62%	(160)	63%	(7)	(1%)
Gross Profit	93	38%	94	37%	(1)	(1%)
Other Incomes	2	1%	3	1%	(1)	(0%)
Selling and Administrative Expenses	(52)	21%	(54)	21%	(2)	(0%)
Profit before Financial Cost and Income Tax	43	17%	43	17%	0	(0%)
Finance Cost	(5)	2%	(9)	4%	(4)	(2%)
Equity in Net Income from Associate Company	0	0%	0	0%	0	(0%)
Profit before Income Tax	38	15%	34	13%	4	2%
Income Tax Expenses	(6)	2%	(8)	3%	(2)	(1%)
Net Profit	32	13%	26	10%	6	3%
Profit Attribute to Non-Controlling Interest	(9)	4%	(9)	4%	0	(0%)
Net Profit Attribute to Equity holders of Company	<u>23</u>	9%	<u>17</u>	6%	6	3%

The consolidated net profit (portion of the parent company) for the first quarter of year 2022 and 2021 were Baht 23 million and Baht 17 million, respectively. The operating profit increased from the prior year about approximately Baht 6 million or approximately increased 35% of operating profit for the first quarter of 2021. The Company would like to clarify the significant change in operating performance as below.

Unit : Million Baht

Revenue Categorized by Business Segment	IT Business	Production and Sale of Label Products	Silkscreen Printing Business	Government Project	Broadband Internet	Other	Total
Q1 2022	1 1%	45 19%	118 48%	68 28%	13 5%	1 1%	246 100%
Q1 2021	1 1%	53 21%	117 46%	66 26%	16 7%	1 1%	254 100%
Change	0 0%	(7) (13%)	1 1%	2 3%	(3) (19%)	0 0%	(8) (3%)

■ Revenue from Sales and Services

Revenue from sales and service of the company and its subsidiaries for the first quarter of 2022 decreased from the same period of 2021 by approximately Baht 8 million or 3%. The major decreasing came from revenue of Label business decreased about Baht 7 million. The important factor was decreasing of stainless precision stamping order from the major customers because higher cost of production and competitors offered a lower price. Furthermore, the revenue of broadband business decreased by Baht 3 million due to the reducing in the number of subscribers.

■ Gross Margin

Gross margin of the companies for the first quarter of 2022 was insignificantly changed from prior year which decreased by Baht 1 million or approximately 1%. The segment gross profit of the companies revealed gross profit ratio of the Government Project increased from 31% for the first quarter of 2021 to 40% in the first quarter of 2022 because the gross profit ratio in Phase II (which has been operating about internet and maintenance services) had the higher gross profit margin than Phase I (which operated about construction and installation). In contrast, internet broadband business decreased in gross profit margin by 19% because of reducing in the number of subscribers.

■ Financial Cost

Financial cost decreased from the same quarter of previous year about Baht 4 million due to the company paid short term loan from bank during 2021.

Financial Position

The overview of the Company's financial position as at 31 March 2022 compared with 31 December 2021 were shown as following

Unit : Million Baht

Items	As of March 31, 2022		As of December 31, 2021		Change	
Assets						
Current Assets						
Cash and Cash Equivalents	55	3%	80	5%	(25)	(2%)
Trade and Other Receivables	202	11%	183	10%	19	1%
Current Contract Assets-Net	458	26%	391	22%	67	4%
Inventories - Net	103	6%	105	6%	(2)	(0%)
Advance for Government Project	-	0%	1	0%	(1)	(0%)
Total Current Assets	818	46%	760	43%	58	3%
Non-Current Assets						
Non-Current Financial Assets	101	6%	113	6%	(12)	(0%)
Non-Current Contract Assets-Net	83	5%	82	5%	1	0%
Investment in Associated Companies	31	1%	31	2%	0	(1%)
Properties, Plants and Equipment	177	10%	178	10%	(1)	(0%)
Right of Use Assets-Net	46	2%	49	3%	(3)	(1%)
Computer Software for Lease-Net	4	0%	4	0%	0	0%
Fiber Optic Network Equipment-Net	333	19%	349	20%	(16)	(1%)
Goodwill	126	7%	126	7%	-	0%
Other Non-Current Assets	68	4%	68	4%	0	0%
Total Non-Current Assets	969	54%	1,000	57%	(31)	(3%)
Total Assets	1,787	100%	1,760	100%	27	0%

Unit : Million Baht

Items	As of March 31, 2022		As of December 31, 2021		Change	
Liabilities and Shareholders' Equity						
Liabilities						
Current Liabilities						
Short-Term Loan from Bank	75	4%	90	5%	(15)	(1%)
Trade and Other Payables	103	6%	104	6%	(1)	(0%)
Current Portion of Lease Liabilities – Net	19	1%	19	1%	0	0%
Current Portion of Long-Term Loan from Financial Institutions	206	12%	203	12%	3	0%
Other Current Liabilities	17	1%	10	1%	7	0%
Total Current Liabilities	420	24%	426	25%	(6)	(1%)
Non-Current Liabilities						
Lease Liabilities - Net	25	1%	28	1%	(3)	(0%)
Long-Term Loan from Bank	137	8%	135	8%	2	0%
Provision for Employee Benefits	19	1%	18	1%	1	0%
Total Non-Current Liabilities	181	10%	181	10%	-	0%
Total Liabilities	601	34%	607	35%	(6)	(1%)
Shareholders' Equity						
Issues and Paid-up Common Shares	649	36%	649	36%	-	0%
Paid in Capital in Excess Par Value	219	12%	219	12%	-	0%
Legal Reserve	9	1%	9	1%	-	0%
Unappropriated Retained Earnings	59	3%	36	2%	23	1%
Change in Proportion of Investment	39	2%	39	2%	-	0%
Total Equity of Parent Company	975	54%	952	53%	23	2%
Non-Controlling Interests	211	12%	201	12%	10	0%
Total Shareholders' Equity	1,186	66%	1,153	65%	33	1%
Total Liability and Shareholders' Equity	1,787	100%	1,760	100%	27	0%

■ **Assets**

For the significantly changed in balancing of assets were described as below,

Cash and cash equivalent balance declined from December 31, 2021 about Baht 25 million because the company paid short-term loan from bank and accounts payable of the project during 2021.

Contract assets increased from the end of 2021 about Baht 67 million due to recognition of revenue for the first Quarter of 2022 about maintenance service in Phase II according to contract of government project.

Fiber network equipment decreased from the end of 2021 about Baht 16 million because of depreciation in the first quarter of 2022.

■ **Liabilities**

Total liabilities of the company and its subsidiaries decreased by approximately Baht 6 million or 1% due to the company paid short term loan from bank and account payable.

■ **Shareholders' Equity**

Shareholders' equity of the company and its subsidiaries increased approximately Baht 33 million from the end of year 2021 or 3% because the company reported net income in the first period of 2022.

Key Financial Ratios

รายการ	March 31, 2022	December 31, 2021
1. Return on Assets (%)	1.29%	0.97%
2. Current Ratio (Times)	1.94	1.78
3. Debt to Equity Ratio (Times)	0.50	0.52
4. Interest Bearing Debts Ratio (Times)	0.35	0.37

■ **Return on Assets**

The company performed substantially return on assets in first quarter of 2022 better than at the end of 2021 because the company reported increasing in net income for the first quarter of 2022 while the company maintained the same level of assets utilization.

■ **Current Ratio**

The company provided more liquidity of working capital in the first quarter of 2022 than at the end of 2021 because increasing in contract assets and paid short-term loan during 2021.

■ **Debt to Equity Ratio**

The company provided a lower of debt to equity ratio in the first quarter of 2022 than at the end of previous year because of increasing in net income which reflected low level of debts structuring compared with shareholders' equity.

■ **Interest Bearing Debt to Equity Ratio**

The company had a better interest bearing debt to equity ratio in the first quarter of 2022 due to increasing of net income in this quarter which affected to more value of shareholders' equity. Moreover, the company paid short-term loan from bank during 2021.

Cash Flow

Cash flow of the company and its subsidiaries in the first quarter of 2022 had a net decrease of Baht 25 million while the first quarter of previous year reported a net decrease of Baht 132 million.

Unit : Million Baht

	Cash Flow			Increase (Decrease)
	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	
Q1 2022	(14)	4	(15)	(25)
Q1 2021	(59)	(7)	(66)	(132)

Net cash flow from operations for the first quarter of 2022 was net cash outflow in the amount of Baht 14 million because increasing of contract assets by the revenue recognition of the government project according to the contract were uncollectible. Furthermore, the company had paid the bill to creditors of government project during the period and also the increasing of inventories balance of Hinsitsu Group. These results affected to the cause of cash outflow.

Cash flow from investments activities in the first quarter of 2022 was net cash inflow of approximately Baht 4 million from selling machines of the subsidiary and also decreasing of restricted cash at banks.

Cash flow from financing activities in the first quarter of 2022 was net cash outflow of approximately Baht 15 million occurred by payment of loans in government project and paid long term loan of subsidiary company.

Best regards,

(Mr. Boonlerd Iewpornchai)

CEO / Director