

Ref. Simat 21-22

August 15th, 2022

Subject: Management Discussion and Analysis on operating result for the second quarter of year 2022

To: Managing Director of Stock Exchange of Thailand

Simat Technologies Public Company Limited would like to report the variance in operating result for the second quarter ended 30 June 2022 compared with the same period of year 2021 as follows:

Operating Results for 3 Months Period

Unit : Million Baht

รายการ	Q2 / 2022		Q2 / 2021		Change	
Revenue from Sales and Services	222	100%	250	100%	(28)	0%
Cost of Sales and Services	(145)	65%	(149)	60%	(4)	5%
Gross Profit	77	35%	101	40%	(24)	(5%)
Other Incomes	2	1%	3	1%	(1)	0%
Selling and Administrative Expenses	(55)	25%	(46)	18%	9	7%
Profit before Financial Cost and Income Tax	24	11%	58	23%	(34)	(12%)
Finance Cost	(4)	2%	(11)	4%	(7)	(2%)
Equity in Net Income from Associate Company	0	0%	0	0%	0	0%
Profit before Income Tax	20	9%	47	19%	(27)	(10%)
Income Tax Expenses	(3)	1%	(7)	3%	(4)	(2%)
Net Profit	17	8%	40	16%	(23)	(8%)
Profit Attribute to Non-Controlling Interest	(4)	2%	(8)	3%	(4)	(1%)
Net Profit Attribute to Equity holders of Company	13	6%	32	13%	(19)	(7%)

The consolidated net profit (portion of the parent company) for the second quarter of year 2022 and 2021 were Baht 13 million and Baht 32 million, respectively. The operating profit decreased from the prior year about approximately Baht 19 million or approximately increased 59%. of operating profit for the second 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
Q2 of 2022	1 0%	76 34%	64 29%	68 31%	12 5%	1 0%	222 100%
Q2 of 2021	15 6%	42 17%	110 44%	67 27%	16 6%	0 0%	250 100%
Change	(14) (6%)	34 17%	(46) (15%)	1 4%	(4) (1%)	1 0%	(28) 0%

■ Revenue from Sales and Services

Revenue from sales and service of the company and its subsidiaries for the second quarter of 2022 decreased from the same period of 2021 by approximately Baht 28 million or 11%. The major decreasing came from revenue of silkscreen printing business decreased about Baht 46 million. The important factor was a problem about providing main part of materials which affected to decrease in production volume. In contrast, sale volume of label products increased in amounting of Baht 34 million because the company expanded its products to the new customer group to compensate the lost volume of sale.

■ Gross Margin

Gross margin of the companies for the second quarter of 2022 was decreased from prior year by Baht 24 million or approximately 24%. The main reason was the gross profit margin of silkscreen printing has dumped from 46% to 24% due to the rising price of main materials and highly competitive situation.

■ Financial Cost

Financial cost decreased from the same quarter of previous year about Baht 7 million due to the company paid short term loan from bank during 2021.

Operating Results for 6 Months Period

Unit : Million Baht

รายการ	Q2 / 2022		Q2 / 2021		Change	
Revenue from Sales and Services	469	100%	504	100%	(35)	0%
Cost of Sales and Services	(298)	64%	(309)	61%	(11)	3%
Gross Profit	171	36%	195	39%	(24)	(3%)
Other Incomes	4	1%	6	1%	(2)	0%
Selling and Administrative Expenses	(107)	23%	(99)	20%	8	3%
Profit before Financial Cost and Income Tax	68	14%	102	20%	(34)	(6%)
Finance Cost	(9)	2%	(20)	4%	(11)	(2%)
Equity in Net Income from Associate Company	0	0%	(0)	0%	0	0%
Profit before Income Tax	59	13%	82	16%	(23)	(3%)
Income Tax Expenses	(9)	2%	(16)	3%	(7)	(1%)
Net Profit	50	11%	66	13%	(16)	(2%)
Profit Attribute to Non-Controlling Interest	(13)	3%	(17)	3%	(4)	(1%)
Net Profit Attribute to Equity holders of Company	<u>37</u>	8%	<u>49</u>	10%	(12)	(2%)

The consolidated net profit (portion of the parent company) for the second quarter of year 2022 and 2021 were Baht 37 million and Baht 49 million, respectively. The operating profit decreased from the prior year about approximately Baht 12 million or approximately increased 24%. of operating profit for the second 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
Q2 of 2022	2 0%	121 26%	182 39%	136 29%	26 6%	2 0%	469 100%
Q2 of 2021	17 3%	94 19%	226 45%	133 26%	34 7%	0 0%	504 100%
Change	(15) (3%)	27 (7%)	(44) (6%)	3 3%	(8) (1%)	2 0%	(35) 0%

■ **Revenue from Sales and Services**

Revenue from sales and service of the company and its subsidiaries for the second quarter of 2022 decreased from the same period of 2021 by approximately Baht 35 million or 7%. The major decreasing came from revenue of silkscreen printing business decreased about Baht 44 million. The important factor was a problem about providing main part of materials which affected to decrease in production volume. In contrast, sale volume of label products increased in amounting of Baht 27 million because the company expanded its products to the new customer group to compensate the lost volume of sale.

■ **Gross Margin**

Gross margin of the companies for the second quarter of 2022 was decreased from prior year by Baht 24 million or approximately 12%. The main reason was the gross profit margin of silkscreen printing has dumped from 44% to 36% due to the rising price of main materials and highly competitive situation.

■ **Financial Cost**

Financial cost decreased from the same quarter of previous year about Baht 11 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 30 June 2022 compared with 31 December 2021 were shown as following

Unit : Million Baht

Items	As of June 30, 2022		As of December 31, 2021		Change	
Assets						
Current Assets						
Cash and Cash Equivalents	39	2%	80	5%	(41)	(51%)
Trade and Other Receivables	178	10%	183	10%	(5)	(3%)
Current Contract Assets-Net	526	29%	391	22%	135	35%
Inventories - Net	107	6%	105	6%	2	2%
Advance for Government Project	-	0%	1	0%	(1)	(100%)
Total Current Assets	850	47%	760	43%	90	12%
Non-Current Assets						
Non-Current Financial Assets	89	5%	113	6%	(24)	(21%)
Non-Current Contract Assets-Net	84	5%	82	5%	2	2%
Investment in Associated Companies	31	2%	31	2%	0	(0%)
Properties, Plants and Equipment	194	11%	178	10%	16	9%
Right of Use Assets-Net	41	2%	49	3%	(8)	(16%)
Computer Software for Lease-Net	4	0%	4	0%	0	0%
Fiber Optic Network Equipment-Net	314	18%	349	20%	(35)	(10%)
Goodwill	126	7%	126	7%	-	0%
Other Non-Current Assets	61	3%	68	4%	(7)	(10%)
Total Non-Current Assets	944	53%	1,000	57%	(56)	(6%)
Total Assets	1,794	100%	1,760	100%	34	2%

Unit : Million Baht

Items	As of June 30, 2022		As of December 31, 2021		Change	
Liabilities and Shareholders' Equity						
Liabilities						
Current Liabilities						
Short-Term Loan from Bank	80	4%	90	5%	(10)	(11%)
Trade and Other Payables	106	6%	104	6%	2	(0%)
Current Portion of Lease Liabilities – Net	18	1%	19	1%	(1)	(5%)
Current Portion of Long-Term Loan	238	13%	203	12%	35	17%
Other Current Liabilities	11	1%	10	1%	1	10%
Total Current Liabilities	453	25%	426	25%	27	6%
Non-Current Liabilities						
Lease Liabilities - Net	21	1%	28	1%	(7)	(25%)
Long-Term Loan from Bank	92	5%	135	8%	(43)	(32%)
Provision for Employee Benefits	20	1%	18	1%	2	11%
Total Non-Current Liabilities	133	7%	181	10%	(48)	(27%)
Total Liabilities	586	33%	607	35%	(21)	(3%)
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	73	4%	36	2%	37	103%
Change in Proportion of Investment	39	2%	39	2%	-	0%
Total Equity of Parent Company	989	55%	952	53%	37	4%
Non-Controlling Interests	219	12%	201	12%	18	9%
Total Shareholders' Equity	1,208	67%	1,153	65%	55	5%
Total Liability and Shareholders' Equity	1,794	100%	1,760	100%	34	2%

■ **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 41 million because the company paid short-term loan from bank and accounts payable of the project.

Contract assets increased from the end of 2021 about Baht 135 million due to recognition of revenue for the second 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 35 million because of depreciation in the second quarter of 2022.

■ **Liabilities**

Total liabilities of the company and its subsidiaries decreased by approximately Baht 21 million or 3% 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 55 million from the end of year 2021 or 3% because the company reported net income in the second period of 2022.

Key Financial Ratios

รายการ	June 30, 2022	December 31, 2021
1. Return on Assets (%)	0.95%	0.97%
2. Current Ratio (Times)	1.88	1.78
3. Debt to Equity Ratio (Times)	0.48	0.52
4. Interest Bearing Debts Ratio (Times)	0.30	0.37

■ **Return on Assets**

The company performed substantially return on assets in second quarter of 2022 decreased from at the end of 2021 because the company reported decreasing in net income for the second 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 second 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 second 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 second 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 second quarter of 2022 had a net decrease of Baht 42 million while the second 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	
Q2 of 2022	(9)	(10)	(23)	(42)
Q2 of 2021	(176)	(34)	85	(125)

Net cash flow from operations for the second quarter of 2022 was net cash outflow in the amount of Baht 9 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 second quarter of 2022 was net cash outflow of approximately Baht 10 million from buying the new machines of the subsidiary.

Cash flow from financing activities in the second quarter of 2022 was net cash outflow of approximately Baht 23 million occurred by payment of loans in government project and paid long term loan of subsidiary company.

Best regards,

(Mr. Boonlerd Iewpornchai)

CEO / Director