

No. SICT 016/2022

10 November 2022

Subject: Management Discussion and Analysis for Quarter 3/ 2022

Attn: Governors and President Market for Alternative Investment (mai)

Silicon Craft Technology Public Company Limited ("the Company") would like to submit the Management Discussion and Analysis of the operating results for Quarter 3/ 2022, as the details follows:

(Million Baht)

Statements of Comprehensive Income	Quarter3/2022	Quarter3/2021	Increase (Decrease)	
			Million	%
Revenue from sales and services	146.67	110.55	36.12	33%
Costs of sales or services	65.79	49.19	16.60	34%
Gross profits	80.87	61.35	19.52	32%
Other income	0.42	1.52	(1.11)	-73%
Distribution costs	9.44	7.46	1.97	26%
Administrative expenses	25.82	35.71	(9.89)	-28%
Other expenses	2.18	1.66	0.53	32%
Other gains (losses)	(24.98)	(5.03)	19.96	397%
Profit (loss) from operating activities	18.87	13.02	5.85	45%
Finance income	0.11	0.15	(0.04)	-29%
Finance costs	0.10	0.17	(0.07)	-43%
Profit (loss) before tax expense	18.88	13.00	5.88	45%
Tax income (expense)	(2.37)	(0.25)	2.12	853%
Profit (loss) for the period	16.52	12.75	3.76	29%

Revenue from sales and services

For Quarter 3/2022, the Company's revenue from sales and services accounted for 146.67 million Baht, increasing 36.12 million Baht or 33% from the same period last year. Animal identification and Immobilizer groups contributed most of an increased amount of Quarter 3/2022 revenue. The revenue from Animal identification increased 20.62 million Baht or 57% from the same period last year. The revenue from Immobilizer group rose 19.26 million Baht or 83% and 57% respectively, compared to Quarter 3/2021.



(Million Baht)

Revenue breakdown by product application	Quarter 3/2022	Quarter 3/2021	Increase (Decrease)	
			Baht	%
Revenue from Animal identification group	56.96	36.34	20.62	56.72%
Revenue from Immobilizer group	42.41	23.15	19.26	83.23%
Revenue from Industrial IoT group	44.08	47.95	(3.87)	-8.07%
Revenue from NFC and others group	3.22	3.11	0.11	3.57%
Profit (loss) for the period	146.67	110.55	36.12	32.68%

Revenue Structure

For Quarter 3/2022, the company's revenues are derived from 4 product groups: Animal identification group accounted for 56.96 million Baht, representing 39% of total revenue, Immobilizer group accounted for 42.41 million Baht, representing 29% of total revenue, Industrial IoT group accounted for 44.08 million Baht, representing 30% of total revenue, and NFC and others group accounted for 3.22 million Baht, representing 2% of total revenue.

A rise in the Company's revenue in Quarter 3/2022 was mainly supported by an increase in revenue from Animal Identification and Immobilizer groups. Compared to Quarter 3/2021, revenue from the Animal Identification group rose by 57% due to the expansion of the market from the progress in the enforcement of electronic identification tags for sheep and goats in Australia. Revenue from Immobilizer group rose sharply by 83% from the same period last year, from increasing demands of key customers, the entry of a new client in Europe and revenue from a new product. Revenue from innovative NFC group and others increased 4% compared to Quarter 3/2021, from the improved ability of product delivery matching with the customer demands. For Industrial IoT group, the decrease in revenue was 8% from the same period last year, in line with order cycle of customers.

Cost of Goods Sold and Gross Profit

Cost of goods sold (COGS) for Quarter 3/2022 accounted for 65.79 million Baht, increasing 16.60 million Baht or 34% from Quarter 3/2021, in line with an increase in revenue. The increase in COGS in Quarter 3/2022 was partly from an increase of the raw material prices, manufacturing service and product testing charges for goods production.

Gross Profit in Quarter 3/2022 was at 80.87 million Baht, growing 19.52 million Baht or 32% from the same period last year. Gross Profit Margin in Quarter 3/2022 stood at 55%, which slightly decreased from 56% in Quarter 3/2021



However, risks from higher raw material and production costs resulting from the supply shortage in the market due to insufficient capacity of the whole semiconductor supply chain are still key challenges for the Company.

Other Income

In Quarter 3/2022, the company had other income equal to 0.42 million Baht, decreasing 1.11 million Baht or 73%, mainly from decreasing in other service fees collected from clients.

Selling and Administrative Expenses

Selling expenses in Quarter 3/2022 was at 9.44 million Baht, increasing 1.97 million Baht or 26% compared to the same period last year as oversee business trips have started to meet customers to foster the stronger partnership and to participate in exhibitions in Europe and Japan to promote the products and meet new potential partners.

Administrative expenses in Quarter 3/2022 accounted for 25.82 million Baht, decreasing 9.89 million Baht or 28% compared to Quarter 3/2021, due mainly to a decrease in an impairment loss in intangible assets.

Other Gains (Losses)

This is the net unrealized gain (loss) from the foreign exchange forward contracts that do not designate as a qualify for hedge accounting. For Quarter 3/2022, the Company had an unrealized loss on an exchange rate of 25 million Baht from weaker-than-expected Thai Baht.

However, the Company has closely monitored the economic situation and interest rate trends from the Bank of Thailand and commercial banks. The Company considers using foreign exchange hedging instruments by purchasing forward contracts in a proportional manner that is appropriate and consistent with the value of orders from customers and the cost of goods over time and establish mechanisms to adjust the plan adaptively to mitigate the risk from current volatile and unpredictable conditions, in order to minimize the long-term impact on the company as much as possible.

Net Profit

The Company had a Quarter 3/2022 net profit of 16.52 million Baht, growing 3.76 million Baht or 29% compared to the same period last year, representing a net profit margin of 11%, decreasing from 12% in Quarter 3/2021 from an increase in selling and administrative expenses together with unrealized exchange losses.



Statement of Financial Position

Total assets of the company at the end of Quarter 3/2022 were 612.03 million Baht, increasing 127.21 million Baht from 484.81 million Baht at the end of 2021. Current assets increased around 108.75 million Baht, mainly due to an increase in cash and cash equivalent which in line with a rise in revenue, and an increase in inventory from increased sales orders supporting the Company plan. Non-current assets increased around 18.5 million Baht, mainly from an increase in other intangible assets.

The Company had total liabilities at the end of Quarter 3/2022 equal to 152.66 million Baht, increasing 62.46 million Baht from the end of 2021, which was 90.20 million Baht. The rise was from an increase in current liabilities, primarily due to an increase in other current financial liabilities caused by unrealized losses from foreign exchange forward contract and an increase in trade payables in accordance with the orders for production materials which are in line with the Company's plan.

The Company's shareholders' equity at the end of Quarter 3/2022 was at 459.36 million Baht, rising from the end of 2021 which was 394.61 million Baht. The rise was due mainly to an increase in the unappropriated retained earnings at the end of Quarter 3/2022 of around 63.41 million Baht from the end of 2021, which is based on the results of operations in the past period.

Please be informed accordingly.

Best regards

(Dr. Bodin Kasemset)

Chief Executive Officer

Silicon Craft Technology Public Company Limited

