

Ref. Simat 25-22

November 11<sup>th</sup>, 2022

Subject: Management Discussion and Analysis on operating result for the third 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 third quarter ended 30 September 2022 compared with the same period of year 2021 as follows:

**Operating Results for 3 Months Period**

Unit : Million Baht

รายการ	Q3 / 2022		Q3 / 2021		Change	
Revenue from Sales and Services	232	100%	242	100%	(10)	(0%)
Cost of Sales and Services	(153)	66%	(150)	62%	3	4%
<b>Gross Profit</b>	79	34%	92	38%	(13)	(4%)
Other Incomes	1	0%	2	1%	(1)	(0%)
Selling and Administrative Expenses	(48)	21%	(65)	27%	(17)	(6%)
<b>Profit before Financial Cost and Income Tax</b>	32	14%	29	12%	3	2%
Finance Cost	(4)	2%	(7)	3%	(3)	(1%)
Equity in Net Income from Associate Company	0	0%	0	0%	0	0%
<b>Profit before Income Tax</b>	28	12%	22	9%	6	3%
Income Tax Expenses	(5)	2%	(6)	2%	(1)	(0%)
<b>Net Profit</b>	23	10%	16	7%	7	3%
Profit Attribute to Non-Controlling Interest	(6)	3%	0	0%	6	3%
<b>Net Profit Attribute to Equity holders of Company</b>	<u>17</u>	7%	<u>16</u>	7%	1	0%

The consolidated net profit (portion of the parent company) for the third quarter of year 2022 and 2021 were Baht 17 million and Baht 16 million, respectively. The operating profit increased from the prior year about approximately Baht 1 million or approximately increased 6% of operating profit for the third 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
Q3 of 2022	1 0%	69 34%	75 29%	68 31%	13 5%	6 3%	232 100%
Q3 of 2021	9 4%	42 17%	92 38%	71 29%	16 7%	12 5%	242 100%
Change	(8) (89%)	27 64%	(17) (18%)	(3) (4%)	(3) (19%)	(6) (50%)	(10) (4%)

#### ■ Revenue from Sales and Services

Revenue from sales and service of the company and its subsidiaries for the third quarter of 2022 decreased from the same period of 2021 by approximately Baht 10 million or 4%. The major decreasing came from revenue of silkscreen printing business decreased about Baht 17 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 on sale volume of print screen products.

#### ■ Gross Margin

Gross margin of the companies for the third quarter of 2022 was decreased from prior year by Baht 13 million or approximately 14%. The main reason was the gross profit margin of silkscreen printing has dumped 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 3 million due to the company paid short term loan from bank during 2021.

### Operating Results for 9 Months Period

Unit : Million Baht

รายการ	Q3 / 2022		Q3 / 2021		Change	
Revenue from Sales and Services	701	100%	746	100%	(45)	(0%)
Cost of Sales and Services	(451)	64%	(460)	62%	(9)	(3%)
<b>Gross Profit</b>	250	36%	286	38%	(36)	(3%)
Other Incomes	5	1%	9	1%	(4)	(0%)
Selling and Administrative Expenses	(155)	22%	(164)	22%	(9)	(0%)
<b>Profit before Financial Cost and Income Tax</b>	100	14%	131	18%	(31)	(6%)
Finance Cost	(13)	2%	(26)	3%	(13)	(2%)
Equity in Net Income from Associate Company	0	0%	(0)	0%	0	0%
<b>Profit before Income Tax</b>	87	12%	105	14%	(18)	(3%)
Income Tax Expenses	(14)	2%	(22)	3%	(8)	(1%)
<b>Net Profit</b>	73	10%	83	11%	(10)	(2%)
Profit Attribute to Non-Controlling Interest	(19)	3%	(17)	2%	(2)	(1%)
<b>Net Profit Attribute to Equity holders of Company</b>	<u>54</u>	8%	<u>66</u>	9%	(12)	(2%)

The consolidated net profit (portion of the parent company) for the third quarter of year 2022 and 2021 were Baht 54 million and Baht 66 million, respectively. The operating profit decreased from the prior year about approximately Baht 12 million or approximately increased 18%. of operating profit for the third 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
<b>Q3 of 2022</b>	4 1%	188 21%	258 37%	203 29%	38 5%	10 1%	701 100%
<b>Q3 of 2021</b>	26 3%	136 18%	318 43%	204 27%	50 7%	12 2%	746 100%
<b>Change</b>	(22) (3%)	52 9%	(60) (6%)	(1) (2%)	(12) (1%)	(2) (0%)	(45) 0%

■ **Revenue from Sales and Services**

Revenue from sales and service of the company and its subsidiaries for the third quarter of 2022 decreased from the same period of 2021 by approximately Baht 45 million or 6%. The major decreasing came from revenue of silkscreen printing business decreased about Baht 60 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 52 million because the company expanded its products to the new customer group to compensate the lost on sale volume of print screen products.

■ **Gross Margin**

Gross margin of the companies for the third quarter of 2022 was decreased from prior year by Baht 36 million or approximately 12%. The main reason was the gross profit margin of silkscreen printing has dumped 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 13 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 September 2022 compared with 31 December 2021 were shown as following

Unit : Million Baht

Items	As of September 30, 2022		As of December 31, 2021		Change	
<b>Assets</b>						
<b>Current Assets</b>						
Cash and Cash Equivalents	20	1%	80	5%	(60)	(75%)
Trade and Other Receivables	183	10%	183	10%	(0)	(0%)
Current Contract Assets-Net	594	31%	391	22%	203	52%
Inventories - Net	102	5%	105	6%	(3)	3%
Advance for Government Project	-	0%	1	0%	(1)	(100%)
<b>Total Current Assets</b>	<b>899</b>	<b>48%</b>	<b>760</b>	<b>43%</b>	<b>139</b>	<b>18%</b>
<b>Non-Current Assets</b>						
Non-Current Financial Assets	89	5%	113	6%	(24)	(21%)
Non-Current Contract Assets-Net	85	4%	82	5%	3	4%
Investment in Associated Companies	32	2%	31	2%	1	3%
Properties, Plants and Equipment	257	14%	178	10%	79	44%
Right of Use Assets-Net	36	2%	49	3%	(13)	(27%)
Computer Software for Lease-Net	3	0%	4	0%	(1)	(25%)
Fiber Optic Network Equipment-Net	297	16%	349	20%	(52)	(15%)
Goodwill	126	7%	126	7%	-	0%
Other Non-Current Assets	65	3%	68	4%	(3)	(4%)
<b>Total Non-Current Assets</b>	<b>990</b>	<b>52%</b>	<b>1,000</b>	<b>57%</b>	<b>(10)</b>	<b>(1%)</b>
<b>Total Assets</b>	<b>1,889</b>	<b>100%</b>	<b>1,760</b>	<b>100%</b>	<b>129</b>	<b>7%</b>

Unit : Million Baht

Items	As of September 30, 2022		As of December 31, 2021		Change	
<b>Liabilities and Shareholders' Equity</b>						
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Short-Term Loan from Bank	120	6%	90	5%	30	33%
Trade and Other Payables	129	7%	104	6%	25	24%
Current Portion of Lease Liabilities – Net	16	1%	19	1%	(3)	(16%)
Current Portion of Long-Term Loan	241	13%	203	12%	38	19%
Other Current Liabilities	5	0%	10	1%	(5)	(50%)
<b>Total Current Liabilities</b>	<b>511</b>	<b>27%</b>	<b>426</b>	<b>25%</b>	<b>85</b>	<b>20%</b>
<b>Non-Current Liabilities</b>						
Lease Liabilities - Net	18	1%	28	1%	(10)	(36%)
Long-Term Loan from Bank	107	6%	135	8%	(28)	(21%)
Provision for Employee Benefits	21	1%	18	1%	3	17%
<b>Total Non-Current Liabilities</b>	<b>146</b>	<b>8%</b>	<b>181</b>	<b>10%</b>	<b>(35)</b>	<b>(19%)</b>
<b>Total Liabilities</b>	<b>657</b>	<b>35%</b>	<b>607</b>	<b>35%</b>	<b>50</b>	<b>8%</b>
<b>Shareholders' Equity</b>						
Issues and Paid-up Common Shares	649	34%	649	36%	-	0%
Paid in Capital in Excess Par Value	219	12%	219	12%	-	0%
Legal Reserve	9	0%	9	1%	-	0%
Unappropriated Retained Earnings	90	5%	36	2%	54	150%
Change in Proportion of Investment	39	2%	39	2%	-	0%
Total Equity of Parent Company	1,006	53%	952	53%	54	6%
Non-Controlling Interests	226	12%	201	12%	25	12%
<b>Total Shareholders' Equity</b>	<b>1,232</b>	<b>65%</b>	<b>1,153</b>	<b>65%</b>	<b>79</b>	<b>7%</b>
<b>Total Liability and Shareholders' Equity</b>	<b>1,889</b>	<b>100%</b>	<b>1,760</b>	<b>100%</b>	<b>129</b>	<b>7%</b>

■ **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 60 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 203 million due to recognition of revenue for the third 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 52 million because of depreciation in the third quarter of 2022.

■ **Liabilities**

Total liabilities of the company and its subsidiaries increased by approximately Baht 50 million or 8% due to the company has been approved new loans from financial institute in third quarter of 2022.

■ **Shareholders' Equity**

Shareholders' equity of the company and its subsidiaries increased approximately Baht 79 million from the end of year 2021 or 7% because the company reported net income in the third period of 2022.

**Key Financial Ratios**

รายการ	September 30, 2022	December 31, 2021
1. Return on Assets (%)	1.24%	0.97%
2. Current Ratio (Times)	1.75	1.78
3. Debt to Equity Ratio (Times)	0.53	0.52
4. Interest Bearing Debts Ratio (Times)	0.40	0.37

■ **Return on Assets**

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

■ **Current Ratio**

The company provided less liquidity of working capital in the third quarter of 2022 than at the end of 2021 because increasing in current portion of long term loan in 2022.

■ **Debt to Equity Ratio**

The company provided a lower of debt to equity ratio in the third 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 increasing of interest bearing debt to equity ratio in the third quarter of 2022 due to the company has been approved new loans from financial institute in third quarter of 2022.

**Cash Flow**

Cash flow of the company and its subsidiaries in the third quarter of 2022 had a net decrease of Baht 60 million while the third quarter of previous year reported a net decrease of Baht 12 million.

Unit : Million Baht

	Cash Flow			Increase (Decrease)
	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	
Q3 of 2022	(21)	(52)	13	(60)
Q3 of 2021	(177)	142	23	(12)

Net cash flow from operations for the third quarter of 2022 was net cash outflow in the amount of Baht 21 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. These results affected to the cause of cash outflow.

Cash flow from investments activities in the third quarter of 2022 was net cash outflow of approximately Baht 52 million from buying the new machines and building new office of the subsidiary.

Cash flow from financing activities in the third quarter of 2022 was net cash inflow of approximately Baht 13 million because the company was approved a new short-term loan.

Best regards,

(Mr. Boonlerd Iewpornchai)

CEO / Director