

No. SICT 004/2023

24 February 2023

Subject: Management Discussion and Analysis for the year 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 the year 2022, as the details follows:

(Unit: Million Baht)

Statements of Comprehensive Income	For the Year Ended 31 December 2022	For the Year Ended 31 December 2021	Increase (Decrease)	
			Million Baht	%
Revenue from sales and services	601.0	421.7	179.3	42.5%
Costs of sales or services	(285.4)	(199.1)	86.3	43.4%
Gross profits	315.6	222.6	93.0	41.8%
Other income	1.5	8.4	(6.9)	-82.3%
Distribution costs	(34.6)	(31.6)	3.0	9.6%
Administrative expenses	(118.6)	(121.5)	(2.9)	-2.5%
Other expenses	(16.1)	(8.0)	8.1	102.6%
Other gains (losses)	(10.2)	(5.9)	(4.3)	71.8%
Profit (loss) from operating activities	137.6	64.0	73.6	115.1%
Finance income	0.5	0.7	(0.2)	-33.2%
Finance costs	(0.5)	(0.7)	(0.2)	-30.4%
Profit (loss) before tax expense	137.6	64.0	73.6	115.1%
Tax income (expense)	(2.5)	0.1	(2.6)	Na
Profit (loss) for the year	135.1	64.1	71.0	110.9%

Revenue from sales and services

For the year 2022, the Company's revenue from sales and services accounted for 601 million Baht, increasing 179.3 million Baht or 42.5% from the previous year. Animal identification and Immobilizer groups contributed most of an increased amount of the year 2022 revenue. The revenue from Animal identification increased 81.9 million Baht or 58.6% from the previous year. The revenue from Immobilizer group rose 76.2 million Baht or 75.9%, compared to the year 2021.



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(Unit: Million Baht)

Revenue breakdown by product application	For the Year Ended 31 December 2022	For the Year Ended 31 December 2021	Increase (Decrease)	
			Million Baht	%
Revenue from Animal identification group	221.6	139.7	81.9	58.6%
Revenue from Immobilizer group	176.6	100.4	76.2	75.9%
Revenue from Industrial IoT group	189.0	171.8	17.2	10.0%
Revenue from NFC and others group	13.8	9.7	4.1	42.3%
Profit (loss) for the period	601.0	421.6	179.4	42.5%

Revenue Structure

For the year 2022, the company's revenues are derived from 4 product groups: Animal identification group accounted for 221.6 million Baht, representing 37% of total revenue, Immobilizer group accounted for 176.6 million Baht, representing 29% of total revenue, Industrial IoT group accounted for 189 million Baht, representing 32% of total revenue, and NFC and others group accounted for 13.8 million Baht, representing 2% of total revenue.

A rise in the Company's revenue in 2022 was supported by an increase in revenue from all product groups. Compared to the year 2021, revenue from the Animal Identification group rose by 59% as a result of an increase in demand from key customers following the market's expansion due to the mandatory use of electronic identification tags on sheep and goats in Australia. Revenue from Immobilizer group rose sharply by 76% from the previous year, due to increasing demands from key customers, the entry of a new client in Europe and revenue from a new product. Revenue from Industrial IoT group increased 10% compared to the year 2021, from an expansion in demand of existing customers and the entry of a new client in Asia. Revenue from innovative NFC group and others increased 42% from the previous year, from the improved ability of product delivery matching with the customer demands.



(Unit: Million USD)

Revenue breakdown by product application	For the Year Ended 31 December 2022	For the Year Ended 31 December 2021	Increase (Decrease)	
			Million Dollars	%
Revenue from Animal identification group	6.33	4.42	1.91	43.3%
Revenue from Immobilizer group	4.84	2.81	2.03	72.4%
Revenue from Industrial IoT group	5.45	5.37	0.08	1.5%
Revenue from NFC and others group	0.40	0.29	0.11	35.4%
Profit (loss) for the period	17.02	12.89	4.13	32.0%

However, if excluding the impact of currency fluctuations by comparing revenues in U.S. dollars, which is the company's primary operating currency, for the year 2022, the company's revenue from sales and services will be accounted for 17.02 million dollars, increasing 4.13 million dollars or 32% from the previous year.

Cost of Goods Sold and Gross Profit

Cost of goods sold (COGS) for the year 2022 accounted for 285.4 million Baht, increasing 86.3 million Baht or 43.4% from the last year, in line with an increase in revenue.

Gross Profit in 2022 was at 315.6 million Baht, growing 93 million Baht or 41.8% from the previous year. Gross Profit Margin in 2022 stood at 52.5%, which slightly decreased from 52.8% in the year 2021. This was partly due to the increase in the raw material prices, manufacturing service and product testing charges for goods production, and an increase in employee benefit in the fourth quarter.

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

For the year 2022, the company had other income equal to 1.5 million Baht, decreasing 6.9 million Baht or 82.3%, mainly from decreasing in funding supported by external agencies for research and development projects.



Selling and Administrative Expenses

Selling expenses for the year 2022 was at 34.6 million Baht, increasing 3 million Baht or 9.6% compared to the previous year, as oversee business trips have started in second half of the year after the relaxation of covid-19 control measures. The Company business travel aim to strengthen relationships with customers and suppliers and create new business opportunities, as well as to participate in worldwide exhibitions to promote the Company's products and services.

Administrative expenses for the year 2022 accounted for 118.6 million Baht, decreasing 2.9 million Baht or 2.5% compared to the year 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 the year 2022, the Company had an unrealized loss on an exchange rate of 10.2 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. However, the company is in the process of adjusting the plans and policies for exchange rate in the long term, by considering reducing the volume of forward contracts and balancing expenses and income in the same currency.

Net Profit

The Company had a 2022 net profit of 135.1 million Baht, growing 71 million Baht or 110.9% compared to the previous year, representing a net profit margin of 22.5%, increasing from 15.2% in 2021. Net profit growth in 2022 was primarily due to strong growth in revenue and well-managed expenses in overall.

Statement of Financial Position

Total assets of the company at the end of 2022 were 651.3 million Baht, increasing 166.5 million Baht from 484.8 million Baht at the end of 2021. Current assets increased around 124.8 million Baht, mainly due to an increase in inventories from an increase in sales orders to support production plan under supply shortage situation and an increase in trade and other current receivables⁽¹⁾ which in line with an increase in revenue. Non-current assets increased around 41.7 million Baht, mainly from an increase in other intangible assets and other non-current financial assets.



The Company had total liabilities at the end of 2022 equal to 136.5 million Baht, increasing 46.3 million Baht from the end of 2021, which was 90.2 million Baht. The rise was from an increase in current liabilities, primarily due to an increase in trade and other current payables in accordance with orders for production materials, which are in line with the company's plan, and an increase in accrued employee benefits, respectively.

(1) The Company has reclassified the account trade and other current receivables for the year 2021 to be consistent with the financial statements for the year 2022.

The Company's shareholders' equity at the end of 2022 was at 514.9 million Baht, rising from the end of 2021 which was 394.6 million Baht. The rise was due mainly to an increase in the unappropriated retained earnings at the end of 2022 of around 117.9 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

