

Stars Microelectronics (Thailand) Public Company Limited

Management Discussion and Analysis (MD&A)

Quarter 1 Ending March 31, 2023

Stars Microelectronics (Thailand) Public Company Limited

Executive Summary

The global economy in the past quarter encountered pressures from various factors, such as the increasing inflation rate which led the Federal Reserve of the United States (Fed) to raise interest rates policy in order to maintain economic stability, the prolonged tension between Russia and Ukraine, rising product costs due to various factors, and uncertain situations in the financial industry have also contributed to the challenges. As a result, the International Monetary Fund (IMF) has reduced its estimated global economic growth rate by 0.1% from the original 2.9% to 2.8%.

Similarly, Electronics industry in Thailand confronted persistent pressure during the first quarter. The main factors included the decrease of demand in the market, which had been signaled since the fourth quarter of 2022, and the volatility of the exchange rate, affected by the Fed's interest rate policy.

However, Stars Microelectronics (Thailand) Public Company Limited (“The Company”) managed to maintain its growth by adapting to the uncertain situation through effective planning and strategy. This included expanding its customers, selling its products to other regions of the world, diversifying its revenue sources, reducing reliance on certain product types, cost-saving through efficient supply chain management, as well as maximizing efficient in expenses and administration, utilization of their factory space, equipment, and machinery. As a result, The Company reported its revenue of 645.96 million baht and the net profit of 73.38 million baht in the first quarter of 2023, with a growth rate of 9.32% and 28.91%, respectively, compared to the same period last year.

Finally, the management team of Stars Microelectronics (Thailand) Public Company Limited remains confident in his ability to sustain growth and competitiveness amidst uncertain circumstances, and believe that the rest period of this year will be the great time for the company.

Sincerely

Stars Microelectronic (Thailand) Public Company Limited)

(Mr. Chaiyot Thaveeratitham)

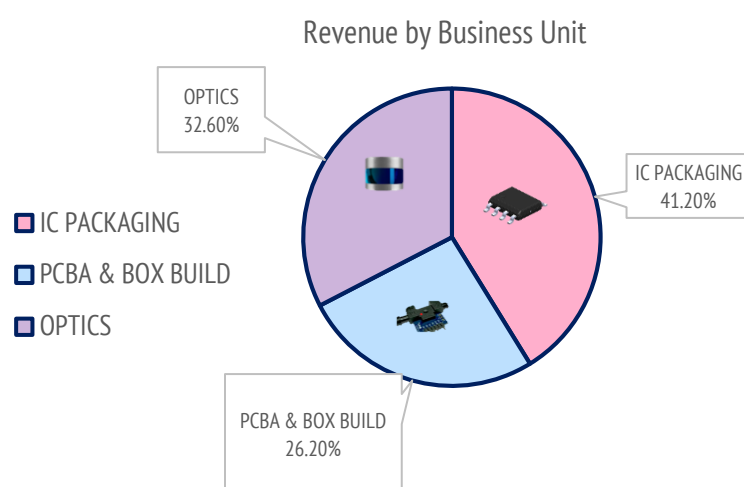
Chief Financial Officer

Consolidated Income Statement for Quarter 1 Ending March 31, 2023

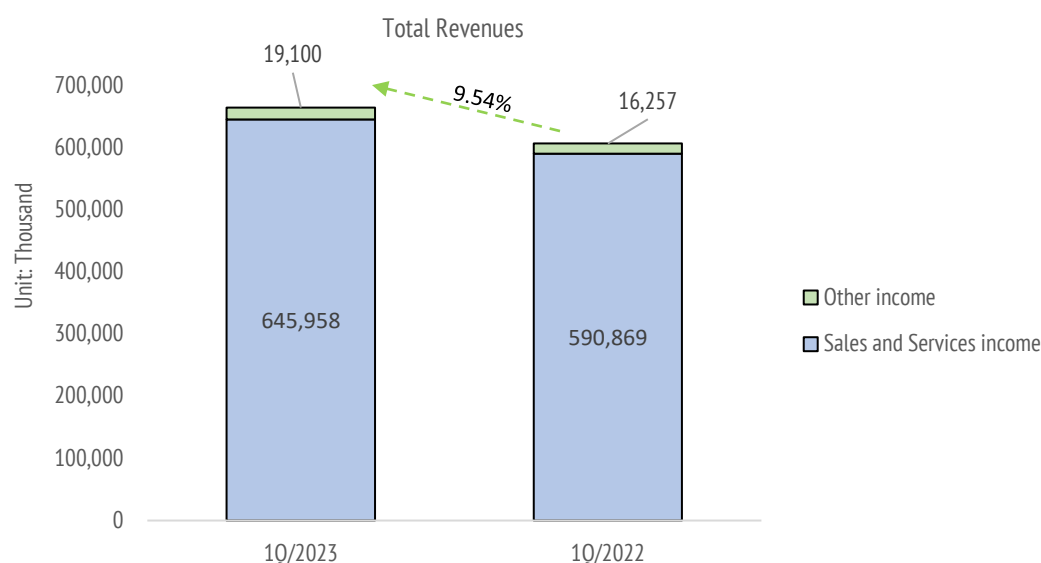
Income Statement	31 Mar 2023		31 Mar 2022		Change	
	Thousand	%	Thousand	%	Thousand	%
Sales and service income	645,958	100	590,869	100	55,089	9.32
Revenue from scrap sales	4,817	0.75	8,639	1.46	-3,822	-44.24
Gain on exchange	-	0.00	6,216	1.05	-6,216	-100
Gain on derivatives	7,162	1.11	-	0.00	7,162	100
Other income	7,121	1.10	1,402	0.24	5,719	>100
Total revenues	665,058	102.96	607,126	102.75	57,932	9.54
Cost of sales and services	489,875	75.84	468,646	79.31	21,229	4.53
Selling and distribution expenses	20,566	3.18	18,758	3.17	1,808	9.64
Administrative expenses	67,047	10.38	51,308	8.68	15,739	30.68
Loss on derivatives	-	0.00	1,052	0.18	-1,052	-100
Operating profit	87,570	13.56	67,362	11.40	20,208	30.00
Finance income	15	0.00	13	0.00	2	15.38
Finance cost	(4,759)	0.74	(8,402)	1.42	3,643	-43.36
Profit before income tax expenses	82,826	12.82	58,973	9.98	23,853	40.45
Income tax expenses	(9,447)	1.46	(2,051)	0.35	-7,396	>100
Profit for the period	73,379	11.36	56,922	9.63	16,457	28.91

Revenue by Business Unit

Revenue by business unit ending March 31, 2023



Profit and Loss Analysis



Sales and Services income

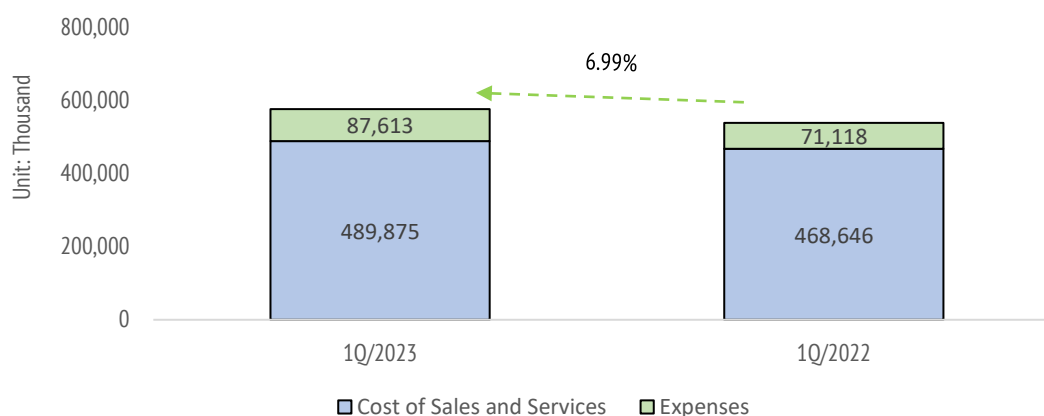
In the first quarter of 2023, the company reported of 645.96 million baht from sales and services, an increase of 55.09 million baht or 9.32% from the same period last year. This was the result of executing the strategies to introduce new products, expanding customers from several areas, and focusing on enhancing production capacity; as a consequence, The Company earns trust from customers for business. Besides, the revenue by business units were as follows:

- Revenue from the Original Design manufacturer and Outsourced assembly and test (OSAT) was 266 million baht or 41.20% of the revenue from sales and services, a decrease of 5.70 million baht or 2.10% from the same period last year.
- Revenue from Print Circuit Board Assembly and Box build (PCBA & Box build) was 169.56 million baht or 26.20% of the revenue from sales and services, an increase of 17.06 million baht or 11.19% from the same period in the previous year.
- Revenue from Optical Products was 210.40 million baht or 32.60% of the revenue from sales and services, an increase of 44.4 million baht or 26.75% from the same period last year.

Other income

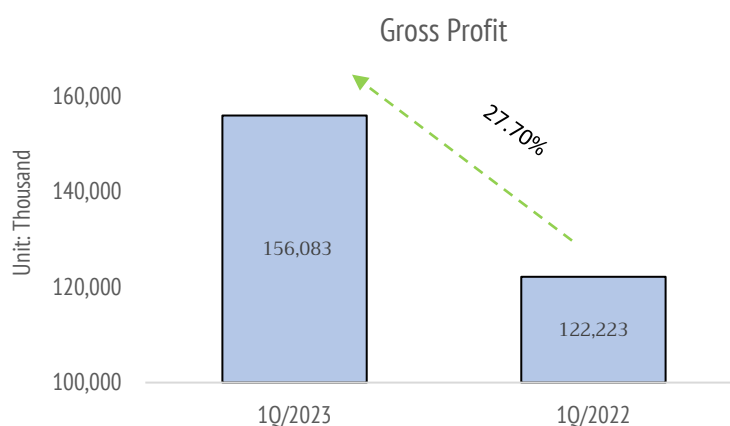
1Q/2023, The Company reported other income of 19.10 million baht. It increased from the same period last year which was 2.84 million baht or a percentage increase of 17.49%.

Cost of Sales and Services and Selling, Distribution, and Administrative expenses



Cost of Sales and Services

The company reported the cost of sales and services in 1Q/2023 of 489.87 million baht, an increase from the same period last year, which was 468.64 million baht, or an increase of 4.53%. The increased costs mentioned above was rising at a slower rate than the increase in sales. This was due to the efficient cost management that had been implemented earlier.



Gross Profit

The company had gross profit of 156.08 million baht or 24.16% of the revenue from sales and services in 1Q/2023, an increase of 33.86 million baht or 27.70% from the corresponding period in the previous year, as a result of sales increase, pursuing company strategies, focusing on manufacture products that require precision and expertise in production to increase profitability together with efficient cost reduction strategies for raw materials,

such as increasing production efficiency to mitigate losses from production process, managing the supply chain effectively, and the strategy of selecting customers and products with high profit potential.

Selling, Distribution, and Administrative expenses

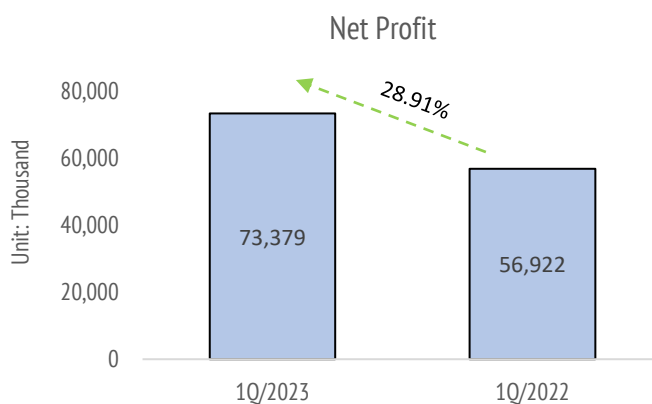
1Q/2023, The Company reported Selling, Distribution, and Administrative expenses of 87.61 million baht, an increase of 16.49 million baht or 23.19% from the same period last year, which corresponded to the increase of sales.

Finance Cost

In the first quarter of 2023, The Company reported a financial expense of 4.76 million baht, a decrease from the same period last year of 3.64 million baht, or 43.36%. It was a result of managing the interest rate risk by paying off its loans ahead of its scheduled and reduced reliance on high interest rate debt. Therefore, financial cost dramatically decreased from the same period in the previous year.

Income tax revenues (expenses)

The company reported an income tax expenses of 9.45 million baht, an increase of 7.40 million baht due to higher profit.

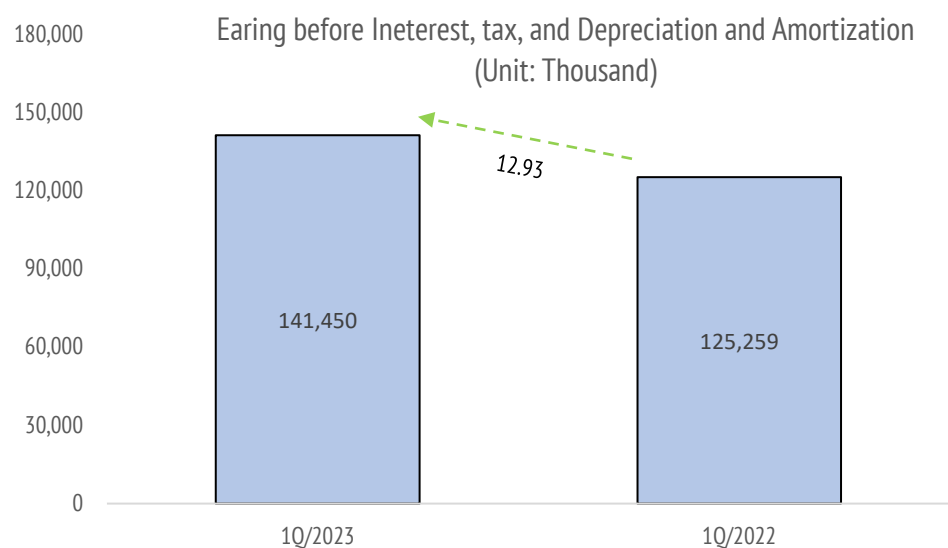


Net Profit

The Company reported net profit of 73.38 million baht in 1Q/2023, an increase of 16.45 million baht compared to the corresponding period in the last year. The increase was a result of the higher in revenues, which was from executing the company's strategies, cost management, and efficient expense control.

Earnings before Interest, Tax, and Depreciation and Amortization (EBITDA) Analysis

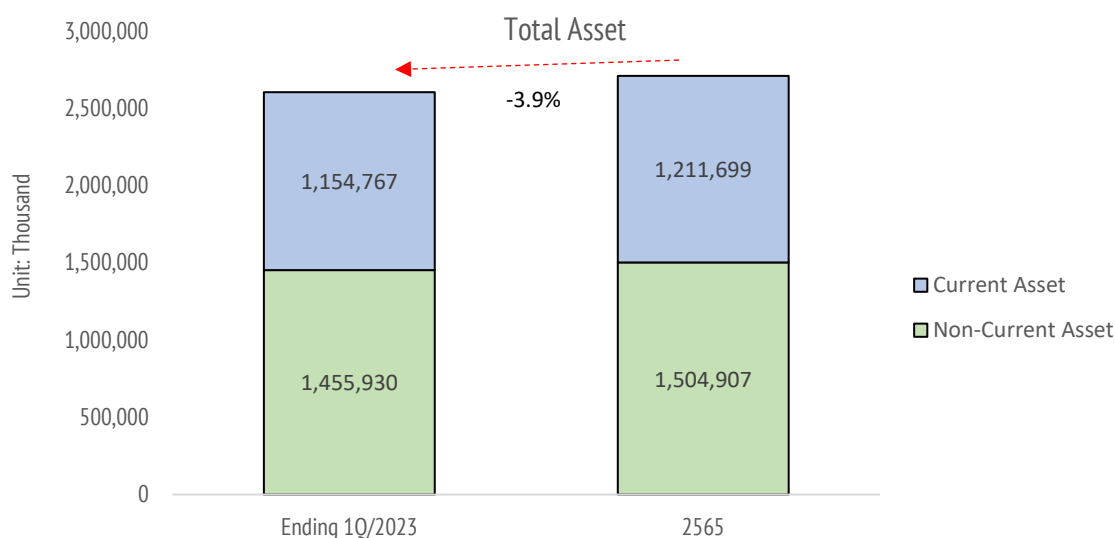
Income Statement	Consolidated Financial Statement					
	31 Mar 2023		31 Mar 2022		Change	
	Thousand	%	Thousand	%	Thousand	%
Operating profit	87,570	13.17	67,362	11.10%	20,208	30
Depreciation and Amortization	53,880	8.10	57,897	9.63	-4,017	-6.94
Earnings before Interest, Tax, and Depreciation and Amortization (EBITDA)	141,150	21.90	125,259	21.20%	16,191	12.93



Consolidated Statement of Financial Position ending March 31, 2023

Financial Position	Consolidated Statement of Financial Position					
	31 Mar 2023		31 Dec 2022		Change	
	Thousand	%	Thousand	%	Thousand	%
Cash and cash equivalents	39,444	1.51	119,258	4.39	(79,814)	-66.93
Trade and other receivables	381,609	14.62	370,059	13.62	11,550	3.12
Inventories	725,332	27.78	712,040	26.21	13,292	1.87
Total current assets	1,154,767	44.23	1,211,699	44.60	(56,932)	-4.70
Property, plant and equipment	1,407,895	53.93	1,446,330	53.24	(38,435)	-2.66
Total non-current assets	1,455,930	55.77	1,504,907	55.40	(48,977)	-3.90
Bank overdrafts and short-term loans from financial institutions	37,689	5.68	25,893	3.13	11,796	45.56
Trade and other payables	358,006	53.98	388,546	46.96	(30,540)	-7.86
Current portion of long-term loans	154,510	23.30	154,383	18.66	127	0.08
Total current liabilities	556,329	83.88	585,677	70.78	(29,348)	-5.01
Long-term loans, net of current portion	35,936	5.42	174,363	21.07	(138,427)	-79.39
Lease liabilities, net of current portion	1,110	0.17	438	0.05	672	153.42
Total non-current liabilities	106,923	16.12	241,727	29.22	(134,804)	-55.77
Total liabilities	663,252	25.41	827,404	30.46	(164,152)	-19.84
Total shareholders' equity	1,947,445	74.59	1,889,202	69.54	58,243	3.08
Total liabilities and shareholders' equity	2,610,697	100	2,716,606	100	(105,909)	-3.90

Balance Sheet Analysis



Total Asset

The company reported a total asset of 2,610.70 million baht as of March 31, 2023, a decrease of 105.91 million baht or 3.90% from the last year-end. Besides, it reported current assets of 1,154.77 million baht and non-current assets of 1,455.93 million baht. The value and changes of each asset item are as follows:

Cash and cash equivalents

As of Mar 31, 2023, The Company reported cash and cash equivalents of 39.44 million baht, a decrease from the previous year-end of 79.81 million baht or a decrease of 66.93%. It was mainly from the company using cash to pay off long-term debts in order to reduce financial costs.

Trade and other receivables

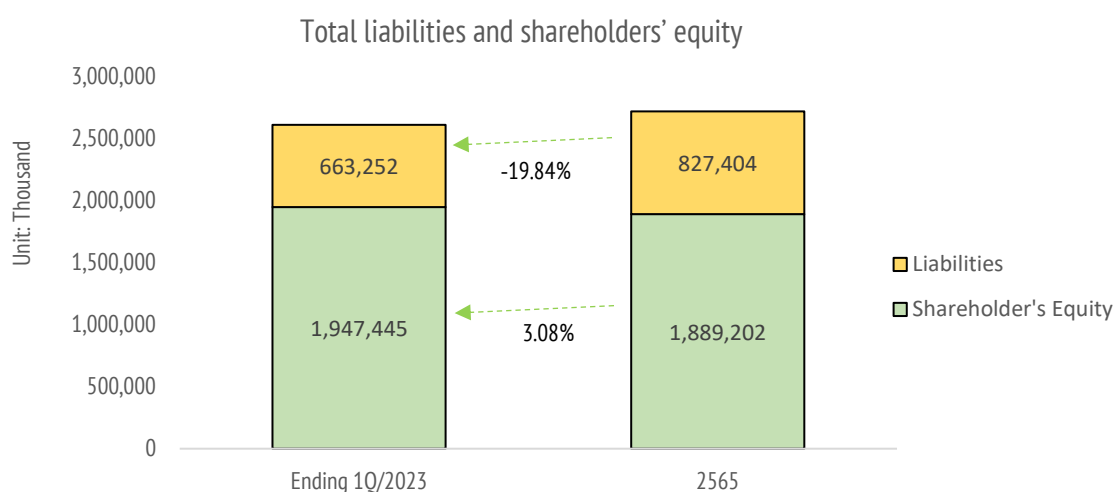
The company reported trade and other receivables as of Mar 31, 2023 of 381.61 million baht, an increase of 11.55 million baht or 3.12% from last the year-end. This corresponded with the increase in sales.

Inventories

The company reported its inventory as of Mar 31, 2023 of 725.33 million baht, an increase of 13.29 million baht or 1.87% from the last year-end. It was consistent with the company's sales volume and operating plan for the year.

Property, plant and equipment

The company reported the value of Property, plant, and equipment as of Mar 31, 2023 at 1,407.89 million baht, a decrease of 38.43 million baht or 2.66% from the ending 4Q/2022. It was the result from depreciation expense.



Total Liabilities

The company reported total liabilities as of March 31, 2023 of 663.25 million baht, decreased by 164.15 million baht or 19.84% from the last year-end. The current liabilities was 556.33 million baht and non-current liabilities was 106.92 million baht. The value of liabilities and its change are as follows:

Bank overdrafts and short-term loans from financial institutions

The company reported bank overdrafts and short-term loans from financial institutions as of Mar 31, 2023 of 37.69 million baht, which increased of 11.80 million baht or 45.56% from the last year-end. The purpose of short-term loans was for using as working capital within the company.

Trade and other payables

As of Mar 31, 2023, The Company reported trade and other payables of 358.01 million baht, which decreased from the previous year-end with an amount of 30.54 million baht, or -7.86%. Consequently, account payable ratio experienced a decrease or Day Payable Outstanding was expanded.

Long-term loans

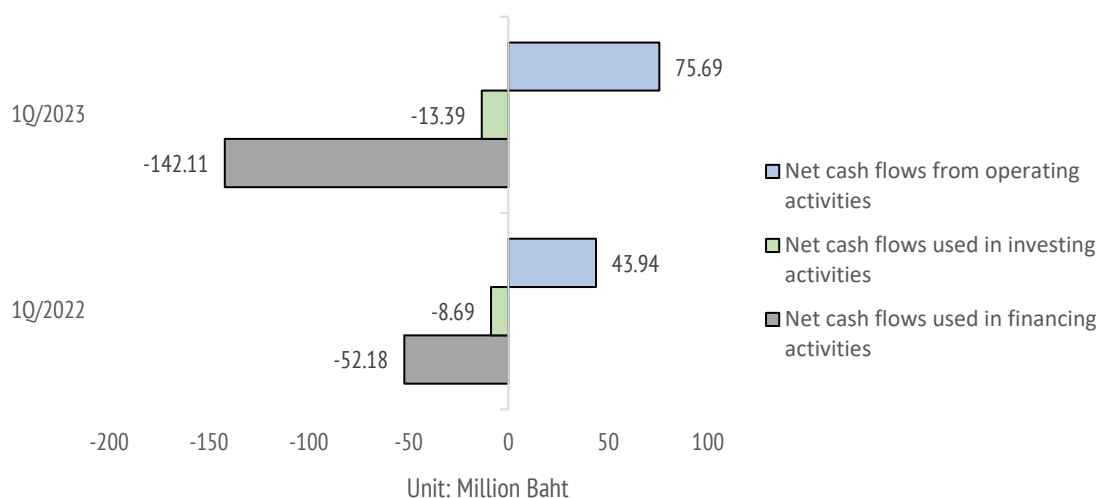
The company reported a long-term loan as of Mar 31, 2023 of 190.45 million baht, which decreased from the previous year-end the amount of 138.30 million baht or -42.07%. Mainly from, The Company paid off debts earlier to reduce financial burdens.

Total shareholders' equity

The company reported total shareholders' equity of 1,947.45 million baht at Mar 31, 2023, which increased from the previous year-end amount of 58.24 million baht, or 3.08% as a result of the company having higher profits from its operations during the first quarter in 2023.

Cash Flows Statement for the ending March 31, 2023

Cash flows statement	Consolidated Cash flows statement		
	31 Mar 2023	31 Mar 2022	Change
	Thousand	%	Thousand
Net cash flows from operating activities	75,686	43,938	31,748
Net cash flows used in investing activities	-13,386	-8,688	-4,698
Net cash flows used in financing activities	-142,114	-52,179	-89,935
Net decrease in cash and cash equivalents	-79,814	-16,929	-62,885
Cash and cash equivalents at beginning of year	119,258	35,663	83,595
Cash and cash equivalents at end of year	39,444	18,734	20,710



Overview of The Company's Cash Flow for the first quarter ending on March 31, 2023

The Company reported the overview of cash flow for the first quarter ending on March 31, 2023 as following information:

The company reported a net cash flow from operating activities of 75.69 million baht in 1Q/2023, an increase of 31.75 million baht or 72.26% from the same period of the previous year. This increase was in line with the growth in revenue from sales and services, which was a result of the company's strategy implementation as planned.

In 1Q/2023, The Company reported a net cash outflow of 13.39 million baht on cash flow investing activities. It was an increase of 4.70 million baht or 54.07% compared to the same period of the previous year as a result of investing in software to enhance the efficiency of management.

The company reported a net cash outflow of 142.11 million baht for the first quarter of the year 2023 on cash flow financing activities. The net cash outflow for financing activities increased 89.94 million baht. The majority of the funds were used to repay long-term loans, which resulted in a decrease in interest expenses.

In 1Q/2023, From all the financial activities mentioned above, the company experienced a decrease in net cash and cash equivalents of 79.81 million baht, so net cash and cash equivalents on hand as of Mar 31, 2023 was a balance of 39.44 million baht.