

No. SICT 014/2023

11 August 2023

Subject: Management Discussion and Analysis for Quarter 2/ 2023

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 2/ 2023, as the details follows:

(Million Baht)

Statements of Comprehensive Income	Quarter2/2023	Quarter2/2022	Increase (Decrease)	
			Million Baht	%
Revenue from sales and services	171.3	150.3	21.0	14.0%
Costs of sales or services	(89.9)	(65.6)	24.3	37.1%
Gross profits	81.4	84.7	(3.3)	-3.9%
Other income	0.1	3.2	(3.1)	-98.1%
Distribution costs	(10.1)	(7.3)	2.8	37.9%
Administrative expenses	(32.9)	(23.0)	9.9	43.3%
Other expenses	(0.3)	0.0	0.3	n.a.
Other gains (losses)	(0.2)	(21.9)	(21.7)	-99.0%
Profit (loss) from operating activities	38.0	35.7	2.2	6.3%
Finance income	0.10	0.12	(0.02)	-20.1%
Finance costs	(0.80)	(0.15)	0.65	438.7%
Profit (loss) before tax expense	37.3	35.7	1.6	4.4%
Tax income (expense)	(0.4)	(2.0)	(1.6)	-80.0%
Profit (loss) for the year	36.9	33.7	3.2	9.3%

Revenue from sales and services

For Quarter 2/2023, the Company's revenue from sales and services accounted for 171.3 million Baht, increasing 21 million Baht or 14% from the same period last year. Animal identification groups contributed most of an increased amount of Quarter 2/2023 revenue, which increased by 23.1 million Baht or 45% from the same period last year.



(Million Baht)

Revenue breakdown by product application	Quarter2/2023	Quarter2/2022	Increase (Decrease)	
			Million Baht	%
Revenue from Animal identification group	74.8	51.7	23.1	45%
Revenue from Immobilizer group	35.7	48.0	-12.4	-26%
Revenue from Industrial IoT group	56.5	49.3	7.2	15%
Revenue from NFC and others group	4.3	1.2	3.1	246%
Profit (loss) for the period	171.3	150.3	21.0	14%

Revenue Structure

For Quarter 2/2023, the Company's revenues are derived from 4 product groups: Animal identification group accounted for 74.8 million Baht, representing 44% of total revenue, Immobilizer group accounted for 35.7 million Baht, representing 21% of total revenue, Industrial IoT group accounted for 56.5 million Baht, representing 33% of total revenue, and NFC and others group accounted for 4.3 million Baht, representing 2% of total revenue.

A rise in the Company's revenue in Quarter 2/2023 was mainly supported by an increase in revenue from Animal Identification groups. Compared to Quarter 2/2022, revenue from the Animal Identification group rose by 45% due to the expansion of the market from the progress in the enforcement of electronic identification tags for sheep and goats in Australia and the trend to use electronic identification tags in other nations, partly from the spread of viral diseases in animals. Revenue from Industrial IoT group rose by 15% from the same period last year, from increasing demands of customers in Asia and revenue from new products. Revenue from the innovative NFC group and others increased 246% compared to Quarter 2/2022, mainly from the growth of NFC Authentication products. For the Immobilizer group, there is a decrease in revenue of 26% compared to the same period last year, in line with the order cycle of keys customers in Europe.



(Unit: Million USD)

Revenue breakdown by product application	Quarter2/2023	Quarter2/2022	Increase (Decrease)	
			Million Dollars	%
Revenue from Animal identification group	2.17	1.50	0.67	44%
Revenue from Immobilizer group	0.69	1.26	(0.57)	-45%
Revenue from Industrial IoT group	1.64	1.43	0.21	14%
Revenue from NFC and others group	0.47	0.04	0.43	980%
Profit (loss) for the period	4.98	4.25	0.73	17%

However, if excluding the impact of currency fluctuations by comparing revenues in U.S. dollars, which is the company's primary operating currency, for Quarter 2/2023, the company's revenue from sales and services were accounted for 4.98 million USD, increasing 0.73 million USD or 17% from the same period last year.

Cost of Goods Sold and Gross Profit

Cost of goods sold (COGS) for Quarter 2/2023 accounted for 89.9 million Baht, increasing 24.3 million Baht or 37% from Quarter 2/2022, growing faster than revenue growth.

Gross Profit in Quarter 2/2023 was at 81.4 million Baht, decreasing 3.3 million Baht or 4% from the same period last year. Gross Profit Margin in Quarter 2/2023 stood at 47%, which decreased from 56% in Quarter 2/2022. The decrease in COGS in Quarter 2/2023 was mainly from an increase of the raw material prices, manufacturing service and product testing charges for goods production, and an increase of the employee costs.

However, the company has taken actions to address the increasing costs, such as maintaining a balance between selling prices and increasing costs by negotiating prices with customers and certain partners. Accelerate the introduction of new products in order to maintain an acceptable gross profit margin, and control the waste rate from production and product testing, etc.

Other Income

In Quarter 2/2023, the company had other income equal to 0.1 million Baht, decreasing 3.1 million Baht or 98% compared to Quarter 2/2022, from a decrease in realized gain from the foreign exchange rate.



Selling and Administrative Expenses

Selling expenses in Quarter 2/2023 were at 10.1 million Baht, increasing 2.8 million Baht or 38% compared to the same period last year from the increase in employee expenses, which is in line with the company's growth.

Administrative expenses in Quarter 2/2023 accounted for 32.9 million Baht, increasing 9.9 million Baht or 43% compared to Quarter 2/2022, due mainly to an increase in an employee expenses and research expense aligned with the future company's plan.

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 2/2023, the Company had an unrealized gain on an exchange rate of 0.2 million Baht decreasing 21.7 million Baht or 99% compared to the same period last year from the reduction in the volume of held foreign exchange forward contracts to be consistent with the nature of the company's business and the current volatile condition.

However, the company has processed the plans and policies for the exchange rate in the long term, by balancing expenses and income in the same currency and the same period. Together with closely monitored the economic situation and interest rate trends from the Bank of Thailand and commercial banks, in order to minimize the long-term impact on the company as much as possible.

Finance costs

Finance costs in Quarter 2/2023 accounted for 0.80 million Baht, increasing 0.65 million Baht or 439% compared to Quarter 2/2022, due to an increase in short-term loans from financial institutions, which are in line with the Company's plan.

Tax income (expense)

Tax expense in Quarter 2/2023 were at 0.8 million Baht, decreasing 1.2 million Baht or 59% compared to the same period last year, as the majority of revenue from sales and services in this period was primarily granted rights and benefits from the Board of Investment (BOI), and the Company's deferred tax is decreasing.

Net Profit

The Company had a Quarter 2/2023 net profit of 36.9 million Baht, growing 3.2 million Baht or 9% compared to the same period last year, representing a net profit margin of 22%, the same level as Quarter 2/2022



Statement of Financial Position

Total assets of the company at the end of Quarter 2/2023 were 849.9 million Baht, increasing 198.6 million Baht from 651.3 million Baht at the end of 2022. Current assets increased around 201.3 million Baht, mainly due to an increase in inventory consistent with an increase in sales orders. Non-current assets decreased around 2.7 million Baht, from a decrease in other non-current financial assets.

The Company had total liabilities at the end of Quarter 2/2023 equal to 241.8 million Baht, increasing 105.3 million Baht from the end of 2022, which was 136.5 million Baht. The rise was primarily due to an increase in short-term loans from financial institutions, 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 2/2023 was at 608.2 million Baht, rising from the end of 2022 which was 514.9 million Baht. The rise was due mainly to an increase in the unappropriated retained earnings at the end of Quarter 2/2023 of around 93.3 million Baht from the end of 2022, which is based on the results of operations in the past period, And an increase in paid-up share capital of approximately 40 million Baht which is in line with the stock dividend payment according to the 2023 Annual General Meeting of shareholders.

Please be informed accordingly.

Best regards

(Dr. Bodin Kasemset)

Chief Executive Officer

Silicon Craft Technology Public Company Limited

