

No. SICT 003/2023

22 February 2024

Subject: Management Discussion and Analysis for the year 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 the year 2023, as the details follows:

(Million Baht)

Statements of Comprehensive Income	For the Year Ended 31 December 2023	For the Year Ended 31 December 2022	Increase (Decrease)	
			Million Baht	%
Revenue from sales and services	666.4	601.0	65.4	11%
Costs of sales or services	(362.0)	(285.4)	76.5	27%
Gross profits	304.4	315.6	(11.2)	-4%
Other income	2.3	1.5	0.8	58%
Distribution costs	(38.3)	(34.6)	3.8	11%
Administrative expenses	(128.4)	(118.6)	9.8	8%
Other expenses	-	(16.1)	Na	Na
Other gains (losses)	6.1	(10.2)	Na	Na
Profit (loss) from operating activities	146.1	137.6	8.5	6%
Finance income	0.4	0.5	(0.1)	-14%
Finance costs	(3.7)	(0.5)	3.2	677%
Profit (loss) before tax expense	142.8	137.6	5.2	4%
Tax income (expense)	(2.4)	(2.5)	(0.1)	-4%
Profit (loss) for the year	140.4	135.1	5.3	4%

Profitability Ratios	For the Year Ended 31 December 2023	For the Year Ended 31 December 2022
Gross profit margin	45.7%	52.5%
Net profit margin	21.1%	22.5%



Revenue from sales and services

For the year 2023, the Company's revenue from sales and services accounted for 666.4 million Baht, increasing 65.4 million Baht or 11% from the previous year. Animal identification groups contributed most of an increased amount of the year 2023, which increased 81.7 million Baht or 37%, compared to the year 2022.

(Million Baht)

Revenue breakdown by product application	For the Year Ended 31 December 2023	Revenue proportion	For the Year Ended 31 December 2022	Revenue proportion	Increase (Decrease)	
					Million Baht	%
Revenue from Animal identification group	303.3	46%	221.6	37%	81.7	37%
Revenue from Immobilizer group	136.6	20%	176.6	29%	(40.0)	-23%
Revenue from Industrial IoT group	211.0	32%	189.0	32%	22.0	12%
Revenue from NFC and others group	15.4	2%	13.8	2%	1.6	12%
Profit (loss) for the year	666.4	100%	601.0	100%	65.4	11%

Revenue Structure

For the year 2023, the Company's revenues are derived from 4 product groups: Animal identification group accounted for 303.3 million Baht, representing 46% of total revenue, Immobilizer group accounted for 136.6 million Baht, representing 20% of total revenue, Industrial IoT group accounted for 211.0 million Baht, representing 32% of total revenue, and NFC and others group accounted for 15.4 million Baht, representing 2% of total revenue.

A rise in the Company's revenue in 2023 was mainly supported by an increase in revenue from Animal Identification groups. Compared to the year 2022, revenue from the Animal Identification group rose by 37%, mainly driven by increased revenue from key customers in Europe, due to 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 increasing need for viral disease control and management in livestock business. Revenue from the Industrial IoT group increased by 12% from last year, mainly due to increased revenue from key customers in Asia and revenue from the new product. Revenue from



the innovative NFC group increased by 12% compared to the year 2022, mainly from the growth of NFC Authentication products. However, revenue from the Immobilizer group dropped by 23% from last year mainly due to the slowdown in revenue from key customers in US resulting from a high level of inventory.

(Unit: Million USD)

Revenue breakdown by product application	For the Year Ended 31 December 2023	For the Year Ended 31 December 2022	Increase (Decrease)	
			Million Dollars	%
Revenue from Animal identification group	8.51	6.33	2.18	34%
Revenue from Immobilizer group	3.55	4.84	(1.29)	-27%
Revenue from Industrial IoT group	6.35	5.45	0.90	17%
Revenue from NFC and others group	0.87	0.40	0.47	119%
Profit (loss) for the year	19.28	17.02	2.26	13%

However, excluding the impact of currency fluctuations by comparing revenues in US dollars, which is the company's primary operating currency, for the year 2023, the company's revenue from sales and services were accounted for 19.28 million USD, increasing 2.26 million USD or 13% from the previous year.

Cost of Goods Sold and Gross Profit

Cost of goods sold (COGS) for the year 2023 accounted for 362 million Baht, increasing 76.5 million Baht or 27% compared to 2022, mainly due to the higher cost of raw materials compared to the previous year, and aligns with an increase in sales and services.

Gross Profit in 2023 was at 304.4 million Baht, decreasing 11.2 million Baht or 4% from the previous year. Gross Profit Margin in 2023 stood at 46%, which decreased from 53% in the year 2022. This was mainly due to higher raw material prices, manufacturing service and product testing charges for goods production, an increase in the employee costs, and changes in product mix.

In the second half of the year 2023, the company faced two main challenges: global macroeconomic and geopolitics uncertainties as well as rising inventory levels of Company's customers, driven by the acceleration of inventory buildup due to a supply shortage situation during COVID19-pandemic period (2021-2022). Towards such challenges, the company has actively monitored key customers' situations, and implemented a cost management plan to cope timely with the uncertain situations, such as maintaining a well-balanced level between selling prices and increasing costs, driving more initiatives in COGS reduction program,



and accelerating the launch of new products in order to increase the gross profit margin to the company's planned level.

Other Income

For the year 2023, the company had other income equal to 2.3 million Baht, increasing 0.8 million Baht or 58% from the previous year, mainly from an increase in realized gain from the foreign exchange rate.

Selling and Administrative Expenses

Selling expenses for the year 2023 accounted for 38.3 million Baht, increasing 3.8 million Baht or 11%, compared to the previous year, in line with an increase in the Company's revenue. This increase is attributed to the increase in employee expenses, increased business travel to engage with customers and suppliers for new business opportunities, and increased participation in worldwide exhibitions compared to the previous year.

Administrative expenses for the year 2023 accounted for 128.4 million Baht, increasing 9.8 million Baht or 8% compared to the year 2022, due mainly to an increase in the number of company employees and research expenses aligned with the future company's plan.

Other Expenses

In 2023, the company did not have an other expenses account as there was no recognition of a realized loss from foreign exchange rates.

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 and the net unrealized gain (loss) from adjusting the value of financial assets and liabilities in foreign currency.

For the year 2023, the Company had other gains of 6.1 million Baht, which increased from the loss of 10.2 million Baht in the previous year, due to the reduction in the volume of held foreign exchange forward contracts, aligning with the nature of the company's business and cash inflows and outflows. Additionally, the gains resulted from adjustments in the value of financial assets and liabilities in foreign currency.

The company has processed the plans and policies for the exchange rate, by balancing expenses and income in the same currency and the same period. Together with closely monitored the economic situation both domestically and globally to analyze currency trends and fluctuations. This includes closely monitored interest rate 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 for the year 2023 accounted for 3.7 million Baht, increasing 3.2 million Baht or 677% compared to the year 2022, due to an increase in short-term loans from financial institutions to orders for production materials which are in line with the Company's plan.

Tax income (expense)

Tax expense in for the year 2023 were at 2.4 million Baht, decreasing 0.1 million Baht or 4% compared to the previous 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).

Net Profit

The Company had a 2023 net profit of 140.4 million Baht, growing 5.3 million Baht or 4% compared to the previous year, from increasing revenue from sales and services as well as effective risk management of fluctuations in foreign exchange rates.

However, the Company had a net profit margin of 21% in 2023, nearly the same as 22% in 2022.

Statement of Financial Position

Total assets of the company at the end of year 2023 were 1,159.7 million Baht, increasing 508.4 million Baht from 651.3 million Baht at the end of 2022. Current assets increased around 462.7 million Baht, mainly due to an increase in inventory aligned with a sales order from key customers in Animal ID group, and to support production during the transition to more advanced node technology, in line with our long-term strategic plans for the company. Non-current assets increased around 45.7 million Baht, from an increase in other intangible assets, which is the Company's development projects to support future growth.

The Company had total liabilities at the end of the year 2023 equal to 505.3 million Baht, increasing 368.8 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 the year 2023 was at 654.4 million Baht, rising 139.5 million Baht 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 the year 2023 of around 97.2 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

