Stars Microelectronics (Thailand) Public Company Limited

Management Discussion and Analysis

For the Second Quarter and Six-month period ended 30 June 2026

Stars Microelectronics (Thailand) Public Company Limited

Executive Summary

The electronics industry continued to recover in the second quarter of 2026, although the pace of recovery varied across product segments. Demand related to Digital Infrastructure, Data Centers, Artificial Intelligence (AI), Photonics, and Advanced Semiconductors remained as key growth drivers for the industry. Meanwhile, the broader industrial and general electronics markets continued to experience volatility, driven by uncertainties in the global economy, international trade tensions, and weaker demand across certain markets and industries. As a result, Stars Microelectronics (Thailand) Public Company Limited ("the Company") continues to closely monitor risks associated with international trade policies, geopolitical uncertainties, energy and freight costs, raw material supply chains and price volatility, as well as foreign exchange fluctuations.

The Company continues to execute its strategy by focusing on high-quality customers and value-added products, while diversifying its revenue base across business segments and geographic markets. In addition, the Company is enhancing procurement and manufacturing efficiency and maintaining disciplined cost management to strengthen profitability and preserve financial flexibility.

The Company's operating performance in the second quarter of 2026 reflected a continued business operation recovery. The net profit amounted to approximately THB 40.5 million, compared with a net loss of THB 45.1 million in the same period of last year and a significant increase from the net profit of THB 11.2 million in the first quarter of 2026. The improvement was primarily attributable to higher production volumes and customer deliveries, a more favourable product mix, and disciplined cost management.

In terms of the Company’s business segment, during the first half of 2026, the business performance was mainly supported by the Optics and IC Packaging segments, while the Box Build business remained relatively stable compared with the previous quarter. Nevertheless, the Company continues to closely monitor customer orders and sales opportunities while strengthening raw material procurement and supply chain management, together with optimizing production capacity, in order to maximize delivery capability and revenue recognition during the second half of the year.

Key Financial Highlights

Item	Q2 2026	Q1 2026	Q2 2025
Revenue from Sales and Services (THB million)	711.3	602.0	450.7
Gross Profit (THB million)	92.2	53.8	21.3
Gross Profit Margin (%)	12.9	8.9	4.7
SG&A as a proportion of Revenue (%)	9.7	11.3	13.9
EBITDA (THB million)	88.2	58.6	5.1

Management Outlook

The Company remains focused on expanding revenue from customers and products that offer strong growth potential and attractive margins, particularly in Photonics, Advanced Packaging, Power Electronics, and products supporting Digital Infrastructure. At the same time, the Company will continue to maintain disciplined cost and expense management while further enhancing manufacturing efficiency, product quality, and delivery performance to support sustainable long-term growth.

With respect to working capital management, the Company will continue to focus on improving accounts receivable collections, optimizing inventory levels in line with customer demand, and negotiating payment terms with suppliers. These initiatives are intended to support revenue growth without placing undue pressure on cash flow. The Company will also continue to prudently manage both short-term and long-term funding sources to maintain adequate liquidity and support future business expansion.

While demand in certain market segments remains favorable, management continues to exercise prudence in evaluating customer orders and investment plans in light of uncertainties surrounding the global economy, international trade policies, foreign exchange movements, raw material and logistics costs, customer concentration, and the rapid pace of technological change.

Leveraging its manufacturing expertise, and integrated capabilities across its business segments, the Company remains confident in its ability to build on its operational recovery and deliver sustainable long-term growth in revenue, profitability and cash flow.

Yours Sincerely,
Stars Microelectronics (Thailand) Public Company Limited

(Mr. Prompong Chaikul)
Chief Executive Officer

Management Discussion and Analysis of Operating Results

For the second quarter of 2026, the Company reported a net profit of approximately THB 40.5 million, representing a significant improvement from a net loss of THB 45.1 million in the second quarter of 2025 and an increase from net profit of THB 11.2 million in the first quarter of 2026. Details of the Company's operating performance are summarized below.

Operating Results for the Second Quarter of 2026 Compared with the Second Quarter of 2025

Item (Units: THB Thousand)	Q2 2026	Revenue (%)	Q2 2025	Revenue (%)	Change	%
Revenue from Sales and Services	711,348	100.0	450,699	100.0	260,649	57.8
Cost of Sales and Services	619,170	87.0	429,377	95.3	189,793	44.2
Gross Profit	**92,178**	**12.9**	**21,322**	**4.7**	**70,856**	**332.3**
Selling Expense	6,588	0.9	6,752	1.5	(164)	(2.4)
Administrative Expenses	62,519	8.8	56,388	12.5	6,277	11.2
Total Selling and Administrative Expense	**69,107**	**9.7**	**63,140**	**13.9**	**6,113**	**9.7**
Operating Profit (Loss)	**23,071**	**3.2**	**(41,818)**	**(9.3)**	**64,889**	**155.2**
Foreign Exchange Gain (Loss)	6,733	0.9	(11,729)	(2.6)	18,462	157.4
Other Income and Finance Income, Net	10,904	1.5	9,950	2.2	954	9.6
Profit (Loss) Before Income Tax	**40,570**	**5.7**	**(43,597)**	**(43.6)**	**84,167**	**193.1**
Net Profit (Loss)	**40,504**	**5.7**	**(45,057)**	**(10.0)**	**85,561**	**189.9**
Depreciation and Amortization	47,552	6.7	48,437	10.75	(885)	(1.8)
EBITDA	**88,260**	**12.4**	**5,099**	**1.13**	**83,161**	**1,630.9**

The year-on-year changes in the Company's operating results were primarily attributable to the following factors:

Revenue from Sales and Services

Revenue from sales and services for the second quarter of 2026 amounted to THB 711.3 million, representing an increase of THB 260.7 million or 57.8% from the same period last year and an increase of 18.0% compared with the previous quarter. The revenue growth was primarily driven by higher production volumes and customer deliveries, particularly in the Optics and IC Packaging businesses, together with increased business from certain customers in the Box Build segment. Meanwhile, the PCBA and Wafer businesses continued to recover at a slower pace than the other business segments due to some of the customer order timing and delivery schedules.

Business Segment (Unit: THB Thousand)	Q2 2026	Proportion (%)	Q2 2025	Proportion (%)	YoY
OSAT / IC & Advanced Packaging / Wafer	207,536	29.2	147,743	32.8	59,793

PCBA & Box Build	303,686	42.7	196,712	43.7	106,974
Optics	200,127	28.1	106,244	23.6	93,883
Total Revenue from Sales and Services	711,348	100.0	450,699	100.0	260,649

Cost of Sales and Gross Profit

Cost of sales and services for the second quarter of 2026 amounted to THB 619.2 million, representing 87.0% of the revenue from sales and services, compared with 95.3% in the same period of the previous year. As a result, the Company's gross profit margin improved significantly which was mainly attributable to higher production volumes, improved capacity utilization, effective control of labor and manufacturing overhead costs, and a more favorable product mix with a higher proportion of value-added products.

Nevertheless, gross margin remains subject to potential fluctuations arising from raw material price volatility, logistics costs, foreign exchange fluctuations, and changes in product mix across reporting periods. Accordingly, the Company continues to enhance procurement efficiency, optimize production planning, and align customer pricing with changes in production costs in order to sustain profitability.

Selling and Administrative Expenses

Selling and administrative expenses represented 9.7% of revenue during the second quarter of 2026, a decrease compared to 13.9% in the second quarter of 2025 and 11.6% in the first quarter of 2026. The improvement reflects the Company's continued cost discipline as well as the benefit of operating leverage.

Operating Profit, Other Income and Foreign Exchange

Operating profit improved significantly from the corresponding period of the previous year, primarily driven by the improvement in gross profit and the lower proportion of operating expenses to revenue. During the quarter, the Company also recognized a foreign exchange gain of THB 6.7 million, mainly resulting from fluctuations in the Thai Baht against the principal currency used in the Company's operations.

Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)

EBITDA for the second quarter of 2026 amounted to THB 88.3 million, representing an EBITDA margin of 12.4%, compared with THB 5.1 million, or an EBITDA margin of 1.1%, in the second quarter of

2025. The substantial improvement in EBITDA reflects the continued recovery of the Company's core operations, supported by higher revenue, improved gross margins, and disciplined operating cost management.

Net Profit

The Company reported a net profit of THB 40.5 million for the second quarter of 2026, compared with a net loss of THB 45.1 million in the same period last year. The turnaround was primarily driven by improved gross margins resulting from effective cost control, enhanced manufacturing efficiency, and disciplined management of selling and administrative expenses.

Furthermore, given the Company's cost structure, which includes a meaningful proportion of fixed costs, revenue growth beyond the break-even level translated into disproportionately higher earnings through operating leverage. Going forward, the Company remains committed to broadening its customer base and increasing the contribution of value-added, higher-margin products to support sustainable earnings growth.

Financial Position of the Company and its Subsidiaries

As of 30 June 2026, the Company and its subsidiaries had the following key assets, liabilities and shareholders' equity, based on the following information:

Item (Units: THB Thousand)	30 Jun 2026	31 Mar 2026	31 Dec 2025	Change from Year-End
Cash and Cash Equivalents	45,908	164,460	394,857	-348,949
Trade and Other Receivables	550,486	525,109	372,414	178,072
Inventories	747,093	595,633	502,058	245,035
Total Current Assets	1,374,103	1,309,868	1,294,920	79,183
Property, Plant and Equipment	934,860	969,135	974,859	-39,999
Total Assets	2,379,124	2,346,400	2,349,901	29,223
Total Current Liabilities	569,877	552,421	569,629	248
Total Liabilities	644,516	627,102	640,851	3,665
Total Shareholders' Equity	1,734,608	1,719,298	1,709,050	25,558
Debt to Equity Ratio (Times)	0.37	0.36	0.37	+0.01

Asset and Working Capital

The total assets as of 30 June 2026 is approximately THB 2,379.1 million, an increase of THB 29.2 million, or 1.2%, from the end of 2025. The increase was primarily attributable to higher trade receivables and working capital requirements which is in line with revenue growth and the timing of customer collections. On the other hand, cash and cash equivalents decreased to THB 41.7 million, while inventories increased to THB 245.0 million as the Company built up raw materials and inventories to support production and customer deliveries, as well as to mitigate risks associated with supply chain constraints and raw material price volatility.

Liabilities and Shareholders' Equity

The total liabilities as of 30 June 2026 amounted to approximately THB 644.5 million, an increase of THB 3.7 million, or 0.6%, from the end of 2025. Meanwhile, the total shareholders' equity is approximately THB 1,734.6 million, representing an increase of THB 25.6 million, or 1.5%, from the end of 2025. The Company does not have loan from financial institutions, demonstrating its strong financial position and flexible capital structure, which provides sufficient capacity to support future investment opportunities and business expansion.

Liquidity and Cash Flow

Cash and cash equivalents at the end of the second quarter of 2026 totaled to approximately THB 45.9 million, a decrease from THB 118.6 million at the end of the first quarter of 2026. The decrease was primarily attributable to additional working capital requirements to support business growth, particularly higher trade receivables and inventory levels, together with capital expenditures and financing activities during the period.

Items (Unit: THB million)	Q2 2026	Q1 2026	Increase (Decrease)
Beginning cash balance	164.46	394.85	(230.39)
Net cash used in operating activities	(73.65)	(43.04)	(30.61)
Net cash used in investing activities	(20.15)	(25.73)	5.58
Net cash used in financing activities	(24.75)	(161.62)	136.87
Ending cash balance	45.91	164.46	118.55

Key Financial Ratios

Financial Ratio	Q2 2026	Q1 2026	Q2 2025	Units
Current Ratio	2.41	2.37	2.58	Times
Quick Ratio	1.10	1.29	1.59	Times
Average Collection Period	59.19	68.02	80.58	Days
Inventory Days	92.05	91.35	99.34	Days
Cash Conversion Cycle	80.81	81.31	103.69	Days
Gross Profit Margin	12.96	8.93	4.73	%
EBITDA Margin	12.41	9.86	0.35	%
Net Profit Margin	5.69	1.85	(10.00)	%
Debt to Equity Ratio	0.37	0.36	0.31	Times
Earnings per Share[(1)]	0.05	0.01	(0.05)	THB per share

Note

(1) Earnings per share = share of profit (loss) attributable to the company's shareholders/ number of ordinary shares issued and fully paid

Factors Affecting Operating Performance and Business Outlook

The Company's operating performance depends on its ability to retain and expand its customer base, support the growth of customers' products, maintain high standards of manufacturing quality and delivery performance, and effectively manage costs and working capital. Management continues to closely monitor the following key factors:

- Market demand and product cycles: Demand for products related to AI, Data Centers, Photonics, Advanced Packaging, and Power Electronics is expected to remain on a positive growth trajectory. However, the recovery of the broader industrial and general electronics markets continues to vary across product segments
- Supply chain and raw material costs: Fluctuations in raw material availability, procurement lead times, logistics costs, and, in certain circumstances, the need for expedited air freight may affect manufacturing costs, profitability, and delivery schedules. The Company continues to strengthen its supply chain management and procurement planning.
- Foreign exchange: As a substantial portion of the Company's revenue and raw material procurement is denominated in foreign currencies, fluctuations in exchange rates may affect both operating performance and foreign exchange gains or losses.
- Customer base and order visibility: Changes in purchasing patterns or delivery schedules of key customers may affect sales, production utilization, and the timing of revenue recognition. The Company continues to diversify its customer base while maintaining close collaboration with strategic customers to improve order visibility and production planning.
- Manufacturing quality and technology: The Company remains committed to maintaining high manufacturing standards, improving production yield and on-time delivery performance, and continuously enhancing manufacturing processes to keep pace with technological advancements and evolving customer requirements.
- Liquidity and working capital: Business growth may lead to higher levels of trade receivables and inventory. Accordingly, the Company continues to prudently manage working capital, funding sources, and capital expenditure plans to maintain adequate liquidity and support long-term growth.

Outlook for the Second Half of 2026

The Company expects to see continued business momentum supported by the progressive delivery of confirmed customer orders, expansion of its customer base, and continued growth in high-potential product segments, particularly Photonics, Advanced Packaging, Power Electronics, and products related to Digital Infrastructure.

At the same time, the Company will continue to enhance operational efficiency, increase the contribution of value-added products, and maintain disciplined cost, expense, and working capital management to strengthen profitability and support sustainable long-term growth. Management will continue to closely monitor developments in the global economy, international trade policies, raw material supply conditions, and foreign exchange movements, while proactively adjusting production, procurement, and investment plans in line with customer demand and evolving market conditions.