

Subject Management Discussion and Analysis on operating result for the third quarter of year 2020

To: Managing Director of Stock Exchange of Thailand

Simat Technologies Public Company Limited would like to report the variance in operating result for the third quarter of year 2020 compared with the same period of year 2019 as follows:

Jul - Sep 2020 3-months	Thailand					MaLaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	3,334	57,958	90,183	45,030	20,545	-	217,050
Cost of sales and services	(1,284)	(38,935)	(49,975)	(37,647)	(15,716)	-	(143,557)
Gross profit (loss)	2,050	19,023	40,208	7,383	4,829	-	73,493
Gain (loss) on exchange rate	3	4	42	-	-	-	49
Other income	1,531	54	9	-	438	-	2,032
Selling expenses	(381)	(1,954)	(2,393)	(1,313)	(3,228)	-	(9,269)
Administrative expense	(1,955)	(5,267)	(14,732)	(9,956)	(6,514)	-	(38,424)
Finance cost	(1,094)	(734)	(1,550)	(4,757)	(501)	-	(8,636)
Profit sharing from associate	(85)	-	-	-	-	-	(85)
Profit (loss) before income tax	69	11,126	21,584	(8,643)	(4,976)	-	19,160
Income tax	(21)	(2,307)	(5,071)	274	130	-	(6,995)
Net profit (loss)	48	8,819	16,513	(8,369)	(4,846)	-	12,165
Profit (loss) attributable to Equity holders of the Company							4,330
Non-controlling interests							7,835
							12,165
Jul - Sep 2019 3-months	Thailand					MaLaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	21,597	61,964	80,176	252,066	35,004	217,719	668,526
Cost of sales and services	(15,449)	(41,081)	(51,663)	(204,589)	(19,663)	(185,572)	(518,017)
Gross profit (loss)	6,148	20,883	28,513	47,477	15,341	32,147	150,509
Gain (loss) on exchange rate	16	(61)	40	-	-	-	(5)
Gain on sale of investment	-	-	-	-	-	-	-
Other income	(784)	14	56	65	35	12,535	11,921
Selling expenses	(2,762)	(2,112)	(1,974)	(271)	(3,823)	(1,199)	(12,141)
Administrative expense	(7,163)	(7,118)	(10,852)	(2,905)	(9,776)	(15,342)	(53,156)
Finance cost	(498)	(619)	(2,182)	-	(116)	(3,165)	(6,580)
Profit sharing from associate	681	-	-	-	-	-	681
Profit (loss) before income tax	(4,362)	10,987	13,601	44,366	1,661	24,976	91,229
Income tax	225	(2,048)	(2,598)	-	-	(5,455)	(9,876)
Net profit (loss)	(4,137)	8,939	11,003	44,366	1,661	19,521	81,353
Profit (loss) attributable to Equity holders of the Company							67,526
Non-controlling interests							13,827
							81,353

Jan - Sep 2020 9-months	Thailand					Malaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	6,904	165,773	245,947	274,988	73,661	-	767,273
Cost of sales and services	(4,357)	(114,160)	(141,085)	(235,577)	(49,401)	-	(544,580)
Gross profit (loss)	2,547	51,613	104,862	39,411	24,260	-	222,693
Gain (loss) on exchange rate	(23)	58	(191)	-	-	-	(156)
Other income	8,883	114	126	612	644	-	10,379
Selling expenses	(1,116)	(6,551)	(6,756)	(2,343)	(9,500)	-	(26,266)
Administrative expense	(6,326)	(22,310)	(40,526)	(26,650)	(17,934)	-	(113,746)
Finance cost	(76)	(1,673)	(5,275)	(10,746)	(1,826)	-	(19,596)
Profit sharing from associate	(4,735)	-	-	-	-	-	(4,735)
Profit (loss) before income tax	(846)	21,251	52,240	284	(4,356)	-	68,573
Income tax	(269)	(4,597)	(11,735)	(322)	71	-	(16,852)
Net profit (loss)	(1,115)	16,654	40,505	(38)	(4,285)	-	51,721
Profit (loss) attributable to Equity holders of the Company							34,555
Non-controlling interests							17,166
							51,721

Jan - Sep 2019 9-months	Thailand					Malaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	50,652	182,059	246,133	431,346	120,022	617,437	1,647,649
Cost of sales and services	(39,783)	(124,427)	(143,050)	(348,124)	(71,646)	(557,294)	(1,284,324)
Gross profit (loss)	10,869	57,632	103,083	83,222	48,376	60,143	363,325
Gain (loss) on exchange rate	160	535	49	-	-	-	744
Gain on sale of investment	(44,693)	-	-	-	-	-	(44,693)
Other income	119	71	593	141	316	18,771	20,011
Selling expenses	(8,466)	(6,217)	(4,609)	(513)	(14,333)	(4,520)	(38,658)
Administrative expense	(19,935)	(26,726)	(40,099)	(6,186)	(40,273)	(39,039)	(172,258)
Finance cost	(2,545)	(1,996)	(3,670)	(6)	(3,125)	(9,528)	(20,870)
Profit sharing from associate	738	-	-	-	-	-	738
Profit (loss) before income tax	(63,753)	23,299	55,347	76,658	(9,039)	25,827	108,339
Income tax	668	(3,698)	(11,736)	22	64	(6,114)	(20,794)
Net profit (loss)	(63,085)	19,601	43,611	76,680	(8,975)	19,713	87,545
Profit (loss) attributable to Equity holders of the Company							60,101
Non-controlling interests							27,444
							87,545

Summary

For the 3-month period

The consolidated net profit (portion of the parent company) for the third quarter of year 2020 and 2019 were Baht 4.33 million and Baht 67.53 million, respectively with the following details.

- For the government project which is the project of internet service to remote area - Zone Northeast, this quarter incurred loss of Baht 8.37 million due to the followings
 - As at 30 September 2020, the Company recognized cost of project for the phase 1 for 98.47% of the total budgeted project cost and the installment no. 3 had been delivered on 31st August 2020 (the installment value is about Baht 307.47 million) and this installment was being inspected by the inspection committee of NBTC and it was expected to start phase 2 service of this installment since 1st December 2020 and it will generate more service revenue of Baht 9 million a month. there is only the remaining of the forth installment (the installment value is about Baht 55.80 million) is yet to be delivered and inspected. In this quarter, the Company recognized the project cost of phase 1 for only 2.51% or Baht 15.11 million while, last year, the Company recognized for 35.91% or Baht 209.49 million of the estimated budget cost of Baht 583 million. The latest budget cost of Phase 1 was Baht 601 million. The increase of the budget cost of Baht 18 million or 3%

arises from the delay of construction and installation of the Phase 1 installment no. 3 from the effect of COVID situation since the beginning of the year. This effect caused the increase of Phase 1 project cost arises in the third quarter. However, the Phase 1 will be completed within this December 2020 and the Company shall recognize the service revenue in Phase 2 for the whole project since 1st December 2020 onward.

- The Company recognized revenue and profit of phase 2 (for the Internet service which was officially started) for the installment 1 of phase 1 has been started officially since March 1, 2020, the installment 2 of phase 1 has been started since May 1, 2020 and the installment 3 of phase 1 has been started since December 1, 2020. The remaining was the installment 4 of phase 1 is pending for delivery and not started service yet. The monthly revenue for the internet service of phase 2 can be categorized as below.

Job delivered	Details	Monthly Revenue (Million Baht)	Proportion	Service Start Date
Phase 1, Installment 1	Job Type 1 for 1,135 service points	5.12	23%	1 March 2020
Phase 1, Installment 2	Job Type 1 for 962 service points Job Type 4 for 380 service points Job Type 5 for 2 service points	7.88	34%	1 May 2020
Phase 1, Installment 3	Job Type 2 for 1 service point Job Type 3 for 169 service points	8.66	39%	1 December 2020
Phase 1, Installment 4	Job Type 2 for 15 service points	0.94	4%	In process of delivery and inspection
	Total	22.60	100%	

In Quarter 1, Quarter 2 and Quarter 3 of year 2020, the Company has recognized service revenue for Baht 5.12 million, Baht 31.13 million and Baht 39.01 million, respectively.

If the Company can start the service of phase 2 completely 100%, the Company will recognize the service revenue for Baht 22.60 million a month or Baht 271 million a year along with the contract term. The gross profit margin of the service of phase 2 is higher than the installation & construction of phase 1.

- The loss incurred in Quarter 3 mainly come from the effect of delay for the delivery of the work of installment 3 of Phase 1 which led to the increase of project cost for 3 portions:
 1. The cost of construction of the work of the installment 3 of Phase 1 which is over from the budgeted project cost for Baht 7 million which need to be recognized in this period.
 2. The interest expenses which were allocated to the service in this quarter was Baht 5.89 million which increased from Quarter 1 significantly due to the Company still has not received the second installment payment for the work completed for installment 2 of phase 1. During the pending for such cash receipt, the loan principal was not reduced and there was the increase in loan to accommodate the working capital of the service of phase 2 and this led to the

increase of interest expense of the project. However, when cash receipt was done, the interest expense will reduce as well.

3. In the third quarter, the Company could not recognize the service revenue of the installment 3 of Phase 1 as this installment shall be recognized since 1st December 2020. However, the Company still need to maintain the fixed cost in order to support the service activities for the job installment 1 and 2 which were delivered and started to service already and included the installment 3 as well. The fixed costs included payroll cost for the maintenance staff, electricity cost, internet cost and other relevant cost.

However, the effect of the increase in cost as mentioned above will be temporarily existed. When the delivery and inspection of the installment 3 of phase 1 has been completed, the Company shall recognize the service revenue for 96% of phase 2 then the operating result will improve as well as previously planned.

- The delay of the delivery and inspection of installment 3 of phase 1 arises from the force majeure which came from the tropical storm named "Podul" and "Kajiki" attacked in the north-east area during end of August till year-end of 2019 and the effect from the preventive measures of COVID-19 by the emergency decree during the beginning of year 2020 which the Company reported to SET since May 15, 2020.
 - For the period of year 2020, the operating result of Silkscreen and Label Printing business was improved as profit increased for Baht 5.39 million from the increase in revenue for 5.63%.
 - IT business had net profit/(loss) from operation for the third quarter for the year 2020 and 2019 for Baht 0.05 million and Baht (4.14) million. The operating performance improved from last year due to the business restructuring by transfer of this business to the associate company.
 - Broadband business had net profit/(loss) from operation for the third quarter for the year 2020 and 2019 for Baht (4.85) million and Baht 1.66 million, respectively. The net loss increased from prior year due to the decrease of revenue about 67% as the number of subscribers declined.

For the 9-month period

The consolidated net profit/(loss) (portion of the parent company) for the 9-month period of year 2020 and 2019 were Baht 34.56 million and Baht 60.10 million, respectively. In year 2019, there is extraordinary expense item (non-cash item) which is loss from impairment on goodwill of investment in subsidiary in Malaysia amounting to Baht 44.69 million from sale of all shares holding in this subsidiary.

- IT business, which exclude the effect from sale of investment in subsidiary in Malaysia, has improved in operating performance although there was a little bit loss due to the transfer of IT business to the associate company which the Company has joint investment with the Malaysian company.
- Broadband business has improved its operating performance from the downsizing of its business and the transfer of staffs to government project.
- Silkscreen and Label Printing business has improvement in operating performance although there was the effect of COVID.
- Government project has decline in operating performance due to the delay of delivery and inspection of work of the installment 3 of Phase 1 which caused the Company still has not recognized the service revenue of this portion while the Company still need to maintain the fixed cost to support the service and maintenance and the

installation and construction cost which increased over the budgeted project cost from the effect of COVID 19 and the interest expenses allocated to service phase increased from the delay of cash receipt for the installment 2 of phase 1. However, the effect of the increase in cost as mentioned above will be temporarily existed. When the delivery and inspection of the installment 3 of phase 1 has been completed, the Company shall recognize the service revenue for 100% of phase 2 then the operating result will improve as well as previously planned.

Please be informed accordingly,

Faithfully yours,

(Mr. Thammanoon Korkiatwanich)

Director/Company Secretary