

Ref. Simat 38-21

November 15<sup>th</sup>, 2021

Subject: Management Discussion and Analysis on operating result for the third quarter of year 2021

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 ended September 30<sup>th</sup>, 2021 compared with the same period of year 2020 as follows:

### Operating Performance

#### Operating Performance for 3 Months.

Income Statements Unit: Million Baht	Quarter 3 (3 Month) 2021		Quarter 3 (3 Month) 2020		Change	
	Revenue from sales and services	242	100%	217	100%	25
Cost of sales and services	(150)	-62%	(144)	-66%	(6)	4%
Gross profit	92	38%	73	34%	19	26%
Other income	2	1%	2	1%	-	0%
Selling and administrative expenses	(65)	-27%	(47)	-22%	(18)	38%
Profit before financial cost and income tax	29	12%	28	13%	1	4%
Financial cost	(7)	-3%	(9)	-4%	2	-22%
Share of profit from associate	0	0%	-	0%	0	n/a
Profit before income tax	22	9%	19	9%	3	17%
Income tax	(6)	-2%	(7)	-3%	1	-14%
Net profit	16	7%	12	6%	4	35%
Portion of non-controlling interest	-	0%	(8)	-4%	8	-100%
Portion of equity holder of the Company	16	7%	4	2%	12	305%

The consolidated net profit (Loss) (portion of the parent company) for the third quarter of year 2021 and 2020 for three months were Baht 16 million and Baht 4 million, respectively. The operating profit increased from the prior year about Baht 12 million. The company would like to clarify the significant change in operating performance as below.

Revenue structure by business	IT Bussiness	Production and sale of Label product	Silkscreen Printing	Government Project	Broadband	Other	Total
Unit : Million Baht							
Quarter 3 / 2021	9 4%	42 17%	92 38%	71 29%	16 7%	12 5%	242 100%
Quarter 3 / 2020	3 1%	57 26%	91 42%	45 21%	21 10%	- 0%	217 100%
Change	6 200%	(15) -26%	1 1%	26 58%	(5) -24%	12 n/a	25 12%

#### ■ Revenue from Sales and Services

Revenue from sales and services of parent and subsidiary companies for the third quarter increased from prior year about Baht 25 million or 12%. The major increase came from the revenue of the government project which increased by approximately Baht 26 million from the income of the second phase (internet service and maintenance work), which the revenue would be recognized according to contract and other income. Increased by approximately Baht 12 million from selling of LED screens during the period. The income of the IT business increased due to new projects and new customers. The revenue of the manufacturing and distribution of label products decreased from the same quarter of the previous year by approximately Baht 15 million due to decrease in sales of stainless-steel work because major customers reduced their orders. This is due to the high cost of products and the price reduction of competitors. Revenue from broadband business decreased about Baht 5 million. However, in this business unit, the company has made a memorandum of agreement with FOT MSO Company Limited to cooperate in developing the broadband business to increase revenue and profit in the future.

Gross margin by business	IT Bussiness	Production and sale of Label product	Silkscreen Printing	Government Project	Broadband	Other	Total
Unit : Million Baht							
Quarter 3 / 2021	7 78%	17 40%	35 38%	32 45%	- 0%	1 8%	92 38%
Quarter 3 / 2020	2 67%	18 32%	41 45%	9 20%	3 14%	- n/a	73 34%
Change	5 11%	(1) 8%	(6) -7%	23 25%	(3) -14%	1 n/a	19 4%

#### ■ Gross Margin

Gross margin of parent and subsidiary companies for the third quarter increased from prior year about Baht 19 million or 26%. When consider in each segment, the gross margin ratio of the Government Project increased from 20% for the year 2020 to 45% for the year 2021 because the gross margin ratio of phase 2, which is the internet and maintenance services, has the higher margin than phase 1, which is the construction and installation. In addition, the company has managed the project cost, cause cost reducing, which make the gross profit margin of the project increased as well.

Silk screen printing unit has gross profit decreased from the year 2020 by approximately Baht 6 million or 7 percent due to severe Covid-19 situation, the company was unable to produce at full capacity in the third quarter. In addition, customers have been affected by the Covid19 situation as well, causing the volume of orders was decline. However, at present, the situation is recovering to normal before the outbreak and the company believes that it will not affect the company's growth in long term.

Broadband business has the gross margin decreased from prior year about Baht 3 million or 14% due to the decrease in subscribers. As launching of new promotions from the big player competitors.

However, during the second quarter of 2021, the company has a cooperation with FOT MSO Company Limited, which operates cable television business. This has given the company more ability to compete with competitors in 2021.

▪ **Selling and administrative expenses**

Selling and administrative expenses increased from the same quarter of the prior year by approximately 18 million baht due to the allowance for impairment of machinery in the label business during the third quarter.

▪ **Financial Cost**

Financial cost has decreased from the same quarter of the prior year by approximately Baht 2 million because during the year 2021 the company has gradually repaid the loan during the period, causing the financial cost decrease accordingly.

Operating Performance for 9 Months.

Income Statements Unit: Million Baht	Quarter 3 (9 Month) 2021		Quarter 3 (9 Month) 2020		Change	
	Revenue from sales and services	746	100%	767	100%	(21)
Cost of sales and services	(460)	-62%	(544)	-71%	84	-15%
Gross profit	286	38%	223	29%	63	28%
Other income	9	1%	10	1%	(1)	-10%
Selling and administrative expenses	(164)	-22%	(140)	-18%	(24)	17%
Profit before financial cost and income tax	131	18%	93	12%	38	41%
Financial cost	(26)	-3%	(20)	-3%	(6)	30%
Share of profit from associate	0	0%	(5)	-1%	5	-102%
Profit before income tax	105	14%	68	9%	37	55%
Income tax	(22)	-3%	(17)	-2%	(5)	29%
Net profit	83	11%	51	7%	32	63%
Portion of non-controlling interest	(17)	-2%	(17)	-2%	(0)	1%
Portion of equity holder of the Company	66	9%	34	4%	32	94%

The consolidated net profit (Loss) (portion of the parent company) for the third quarter of year 2021 and 2020 for nine months were Baht 66 million and Baht 34 million, respectively. The operating profit increased from the prior year about Baht 32 million or 64%. The Company would like to clarify the significant change in operating performance as below.

Revenue structure by business	IT Bussiness	Production and sale of Label product	Silkscreen Printing	Government Project	Broadband	Other	Total
Unit : Million Baht							
Quarter 3 / 2021	26 3%	136 18%	318 43%	204 27%	50 7%	12 2%	746 98%
Quarter 3 / 2020	7 1%	165 22%	247 32%	274 36%	74 10%	- 0%	767 100%
Change	19 271%	(29) -18%	71 29%	(70) -26%	(24) -32%	12 n/a	(21) -3%

#### ■ Revenue from Sales and Services

Overall sales and service income of the company and its subsidiaries for the 9-month period of 2021 decreased from the same period of 2020 by approximately Baht 21 million or approximately 3%. The major decrease came from the revenue from government project which decrease from the same period of prior year about Baht 70 million. Mainly, due to the revenue of phase 1 has been recognized in year 2020, then only the phase 2 (Internet and maintenance services) would be recognized in year 2021 according to the agreement. Furthermore, the decrease in revenue of broadband business for Baht 24 million due to the decrease in the number of subscribers.

For the subsidiary companies, the revenue of silkscreen printing business increased about Baht 69 million due to COVID-19 situation made the increasing trend of “work from home” consumer behavior and caused the expansion of the usage of the electric appliances. And the revenue of Label business decreased about Baht 29 million from the decrease in stainless precision stamping as the decrease in orders from the major customer because of high production cost and price reduction from competitors.

Gross margin by business	IT Bussiness	Production and sale of Label product	Silkscreen Printing	Government Project	Broadband	Other	Total
Unit : Million Baht							
Quarter 3 / 2021	21 81%	41 30%	142 45%	74 36%	7 14%	1 8%	286 38%
Quarter 3 / 2020	2 29%	50 30%	107 43%	41 15%	23 31%	- n/a	223 29%
Change	19 52%	(9) 0%	35 2%	33 21%	(16) -17%	1 n/a	63 11%

#### ■ Gross Margin

The gross profit of the group in the first nine months of 2021 increased from the same period of the prior year by approximately 63 million baht or 11%. When consider in each segment, the gross margin ratio of the government project increased from 15% for the year 2020 to 36% for the year 2021 because the gross margin ratio of phase 2 which is the internet and maintenance service has the higher margin than the phase 1 which is the construction and installation. In addition, the company has managed the project cost, cause cost reducing, which make the gross profit margin of the project increase as well. IT businesses had gross profit

increased from 2020 by about Baht 19 million baht due to more new projects and more new customers and IT business has high gross margin.

Silkscreen printing business has the gross margin increased from prior year about Baht 35 million or 2% as sales increased and cost per unit decreased. Broadband business has the gross margin decreased from prior year about Baht 16 million or 17% due to the decrease in subscribers as launch of new promotions from the big player competitors. However, during the second quarter of 2021, the company has a cooperation with FOT MSO Company Limited, which operates cable television business. This has given the company more ability to compete with competitors in the future.

- **Selling and administrative expenses**

Selling and administrative expenses increased from the same quarter of the prior year by approximately Baht 24 million baht due to the allowance for impairment of machineries in the label business during the third quarter.

- **Financial Cost**

Financial cost increased from the same period of last year about Baht 6 million as the loan for governmental project increased during the installation work of phase 1 along the year 2020. However, during quarter 1, 2 and 3 of year 2021, the company gradually repay such loan and has the plan to repay continuously during year 2021 from the expected installment cash receipt of phase 2, caused decrease the financial cost.

## Financial Position

The overview of the Company's financial position as at September 30<sup>th</sup>, 2021 compared with December 31<sup>st</sup>, 2020 are as follow.

<b>Consolidated Balance Sheet</b>						
Unit: Million Baht	<b>30 September 2021</b>		<b>31 December 2020</b>		<b>Change</b>	
<b>Assets</b>						
Current assets						
Cash and cash equivalent	150	8%	162	9%	(12)	-7%
Trade and other debtors - net	199	11%	203	12%	(4)	-2%
Contract assets	360	20%	159	9%	201	126%
Cost of government project - net	-	0%	13	1%	(13)	-100%
Inventories - net	114	6%	78	5%	36	46%
Advance for government project	-	0%	2	0%	(2)	-100%
Total current assets	823	45%	617	36%	206	33%
Non-current asset						
Non-current financial assets	112	6%	119	7%	(7)	-6%
Non current contract assets - net	81	4%	79	5%	2	3%
Investment in associate	31	2%	31	2%	-	0%
Plant, property and equipment - net	168	9%	159	9%	9	6%
Right-of-use-assets-net	46	3%	62	4%	(16)	-26%
Optical fiber network and equipment	367	20%	408	24%	(41)	-10%
Fiber network construction in process	-	0%	12	1%	(12)	-100%
Goodwill	126	7%	126	7%	-	0%
Other non-current assets	72	4%	102	6%	(30)	-29%
Total non-current assets	1,003	55%	1,098	64%	(95)	-9%
<b>Total assets</b>	<b>1,826</b>	<b>100%</b>	<b>1,715</b>	<b>100%</b>	<b>111</b>	<b>6%</b>
<b>Liabilities and shareholder's equity</b>						
<b>Liabilities</b>						
Current liabilities						
Bank over-draft and short-term loan	146	8%	318	19%	(172)	-54%
Trade and other creditors	110	6%	263	15%	(153)	-58%
Current portion of financial lease liabilities due within 1 year	23	1%	19	1%	4	21%
Current portion of long-term loan due within 1 year	148	8%	143	8%	5	3%
Current portion of payable for purchase of investment due within 1 year	-	0%	13	1%	(13)	-100%
Other current liabilities	5	0%	15	1%	10	-67%
Total current liabilities	432	24%	771	45%	(339)	-44%
Non-current liabilities						
Financial lease liabilities - net	26	1%	32	2%	(6)	-19%
Long-term loan - net	202	11%	236	14%	(34)	-14%
Other non-current liabilities	18	1%	17	1%	1	6%
Total non-current liabilities	246	13%	285	17%	(39)	-14%
<b>Total liabilities</b>	<b>678</b>	<b>37%</b>	<b>1,056</b>	<b>62%</b>	<b>(378)</b>	<b>-36%</b>

<b>Consolidated Balance Sheet</b>						
Unit: Million Baht	<b>30 September 2021</b>		<b>31 December 2020</b>		<b>Change</b>	
<b>Shareholder's equity</b>						
Paid-up share capital	649	36%	527	31%	122	23%
Paid-in capital in excess of par	220	12%	69	4%	151	219%
Legal reserve	3	0%	2	0%	1	50%
Unappropriated retained earnings	33	2%	(32)	-2%	65	-203%
Other components	38	2%	(52)	-3%	90	-173%
Total equity of the parent company	943	52%	514	30%	429	83%
Non-controlling interests	205	11%	145	8%	60	41%
<b>Total shareholder's equity</b>	<b>1,148</b>	<b>63%</b>	<b>659</b>	<b>38%</b>	<b>489</b>	<b>74%</b>
<b>Total liabilities and shareholder's equity</b>	<b>1,826</b>	<b>100%</b>	<b>1,715</b>	<b>100%</b>	<b>111</b>	<b>6%</b>

#### ■ Assets

Assets changed as below.

Cash and cash equivalent balance declined from year-end 2020 about Baht 12 million as last year the company had just received the installment cash receipt of phase 1- installment no. 3 for Baht 136 million. And in the beginning of year 2021, the company repaid the loan principal to the bank and accounts payable of the project. Furthermore, the company received money from selling of investment in subsidiary and received money from capital increase during the year. However, the money which the company received was spent to pay off creditors and to be company's working capital, it causes the overall balance decrease.

Contract assets increased from year-end 2020 about Baht 201 million due to the receivable balance which is recognized for Quarter 1, Quarter 2 and Quarter 3 of 2021 for the maintenance service of phase 2 according to the contract of government project.

Cost of government project decreased from year-end 2020 due to the reclassification of the remain balance of the cost of government project to inventories as the installation of phase 1 had completed.

Inventories increased from year-end 2020 about Baht 36 million or 46% because the raw materials, work in process and finished goods of Hinsitsu group increased about Baht 31 million from the sales increase. And the cost of government project had been reclassified to inventories.

Fiber network construction in process decreased from year-end 2020 about Baht 12 million as the remaining balance was transferred to the fiber network asset due the delivery and inspection of phase 1 - installment no. 4 had been completed within the Quarter 1 of year 2021.

#### ■ Liabilities

As for the total liabilities of the company and its subsidiaries, decreased by approximately Baht 378 million, or equivalent to approximately 36%, mainly due to the company received payments from the government projects of phase 1 - installment no. 3, cash received from the capital increase and cash received from selling partial of investment in subsidiary. Therefore, it was used to repay loans from banks and creditors. Also, the Hinshitsu group paid for the installment payments of the loan as well.

#### ■ Shareholder's Equity

Equity of the company and its subsidiaries increased approximately Baht 489 million from the end of year 2020 or approximately 74%. During the second quarter, the company issued additional shares (RO) approximately Baht 223 million and exercised warrants ESOP -W2 and SIMAT-W4 approximately Baht 47 million. Furthermore, equity increased from the profit during the period in the part of the parent company and minority shareholders' equity approximately Baht 83 million and changing in proportion of investment in subsidiary company approximately Baht 141 million. But it decreased from dividend payment of subsidiaries for non-controlling interests approximately Baht 6 million.

#### Cash Flow

Cash flow of the company and its subsidiaries for the Quarter 3 of 2021 has net decrease of Baht 12 million from end of year 2020 while Quarter 2 of 2020 has net increase of Baht 12 million from end of year 2019.

Cash Flow (Million baht)	Operating activities	Investing activities	Financing activities	Net increase (decrease)
Quarter 3 / 2021	(177)	142	23	(12)
Quarter 3 / 2020	(45)	(100)	157	12

Net cash flow from operations for the first nine months of 2021 is net cash outflow in the amount of Baht 177 million from the increase of contract assets by the revenue recognition of the government project according to the contract but no cash receipt yet, the decrease of accounts payable from the repayment to creditors of government project during the period, and the increase in inventories balance of Hinsitsu Group.

Cash flow from investments in the first nine months of 2021 was net cash inflow of approximately Baht 142 million from selling of investments in subsidiary of Baht 174 million. But reduced secured deposits of approximately 8 million baht and invested in machineries of the subsidiary about Baht 40 million.

Baht 23 million of net cash inflow from financing activities during first nine month of year 2021 was from the increase of the company's capital shares (RO) and the exercised warrants ESOP-W2 and SIMAT-W4



approximately Baht 270 million. And from the decrease of repayment of bank loans for government project and other parties of the parent company, repayment of loans over the period of the subsidiary, and pay dividends to non-controlling interests.

Best regards,

(Mr. Boonlerd Iewpornchai)

CEO / Director