

No. SICT 019/2024

13 November 2024

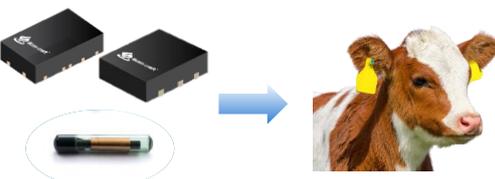
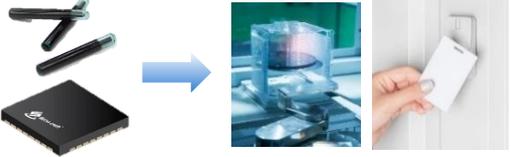
Subject: Management Discussion and Analysis for Quarter 3/2024

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 3/2024, as the details follows:

Business Overview

Silicon Craft Technology Public Company Limited engaged in design, research and development of integrated circuits (ICs) or microchips for RFID systems (Radio Frequency Identification), which is a technology used for identifying and gathering information about registered objects or animals via radio frequency. After the design process, the company outsources the manufacturing and assembly of the microchips, which are then sold under the company's brand, "SIC." As an upstream business in the semiconductor supply chain, the company's microchip products are categorized into four main groups:

<p>1. Microchip for Animal Identification group</p> 	<p>Customers purchase microchips from the company to integrate into electronic animal ID tags under their own brand, which are then sold to end-users such as cattle, sheep, goat, and other livestock owners. These tags are used to read and record specific animal information, including breed, feeding schedules, and vaccination history</p>
<p>2. Microchip for Immobilizer group</p> 	<p>Customers purchase the company's microchips to place in spare keys, which are then distributed to spare key service centers worldwide, particularly in European and American markets where vehicle security regulations are being implemented.</p>
<p>3. Microchip for Industrial IoT group</p> 	<p>Customers purchase the company's microchips and sell to industrial operators, as products in this category can serve various purposes, such as access control systems, automated guided vehicles (AGVs) in factories, waste management systems, and warehouse and logistics management systems.</p>



4. Microchip for NFC and others group

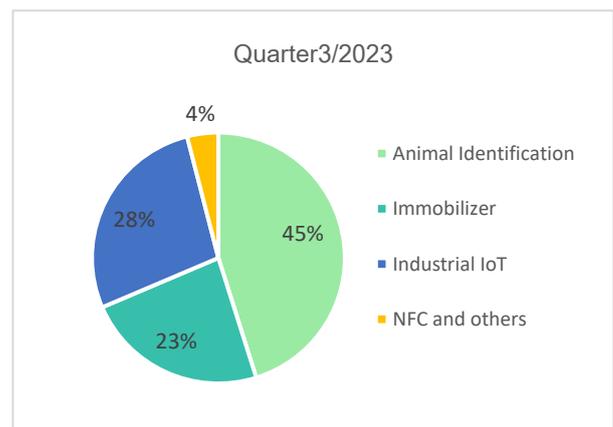
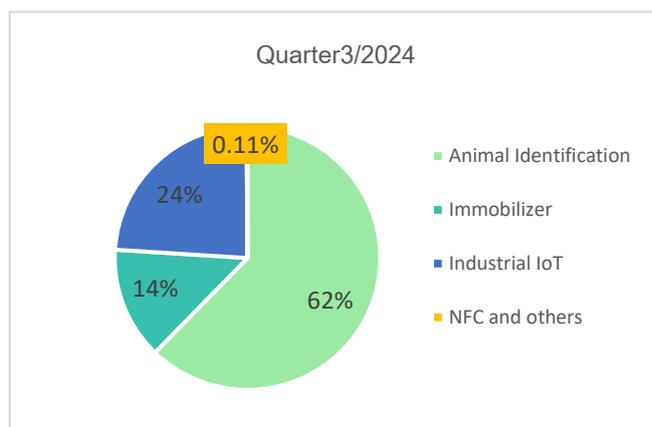


The chip can be used for smart labeling systems to prevent product counterfeiting, with customers being entrepreneurs aiming to add value and enhance product security. It can also be used to monitor various sensor readings, such as water contaminants, glucose levels, hormones, and viruses, aligning with the trend of digital healthcare.

Revenue Structure

For Quarter 3/2024, the Company's revenues are derived from 4 product groups: Animal identification group accounted for 80.3 million Baht, representing 62% of total revenue, Immobilizer group accounted for 17.7 million Baht, representing 14% of total revenue, Industrial IoT group accounted for 30.8 million Baht, representing 24% of total revenue, and NFC and others group accounted for 0.15 million Baht, representing 0.11% of total revenue. Overall sales in this quarter declined, partly due to seasonal factors, as this period coincided with long holidays for the company's clients in various countries and a high level of inventory maintained by clients as part of their management strategies.

Additionally, over 99% of the company's revenue is derived from exports to foreign markets. With the significant appreciation of the baht, the average exchange rate of baht to U.S. dollar decreased from 36.55 baht per dollar in the Quarter 2/2024 to 34.43 baht per dollar in the Quarter 3/2024, strengthening by over 6%. This has impacted revenue, gross profit margin, foreign exchange gains and losses, and net profit.



(Million Baht)

Revenue breakdown by product application	Quarter 3/2024	Revenue proportion	Quarter 3/2023	Revenue proportion	Quarter 2/2024	Revenue proportion	Change	
							%YoY	%QoQ
Revenue from Animal identification group	80.3	62%	60.9	45%	124.2	61%	32%	-35%
Revenue from Immobilizer group	17.7	14%	31.8	23%	15.7	8%	-44%	13%
Revenue from Industrial IoT group	30.8	24%	37.8	28%	62.9	31%	-19%	-51%
Revenue from NFC and others group	0.15	0.11%	5.3	4%	0.1	0.04%	-97%	84%
Profit (loss) for the year	129.0	100%	135.8	100%	202.9	100%	-5%	-36%

Statement of Comprehensive Income

(Million Baht)

Statements of Comprehensive Income	Quarter3/2024	Quarter3/2023	Quarter2/2024	Change	
				%YoY	%QoQ
Revenue from sales and services	129.0	135.8	202.9	-5%	-36%
Costs of sales or services	(75.1)	(71.9)	(114.3)	4%	-34%
Gross profits	53.9	63.8	88.6	-16%	-39%
Other income	0.3	(0.3)	3.4	N.A.	-91%
Distribution costs	(7.7)	(8.7)	(11.1)	-12%	-31%
Administrative expenses	(31.6)	(32.1)	(37.5)	-1%	-16%
Other expenses	(9.4)	0.3	-	N.A.	N.A.
Other gains (losses)	(3.9)	3.0	(0.7)	N.A.	421%
Profit (loss) from operating activities	1.6	26.0	42.7	-94%	-96%
Finance income	0.1	0.08	0.18	66%	-22%
Finance costs	(1.2)	(0.95)	(1.6)	28%	-25%
Share of loss from joint ventures	(0.03)	-	(0.11)	N.A.	-74%
Profit (loss) before tax expense	0.5	25.1	41.1	-98%	-99%
Tax income (expense)	0.1	(0.5)	0.4	N.A.	-62%
Profit (loss) for the year	0.7	24.5	41.5	-97%	-98%



*The financial statement from Quarter1/2567 onwards will be presented with "Share of loss of associate accounted for using equity method".

Profitability Ratios	Quarter3/2024	Quarter3/2023	Quarter2/2024
Gross profit margin	42%	47%	44%
Net profit margin	1%	18%	20%

Revenue from sales and services

For Quarter 3/2024, the Company's revenue from sales and services accounted for 129 million Baht, decreasing 6.7 million Baht or 5% from the same period last year due to decreasing revenue from Immobilizer group by 14.0 million baht, or 44%, and from Industrial IoT group, which decrease by 7.0 million baht, or 19%. Meanwhile, revenue from Animal Identification group, which is the main revenue contributor, still saw an increase of 19.4 million baht, or 32%. Compared to the previous quarter, revenue from sales and services decreased 73.8 million baht or 36%, partly due to seasonal factor, which revenue from Animal Identification group decreased by 43.8 million baht or 35%, and Industrial IoT group was down 32.1 million baht or 51%.

Revenue from the Animal Identification group in the Quarter 3/2024 increased 32% from the same period last year due to higher sales orders from customers in Europe, while decreased 35% from the previous quarter, due partly to seasonal factors. However, long-term outlook remains supported by the expansion of the animal identification market from the progress in the enforcement of Electronic Identification tag regulations for sheep and goat markets in Australia as well as new market expansion of the company. Furthermore, certain states in Australia have announced schemes to support the adoption of electronic animal identification tags and the installation of related systems, both through capital subsidies and discounts for tag operators. There is also a trend towards additional support announcements in other Australian states to drive nationwide adoption in the future. Additionally, there are supportive factors for increased adoption trends of electronic animal registration tags in the United States. Recently, the U.S. Department of Agriculture (USDA) had passed the regulations mandating the use of electronic tags for cattle and bison, which has already been officially effective on November 5, 2024.

Revenue from the Immobilizer group in the Quarter 3/2024 decreased 44% from the same period last year due to lower revenues from customers in Europe and the Americas, indicating signs of contraction across the entire industry which is continuously seen since the second half of 2023. Nevertheless, revenue in this segment increased by 13% from the previous quarter due to higher sales of ULTX products driven by customer orders from Europe.



Revenue from Industrial IoT group decrease 19% from the same period last year, due to decreased revenues from customers in China. Additionally, the company plans to introduce new products in this category which is in line with the company's focus on launching new products in Industrial IoT applications to support long-term revenue growth.

Revenue from NFC and others group decreased 97% from the same period last year, but increased 84% from the previous quarter. The company has plans to continuously develop new products in the NFC group in collaboration with customers, particularly in the Industrial NFC, Authentication, and Sensors groups, to drive revenue growth from these product groups in the future.

Cost of Goods Sold and Gross Profit

Cost of goods sold (COGS) for Quarter 3/2024 accounted for 75.1 million Baht, slightly increasing 3.2 million Baht or 4% from the same period last year, while decreasing 39.1 million baht or 34% from the quarter 2/2024, align with the decline in revenue from sales and services.

Gross Profit in Quarter 3/2024 was 53.9 million Baht, decreasing 9.9 million Baht or 16% from the same period last year due to a rise in cost of sales and services. Compared to the Quarter 2/2024, gross profit margin was down 34.7 million baht or 39%. **Gross profit margin** for this quarter was 42%, down from 47% from the same period last year due to changes in the product mix and impact from the Thai Baht appreciation, while gross profit margin was down from 44% in the Quarter 2/2024 as declining sales from the previous quarter, changes in the product mix, and ongoing high raw material costs were recognized. However, the company has continuously implemented a cost management plan which includes maintaining a balance between selling prices and costs, implementing both short-term and long-term cost reduction initiatives to the existing products and launching new products to enhance gross profit margins to the levels planned by the company.

Other Income

In the Quarter 3/2024, the company had other income amounting to 0.3 million baht, decreasing from the previous quarter at 3.4 million baht due to no realized gain from foreign exchange occurred during the quarter.

Selling and Administrative Expenses

Selling expenses in the Quarter 3/2024 accounted for 7.7 million Baht, decreasing 1.0 million Baht or 12% from the same period last year and decreasing 3.4 million baht or 31% compared to the Quarter 2/2024, according to the decline in revenue from sales and services.



Administrative expenses in the Quarter 3/2024 accounted for 31.6 million Baht, decreasing 0.4 million Baht or 1% from the same period last year, while decreasing 5.9 million baht or 16% compared to the previous quarter, due to decreasing research expenses.

Other Expenses

In the Quarter 3/2024, the company had other expenses amounting to 9.4 million baht due to a realized loss from exchange rates resulting from the appreciation of the Thai baht during the quarter. The average exchange rate for the Thai baht in the Quarter 2/2024 was 36.55 Baht per U.S. dollar, and in the Quarter 3/2024, it was 34.43 Baht per U.S. dollar, reflecting an appreciation of approximately 6% during the quarter.

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 the revaluation of foreign currency-denominated assets and liabilities into Thai baht.

For Quarter 3/2024, the company had other losses of 3.9 million Baht, turning from other gains of 3 million baht from the same period last year. This is due to the recognition of unrealized losses from the revaluation of assets and liabilities in foreign currencies as of the end of the period, which was impacted by the appreciation of the Thai baht. The exchange rate of the Thai baht on September 30, 2024, was 32.13 Baht per U.S. dollar, marking a peak in strength compared to other periods in the year.

However, the company implemented a risk management policy regarding exchange rates by creating a balance between the timing of foreign currency payments and revenue recognition. This included using foreign currency income to pay for raw materials or operating expenses in the same currency, converting foreign currencies into Thai baht in advance to pay for operating expenses and repay baht-denominated loans before maturity, and considering the use of forward contracts in some cases. The company also closely monitored exchange rates and interest rates from the Bank of Thailand and commercial banks to minimize the long-term impact on the company.

Finance costs

Finance costs in Quarter 3/2024 accounted for 1.2 million Baht, increasing 0.3 million Baht or 28% from the same period last year, aligned with an increase in short-term loans from financial institutions for ordering raw materials during the past year. However, financial costs decreased by 0.4 million baht, or 25%, from the previous quarter due to the gradual repayment of short-term loans from financial institutions during this quarter. The company's borrowing interest rates show a downward trend, aligning with the policy interest rate reductions made by the Monetary Policy Committee (MPC).



Share of loss from joint ventures

The company has an investment in a joint venture with a 25% stake in Adaptrics Company Limited. In the Quarter 3/2024, it recorded a share of losses amounting to 0.03 million baht, a decrease of 0.1 million baht from the previous quarter, as the joint venture began to generate revenue in this quarter.

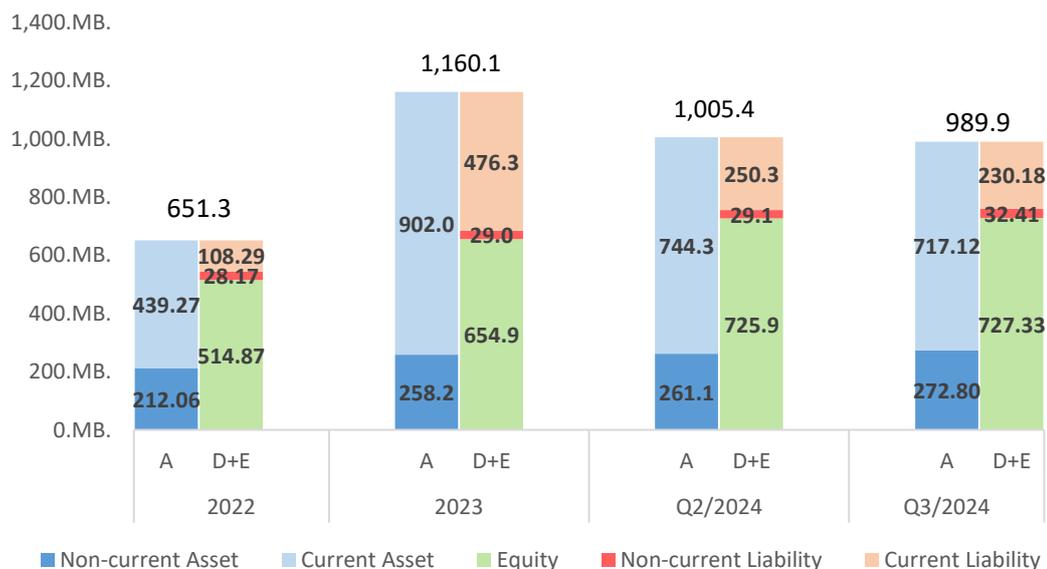
Tax income (expense)

In Quarter 3/2024, the company had tax income of 0.1 million Baht, turning from the tax expenses of 0.5 million Baht from the same period last year, as revenue from sales and services in this quarter was subject to the rights and benefits from the Board of Investment (BOI), resulting in no tax expenses for the period, and recording the deferred tax income.

Net Profit

In Quarter 3/2024, the Company had a net profit of 0.7 million Baht, decreasing 23.9 million Baht or 97% from the same period last year. The main reasons for this decline were from realized and unrealized exchange rate losses due to the appreciation of the Thai baht during the quarter, as well as increased costs from sales. However, the net profit decreased 40.8 million Baht or 98 % from the Quarter 2/2024, due primarily to a decline in sales and service revenue, partly driven by seasonal factors, and the exchange losses mentioned above. As a result, the company's net profit margin in this quarter was 1 %, down from 18 % from the same period last year and 20% in the Quarter 2/2024.

Statement of Financial Position



Total assets of the company at the end of Quarter 3/2024 were 989.9 million Baht, decreasing 170.2 million Baht from 1,160.1 million Baht at the end of 2023. This was due to decreased current assets of 184.8 million Baht, resulting from a reduction in inventory level, as the production and the delivery of products to customers, and a reduction in cash from repayment to the trade payables and financial institutions. For non-current assets, increasing by 14.6 million baht mainly from the increased intangible assets. This is due to the increased number of ongoing development projects for new product launches to support future growth.

The Company had total liabilities at the end of Quarter3/2024 equal to 262.6 million Baht, decreasing 242.7 million Baht from the end of 2023, which was 505.2 million Baht, primarily due to the repayment of trade payables and short-term loan from financial institutions. Non-current liabilities were 32.4 million baht, increasing 3.4 million baht from the end of 2023 at 29 million baht, partly from higher financial lease liabilities.

The Company's shareholders' equity at the end of Quarter 3/2024 was at 727.3 million Baht, increasing 72.5 million Baht from the end of 2023 which was 654.9 million Baht. The rise was due mainly to an increase in the unappropriated retained earnings of approximately 73.1 million Baht, corresponding to the net amount between the nine-month net profit ended September 30,2024 and dividends paid for 2024 of 89.9 million Baht and 16.8 million Baht respectively.

Key financial ratios

financial ratios	2022	2023	Q3/2023	Q2/2024	Q3/2024
Current Ratio (times)	4.06	1.89	2.50	2.97	3.12
Quick Ratio (times)	1.94	0.42	0.58	0.62	0.59
Average Sale Period (days)*	121	197	157	187	212
Average Collection Period (days)	34	31	29	43	33
Average Payment Period (days)	41	91	52	50	50
Cash Conversion Cycle (days)	114	137	134	181	196
Return on Assets (ROA)	24%	15%	22%	14%	11%
Return on Equity (ROE)	30%	24%	32%	20%	16%
Debt to Equity Ratio (times)	0.27	0.77	0.50	0.38	0.36

*Inventory excluding raw materials

In the Quarter Q3/2024, the company had a liquidity ratio of 3.12 times, reflecting its efficient liquidity management, which is sufficient to cover short-term liabilities. Cash Conversion Cycle in the Quarter 3/2024 was 196 days, up from 137 days at the end of 2023, due to an increase in the average sale period. Debt-to-Equity ratio was 0.36 times, decreasing continuously from the end of 2023 as a result of gradual repayment to



trade creditors and financial institutions. This reflects a low-risk capital structure for operations and funding ability to support future growth.

Progress in Sustainability Development



On July 31, 2024, the company received the ESG100 Certificate from Thaipat Institute, as selected to be included in the ESG100 list for 2024, marking the second consecutive year of this recognition.



The company received an “A” rating in the 2023 SET ESG Ratings assessment from the Stock Exchange of Thailand.



On September 20, 2024, the company organized a mangrove planting activity at the Khlong Khon Mangrove Conservation Center in Samut Songkhram Province, where employees and executives jointly planted around 1,000 trees, covering approximately 2 rai of land.



The company received certification for its organizational carbon footprint assessment for 2023, continuing from 2021, in accordance with the calculation and reporting standards for organizational carbon footprints set by the Thailand Greenhouse Gas Management Organization (TGO). This certification serves as a tool for calculating greenhouse gas emissions, supporting the establishment of effective management strategies to reduce emissions. For 2023, the company’s Scope 1 and Scope 2 greenhouse gas emissions totaled 139 TonCO₂e, equivalent to a Carbon Intensity of 0.9903 TonCO₂e / million Baht.

Achievements in the Quarter 3/2024



Forbes Asia Best Under A Billion 2024 by Forbes Asia





Best Innovative Company Awards from the SET Awards 2024



Outstanding Investor Relations Awards from the SET Awards 2024



Best IR Awards from the Investment Analysts Association (IAA Awards 2024)



On October 28, 2024, the company received a 5-star rating for corporate governance assessment, or "Excellent," for the third consecutive year from the Corporate Governance Survey of Thai Listed Companies for 2024, conducted by the Thai Institute of Directors Association (IOD). This reflects the company's commitment and potential to drive its business with strong corporate governance practices, ensuring stable and sustainable growth with transparency while considering the interests of all stakeholders.

Please be informed accordingly.

Best regards

(Dr. Bodin Kasemset)

Chief Executive Officer

Silicon Craft Technology Public Company Limited

