



บริษัท แฮลซียน เทคโนโลยี จำกัด (มหาชน)
HALCYON TECHNOLOGY PUBLIC CO., LTD.

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Subject: Management Discussion and Analysis for the Three-Month Period Ended 31 March 2022

To: Directors and Managers
The Stock Exchange of Thailand

Halcyon Technology PLC. ("the Company") and its subsidiaries had the operation results for the 3-month period ended 31 March 2022 with the following details:

unit: THB million	2022	2021	Change (THB mill.)	Change (%)
Revenue from Sales and Service	297.26	252.30	44.96	17.82%
Total Revenue	299.06	263.81	35.25	13.36%
Net Profit for the Year	38.96	44.92	-5.97	-13.28%
Net Profit for Shareholders of the Company	34.16	39.18	-5.02	-12.81%

Operating results for each business segment are shown below:

1. Manufacturing and Selling of Special Cutting Tools

unit: THB million	2022	2021 (adj.)	Change (THB million)	Change (%)
Revenue from External Customers	160.33	139.82	20.51	14.67%
Net Profit for the Period	28.89	33.35	-4.46	-13.36%

2. Importing and Selling of Cutting Tools

unit: THB million	2022	2021 (adj.)	Change (THB million)	Change (%)
Revenue from External Customers	125.54	104.72	20.82	19.88%
Net Profit for the Period	9.85	10.04	-0.19	-1.87%

3. Manufacturing and Selling of Tooling and Metal Fabrication

unit: THB million	2022	2021	Change (THB million)	Change (%)
Revenue from External Customers	11.39	7.76	3.63	46.84%
Net Profit for the Period	0.21	1.53	-1.32	-86.21%

For the 3-month period ended 31 March 2022 (Q1/2022), the Company and its subsidiaries had a total revenue of 299.06 million baht, increasing 35.25 million baht, or 13.36% from the same period in 2021. Revenue from sales and service was 297.26 million baht, increasing 44.96 million baht, or 17.82% from the same period in 2021.

The Manufacturing and Selling of Special Cutting Tools segment had revenue from external customers of 160.33 million baht in three months of Q1/2022, increasing 20.51 million baht, or 14.67%, from the previous year. This segment includes sales from manufacturing companies of the Company, Halcyon Technology PLC. (mother company); subsidiary in Vietnam, Halcyon Technology

Vietnam Co., Ltd. or "HV"; and the new subsidiary in the US, Mastertech Diamond Products Company or "MDP". (The Company adjusted the revenue of this segment by moving the revenue from subsidiary in the Philippines, Halcyon Technology Philippines Inc. or "HP", to the Segment 2 in 2021 due to its manufacturing plant closure in the end of 2020.) The revenue growth in this segment came from the revenue of subsidiaries MDP and HV, which increased 42.63% and 35.89% from the previous year, respectively. Both of these manufacturing plants are in the process of continuous expansion of its production capacity in the past year. Meanwhile, the revenue from the Company this quarter remained in the same level as previous year. However, overall this segment had a drop in net profit from the same period last year due to MDP having a one-time income in Q1/2021 from US government support for the relief of the effects of COVID-19 of 8.55 million baht, which caused the net profit in the previous year to be higher than usual.

The Importing and Selling of Cutting Tools segment had revenue from external customer of 125.54 million baht in three months of Q1/2022, increasing 20.82 million baht, or 19.88%, from the previous year. Revenue in this segment includes sales from 7 trading subsidiaries in Thailand and overseas, which had continuous growth due to the lifting of lockdown restrictions in other countries as well as the recovery trend of COVID-19.

The Manufacturing and Selling of Toolings and Metal Fabrications segment, which is solely from Halcyon Metal Co., Ltd. or "HM", had a revenue to external customers of 11.39 million baht in three months of Q1/2022, increasing 3.63 million baht, or 46.84% from the previous year. This segment has its main customer in the aerospace sector in the US, which was heavily affected by the COVID-19 pandemic. However, the company had seen signs of partial recovery since March 2021 and had an increase in revenue in the past year, even though the sales may not reach the normal level as the aerospace industry still requires time to recover. This segment also had increased production costs in Q1/2022, resulting in decreased net profit from previous year. This is due to the increase of production and outsourcing volume, as well as the transfer of employees from the Company to HM to support parts production and reduce costs for the Company.

Overall, in the three months of Q1/2022, the Company and its subsidiaries had a net profit of 38.96 million baht and net profit for the shareholders of the Company of 34.16 million baht. Net profit margins were 13.03% and 11.42% of the total revenue, respectively (compared to 17.03% and 14.85% in the previous year). Net profit margins for each business segment are shown below:

Net Profit Margin (to Total Revenue)	2021	2020 (adj.)
Manufacturing and Selling of Special Cutting Tools Segment	17.98%	22.29%
Importing and Selling of Cutting Tools Segment	7.78%	9.39%
Manufacturing and Selling of Tooling and Metal Fabrications Segment	1.80%	19.39%
Total	13.03%	17.03%

In Q1/2022, the Company and subsidiaries in the Special Cutting Tools segment has shown a decline in net profit margin from 22.29% to 17.98% of the total revenue. However, if the special one-time income of 8.55 million baht from government support was removed, the net profit margin for this segment had improved from the previous year due to the expansion of production capacity in the subsidiaries MDP and HV.

The Importing and Selling of Cutting Tools segment had a decrease in the net profit margin from 7.78% to 9.39% of the total revenue in Q1/2022. This is mainly due to the increase in tax expenses recoded of 2.31 million baht resulting from the increased revenue, while the gross profit margin remained similar to the previous year.

The Tooling and Metal Fabrications segment had a significant decreased in the net profit margin from 19.39% to 1.80% of the total revenue in Q1/2022. This is mainly due to the increased production costs from the increase outsourcing costs as well as the transfer of employees from the Company as mentioned.

For 2022, the Company still maintains a target for revenue growth at approximately 10% from the previous year, by focusing on the growth from subsidiaries' manufacturing companies in the US and Vietnam, which are in the process of expanding their production capacities continuously from last year. The Company also continues to monitor and assess the long-term effects of the Ukraine-Russia war. Moreover, the Company is expecting the construction of the new factory in MDP to be finished and be able to move in around Q3/2022, then the Company might consider increasing the revenue growth target for the year. However, overall, the Company expects to see a growth trend after the COVID-19 situation is starting to show trend to resolve, resulting in improving economy in the target countries of its customers both in Thailand and overseas.

Please be informed accordingly.

Sincerely Yours,

Mr. Soraj Sutanadhan
CEO