

No. DEXT-L230031/CA.km

December 31, 2022

Subject: Management's Discussion and Analysis for the year ended 31 December 2022

To President
The Stock Exchange of Thailand

Dexon Technology Public Company Limited and its subsidiaries (the "Company") would like to clarify the Management's Discussion and Analysis for the year ended 31 December 2022 as follows:

Revenue from Services

Total Revenue from services in 2022 was 607.94 million baht, representing 99.58% of total revenue, with a growth rate of 40.45% due to revenue increasing in advanced technology pipeline inspection services mainly from foreign customers. The Revenue from services can be divided as follows:

1. **Advance Inspection Technology:** The Company and its subsidiaries have income from this part in 2022 equal to 485.12 million baht, representing 79.47 percent of total revenue, with the growth rate of 39.15 percent. It can be divided into 4 categories as follows:

- 1.1 Advance Non-Destructive Testing (NDT) is an inspection by advanced techniques, methods, tools, software to ensure detailed, comprehensive, and instant inspection results. Advance NDT Revenue in 2022 was 239.42 million baht, representing 39.22% of total revenue, with a growth rate of 43.39% from an increase in shutdown work from foreign customers in the petroleum industry.
- 1.2 Advanced Inline Inspection Services (ILI) is a large-scale inline inspection work throughout the pipeline system such as pipelines, pipelines between factory equipment, underground pipelines, subsea pipelines, etc., using "Intelligent PIG" equipment. The income from Advanced Inline Inspection Services in 2022 was 233.96 million baht, accounting for 38.32 percent of total revenue, with a growth rate of 97.69 percent due to increasing in work from oversea and foreign customers where the COVID-19 situation improved.
- 1.3 Research and Development Innovation is research and development of products cooperatively with customers. The company recognizes income according to the stage of work completion. Income from this part in 2022 was 3.08 million baht, representing 0.51% of total revenue, which is research and development work from one of the domestic customers in petroleum industry to develop equipment used to inspect the inside of pipelines. The project has been continuing from 2021.

- 1.4 Other incomes the other income from advanced inspection technology in 2022 was 8.65 million baht, accounting for 1.42% of total revenues.

2. **Conventional Inspection Technology** is an inspection of the properties and defects of basic workpieces such as checking the thickness of the pipeline and checking for cracks. Revenue from this part in 2022 was 134.48 million baht, representing 22.03% of total revenue, with a growth rate of 38.40% due to increasing in annual maintenance works from large customers.

3. **Training income** on various types of inspections is from a subsidiary, Dexon Training Center Company, in 2022 equal to 18.88 million baht, representing 3.09% of total revenue, with a growth rate of 51.68% due to the company adjusting the training plan: (1) New training courses in engineering design are opened. (2) In-House Training courses are offered to provide training services at the customer's office. (3) The training department works closely with customers on course planning according to customer objectives, etc.

Revenue from Sales

Sales revenue is revenue from sales of equipment and spare parts. It is a piece of equipment that customers buy to use in the maintenance of tools used to inspect pipelines such as cables, sensors, motors, etc. In 2022, the company has sales revenue of 0.57 million baht, which is 0.09 percent of total revenue.

Cost of Sales and Services, and Gross Profit

The cost of services in 2022 was 353.78 million baht, representing 58.19% of service revenue, increasing 17.64% from the cost of services in 2021. The increase in cost basically comes from a rise in variable cost which increase in in line with the revenue from service. However, the company has labour cost and depreciation costs which are fixed cost that did not increase in line with the revenue. The increase in revenue thereby affecting the increase in gross profit margin.

The cost of sales in 2022 is equal to 0.30 million baht, respectively, representing 52.52 percent of sales revenue.

In 2022, the company and its subsidiaries had a gross profit margin of 42.00%, gross profit margin increased compared to the gross profit margin in 2021 which was 30.92% due to the increase in the company's revenue which mainly comes from large projects of foreign customers that generate high gross profit margin.

Selling Expenses

In 2022, the company had selling expenses 40.67 million baht, an increase of 11.69 million baht or 40.36% compared to 2021, because in 2022 the company had a considerable operating performance and announced to pay bonuses to employees in the amount of 6 million baht, including other benefits and welfare increase in the amount of 1.25 million baht from sales staff traveling to meet customers. Advertising and sale promotion expenses increased by 2.02 million baht to support business expansion. The company had more participation in both domestic and international exhibitions after the COVID-19 situation improved.

Administrative Expenses

In 2022, the company had administrative expenses in the amount of 94.45 million baht, an increase from 2021 in the amount of 13.90 million baht or 17.26% from bonus payments and salary adjustments in the amount of 1.49 million baht, advisory fees to prepare for listing on the stock exchange increased by 4.83 million baht, service fees related to IT system increased by 2.35 million baht from the service provider's price increase at the end of 2021 and other expenses such as fees, repair costs, rental fees, certification fees, and other expenses increased by 6.75 million baht.

Net Profit

In 2022, the company had a net profit of 105.15 million baht, representing a net profit margin of 17.22%, an increase compared to the year 2021 with a net profit margin of 4.17% due to increased revenues, especially from foreign customers, with the improve situation of COVID-19 and global oil price crisis. In 2022, the company received more large-scale projects that improve the gross profit margin. The company had some fixed costs from overseas services such as travel expenses and some customers had extended the period and scope of work for the company to provide additional services. In addition, the company had fixed costs such as equipment depreciation. As a result, the company's net profit margin for the year 2022 has improved.

Assets

The company has total assets at the end of 2022 with a value of 643.05 million baht, or 15.31%. The main assets of the company were property, buildings and equipment with a value of 292.56 million baht, accounting for 45.50% of total assets. The company has produced more equipment related to inspection to serve more customers. Trade and other receivables accounted for 28.38 percent of total assets. The company provided a lot of inspection services works which increased the trade and other receivables level at the end of 2022.

Liabilities

The company has total liabilities at the end of 2022 in the amount of 369.96 million baht, representing 57.53% of total liabilities and shareholders' equity. The total liabilities of the company are relatively stable. The main liabilities of the company consist of Short-term loans from financial institutions representing 16.32 percent of total liabilities and shareholders' equity. The company uses short-term loans from financial institutions for working capital. Long-term loans from financial institutions of the company, represent 13.69% of total liabilities and shareholders' equity, was borrowed by the company for restructuring.

Shareholders' Equity

Shareholders' equity at the end of 2022 was 273.09 million baht, representing 42.47 percent of total liabilities and shareholders' equity, increasing by 70.35 million baht, with the company's shareholders' equity continually increasing, since the company has a net profit from operations every year. The company has paid interim dividends according to the resolution of the Board of Directors' meeting held on June 24, 2022 at the rate of 360 baht per share, 379,097 shares, totalling 136.47 million baht (returned to capital increase in the amount of 100.84 million baht).

Please be informed accordingly.

Yours sincerely



Miss Chonnikarn Aranyarat

Chief Financial Officer