



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

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Subject: Management Discussion and Analysis for the Six-Month Period Ended 30 June 2023

To: Directors and Managers  
The Stock Exchange of Thailand

Halcyon Technology PLC. ("the Company") and its subsidiaries had the operation results for the six-month period ended 30 June 2023 (Q2/2023) with the following details:

unit: THB million	2023	2022	Change (THB mill.)	Change (%)
Revenue from Sales and Service	521.88	606.66	-84.79	-13.98%
Total Revenue	526.54	614.70	-88.16	-14.34%
Net Profit for the Year	19.52	85.11	-65.60	-77.07%
Net Profit for Shareholders of the Company	14.76	71.21	-56.46	-79.28%

Operating results for each business segment are shown below:

1. Manufacturing and Selling of Special Cutting Tools

unit: THB million	2023	2022	Change (THB million)	Change (%)
Revenue from External Customers	254.18	319.25	-65.07	-20.38%
Net Profit for the Period	1.20	61.74	-60.54	-98.06%

2. Importing and Selling of Cutting Tools

unit: THB million	2023	2022	Change (THB million)	Change (%)
Revenue from External Customers	233.14	261.87	-28.73	-10.97%
Net Profit for the Period	11.95	22.44	-10.49	-46.75%

3. Manufacturing and Selling of Toolings and Metal Fabrications

unit: THB million	2023	2022	Change (THB million)	Change (%)
Revenue from External Customers	34.56	25.54	9.02	35.32%
Net Profit for the Period	6.37	0.93	5.43	581.36%

For the six-month period ended 30 June 2023, the Company and its subsidiaries had a total revenue of 526.54 million baht, decreasing 88.16 million baht, or 14.34% from the same period in 2022. Revenue from sales and service was 521.88 million baht, decreasing 84.79 million baht, or 13.98% from the same period in 2022.

The Manufacturing and Selling of Special Cutting Tools segment had revenue from external customers of 254.18 million baht in the six-month period in Q2/2023, decreasing 65.07 million baht, or decreasing 20.38%, from the previous year. This segment includes revenues from manufacturing companies of the Company, Halcyon Technology PLC. (mother company); the subsidiary in Vietnam,

Halcyon Technology Vietnam Co., Ltd. or "HV"; and the subsidiary in the US, Mastertech Diamond Products Company or "MDP". The decrease in revenue in this segment was mainly due to the 45.59 million baht drop in revenue from the mother company compared to the previous year as a result of the continuous slowdown in the Hard Disk Drive (HDD) industry, which is the main target customer in the country, since Q2/2022. Previously, the Company expected this sector to recover in Q2/2023. However, due to the current economic situation in Thailand, production is expected to be sluggish until the end of this year; but may start to slowly recover in Q3-4/2023 respectively.

Furthermore, revenue from subsidiaries MDP decreased 13.01 million baht in Q2/2023 compared to the previous year, as a result of its main customer, Caterpillar (a manufacturer of heavy equipment), slowing down orders as they had previously ordered large volume for inventories since the end of 2022 in anticipation of a threat of their labor union strike in March 2023. However, they had agreed on terms with negotiation and the strike did not happen. Caterpillar, as well as its customers, had been overstocked with inventories in preparation for the situation between Q1-2/2023, resulting in the sudden drop in Caterpillar orders from 36% of total MDP sales in 2022 to 21% in 2023. Currently, Caterpillar's production has not been back to its full capacity and is still facing many uncertainties. In response, MDP has been trying to expand its customer base and have had good feedback overall. The Company expects to see growth in the second half of 2023, even though the sale proportion from the main customer is lower.

In the six-month period of Q2/2023, the subsidiary HV had a decrease of 6.47 million baht in revenue mainly due to the economic crisis in Vietnam after the rise in interest rate causing negative effects to investments in the country, especially in the real estate sector which affects HV's main customer (supplier of steel rod for construction). Other customers in the automotive and electronic sectors have also faced a slowdown in production; but in Q2/2023, the company started to see signs of recovery. Overall, it is expected that the second half of the year will improve as well.

The Importing and Selling of Cutting Tools segment had revenue from external customer of 233.14 million baht in the six-month period in Q2/2023, decreasing 28.73 million baht, or 10.97%, from the previous year. Revenue in this segment includes sales from 7 trading subsidiaries in Thailand and overseas. The decrease in revenue is mainly due to the slowdown in the HDD industry, which resulted in the drop in revenue for 2 subsidiaries namely, Halcyon Technology Singapore Pte. Ltd. and Halcyon Tools & Engineering Co., Ltd., which also had its main target customer in the HDD industry as well. However, revenue from other subsidiaries in this segment has increased compared to the same period of last year.

The Manufacturing and Selling of Toolings and Metal Fabrications segment, which is solely from Halcyon Metal Co., Ltd. or "HM", had revenue to external customers of 34.56 million baht in the six-month period of Q2/2023, increasing 9.02 million baht, or 35.32% 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 and production has reduced significantly. However, the company had continuously been recovering since early 2021, resulting in an increasing revenue in the past year.

Overall, in the six-month period of Q2/2023, the Company and its subsidiaries had a net profit of 19.52 million baht and net profit for the shareholders of the Company of 14.76 million baht. Net profit margins were 3.71% and 2.80% of the total revenue, respectively (compared to 13.85% and 11.59% in the previous year). Net profit margins for each business segment are shown below:

<b>Net Profit Margin (to Total Revenue)</b>	<b>2023</b>	<b>2022</b>
Manufacturing and Selling of Special Cutting Tools Segment	0.47%	19.01%
Importing and Selling of Cutting Tools Segment	5.12%	8.51%
Manufacturing and Selling of Tooling and Metal Fabrications Segment	18.00%	3.57%
<b>Total</b>	<b>3.71%</b>	<b>13.85%</b>

In Q2/2023, the Company and subsidiaries in the Special Cutting Tools segment has shown a net profit of 1.20 million baht compared to 61.74 million baht in the previous year. Net profit margins were 0.47% and 19.01% of the total revenue, respectively. The drop in net profit is mainly a result of

the decrease in revenue as this segment has a large portion of fixed cost due to its nature of being manufacturing plants. Gross profit margin also decreased from 37.95% to 25.16% of sales revenue in the six-month period compared to the previous year. Overall, the segment has higher proportion of cost of goods sold as the cost of raw materials increased (after the Company has negotiated with its suppliers to postpone the price raise during COVID). The subsidiary MDP also had higher cost from additional depreciation of machineries installed throughout the year, as well as expenses from the new factory. Lastly, this segment had less gain from exchange rate of 3.29 million baht due to the fluctuation of foreign exchange rates in the past year.

The Importing and Selling of Cutting Tools segment had a net profit of 11.95 million baht in the six-month period of Q2/2023, decreasing from 22.44 million baht in the previous year; and net profit margins were 5.12% and 8.51% of the total revenue, respectively. The decrease in net profit is mainly due to the decrease in revenue, as well as the increase in selling and administrative expenses from increased traveling and marketing activities after COVID-19. There were also more hiring of sales personnel and the office expansion in Singapore. In Q2/2023, this segment had less gain from exchange rate of 1.03 million baht due to the fluctuation of foreign exchange rates in the past year as well. However, in Q2/2023, the gross profit margin improved slightly from 29.52% in the previous year to 31.10% in the six-month period this year.

The Tooling and Metal Fabrications segment had a net profit of 6.36 million baht in the six-month period of Q2/2023, increasing from 0.93 million baht in the previous year; and the net profit margins were 18.00 and 3.57% of total revenue, respectively. This is mainly due to the increased revenue, which also resulted in improved gross profit margin of 34.56% of the sales revenue, compared to 27.52% in the previous year. Moreover, there was an executive retiring in January 2023, resulting in less selling and administrative expense compared to the previous year.

The operation results of the Company and its subsidiaries in the first half of 2023 did not meet expectations, especially as a result of the slowdown in the HDD industry as one of the main target customers, and the decreased production from a main customer of subsidiary MDP, as well as the overall economic crisis in Thailand and globally. There are many factors that cause uncertainties and effects to the Company's operations. It is expected that the Company may not be able to grow and reach its target as planned. However, the Company still foresees continuous improvements throughout the second half of the year, compared to the past first half.

Please be informed accordingly.

Sincerely Yours,

Mr. Soraj Sutanadhan  
CEO