



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

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Subject: Management Discussion and Analysis for the Nine-Month Period Ended 30 September 2023

To: Directors and Managers
The Stock Exchange of Thailand

Halcyon Technology PLC. ("the Company") and its subsidiaries had the operation results for the nine-month period ended 30 September 2023 (Q3/2023) with the following details:

unit: THB million	2023	2022	Change (THB mill.)	Change (%)
Revenue from Sales and Service	787.31	917.91	-130.60	-14.23%
Total Revenue	795.33	933.19	-137.86	-14.77%
Net Profit for the Year	37.15	120.45	-83.30	-69.16%
Net Profit for Shareholders of the Company	29.33	101.81	-72.48	-71.19%

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	383.62	487.47	-103.85	-21.30%
Net Profit for the Period	8.94	86.83	-77.89	-89.70%

2. Importing and Selling of Cutting Tools

unit: THB million	2023	2022	Change (THB million)	Change (%)
Revenue from External Customers	348.32	397.83	-43.50	-11.10%
Net Profit for the Period	18.29	30.78	-12.49	-40.58%

3. Manufacturing and Selling of Toolings and Metal Fabrications

unit: THB million	2023	2022	Change (THB million)	Change (%)
Revenue from External Customers	55.37	38.61	16.76	43.40%
Net Profit for the Period	9.92	2.84	7.08	249.11%

For the nine-month period ended 30 September 2023, the Company and its subsidiaries had a total revenue of 795.33 million baht, decreasing 137.86 million baht, or 14.77% from the same period in 2022. Revenue from sales and service was 787.31 million baht, decreasing 130.60 million baht, or 14.23% from the same period in 2022.

The Manufacturing and Selling of Special Cutting Tools segment had revenue from external customers of 383.62 million baht in the nine-month period in Q3/2023, decreasing 103.85 million baht, or decreasing 21.30%, 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 continuous slowdown in the Hard Disk Drive (HDD) industry, which is the main target customer in Thailand, since 2022. This resulted in the 48.06 million baht drop in revenue from the mother company compared to the previous year. Furthermore, revenue from subsidiaries MDP decreased 44.09 million baht compared to the previous year, as a result of its main customer, Caterpillar (a manufacturer of heavy equipment), decreasing production especially in the Q1-2/2023 period. Previously in 2022, revenue from this customer accounted for 36% of MDP's total sale revenue, but this year was reduced to only 21%. However, in the past three-month period Q3/2023, both the mother company and MDP have shown improving revenue figures and it is expected to continue through the fourth quarter and next year.

In the nine-month period of Q3/2023, the subsidiary HV had a decrease of 11.71 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, which is expected to remain stable in Q4/2023.

The Importing and Selling of Cutting Tools segment had revenue from external customer of 348.32 million baht in the nine-month period in Q3/2023, decreasing 43.50 million baht, or 11.10%, 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 55.37 million baht in the nine-month period of Q3/2023, increasing 16.76 million baht, or 43.40% from the previous year. This segment has its main customer in the aerospace sector in the US, which was previously heavily affected by the COVID-19 pandemic and production has reduced significantly. However, the company had continuously been recovering since 2021, resulting in an increasing revenue in the past year.

Overall, in the nine-month period of Q3/2023, the Company and its subsidiaries had a net profit of 37.15 million baht and net profit for the shareholders of the Company of 29.33 million baht. Net profit margins were 4.67% and 3.69% of the total revenue, respectively (compared to 12.91% and 10.91% in the previous year). Net profit margins for each business segment are shown below:

Net Profit Margin (to Total Revenue)	2023	2022
Manufacturing and Selling of Special Cutting Tools Segment	2.29%	17.39%
Importing and Selling of Cutting Tools Segment	5.24%	7.81%
Manufacturing and Selling of Tooling and Metal Fabrications Segment	17.53%	7.13%
Total	4.67%	12.91%

In Q3/2023, the Company and subsidiaries in the Special Cutting Tools segment has shown a net profit of 8.94 million baht compared to 86.83 million baht in the previous year. Net profit margins were 2.29% and 17.39% 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 35.93% to 25.63% of sales revenue in the nine-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 and the costs became stable this past quarter). The subsidiary MDP also had higher cost from additional depreciation of machineries installed

throughout the year, as well as other expenses from the new factory. Lastly, this segment had less gain from exchange rate of 6.46 million baht (mainly from the mother company) 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 18.29 million baht in the nine-month period of Q3/2023, decreasing from 30.78 million baht in the previous year; and net profit margins were 5.24% and 7.81% of the total revenue, respectively. The decrease in net profit is mainly due to the decrease in revenue, as well as the increased portion of 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 Q3/2023, this segment had less gain from exchange rate of 1.49 million baht due to the fluctuation of foreign exchange rates in the past year as well. However, in Q3/2023, the gross profit margin remained stable at 30.88% compared to 30.81% in the previous year.

The Tooling and Metal Fabrications segment had a net profit of 9.92 million baht in the nine-month period of Q3/2023, increasing from 2.84 million baht in the previous year; and the net profit margins were 17.53% and 7.13% of total revenue, respectively. This is mainly due to the increased revenue. Even though the costs of goods sold increase 6.76 million baht, HM is also a manufacturing plant with high portion of fixed costs. As a result, the proportion of overall cost of goods sold decreased and the gross profit margin increased to 32.35% from 29.07% in the same period of the previous year. Moreover, there was an executive who retired in January 2023, resulting in less selling and administrative expense compared to the previous year as well.

The operation results of the Company and its subsidiaries in the nine-month period 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 initially planned. However, in the three-month period Q3/2023, the Company and its subsidiaries started to see improving performance; and there are positive signals from the Aerospace, Automotive and Motorcycle industries, especially oversea. So the Company foresees continuous improvements through the fourth quarter this year.

Please be informed accordingly.

Sincerely Yours,

Mr. Soraj Sutanadhan
CEO