



Inspection for a sustainable future

We are Dexon Technology
More than 30 Years of Inspection Experience

**DEXON Technology Public Company Limited
Management's Discussion and Analysis
For the 3rd Quarter of 2023**

Executive Summary

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Dexon Technology Public Company Limited (“the company”) has revenues from services for the first nine months of 2023 amounted to Baht 387.2 million (a decrease of 1.5%YoY) which was similar to the same period of the previous year. Meanwhile, the operating performance resulted in a net loss of Baht 38.4 million due to an increase in cost of services of 16.5 %YoY ,selling expenses increased by 41.5%YoY and administrative expenses increased by 45.8%YoY.

This increase in costs is resulted from the company invested for business expansion by increasing the number of personnel in various departments and investing in machinery to increase the production capacity of equipment necessary to assemble inspection tools to serve customers requirement, resulting in higher personnel costs and depreciation costs. The total increased costs are to support the growth of overseas expansion. The business outlook during the 4th quarter of 2023, the company continues to receive incoming jobs inquiry and some of the services are postponed from the 3rd quarter of 2023. The company maintain the original target of revenues projection at approximately Baht 680-700 million as announced at the beginning of 2023.

Key Business Developments (Q3/2023)

The Company's significant business developments during the 3rd quarter of 2023 are summarized as follows:

1. Domestic Business Activities.

In the 3rd quarter of 2023, the company maintained its regular business activities for both onshore and offshore Oil & Gas services, as well as services for pipelines, Electric Power, Windfarms and advanced drone activities. Additional engineers have been hired and trained in preparation for refinery and petrochemical turnaround projects coming in the end of the year.

Numerous pipelines were inspected in Thailand’s north, east, central, and offshore in the Gulf of Thailand. The Dexon Research and Development division saw major upgrades with delivery and training for multiple new US made CNC machines to improve precision and quality of technology products. Production of a large and modern fleet of In Line Inspection (ILI) tools for longer and larger pipelines was a priority in Q2 and has started bringing benefits in this latest quarter.

The production output and testing of new technologies for pipeline ILI (robotic inspection) has continued at a good pace, to prepare for the coming high activity in Q4 as well. Dexon Mechanical Solutions, a daughter company saw increased activity for major Thai companies to provide tailor made mechanical solutions onshore.

2. International Business Activities.

Dexon's established a new USA office in Houston in Q2 and the new company has seen strong interest in the US markets, with several Master Service Agreements (MSA) already in place, as well as the first pipeline inspections carried out in Louisiana and Texas. The new office is continuing to increase specialists to meet growing customer demand.

In Europe Dexon's daughter company in Netherlands saw growing activity and the initiation of a new daughter company in Germany. This new German office took advantage of a global competitor closing their EU operations, by hiring some of their expert level engineers to join Dexon's growing technical capability in Europe. From Dexon's headquarters in Thailand teams were sent to execute projects in USA, Australia, Korea, Hong Kong, Malaysia, Indonesia, Suriname, Argentina and Norway, expanding on the company's international ambitions.

3. IPO Proceeds utilization.

During Q3 the company continued investment in land reclamation and building expansion to facilitate better and more modern production facilities. This is driven by a growing demand both for domestic and international technology activities. The company has also seen a significant increase in staff, both in administration, sales, engineering and technical services. The company also joined conferences and exhibitions in Europe, USA, South America and Asia to further enhance the brand and Dexon's capability globally.

Key financial information

Unit : Million Baht	3Q/23	2Q/23	3Q/22	change		9M/23	9M/22	change
				QoQ	YoY			YoY
Operating revenues	116.7	125.8	133.2	-7.2%	-12.4%	387.2	393.1	-1.5%
Operating profit before depreciation, finance costs, and income tax (EBITDA)	7.2	10.7	27.4	-32.7%	-73.7%	51.1	120.6	-57.6%
Net Profit*	-20.5	-22.1	7.1	7.2%	-388.7%	-38.4	44.7	-185.9%
Earnings per share (Baht/share)	-0.04	-0.05	0.01	20%	-500.0%	-0.09	0.22	-140.9%

Performance Overview 9-Month 2023

Cumulative Revenue 9 Months 2023 (9M/23), Dexon Technology Public Company Limited has operating revenues Baht 387.2 million, decrease by Baht 5.9 million. (down 1.5% YoY)

Cumulative EBITDA for 9 months 2023 (9M/23), the company had EBITDA (operating profit before depreciation, finance costs and income tax) of Baht 51.1 million. decrease of Baht 69.5 million (decrease of 57.6% YoY). This was due to an increase in service costs, selling expenses and administrative expenses, with service costs increasing by 42 million baht or 16% mainly due to increased staff costs due to the hiring of more employees in the DEXON Thailand, which has added R&D personnel, hired technology experts to develop modern inspection tools and better support customer needs, and added personnel with expertise in pipeline inspection to support the increased inspection work at the end of the year.

Net profit for the nine-month period of 2023 (9M/23), the company reported a net loss of Baht 38.4 million (down 185.9% YoY). This was mainly due to an increase in costs of services of Baht 41.7 million (up 16.4% YoY) comprises of the increase personal in R&D, Sales & Customer Support. This is to support the company's business expansion in Thailand, United States and in European countries. In addition, the company's selling expenses increased by Baht 10.3 million (up 41.5% YoY) due to increased marketing activities to create awareness of the company's inspection services business in other countries, and administrative expenses increased by Baht 24.2 million (up 36.7% YoY) due to the cost of listing the company on the Stock Exchange of Thailand in early 2023.

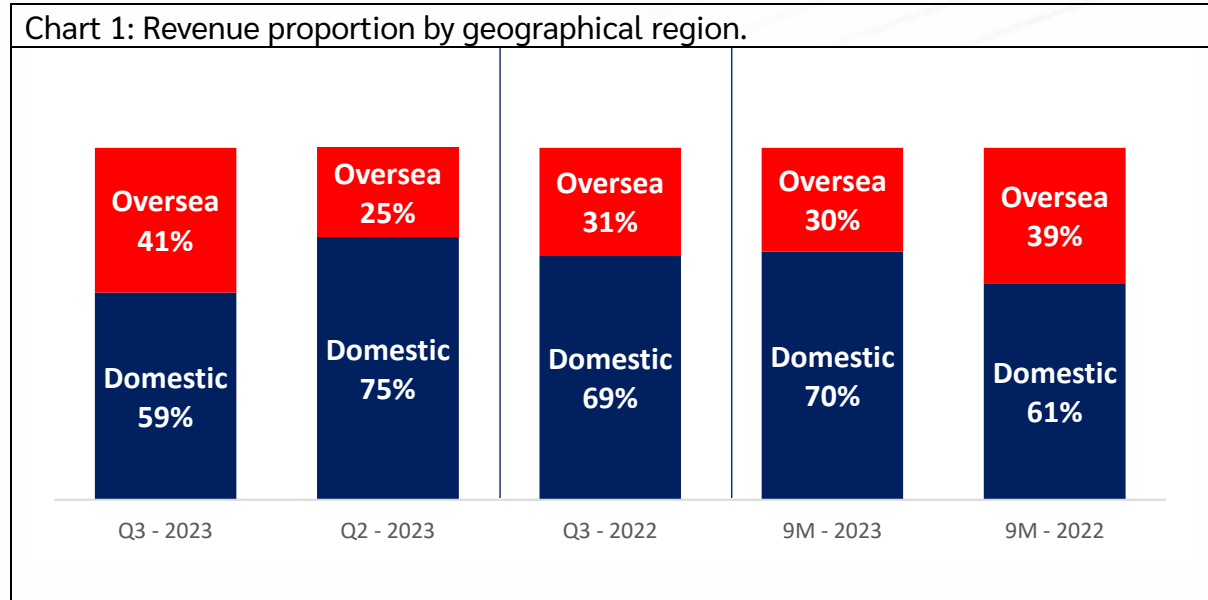
Performance Overview 3 Months Q3/23 vs Q2/23

Service revenue Q3/2023, The company's operating revenue from amounted to Baht 116.7 million, diminish 9.1 million baht (decrease of 7.2% QoQ). The revenue was lower from the international conventional non-destructive inspection services business.

EBITDA Q3/2023, The Company has EBITDA (Operating Profit Before Depreciation, Finance Costs, and Income Tax) amount 7.2 Million Baht decrease of Baht 3.5 million (decrease of Baht 32.7% QoQ) Decrease due to increased selling and administrative expenses from investment in personnel and from domestic and international business expansion

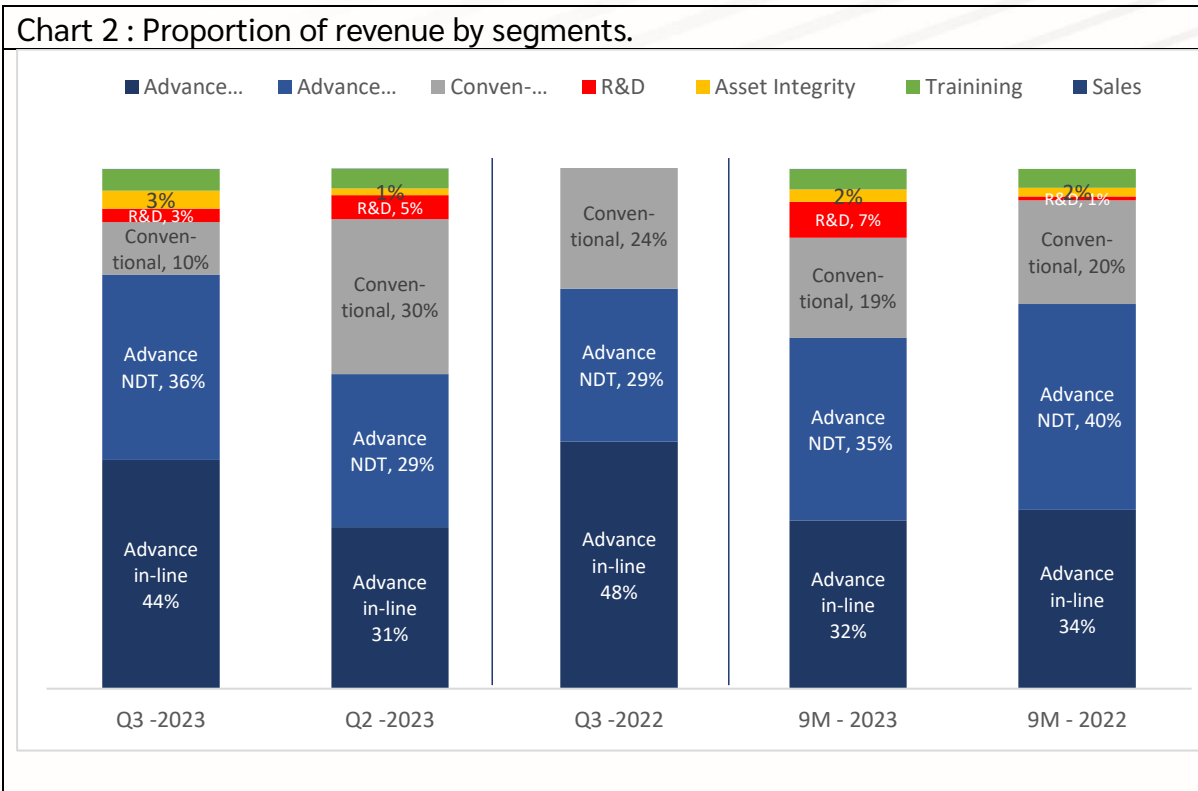
Net Profit Q3/2023 (Q3/66), The Company reported a net loss of Baht 20.5 million. Net loss decreased from the previous quarter by Baht 1.6 million. This was mainly due to the increase in personnel expenses from business expansion in Thailand and international.

Revenues by geographical region.



In Q3/2023, the company accounted for 59% of domestic and 41% foreign inspection service revenues, with the proportion of overseas service revenues increasing by 16% from 25% in Q2/2023, in line with the Company's plans to increase the proportion of services to target customers in international markets.

Revenues by segments.



In the third quarter of 2023, the company has a revenue contribution by segments as follows:

1. Revenue from advanced inspection technology accounted for 86% of total revenue.
 - 1.1 Advance in-line inspection technology (Advance in-line) accounted for 44% of total revenue, up from 31% compared to Q2/2023.
 - 1.2 Advance Non-destructive testing technology (Advance NDT) accounted for 36% of total revenue, up from 29% compared to Q2/2023.
 - 1.3 Research and Development Innovation accounted for 3% of total revenue, down from 5% compared to Q2/2023.
 - 1.4 Asset integrity Management Service (AI) accounted for 3% of total revenue.
2. Revenue from Conventional Non-destructive Inspection (Conventional NDT) accounted for 10% of total revenue, down from 30% compared to Q2/2023.
3. Revenue from training services accounted for 4% in the same proportion as Q2/2023.

Financial Status as of 30 September 2023

Items (Unit: Million baht)	Full Year 2022	% of assets.	Quarter 3 Year 2023	% of assets.	change
Cash and cash equivalents	26.12	4.1%	251.65	26.4%	863.4%
Trade and other receivables, net	182.46	28.4%	90.97	9.6%	-50.1%
Assets arising from contracts	17.75	2.8%	38.08	4.0%	114.5%
Inventories - net	39.07	6.1%	61.04	6.4%	56.2%
land plant and equipment - net	306.82	47.7%	416.39	43.7%	35.7%
Intangible assets - net	45.84	7.1%	56.71	6.0%	23.7%
Other assets	24.98	3.9%	37.72	4.0%	51.0%
Total Assets	643.05	100.0%	952.56	100.0%	48.1%
Trade and other payables	88.00	13.7%	59.96	6.3%	-31.9%
Loans from financial institutions	208.58	32.4%	57.47	6.0%	-72.4%
Employee benefit obligations	20.48	3.2%	22.26	2.3%	8.7%
Other liabilities	52.89	8.2%	36.48	3.8%	-31.0%
Total Liabilities	369.96	57.5%	176.18	18.5%	-52.4%
Issued and paid-up share capital	176.66	27.5%	238.25	25.0%	34.9%
Retained earnings	110.10	17.1%	72.31	7.6%	-34.3%
others	(13.67)	-2.1%	465.82	48.9%	-3508.9%
Include owner's equity	273.09	42.5%	776.38	81.5%	184.3%

Assets

As of September 30, 2023, the company had total assets of Baht 952 million, increase of Baht 309.5 million, mainly due to an increase of 1) cash and cash equivalents of 225.5 million from public listing and 2) Property, plant and equipment, an increase of Baht 109.6 million. This is an additional investment in machinery, increased inspection equipment and tools to support overseas business expansion where more tools and equipment are needed.

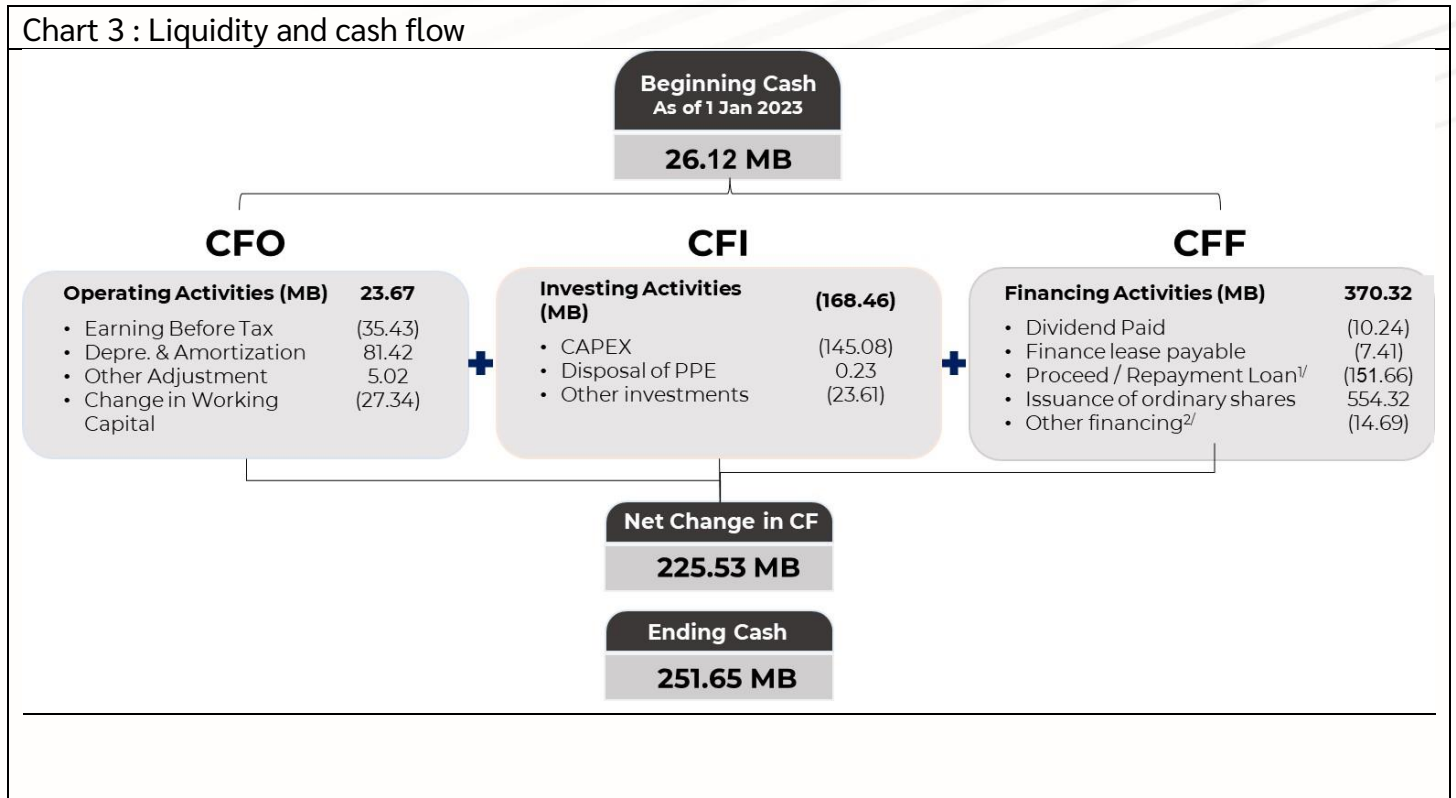
Liabilities

The company has total liabilities of Baht 176.18 million. decrease of Baht 194 million (decrease of 52.4%) from the company's repayment of loans from financial institutions.

Owner's equity

The Company has total shareholders' equity of Baht 776 million. Increase of 505.3 million baht as a result from the company has been listed in the stock exchange at the end of March 2023.

Liquidity and cash flow, ended September 30, 2023



As of September 30, 2023, the company had cash and cash equivalents of Baht 251.65 million increased from the IPO proceeds after the company has been listed in the Stock Exchange of Thailand. The company had cash flow from operating activities of Baht 23.67 million. Cash spent on investment activities Baht 168.46 million The investment amount mainly invests in machine tools and equipment. The company had net cash received from financing activities of Baht 370.32 million.