



บริษัท แฮลซียน 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 year ended 31 December 2023 with the following details:

unit: THB million	2023	2022	Change (THB mill.)	Change (%)
Revenue from Sales and Service	1,048.82	1,195.52	-146.70	-12.27%
Total Revenue	1,055.18	1,202.18	-147.00	-12.23%
Net Profit for the Year	41.62	120.34	-78.72	-65.42%
Net Profit for Shareholders of the Company	33.39	100.48	-67.09	-66.77%

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	510.51	625.15	-114.65	-18.34%
Net Profit for the Period	5.54	81.53	-75.99	-93.20%

2. Importing and Selling of Cutting Tools

unit: THB million	2023	2022	Change (THB million)	Change (%)
Revenue from External Customers	462.85	518.47	-55.62	-10.73%
Net Profit for the Period	20.68	35.38	-14.69	-41.53%

3. Manufacturing and Selling of Toolings and Metal Fabrications

unit: THB million	2023	2022	Change (THB million)	Change (%)
Revenue from External Customers	75.46	51.89	23.57	45.42%
Net Profit for the Period	15.39	3.44	11.95	347.92%

For the year ended 31 December 2023, the Company and its subsidiaries had a total revenue of 1,055.18 million baht, decreasing 147.00 million baht, or 12.23% from the year 2022. Revenue from sales and service was 1,048.82 million baht, decreasing 146.70 million baht, or 12.27% from 2022.

The Manufacturing and Selling of Special Cutting Tools segment had revenue from external customers of 510.51 million baht in 2023, decreasing 114.65 million baht, or decreasing 18.34%, 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 46.12 million baht drop in revenue from the mother company compared to the previous year. Furthermore, revenue from subsidiaries MDP decreased 55.20 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 24%. The subsidiary HV had a decrease of 13.33 million baht in revenue mainly due to the economic crisis in Vietnam after the rise in interest rate as well as the slowdown in production for its main customers. However, 2024 has shown signs of recovery, and the Company expects continuous growth throughout the year.

The Importing and Selling of Cutting Tools segment had revenue from external customer of 462.85 million baht in 2023, decreasing 55.62 million baht, or 10.73%, from the previous year. Revenue in this segment includes sales from 7 trading subsidiaries in Thailand and overseas. The decrease in revenue is partly due to the slowdown in the HDD industry as well, while revenue from customers in the Automotive and other sectors remained stable or improved. Overall, it is also affected by the slowdown in the economy in the past 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 75.46 million baht in 2023, increasing 23.57 million baht, or 45.42% 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 year 2023, the Company and its subsidiaries had a net profit of 41.62 million baht and net profit for the shareholders of the Company of 33.39 million baht. Net profit margins were 3.94% and 3.16% of the total revenue, respectively (compared to 10.01% and 8.36% 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	1.08%	12.96%
Importing and Selling of Cutting Tools Segment	4.45%	6.80%
Manufacturing and Selling of Tooling and Metal Fabrications Segment	20.10%	6.49%
Total	3.94%	10.01%

In 2023, the Company and subsidiaries in the Special Cutting Tools segment has shown a net profit of 5.54 million baht compared to 81.53 million baht in the previous year. Net profit margins were 1.08% and 12.96% of the total revenue, respectively. The drop in net profit is mainly a result of the decrease in revenue as the three companies in this segment have a large portion of fixed cost due to its nature of being manufacturing plants. Gross profit margin also decreased from 38.17% to 30.03% of the sales revenue 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 4.65 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 20.68 million baht in the 2023, decreasing from 35.38 million baht in the previous year; and net profit margins were 4.45% and 6.80% 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 with more hiring of sales personnel and the office expansion in Singapore. The gross profit margin decreased slightly from 32.05% in the previous year to 30.69%.

The Tooling and Metal Fabrications segment had a net profit of 15.39 million baht in 2023, increasing from 3.44 million baht in the previous year; and the net profit margins were 20.10% and 6.49% of total revenue, respectively. This is mainly due to the increased revenue; while the gross profit margin slightly improved from 38.52% to 39.81%. 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 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, resulting in unmet target.

For the year 2024, the Company expects a revenue growth of at least 10% from 2023 from the growth in Automotive and Aerospace sectors both locally and overseas. The US subsidiary also received increasing orders after the economy recovered from the previous year. Furthermore, companies in the group had started to bring in other non-cutting tool industrial products to sell to its customers in order to grow revenue and business opportunity in the future.

Please be informed accordingly.

Sincerely Yours,

Mr. Soraj Sutanadhan
CEO