

August 11, 2022

Subject: Management Discussion & Analysis for the three-month period ended 30 June 2022

To: The President
The Stock Exchange of Thailand

Harn Engineering Solutions Public Company and its subsidiaries ("The Company") would like to provide information on the Company's operating results of the three-month period ended June 30, 2022, which have been reviewed by our certified public accountant as follows:

Consolidated Income Statements (MB.)	Q2/2022	Q1/2022	Q2/2021 (Restated)	% Change	
				QoQ	YoY
Revenues from sales and services	300.47	289.95	259.74	3.63	15.68
Other revenues	2.70	7.23	2.97	(62.66)	(9.09)
Total revenues	303.17	297.18	262.71	2.02	15.40
Costs of sales and services	211.11	212.78	178.31	(0.78)	18.39
Distribution costs	27.83	27.22	28.62	2.24	(2.76)
Administrative expenses	34.90	35.72	32.58	(2.30)	7.12
Finance costs	0.58	0.60	0.63	(3.33)	(7.94)
Total cost and operating expenses	274.42	276.32	240.14	(0.69)	14.28
Profit before income tax	28.75	20.86	22.57	37.82	27.38
Income tax	5.74	4.71	4.60	21.87	24.78
Profit for the period	23.01	16.15	17.97	42.48	28.05
Sub Non-Controlling Interests	0.13	0.06	(0.10)	116.67	(230.00)
Profit attributable to parent company	22.88	16.09	18.07	42.20	26.62
Gross profit margin (%)	29.74%	26.61%	31.35%		
Net profit margin (%)	7.59%	5.43%	6.84%		

The company had sales and service revenue of 300.47 MB. in Q2/2022 increased by 40.73 MB. or 15.68% compared to the Q2/2021 with sales and service revenue of 259.74 MB. from gradually delivering outstanding goods and services order as of 2021 and COVID-19 pandemic situation improved. Costs of sales and services increased by 32.80 MB. or 18.39% and gross profit margin decreased 1.61% from rising cost of imported goods caused by Baht depreciation against USD and increasing freight charges. Distribution costs decreased 0.79 MB. or 2.76% and administration expenses increase 2.32 MB. or 7.12% from the travelling and exhibition expenses have increased from last year COVID-19 obstacle and the allowance for doubtful accounts have increased from longer collection period of some customers.

In Q2/2022, the Company has revenue from sales and services and gross profit margin by segments as follows.

Revenue from Sales and Services (MB.)	Q2/2022	Q1/2022	Q2/2021	% Change	
				QoQ	YoY
Fire protection products and projects	129.81	137.20	102.00	(5.39)	27.26
Air-conditioning and sanitary products	10.79	11.82	12.95	(8.71)	(16.68)
Refrigeration systems	61.16	55.59	44.94	10.02	36.09
Digital printing systems	97.24	83.64	98.89	16.26	(1.67)
Building IoT products and solutions	1.47	1.70	0.96	(13.53)	53.13
Total	300.47	289.95	259.74	3.63	15.68

Gross Profit Margin (%)	Q2/2022	Q1/2022	Q2/2021
			(Restated)
Fire protection products and projects	25.57	21.82	26.63
Air-conditioning and sanitary products	28.87	31.49	32.47
Refrigeration systems	27.21	24.51	31.20
Digital printing systems	36.74	34.93	36.30
Building IoT products and solutions	46.88	39.21	13.89
Total	29.74	26.61	31.35

The cost of sales and services, distribution costs and administrative expenses in financial statements of Q2/2021 were adjusted relating to Employee Joint Investment Program period of May 2020 to April 2025 along with related income tax expense to comply with Thai Financial Reporting Standard 2 "Share Based Payment". As a result, net profit which previously reported reduced by 0.54 million baht.

The company has net profit of 22.88 MB in Q2/2022 increased by 4.81 MB. or 26.62% comparing with the Q2/2021 with net profit of 18.07 MB. from revenue form sales and services has increased. The gross profit margin in Q2/2022 was 29.74%, compared to 31.35% in Q2/2021 from the rising cost of imported goods. The company has a net profit margin in Q2/2022 and Q2/2021 of 7.59% and 6.84% respectively.

Sincerely Yours,

.....
(Mr. Thammanoon Tripetchr)
Chief Executive Officer