

August 15, 2023

Subject: Management Discussion & Analysis for the three-month period ended 30 June 2023

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, 2023, which have been reviewed by our certified public accountant as follows:

Consolidated Income Statements (MB.)	Q2/2023	Q1/2023	Q2/2022	% Change	
				QoQ	YoY
Revenues from sales and services	331.45	308.03	300.47	7.60	10.31
Other revenues	2.32	6.74	2.70	(65.58)	(14.07)
<b>Total revenues</b>	<b>333.77</b>	<b>314.77</b>	<b>303.17</b>	<b>6.04</b>	<b>10.09</b>
Costs of sales and services	229.69	218.55	211.11	5.10	8.80
Distribution costs	29.55	29.27	27.83	0.96	6.18
Administrative expenses	35.94	36.96	34.90	(2.76)	2.98
Finance costs	0.52	0.53	0.58	(1.89)	(10.34)
<b>Total cost and operating expenses</b>	<b>295.70</b>	<b>285.31</b>	<b>274.42</b>	<b>3.64</b>	<b>7.75</b>
<b>Profit before income tax</b>	<b>38.07</b>	<b>29.46</b>	<b>28.75</b>	<b>29.23</b>	<b>32.42</b>
Income tax	7.83	5.93	5.74	32.04	36.41
<b>Profit for the period</b>	<b>30.24</b>	<b>23.53</b>	<b>23.01</b>	<b>28.52</b>	<b>31.42</b>
Sub Non-Controlling Interests	(0.18)	(0.08)	0.13	125.00	(238.46)
<b>Profit attributable to parent company</b>	<b>30.42</b>	<b>23.61</b>	<b>22.88</b>	<b>28.84</b>	<b>32.95</b>
<b>Gross profit margin (%)</b>	<b>30.70%</b>	<b>29.05%</b>	<b>29.74%</b>		
<b>Net profit margin (%)</b>	<b>9.06%</b>	<b>7.47%</b>	<b>7.59%</b>		

The company had sales and service revenue of 331.45 MB. in Q2/2023 increased by 30.98 MB. or 10.31% compared to the Q2/2022 with sales and service revenue of 300.47 MB. from the continuous recovery of domestic economic activities. Costs of sales and services increased by 18.58 MB. or 8.80% , the increase in cost of sales and services was less than the increase in sales and service income in proportion. As a result, the gross profit margin increased by 0.96% from selling price adjustment to match with higher costs and higher sales portion of special products. Distribution costs increased 1.72 MB. or 6.18% from sales bonus and incentive in consistent with sales and service growth. Administrative expenses increased by 1.04 MB. or 2.98% from increase salary and employee benefits and other operating costs.



In Q2/2023, the Company has revenue from sales and services and gross profit margin by segments as follows.

Revenue from Sales and Services (MB.)	Q2/2023	Q1/2023	Q2/2022	% Change	
				QoQ	YoY
Fire protection products and projects	171.22	151.47	129.81	13.04	31.90
Air-conditioning and sanitary products	17.68	15.43	10.79	14.58	63.86
Refrigeration systems	57.17	56.90	61.16	0.47	(6.52)
Digital printing systems	84.72	83.39	97.24	1.59	(12.88)
Building IoT products and solutions	0.66	0.84	1.47	(21.43)	(55.10)
<b>Total</b>	<b>331.45</b>	<b>308.03</b>	<b>300.47</b>	<b>7.60</b>	<b>10.31</b>

Gross Profit Margin (%)	Q2/2023	Q1/2023	Q2/2022
Fire protection products and projects	28.09	24.21	25.57
Air-conditioning and sanitary products	26.57	29.57	28.87
Refrigeration systems	25.22	27.86	27.21
Digital printing systems	40.40	38.48	36.74
Building IoT products and solutions	48.72	36.06	46.88
<b>Total</b>	<b>30.70</b>	<b>29.05</b>	<b>29.74</b>

In Q2/2023, the company had a net profit attributable to the parent company of 30.42 MB., an increase of 7.54 MB. or 32.95% compared to Q2/2022 with a net profit of 22.88 MB. from sales and service increase. In particular, the Fire protection products and projects business unit had sales increased by 41.41 million baht or 31.90% compared to the year on year period and also able to increase the gross profit margin of the business unit by 2.52%, resulting in the overall company's gross profit margin for the second quarter of 2023 equal to 30.70% compared to 29.74% of the same quarter of Y2022 and the company had a net profit margin of Q2/2023 of 9.06% compared to 7.59% of Q2/2022.

Sincerely Yours,

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

