

May 13, 2024

Subject: Management Discussion & Analysis for the three-month period ended 31 March 2024

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 for the three-month period ended March 31, 2024, which have been reviewed by our certified public accountant as follows:

Consolidated Income Statements (MB.)	Q1/2024	Q1/2023	Change	
			MB.	%
Revenues from sales and services	268.83	308.03	(39.20)	(12.73)
Other revenues	6.46	6.59	(0.13)	(1.97)
<b>Total revenues</b>	<b>275.29</b>	<b>314.62</b>	<b>(39.33)</b>	<b>(12.50)</b>
Costs of sales and services	193.03	218.55	(25.52)	(11.68)
Distribution costs	26.96	29.27	(2.31)	(7.89)
Administrative expenses	35.61	36.27	(0.66)	(1.82)
Finance costs	0.51	0.53	(0.02)	(3.77)
Impairment (gain) and reversal of impairment loss	(2.27)	0.54	(2.81)	(520.37)
<b>Total cost and operating expenses</b>	<b>253.84</b>	<b>285.16</b>	<b>(31.32)</b>	<b>(10.98)</b>
<b>Profit before income tax</b>	<b>21.45</b>	<b>29.46</b>	<b>(8.01)</b>	<b>(27.19)</b>
Tax expense	4.41	5.93	(1.52)	(25.63)
<b>Profit for the period</b>	<b>17.04</b>	<b>23.53</b>	<b>(6.49)</b>	<b>(27.58)</b>
Sub Non-Controlling Interests	(0.28)	(0.08)	(0.20)	250.00
<b>Profit attributable to parent company</b>	<b>17.32</b>	<b>23.61</b>	<b>(6.29)</b>	<b>(26.64)</b>
<b>Gross profit margin (%)</b>	<b>28.20%</b>	<b>29.05%</b>		<b>(0.85)</b>
<b>Net profit margin (%)</b>	<b>6.19%</b>	<b>7.48%</b>		<b>(1.29)</b>

The company had sales and service revenue of 268.83 MB. in Q1/2024 decreased by 39.20 MB. or 12.73% compared to the Q1/2023 with sales and service revenue of 308.03 MB. from project operation delays impacting goods delivery and service revenue recognition. Also some customers of refrigeration unit postpone investment due to slow global trade recovery and the Thai economy that grew less than expected. The sales and service income of the Fire protection products and projects business unit decreased by 20.35 MB. and the Refrigeration systems business unit decreased by 15.70 MB., respectively. Costs of sales and services decreased by 25.52 MB. or 11.68% and the gross profit margin decreased by 0.85% from higher product and import costs, besides THB depreciation. Distribution costs decreased 2.31 MB. or 7.89% as revenue decreased. Administrative expenses decreased by 0.66 MB. or 1.82% from fully amortized the customer relationships amount in Q4/2023. Impairment credit loss decreased by 2.81 MB. from receive payment from previous overdue accounts.

In Q1/2024, the Company has revenue from sales and services and gross profit margin by segments as follows.

Revenue from Sales and Services (MB.)	Q1/2024	Q1/2023	Change	
			MB.	%
Fire protection products and projects	131.12	151.47	(20.35)	(13.44)
Air-conditioning and sanitary products	11.56	15.43	(3.87)	(25.08)
Refrigeration systems	41.20	56.90	(15.70)	(27.59)
Digital printing systems	84.92	83.39	1.53	1.83
Building IoT products and solutions	0.03	0.84	(0.81)	(96.43)
<b>Total</b>	<b>268.83</b>	<b>308.03</b>	<b>(39.20)</b>	<b>(12.73)</b>

Gross Profit Margin (%)	Q1/2024	Q1/2023
Fire protection products and projects	24.92	24.21
Air-conditioning and sanitary products	26.54	29.57
Refrigeration systems	21.93	27.86
Digital printing systems	36.61	38.48
Building IoT products and solutions	(203.13)	36.06
<b>Total</b>	<b>28.20</b>	<b>29.05</b>

In Q1/2024, the company had a net profit attributable to the parent company of 17.32 MB., an decrease of 6.29 MB. or 26.64% compared to Q1/2023 with a net profit of 23.61 MB. from sales and service revenue decrease and the increased of COGS. However, the company was still maintain the overall gross profit margin similar to the same quarter of the previous year which is equal to 28.20%, compared to 29.05%, respectively. The company had net profit margin of Q1/2024 was 6.19% compared to 7.48% of Q1/2023, decreased by 1.29%

Sincerely Yours,

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 (Mr. Thammanoon Tripetchr)  
 Chief Executive Officer