

August 14, 2024

Subject: Management Discussion & Analysis for the three-month period ended June 30, 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 June 30, 2024, which have been reviewed by our certified public accountant as follows:

Consolidated Income Statements (MB.)	Q2/2024	Q1/2024	Q2/2023	% Change	
				QoQ	YoY
Revenues from sales and services	276.10	268.83	331.45	2.70%	(16.70%)
Other revenues	4.16	6.46	2.32	(35.60%)	79.31%
<b>Total revenues</b>	<b>280.26</b>	<b>275.29</b>	<b>333.77</b>	<b>1.81%</b>	<b>(16.03%)</b>
Costs of sales and services	198.58	193.03	229.69	2.88%	(13.54%)
Distribution costs	25.59	26.96	29.55	(5.08%)	(13.40%)
Administrative expenses	33.50	35.61	36.42	(5.93%)	(8.02%)
Finance costs	0.47	0.51	0.52	(7.84%)	(9.62%)
Impairment (gain) and reversal of impairment loss	(0.13)	(2.27)	(0.48)	(94.27%)	(72.92%)
<b>Total cost and operating expenses</b>	<b>258.01</b>	<b>253.84</b>	<b>295.70</b>	<b>1.64%</b>	<b>(12.75%)</b>
<b>Profit before income tax</b>	<b>22.25</b>	<b>21.45</b>	<b>38.07</b>	<b>3.73%</b>	<b>(41.56%)</b>
Tax expense	4.33	4.41	7.83	(1.81%)	(44.70%)
<b>Profit for the period</b>	<b>17.92</b>	<b>17.04</b>	<b>30.24</b>	<b>5.16%</b>	<b>(40.74%)</b>
Sub Non-Controlling Interests	(0.17)	(0.28)	(0.18)	(39.29%)	(5.56%)
<b>Profit attributable to parent company</b>	<b>18.09</b>	<b>17.32</b>	<b>30.42</b>	<b>4.45%</b>	<b>(40.53%)</b>
<b>Gross profit margin (%)</b>	<b>28.08%</b>	<b>28.20%</b>	<b>30.70%</b>	<b>(0.12%)</b>	<b>(2.62%)</b>
<b>Net profit margin (%)</b>	<b>6.39%</b>	<b>6.19%</b>	<b>9.06%</b>	<b>0.20%</b>	<b>(2.67%)</b>

The company had sales and service revenue of 276.10 MB. in Q2/2024 decreased by 55.35.20 MB. or 16.70% compared to the Q2/2023 with sales and service revenue of 331.45 MB. due to the economic slowdown, customers have postponed investments in large-scale projects, including fire protection systems and refrigeration systems. Additionally, some projects are unable to be delivered as planned. The sales and service income of the Fire protection products and projects business unit decreased by 47.01 MB. and the Refrigeration systems business unit decreased by 11.78 MB., respectively. Costs of sales and services decreased by 31.11 MB. or 13.54% and the gross profit margin decreased by 2.62% from higher product and import costs, besides THB depreciation. Distribution costs decreased 3.96 MB. or 13.40% as revenue decreased. Administrative expenses decreased by 2.92 MB. or 8.02% from fully amortized the customer relationships amount in Q4/2023.



In Q2/2024, the Company has revenue from sales and services and gross profit margin by segments as follows.

Revenue from Sales and Services (MB.)	Q2/2024	Q1/2024	Q2/2023	% Change	
				QoQ	YoY
Fire protection products and projects	124.21	131.12	171.22	(5.27%)	(27.46%)
Air-conditioning and sanitary products	15.25	11.56	17.68	31.92%	(13.74%)
Refrigeration systems	45.39	41.20	57.17	10.17%	(20.61%)
Digital printing systems	90.72	84.92	84.72	6.83%	7.08%
Building IoT products and solutions	0.53	0.03	0.66	1,666.67%	(19.70%)
<b>Total</b>	<b>276.10</b>	<b>268.83</b>	<b>331.45</b>	<b>2.70%</b>	<b>(16.70%)</b>

Gross Profit Margin (%)	Q2/2024	Q1/2024	Q2/2023
Fire protection products and projects	26.33	24.92	28.09
Air-conditioning and sanitary products	23.56	26.54	26.57
Refrigeration systems	16.75	21.93	25.22
Digital printing systems	36.60	36.61	40.40
Building IoT products and solutions	78.33	(203.13)	48.72
<b>Total</b>	<b>28.08</b>	<b>28.20</b>	<b>30.70</b>

In Q2/2024, the company had a net profit attributable to the parent company of 18.09 MB., an decrease of 12.33 MB. or 40.53% compared to Q2/2023 with a net profit of 30.42 MB. from sales and service revenue decrease and the increased of COGS. The company had net profit margin of Q2/2024 was 6.39% compared to 9.06% of Q2/2023, decreased by 2.67%

Sincerely Yours,

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(Mr. Thammanoon Tripetchr)

Chief Executive Office

