May 15, 2023

Subject: Management Discussion & Analysis for the three-month period ended 31 March 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 March 31, 2023, which have been reviewed by our certified public accountant as follows:

Consolidated Income Statements (MB.)	**Q1/2023**	**Q1/2022**	**Change**	
			MB.	**%**
Revenues from sales and services	308.03	289.95	18.08	6.24
Other revenues	6.74	7.23	(0.49)	(6.78)
Total revenues	**314.77**	**297.18**	**17.59**	**5.92**
Costs of sales and services	218.55	212.78	5.77	2.71
Distribution costs	29.27	27.22	2.05	7.53
Administrative expenses	36.96	35.72	1.24	3.47
Finance costs	0.53	0.60	(0.07)	(11.67)
Total cost and operating expenses	**285.31**	**276.32**	**8.99**	**3.25**
Profit before income tax	**29.46**	**20.86**	**8.60**	**41.23**
Income tax	5.93	4.71	1.22	25.90
Profit for the period	**23.53**	**16.15**	**7.38**	**45.70**
Non-Controlling Interests	(0.08)	0.06	(0.14)	(233.33)
Profit attributable to parent company	**23.61**	**16.09**	**7.52**	**46.74**
Gross profit margin (%)	**29.05%**	**26.61%**		
Net profit margin (%)	**7.47%**	**5.43%**		

The company had sales and service revenue of 308.03 MB. in Q1/2023 increased by 18.08 MB. or 6.24% compared to the Q1/2022 with sales and service revenue of 289.95 MB. from gradually delivering outstanding backlog orders as of 2022. Costs of sales and services increased by 5.77 MB. or 2.71% , 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 2.44% from selling price adjustment to match with higher costs and Baht appreciation tendency. Distribution costs increased 2.05 MB. or 7.53% from sales bonus and incentive and proportionately consistent with sales and service growth. Administrative expenses increased by 1.24 MB. or 3.47% from salary and employee benefits, including revising the allowance for expected credit losses appropriate to the current economic situation.

In Q1/2023, the Company has revenue from sales and services and gross profit margin by segments as follows.

Revenue from Sales and Services (MB.)	Q1/2023	Q1/2022	Change	
			MB.	%
Fire protection products and projects	151.47	137.20	14.27	10.40
Air-conditioning and sanitary products	15.43	11.82	3.61	30.54
Refrigeration systems	56.90	55.59	1.31	2.36
Digital printing systems	83.39	83.64	(0.25)	(0.30)
Building IoT products and solutions	0.84	1.70	(0.86)	(50.59)
Total	**308.03**	**289.95**	**18.08**	**6.24**

Gross Profit Margin (%)	Q1/2023	Q1/2022
Fire protection products and projects	24.21	21.82
Air-conditioning and sanitary products	29.57	31.49
Refrigeration systems	27.86	24.51
Digital printing systems	38.48	34.93
Building IoT products and solutions	36.06	39.21
Total	**29.05**	**26.61**

In Q1/2023, the company had a net profit attributable to the parent company of 23.61 MB., an increase of 7.52 MB. or 46.74% compared to Q1/2022 with a net profit of 16.09 MB. from sales and service increase. The company's ability to maintain gross profit margins and control the company's selling and administrative expenses. The gross profit margin of the Fire Protection Products and Projects Unit was below target due to some projects affected by the rising costs. However, overall gross profit margin of other business units was higher. The gross profit margin of Q1/2023 was 29.05% compared to 26.61% of the same quarter of Y2022 and the company had a net profit margin of Q1/2023 of 7.47% compared to 5.43% of Q1/2022.

Sincerely Yours,

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(Mr. Thammanoon Tripetchr)

Chief Executive Officer

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