

May 14, 2021

Subject: Management Discussion & Analysis for the three-month period ended 31 March 2021

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, 2021, which have been reviewed by our certified public accountant as follows:

Consolidated Income Statements (MB.)	Q1/2021	Q4/2020	Q1/2020	% Change	
				QoQ	YoY
Revenues from sales and services	265.38	267.92	304.30	(0.95)	(12.79)
Other revenues	3.90	3.52	6.37	10.80	(38.78)
<b>Total revenues</b>	<b>269.28</b>	<b>271.44</b>	<b>310.67</b>	<b>(0.80)</b>	<b>(13.32)</b>
Costs of sales and services	180.42	186.97	204.37	(3.50)	(11.72)
Distribution costs	26.60	26.09	29.08	1.95	(8.53)
Administrative expenses	33.19	32.19	33.89	3.11	(2.07)
Finance costs	0.44	0.01	0.03	4,300.00	1,366.67
<b>Total cost and operating expenses</b>	<b>240.65</b>	<b>245.26</b>	<b>267.37</b>	<b>(1.88)</b>	<b>(9.99)</b>
<b>Profit before income tax</b>	<b>28.63</b>	<b>26.18</b>	<b>43.30</b>	<b>9.36</b>	<b>(33.88)</b>
Income tax	5.63	4.97	8.50	13.28	(33.76)
<b>Net profit</b>	<b>23.00</b>	<b>21.21</b>	<b>34.80</b>	<b>8.44</b>	<b>(33.91)</b>
Sub Non-Controlling Interests	(0.08)	(0.11)	-	(27.27)	n/a
<b>Profit attributable to parent company</b>	<b>23.08</b>	<b>21.32</b>	<b>34.80</b>	<b>8.26</b>	<b>(33.68)</b>
<b>Gross profit margin (%)</b>	<b>32.01%</b>	<b>30.21%</b>	<b>32.84%</b>		
<b>Net profit margin (%)</b>	<b>8.54%</b>	<b>7.81%</b>	<b>11.20%</b>		

The company had sales and service revenue of 265.38 MB. in Q1/2021 decreased by 38.92 MB. or 12.79% compared to the Q1/2020 with sales and service revenue of 304.30 MB. The company had impact from the coronavirus (COVID-19) pandemic causing some customers to delay orders and / or postponing goods delivery. However, the company has sufficient amount of backlog order. It is expected to deliver substantial all of the orders in 2021. Other income decreased by 2.47 MB. or 38.78% from the decrease in warehouse rental income caused by the company's plan to combine to one main warehouse in own own property which makes more efficiently in inventory management and reduces operating costs for the long run. Moreover, the fluctuation of the exchange rate generated less foreign exchange gain comparing to the Q1/2020. The Company was able to maintain a similar overall gross profit margin of 32.01% in Q1/2021 referred to 32.84% in Q1/2020. The following data represents segment sales and service revenue along with gross profit.

Revenue from Sales and Services (MB.)	Q1/2021	Q4/2020	Q1/2020	% Change	
				QoQ	YoY
Fire protection products and projects	119.89	123.95	147.12	(3.28)	(18.51)
Air-conditioning and sanitary products	10.73	15.87	16.05	(32.39)	(33.15)
Refrigeration systems	50.69	45.23	56.27	12.07	(9.92)
Digital printing systems	82.75	82.11	84.86	0.78	(2.49)
Building IoT products and solutions	1.32	0.76	-	73.68	n/a
<b>Total</b>	<b>265.38</b>	<b>267.92</b>	<b>304.30</b>	<b>(0.95)</b>	<b>(12.79)</b>

Gross Profit (%)	Q1/2021	Q4/2020	Q1/2020
Fire protection products and projects	29.00	25.19	26.55
Air-conditioning and sanitary products	30.20	32.08	32.83
Refrigeration systems	29.79	30.96	34.48
Digital printing systems	38.21	37.09	42.66
Building IoT products and solutions	18.18	25.00	n/a
<b>Total</b>	<b>32.01</b>	<b>30.21</b>	<b>32.84</b>

For the three-month period ended March 31, 2021, the company has net profit of 23.08 MB. decreased 11.72 MB. or 33.68% comparing to the Q1/2020 with net profit of 34.80 MB., the main reasons are decrease in revenue from sales and services. The company has some portion of fixed costs such as salary and employee benefits, building and warehouse rental, depreciation and one-time expenses from relocating to the head office. As a result, the cost of distribution and administrative expenses do not decrease as much as the percentage of decreasing in total revenue or reduced by 8.53% and 2.07% respectively. As a result the company has net profit margin of 8.54% in Q1/2021 compared to 11.20% in the Q1/2020.

Sincerely Yours,

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 (Mr.Wirat Sukchai)  
 Chief Executive Officer