

February 25, 2021

Subject: Management Discussion & Analysis for the year ended 31 December 2020

To: The President
The Stock Exchange of Thailand

Harn Engineering Solutions Public Company and its subsidiary ("The Company") would like to provide information on the Company's operating results of the year ended December 31, 2020, which have been audited by our certified public accountant as follows:

Unit : MB

	Y2020	Y2019	Increase (Decrease)	% Change
Revenues from sales and services	1,152.33	1,366.88	(214.55)	(15.70)
Other revenues	17.10	27.09	(9.99)	(36.88)
Total revenues	1,169.43	1,393.97	(224.54)	(16.11)
Costs of sales and services	799.28	948.69	(149.41)	(15.75)
Distribution costs	107.33	117.56	(10.23)	(8.70)
Administrative expenses	137.29	140.78	(3.49)	(2.48)
Finance costs	0.09	-	0.09	#DIV/0!
Total cost and operating expenses	1,043.99	1,207.03	(163.04)	(13.51)
Profit before income tax	125.44	186.94	(61.50)	(32.90)
Income tax	24.56	37.32	(12.76)	(34.19)
Net profit	100.88	149.62	(48.74)	(32.58)
Sub Non-Controlling Interests	(0.09)	-	(0.09)	#DIV/0!
Profit attributable to parent company	100.97	149.62	(48.65)	(32.52)
Other comprehensive income	(0.40)	(1.64)	1.24	(75.61)
Comprehensive income for the year	100.48	147.98	(47.50)	(32.10)
Sub Non-Controlling Interests	(0.09)	-	(0.09)	#DIV/0!
Comprehensive income attributable to parent company	100.57	147.98	(47.41)	(32.04)
Gross profit margin (%)	30.64%	30.59%		
Net profit margin (%)	8.63%	10.73%		

The company had sales and service revenue of 1,152.33 MB. in year 2020 decreased by 214.55 MB. or 15.70% compared to the year 2019 with sales and service revenue of 1,366.88 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 9.99 MB. or 36.88% from the decrease in warehouse rental income caused by the company's plan to combine to one main warehouse which makes more efficiently in inventory management and reduces operating costs for the long run. Moreover, the fluctuation of the exchange rate generated less of foreign exchange gain comparing to the previous year. The Company was able to maintain a similar overall gross profit margin of 30.64% in year 2020 referred to 30.59% in year 2019. The following data represents segment sales and service revenue along with gross profit.

Unit : MB

Revenue from Sales and Services	Y2020	Y2019	Increase (Decrease)	% Change
Fire protection products and projects	534.18	644.12	(109.94)	(17.07)
Air-conditioning and sanitary products	63.82	81.10	(17.28)	(21.31)
Refrigeration systems	202.83	262.00	(59.17)	(22.58)
Digital printing systems	349.07	379.66	(30.59)	(8.06)
Building IoT products and solutions	2.43	-	2.43	#DIV/0!
Total	1,152.33	1,366.88	(214.55)	(15.70)

Gross Profit	Y2020		Y2019	
	MB	GP (%)	MB	GP (%)
Fire protection products and projects	136.91	25.63	157.06	24.38
Air-conditioning and sanitary products	19.95	31.26	22.40	27.62
Refrigeration systems	64.71	31.90	87.89	33.55
Digital printing systems	131.12	37.56	150.84	39.73
Building IoT products and solutions	0.36	14.81	-	#DIV/0!
Total	353.05	30.64	418.19	30.59

For the year 2020, the company has net profit of 100.88 MB. decreased 48.74 MB. or 32.58% comparing to the year 2019 with net profit of 149.62 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 also the rising of allowance for doubtful accounts and amortization of customer relations complying with Thai Financial Reporting standard (TFRS). Moreover having one-time expenses regarding combining the warehouse and relocating 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 8.70% and 2.48% respectively. As a result the company has net profit margin of 8.63% in Y2020 compared to 10.73% in the previous year.

Sincerely Yours,

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(Mr.Wirat Sukchai)
Chief Executive Officer