

August 11, 2021

Subject: Management Discussion & Analysis for the three-month period ended 30 June 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 June 30, 2021, which have been reviewed by our certified public accountant as follows:

Consolidated Income Statements (MB.)	Q2/2021	Q1/2021	Q2/2020	% Change	
				QoQ	YoY
Revenues from sales and services	259.74	265.38	292.59	(2.13)	(11.23)
Other revenues	2.97	3.90	4.07	(23.85)	(27.03)
Total revenues	262.71	269.28	296.66	(2.44)	(11.44)
Costs of sales and services	178.22	180.42	201.80	(1.22)	(11.68)
Distribution costs	28.36	26.60	26.59	6.62	6.66
Administrative expenses	32.25	33.19	34.52	(2.83)	(6.58)
Finance costs	0.63	0.44	0.04	43.18	1,475.00
Total cost and operating expenses	239.46	240.65	262.95	(0.49)	(8.93)
Profit before income tax	23.25	28.63	33.71	(18.79)	(31.03)
Income tax	4.74	5.63	6.76	(15.81)	(29.88)
Net profit	18.51	23.00	26.95	(19.52)	(31.32)
Sub Non-Controlling Interests	(0.10)	(0.08)	-	25.00	n/a
Profit attributable to parent company	18.61	23.08	26.95	(19.37)	(30.95)
Gross profit margin (%)	31.38%	32.02%	31.03%		
Net profit margin (%)	7.05%	8.54%	9.08%		

The company had sales and service revenue of 259.74 MB. in Q2/2021 decreased by 32.85 MB. or 11.23% compared to the Q2/2020 with sales and service revenue of 292.59 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 in 2021 and 2022. Other income decreased by 1.10 MB. or 27.03% from the decrease in warehouse rental income caused by the company's plan to combine to one main warehouse in own property which makes more efficiently in inventory management and reduces operating costs for the long run. The Company was able to maintain a similar overall gross profit margin of 31.38% in Q2/2021 referred to 31.03% in Q2/2020. The following data represents segment sales and service revenue along with gross profit.

Revenue from Sales and Services (MB.)	Q2/2021	Q1/2021	Q2/2020	% Change	
				QoQ	YoY
Fire protection products and projects	102.00	119.89	140.35	(14.92)	(27.32)
Air-conditioning and sanitary products	12.95	10.73	14.52	20.69	(10.81)
Refrigeration systems	44.94	50.69	53.35	(11.34)	(15.76)
Digital printing systems	98.89	82.75	84.37	19.50	17.21
Building IoT products and solutions	0.96	1.32	-	(27.27)	n/a
Total	259.74	265.38	292.59	(2.13)	(11.23)

Gross Profit Margin (%)	Q2/2021	Q1/2021	Q2/2020
Fire protection products and projects	26.65	28.99	25.27
Air-conditioning and sanitary products	32.47	30.24	31.60
Refrigeration systems	31.20	29.79	31.53
Digital printing systems	36.37	38.21	40.21
Building IoT products and solutions	13.89	18.46	n/a
Total	31.38	32.02	31.03

The company has net profit of 18.61 MB in Q2/2021. decreased 8.34 MB. or 30.95% comparing to the Q2/2020 with net profit of 26.95 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, depreciation and one-time expenses from relocating to the head office. However, the cost of distribution increases by 1.77 MB. or 6.66% from the investment in demonstration machine and administrative expenses decreased by 2.27 MB. or 6.58% due to a decrease in allowance for doubtful accounts when compared to the previous year and has a net profit margin in Q2/2021 and Q2/2020 of 7.05% and 9.08% respectively.

Sincerely Yours,

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 (Mr.Wirat Sukchai)
 Chief Executive Officer