

KC 061/65

August 10, 2022

Subject: Management discussion and analysis (MD&A) of operating results for the second quarter ended June 30, 2022

To President
The Market for Alternative Investment (MAI)

Kumwell Corporation Public Company Limited (“company”) would like to submit MD&A of operating results for the second quarter ended June 30, 2022, with details as follows:

Statements of Comprehensive Income

Consolidated Financial Statements								
Statements of Comprehensive Income	For the second quarter				For the period of six months			
	2022	2021	Inc. (Dec)		2022	2021	Inc. (Dec)	
			MB.	%			MB.	%
Revenue from sales and services	131.78	95.05	36.73	38.64%	272.23	209.02	63.21	30.24%
Cost of sales and services	82.90	54.34	28.56	52.55%	168.99	116.51	52.48	45.04%
Gross profit	48.87	40.71	8.16	20.07%	103.24	92.50	10.74	11.60%
Other income	0.81	2.22	(1.41)	-63.23%	2.45	3.27	(0.82)	-24.96%
Distributions costs	9.44	7.35	2.09	28.38%	18.18	14.57	3.61	24.80%
Administrative expenses	26.54	26.06	0.48	1.84%	53.58	51.30	2.28	4.45%
EBITDA	20.20	15.12	5.08	33.63%	44.64	39.30	5.34	13.59%
EBIT	13.71	9.51	4.20	44.18%	33.93	29.90	4.03	13.45%
Finance costs	1.15	0.87	0.28	31.83%	2.17	1.76	0.41	23.00%
EBT	12.56	8.63	3.93	45.43%	31.75	28.14	3.61	12.85%
Income tax expense	2.73	1.73	1.00	57.53%	6.58	5.47	1.11	20.26%
Net profit	9.83	6.90	2.93	42.39%	25.18	22.67	2.51	11.06%

1. Revenue from sales and services

In the second quarter of 2022, company and its subsidiaries had revenue from sales and services worth 131.78 million baht, increasing 38.64 percent from the same quarter of last year. For six months of 2022, had revenue from sales and services worth 272.23 million baht, increasing 30.24 compared to the same period of the year before. The revenue structure of the company and its subsidiaries divided by types of products was as shown in the following table;

	Q2 2022		Q2 2021		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Grounding System	40.64	30.84%	34.43	36.23%	6.21	18.01%
Lightning System	80.19	60.85%	54.93	57.79%	25.26	45.99%
Solution & Innovation	10.95	8.31%	5.69	5.98%	5.26	92.53%
Total	131.78	100.00%	95.05	100.00%	36.73	38.64%

The company and its subsidiaries had sales revenues of grounding system worth 40.64 million baht in the second quarter of 2022, increasing 18.01 percent compared to the same period of the year before. Sales of lightning system were 80.19 million baht, up 45.99 percent and revenue from Solution & Innovation were 10.95 million baht, up 92.53 percent mainly due to the company's proactive marketing policy that focuses on generating sales to grow continuously and also thanks to positive factors from easing up of COVID-19 situation.

	Q2 2022		Q2 2021		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Domestic	109.00	82.71%	79.26	83.39%	29.74	37.52%
Foreign	22.78	17.29%	15.79	16.61%	6.99	44.28%
Total	131.78	100.00%	95.05	100.00%	36.73	38.64%

Domestic sales were 109.00 million baht in the second quarter of 2022, up 37.52 percent from the same period last year. Foreign sales were 22.78 million baht in the quarter, up 44.28 percent from the same quarter of last year as the COVID-19 situation of trading partner countries continued to improve.

	Six months of 2022		Six months of 2021		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Grounding System	86.70	31.85%	71.60	34.26%	15.10	21.09%
Lightning System	164.56	60.45%	117.55	56.24%	47.01	39.99%
Solution & Innovation	20.97	7.70%	19.87	9.50%	1.10	5.56%
Total	272.23	100.00%	209.02	100.00%	63.21	30.24%

For six months of 2022, the company had sales revenues of grounding system were worth 86.70 million baht, up 21.09 percent compared to the same period of the year before thanks to positive sign of marketing campaign. Sales of lightning system products were 164.56 million baht, up 39.99 percent as demand from main dealers resumed while revenues from Solution & Innovation were 20.97 million baht, up 5.56 thanks to adjusted solution revenue recognition to be recorded by cost-to-cost method.

	Six months of 2022		Six months of 2021		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Domestic	223.53	82.11%	172.92	82.73%	50.61	29.27%
Foreign	48.70	17.89%	36.10	17.27%	12.60	34.89%
Total	272.23	100.00%	209.02	100.00%	63.21	30.24%

For six months of 2022, domestic sales were 223.53 million baht, up 29.27 percent compared to the same period of the year before and foreign sales were 48.70 million baht, up 34.89 percent from the same period of last year thanks to the above-mentioned factors.

2. Cost of goods and services

Cost of goods and services in the second quarter of 2022 was 82.90 million baht, up 52.55 percent from the same quarter of last year resulting gross profit margin in the second quarter of 2022 was 37.09 percent, lower than 42.83 percent of the same quarter of last year due to rising raw material costs and depreciation. For six months of 2022, cost of goods and services was 168.99 million baht, up 45.04 percent from the same period of last year, resulting in a lower gross profit margin of 37.92 percent compared to 44.26 percent of the same period of last year as the above-mentioned factors.

3. Cost of distribution

Cost of distribution of company and its subsidiaries in the second quarter of 2022 was 9.44 million baht, up 28.38 percent from the same period of last year. For six months of 2022, cost of distribution was 18.18 million baht, up 24.80 percent mainly due to company increased employee salaries including advertising and promotion expense.

4. Administrative expenses

Company and its subsidiaries had administrative expenses in the second quarter of 2022, worth 26.54 million baht, a slight up compared with 26.06 million baht of the same period last year as other fee and consultant expenses of research and development division. For six months of 2022, administrative expenses were 53.58 million baht, up 4.45 percent from the same period of last year due to a steel rolling machine impairment of grounding system production, which was a one-time expense.

5. Net profit

Net profit for the second quarter of 2022 was worth 9.83 million baht, up 42.39 percent from 6.90 million baht of the same period of last year. For six months of 2022, net profit was 25.18 million baht, up 11.06 percent from the same period of last year.

Statements of Financial Position

Consolidated Financial Statement						
Statements of Financial Position	As of 30 June 2022		2021		Inc. (Dec)	
	MB.	% of TA	MB.	% of TA	MB.	%
Cash and cash equivalents	17.05	2.22%	30.31	4.39%	(13.26)	-43.73%
A/R & Other Receivables	133.98	17.46%	148.46	21.50%	(14.48)	-9.76%
Inventories	230.78	30.08%	180.87	26.19%	49.91	27.60%
Total current assets	381.81	49.76%	359.64	52.07%	22.17	6.17%
Other non-current financial assets	20.17	2.63%	25.15	3.64%	(4.98)	-19.81%
Property, plant and equipment	340.11	44.33%	277.32	40.16%	62.79	22.64%
Right-of-use assets	13.01	1.70%	14.86	2.15%	(1.85)	-12.46%
Total non-current assets	385.50	50.24%	330.99	47.93%	54.51	16.47%
Total assets	767.31	100.00%	690.63	100.00%	76.68	11.10%

Assets

As of 30 June 2022, total assets of company and its subsidiaries were 767.31 million baht, increasing by 76.68 million baht or 11.10 percent compared with 31 December 2021, mainly from the net effect as follows:

Current assets increased by 22.17 million baht or 6.17 percent mainly from the following:

- Inventories increased by 49.91 million baht or 27.60 percent due to higher materials price and finished goods to support increased sales.

Non-current assets increased by 54.51 million baht or 16.47 percent mainly from the following:

- Property, plant and equipment increased by 62.79 million baht or 22.64 percent mainly from head office building under construction.

Consolidated Financial Statement (Continued)						
Balance Sheet	As of 30 June 2022		2021		Growth	
	MB.	% of TA	MB.	% of TA	MB.	%
Bank overdraft and short-term loans	17.33	2.26%	-	0.00%	17.33	100.00%
A/P & Other Payables	56.09	7.31%	43.94	6.36%	12.15	27.66%
Current portion of long-term loans	27.58	3.59%	17.07	2.47%	10.51	61.58%
Total current liabilities	111.18	14.49%	71.32	10.33%	39.86	55.89%
Long-term loans	113.16	14.75%	74.94	10.85%	38.22	51.00%
Lease liabilities	11.29	1.47%	13.12	1.90%	(1.83)	-13.90%
Total non-current liabilities	140.18	18.27%	102.74	14.88%	37.44	36.45%
Total liabilities	251.36	32.76%	174.06	25.20%	77.30	44.41%
Paid-up share capital	215.00	28.02%	215.00	31.13%	-	0.00%
Premium on ordinary shares	519.69	67.73%	519.69	75.25%	-	0.00%
Deficit of business combination	(460.92)	-60.07%	(460.92)	-66.74%	-	0.00%
RE-Legal Reserved	21.50	2.80%	21.50	3.11%	-	0.00%
RE-Unappropriated	203.00	26.46%	203.62	29.48%	(0.62)	-0.31%
Total shareholders' equity	515.94	67.24%	516.57	74.80%	(0.63)	-0.12%
Total Liabilities and shareholder's equity	767.31	100.00%	690.63	100.00%	76.68	11.10%

Liabilities

As of 30 June 2022, company and its subsidiaries had total liabilities 251.36 million baht, increasing by 77.30 million baht or 44.41 percent from 31 December 2021, mainly from the net effect as follows:

Total current liabilities increased by 39.86 million baht or 55.89 percent mainly from the following:

- Bank overdraft and short-term loans up 17.33 million baht or 100.00 percent mainly from bank overdraft for operation.
- Trade and other payables increased by 12.15 million baht or 27.66 percent due to accrued expenses.
- Current portion of long-term loans from financial institutions increased by 10.51 million baht or 61.58 percent due to credit limit of Soft Loan (BOT Special Loan Project) after grace period.

Total non-current liabilities increased by 37.44 million baht or 36.45 percent mainly from the following:

- Long-term loans from financial institutions increased by 38.22 million baht or 51.00 percent mainly due to the drawdown of loans for the construction of the head office building.

Shareholders' equity

As of 30 June 2022, company and its subsidiaries had total shareholders' equity 515.94 million baht, decreasing by 0.63 million baht or 0.12 percent from 31 December 2021, due to during 2022, the company has paid dividend at the rate of 0.06 baht per share, totaling 25.80 million baht, while the six months of 2022, net profit according to the financial statement was 25.18 million baht.

Yours Sincerely,

Mr. Boonsak Kiatjaroonlert

Chief Executive Officer

Kumwell Corporation Public Company Limited