

KC066/63

August 11, 2020

Subject: Management discussion and analysis (MD&A) of operating results for the second quarter ended June 30, 2020

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, 2020, with details as follows:

## Revenues

The revenue structure of company and its subsidiaries for the second quarter of the year 2020 and the year 2019 divided by types of products was as shown in the following table;

	Q2 2020		Q2 2019		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Grounding System	30.20	32.74%	45.91	41.40%	-15.71	-34.23%
Lightning System	59.45	64.46%	63.82	57.56%	-4.36	-6.84%
Others	2.58	2.80%	1.16	1.04%	1.43	123.58%
<b>Total</b>	<b>92.23</b>	<b>100.00%</b>	<b>110.88</b>	<b>100.00%</b>	<b>-18.65</b>	<b>-16.82%</b>

Company and its subsidiaries had sales revenues of grounding system worth 30.2 million baht in the second quarter of 2020, decreasing 34.23 percent compared to the same period of the year before. Sales of lightning system were 59.45 million baht, decreasing 6.84 percent compared to the same period of the year before. The lower sales were mainly due to the spread of the coronavirus 2019 (COVID-19) which led to a significant decrease in overseas sales following area closures of customers’ countries which caused delays in transportations and deliveries of products. Meanwhile demand from domestic large scale infrastructure projects and buildings under construction was slightly lower.

Overseas sales were 8.95 million baht in the second quarter of 2020, down 63.8 percent from the same quarter of last year. Domestic sales were 83.28 million baht in the second quarter of 2020, down 3.32 percent compared to the same period of the year before. Total sales were 92.23 million baht, 16.82 percent lower than the same quarter of last year.

	Q2 2020		Q2 2019		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Domestic	83.28	90.29%	86.15	77.69%	-2.86	-3.32%
Foreign	8.95	9.71%	24.74	22.31%	-15.78	-63.80%
<b>Total</b>	<b>92.23</b>	<b>100.00%</b>	<b>110.88</b>	<b>100.00%</b>	<b>-18.65</b>	<b>-16.82%</b>

	1H 2020		1H 2019		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Grounding System	76.92	36.34%	82.44	37.46%	-5.52	-6.69%
Lightning System	130.92	61.85%	135.29	61.48%	-4.37	-3.23%
Others	3.84	1.82%	2.34	1.07%	1.50	63.96%
Total	211.68	100.00%	220.07	100.00%	-8.39	-3.81%

For the first half of 2020, sales revenues of grounding system worth 76.92 million baht, down 6.69 percent compared to the same period of the year before. Sales of lightning system products were 130.92 million baht, down 3.23 percent compared to the same period of the year before due to the impact of the spread of COVID 19.

	1H 2020		1H 2019		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Domestic	176.77	83.51%	173.51	78.84%	3.26	1.88%
Foreign	34.91	16.49%	46.56	21.16%	-11.65	-25.02%
Total	211.68	100.00%	220.07	100.00%	-8.39	-3.81%

Overseas sales were 34.91 million baht in the first half of 2020, down 25.02 percent from the same period of last year. Domestic sales were 176.77 million baht in the first half of 2020, up 1.88 percent compared to the same period of the year before thanks to continuous demand from domestic infrastructure projects and building under constructions. Total sales were 211.68 million baht, declining 3.81 percent from the same period last year.

## **Cost of goods and services**

Cost of goods and services in the second quarter of 2020 was 50.84 million baht, down 30.74 percent from 73.40 million baht of the same quarter of last year. Gross profit margin in the second quarter of 2020 was 44.88 percent, higher than 33.81 percent of the same quarter of last year. For the first six months of 2020, cost of goods and services was 122.49 million baht, down 14.14 percent from the same period of last year, resulting in a higher gross profit margin of 42.13 percent compared to 35.18 percent of the same period of last year. The increase in gross profit margin was mainly due to company's cost reduction process and a decrease in inventory impairment.

## **Cost of distribution**

Cost of distribution of company and its subsidiaries in the second quarter of 2020 was 5.84 million baht, decreasing 12.15 percent from the same period of last year. For the first six months, cost of distribution of company and its subsidiaries was 13.47 million baht, down 6.36 percent. Company raised salary and benefits of sales staff while decreased cost of booth, seminar and advertising expenses significantly.

## **Administrative expenses**

Company and its subsidiaries had administrative expenses of 22.74 million baht in the second quarter of 2020 compared with 21.90 million baht of the same period last year, up 3.82 percent, thanks to the salary and employee benefits. For the first six months, administrative

expenses were 47.14 million baht, up 12.51 percent from the same period of last year due to salary and employee benefits, depreciation, maintenance costs and allowance for doubtful accounts which increased in line with new accounting standard TFRS9.

## **Net profit**

Net profit for the second quarter of 2020 was worth 9.83 million baht, up 33.3 percent from 7.37 million baht of the same period of last year. For the first six months of 2020, net profit was 22.91 million baht, up 39.97 percent from the same period of last year.

Yours Sincerely,

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Mr. Boonsak Kiatjaroonlert  
Chief Executive Officer  
Kumwell Corporation Public Company Limited