

November 16, 2020

Subject: Management Discussion &amp; Analysis for 3rd Quarter Ended 30 September 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 three-month period ended September 30, 2020, which have been reviewed by our certified public accountant as follows:

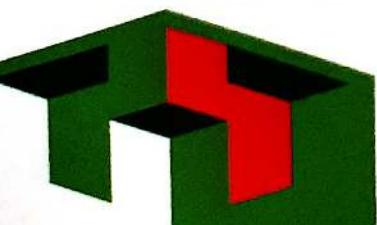
Unit : MB

	Q3/2020	Q3/2019	Increase (Decrease)	% Change
Revenues from sales and services	287.52	323.40	(35.88)	(11.09)
Other revenues	3.13	5.99	(2.86)	(47.75)
<b>Total revenues</b>	<b>290.65</b>	<b>329.39</b>	<b>(38.74)</b>	<b>(11.76)</b>
Costs of sales and services	206.14	221.79	(15.65)	(7.06)
Distribution costs	25.57	29.25	(3.68)	(12.58)
Administrative expenses	36.70	33.03	3.67	11.11
Finance costs	0.01	-	0.01	#DIV/0!
<b>Total cost and operating expenses</b>	<b>268.42</b>	<b>284.07</b>	<b>(15.65)</b>	<b>(5.51)</b>
<b>Profit before income tax</b>	<b>22.23</b>	<b>45.32</b>	<b>(23.09)</b>	<b>(50.95)</b>
Income tax	4.32	9.05	(4.73)	(52.27)
<b>Net profit</b>	<b>17.91</b>	<b>36.27</b>	<b>(18.36)</b>	<b>(50.62)</b>
Sub Non-Controlling Interests	(0.02)	-	(0.02)	#DIV/0!
<b>Profit attributable to parent company</b>	<b>17.89</b>	<b>36.27</b>	<b>(18.38)</b>	<b>(50.68)</b>
<b>Gross profit margin (%)</b>	<b>28.30%</b>	<b>31.42%</b>		
<b>Net profit margin (%)</b>	<b>6.16%</b>	<b>11.01%</b>		

In Q3/2020, the Company realized revenue from sales and services of Baht 287.52 million, decreasing by Baht 35.88 million or 11.09% from the same period of the previous year of Baht 323.40 million. The segment information of revenues from sales and services and related gross profit are as follows.

Unit : MB

Revenue from Sales and Service	Q3/2020	Q3/2019	Increase (Decrease)	% Change
Fire protection systems and projects	122.76	152.91	(30.15)	(19.72)
Air-conditioning and sanitary products	17.38	21.20	(3.82)	(18.02)
Refrigeration systems	47.98	55.64	(7.66)	(13.77)
Digital printing systems	97.73	93.65	4.08	4.36
Building IoT Products and Solutions	1.67	-	1.67	#DIV/0!
<b>Total</b>	<b>287.52</b>	<b>323.40</b>	<b>(35.88)</b>	<b>(11.09)</b>





Gross Profit	Q3/2020		Q3/2019	
	MB	GP%	MB	GP%
Fire protection systems and projects	31.18	25.40	35.80	23.41
Air-conditioning and sanitary products	5.00	28.77	6.34	29.91
Refrigeration systems	14.49	30.20	19.74	35.48
Digital printing systems	30.55	31.26	39.73	42.42
Building IoT Products and Solutions	0.16	9.58	-	#DIV/0!
<b>Total</b>	<b>81.38</b>	<b>28.30</b>	<b>101.61</b>	<b>31.42</b>

The Company had net profit Q3/2020 of Baht 17.91 million, decreased Baht 18.36 million, or 50.62% compared with Q3/2019, Baht 36.27 million. The Dropping in net profit due to the reducing revenue from sales and services. Some clients were affected by the novel coronavirus pandemic (COVID-19). As a result, some purchase orders have been temporarily suspended or postponed. Gross profit margin was decreased 3.12% from the portion of product mix changed from the previous year especially in Digital Printing Business unit. Printing machine sales represents 34.71% of the BU's total sales and services revenue comparing to 19.31% in the same period of the 2019. And gross profit margin of printing machine is normally lower than its consumables and spare parts. However, the Company can generate more sales and profit from selling consumables and spare parts to those who uses our printing machine in the future.

Distribution costs dropped 12.58% compared to Q3/2019 because some exhibition expos and other sales promotion and campaigns were called off due to the pandemic. Administrative expenses hiked contrasting to the decreased sales and services revenue. Significant parts of the administrative expenses are fixed for example salary and staff welfare, office and warehouse rental, depreciation and amortization. Besides the Company recorded extra amount of allowance for doubtful accounts from the financial and liquidity issues of some clients and cause some overdue balances. This accounting treatment is comply with Expected Credit Loss Model (ECL) in Thai Financial Reporting standard No.9 Financial Instruments.

Sincerely Yours,

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 (Mr.Wirat Sukchai)  
 Chief Executive Officer

