

February 25, 2022

Subject: Management Discussion & Analysis for the year ended December 31, 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 year ended December 31, 2021, which have been audited by our certified public accountant as follows:

Consolidated Income Statements (MB.)	Y 2021	Y 2020 (Restated)	Y 2020 (Previously reported)	Change	
				MB.	%
Revenues from sales and services	1,025.98	1,152.33	1,152.33	(126.35)	(10.96)
Other revenues	20.15	17.10	17.10	3.05	17.84
Total revenues	1,046.13	1,169.43	1,169.43	(123.30)	(10.54)
Costs of sales and services	713.71	799.83	799.28	(86.12)	(10.77)
Distribution costs	107.57	108.69	107.33	(1.12)	(1.03)
Administrative expenses	132.50	139.11	137.29	(6.61)	(4.75)
Finance costs	2.31	0.09	0.09	2.22	2,466.67
Total cost and operating expenses	956.09	1,047.72	1,043.99	(91.63)	(8.75)
Profit before income tax	90.04	121.71	125.44	(31.67)	(26.02)
Income tax	17.81	23.82	24.56	(6.01)	(25.23)
Profit for the year	72.23	97.89	100.88	(25.66)	(26.21)
Sub Non-Controlling Interests	(0.04)	(0.09)	(0.09)	0.05	(55.56)
Profit attributable to parent company	72.27	97.98	100.97	(25.71)	(26.24)
Gross profit margin (%)	30.44%	30.59%	30.64%		
Net profit margin (%)	6.90%	8.37%	8.63%		

The company had sales and service revenue of 1,025.98 MB. in Y2021 decreased by 126.35 MB. or 10.96% compared to the Y2020 with sales and service revenue of 1,152.33 MB. The company's operations has been affected by the coronavirus (COVID-19) pandemic and construction site closure causing some customers to delay orders and / or postponing goods delivery. However, the company has considerable amount of backlog order. It is expected to deliver substantial amount in Y2022. Other income increased by 3.05 MB. or 17.84% from the increase in dividend income, gain on property fund investments, foreign exchange gain and the relief measure from the Thai government to heal the impact caused by the Covid-19 situation. Costs of sales and services decrease by 86.12 MB. or 10.77% which the proportion of the decrease is the same as the decrease in revenues from sales and services. Distribution costs and administration expenses decreased 1.03% and 4.75% respectively. Finance costs increased by 2.22 MB from office and warehouse lease liabilities.

The Company was able to maintain a similar overall gross profit margin of 30.44% in Y2021 compared to 30.59% in Y2020. The following data represents segment sales and service revenue along with gross profit margin.

Revenue from Sales and Services (MB.)	Y 2021	Y 2020 (Restated)	Change	
			MB.	%
Fire protection products and projects	423.94	534.18	(110.24)	(20.64)
Air-conditioning and sanitary products	47.85	63.82	(15.97)	(25.02)
Refrigeration systems	197.35	202.83	(5.48)	(2.70)
Digital printing systems	351.90	349.06	2.84	0.81
Building IoT products and solutions	4.94	2.44	2.50	102.46
Total	1,025.98	1,152.33	(126.35)	(10.96)

Gross Profit Margin (%)	Y 2021	Y 2020 (Restated)	Y 2020 (Previously reported)
Fire protection products and projects	26.55	25.61	25.63
Air-conditioning and sanitary products	29.48	31.26	31.26
Refrigeration systems	27.45	31.90	31.90
Digital printing systems	36.90	37.43	37.56
Building IoT products and solutions	31.78	14.87	14.87
Total	30.44	30.59	30.64

The cost of sales and services, distribution costs and administrative expenses in financial statements of Y2020 were adjusted relating to Employee Joint Investment Program No2 period of May 2020 to April 2025 along with related income tax expense to comply with Thai Financial Reporting Standard 2 "Share Based Payment". As a result, gross profit and net profit reduced by 0.55 million baht and 2.99 million baht respectively.

The company has net profit of 72.27 MB in Y2021. decreased by 25.71 MB. or 26.24% comparing to the Y2020 with net profit of 97.98 MB. The main reasons are decrease in revenue from sales and services and the company has some portion of fixed costs such as salary and employee benefits, depreciation and amortization. The company has a net profit margin in Y2021 and Y2020 of 6.90% and 8.37% respectively.

Sincerely Yours,

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(Mr.Wirat Sukchai)
Chief Executive Officer