

November 13, 2025

Subject : Management Discussion and Analysis for the 3rd quarter period ended September 30, 2025.

To : 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 for the three-month period ended September 30, 2025, which have been reviewed by our certified public accountant as follows:

1. Overview of Business Operations, Economic Conditions, and Industry Environment Affecting Operations

Thailand's economy in the third quarter of 2025 slowed compared to the previous quarter. Private investment continued to contract, particularly in residential construction projects, alongside rising outstanding private-sector debt. The Thai baht remained volatile, while logistics costs stayed elevated due to geopolitical tensions. With respect to industry-wide competition that affects business operations, both domestic and international markets continued to face intense competitive pressure, including the growing presence of low-priced imported products competing directly with the high-standard products represented by the Company. As a result, the Company employed its strengths in product quality and marketing initiatives to retain its existing customer base. In addition, the Company sought new opportunities to expand its customer portfolio. The fire protection systems business broadened its customer base from the residential and office building market to include industrial factories and data centers, while also exploring new investment alternatives to diversify its portfolio and enhance returns for shareholders.

Operating Performance in Q3/2025

In this quarter, the Company's performance was affected by the economic downturn, resulting in a decrease of 34.08 million baht in sales and service revenue, or 10.32%. The Company also recognized an increase of 7.50 million baht in expected credit loss (ECL) compared to the same quarter of the previous year. This is in accordance with financial reporting standards, which emphasize prudence related to provisions for doubtful accounts by considering receivable aging, past payment history, and the forecast of future repayment ability.

This is particularly significant for customers in the construction contractor segment— the Company's main customer group— which accounts for more than 50%. Economic conditions in the industry, such as reduced bidding activities from both government and private sectors, intense competition, and rising labor and material costs, have inevitably impacted their financial liquidity.

The Company therefore adjusts its credit assessment criteria and enhance debt monitoring processes to align with current economic conditions, in order to manage credit risk to an acceptable level.

As a result of these impacts, the company recorded a net profit attributable to the parent company of 22.64 million baht, a decrease of 9.99 million baht, or 30.63%, compared to the same quarter of the previous year.

2. Summary of Key Events and Developments

The Company's business operations in the third quarter of 2025 continued as normal. For Mollisa Co., Ltd., a newly established subsidiary registered in the first quarter of 2025, the Company has, in this quarter, obtained certification for the manufacturing of Class 1 medical devices under ISO 13485, as well as approval for its medical-device manufacturing facility. The final step underway is product registration with the Food and Drug Administration to enable manufacturing, distribution, and promotional activities. The project continues to progress according to plan, with production and sales expected to commence in early 2026. For the year 2025, the new subsidiary has not yet commenced operations that generate revenue.

Mollisa Co., Ltd. was incorporated on 13 February 2025 with the Department of Business Development, Ministry of Commerce (in accordance with the resolution of the Board of Directors' Meeting No. 6/2024 dated 13 November 2024). The Company holds 100 percent of its total registered capital, which amounts to THB 3 million and has been fully paid up. The subsidiary's principal business activities include the trading of medical devices; the manufacturing, processing, assembling, or fabrication of medical devices; the repackaging or bundling of medical devices; the improvement, transformation, or modification of medical devices; the sterilization of medical devices; as well as the production and trading of synthetic rubber, prosthetic materials, and related raw materials or products. The subsidiary represents the Company's sixth business segment—medical 3D printing systems—and is the Company's third subsidiary.

3. Summary of Business Performance

The company's operating results for the three-month period ended September 30, 2025, are shown below.

Consolidated Income Statements (MB.)	Q3/2025	Q2/2025 (Restatement)	Q3/2024 (Restatement)	Increase / (Decrease)	
				MB.	%
Revenues from sales and services	296.31	295.04	330.39	(34.08)	(10.32%)
Other revenues	10.81	7.56	15.79	(4.98)	(31.54%)
Total revenues	307.12	302.60	346.18	(39.06)	(11.28%)
Costs of sales and services	209.35	207.45	242.32	(32.97)	(13.61%)
Distribution costs	27.76	29.87	30.46	(2.70)	(8.86%)
Administrative expenses	33.56	34.70	31.15	2.41	7.74%
Other expenses	-	2.82	1.11	(1.11)	(100.00%)
Finance costs	0.84	0.85	0.90	(0.06)	(6.67%)
Expected credit loss (Reversal)	7.50	(0.86)	(0.02)	7.52	(37,600.00%)
Total cost and operating expenses	279.01	274.83	305.92	(26.91)	(8.80%)
Profit before income tax	28.11	27.77	40.26	(12.15)	(30.18%)
Tax expense	5.69	5.45	7.86	(2.17)	(27.61%)
Profit for the period	22.42	22.32	32.40	(9.98)	(30.80%)
Sub Non-Controlling Interests	(0.22)	(0.25)	(0.23)	0.01	(4.35%)
Profit attributable to owners of parent	22.64	22.57	32.63	(9.99)	(30.63%)
Gross profit margin (%)	29.35%	29.69%	26.66%		2.69%
Net profit margin (%)	7.30%	7.38%	9.37%		(2.07%)

Revenues from sales and services

The company operates six business units: 1. Fire Protection Products and Projects, 2. Air-conditioning & Sanitary Products, 3. Refrigeration Systems, 4. Digital Printing Products, 5. IoT Solutions and 6. Medical 3D Printing Systems.

For the third quarter of 2025, the Company reported revenue from sales and services amounting to THB 296.31 million, a decrease of THB 34.08 million or 10.32 percent compared to the same quarter of the previous year. The details by business segment are presented in the table below.

Revenue from sales and services (MB.)	Q3/2025	Q2/2025	Q3/2024	Increase / (Decrease)	
				MB.	%
1. Fire protection products & projects	137.67	120.45	156.96	(19.29)	(12.29%)
2. Air-conditioning & sanitary products	15.38	13.69	16.61	(1.23)	(7.41%)
3. Refrigeration systems	47.92	58.08	64.73	(16.81)	(25.97%)
4. Digital printing systems	94.37	101.50	91.61	2.76	3.01%
5. IoT products and solutions	0.99	1.40	0.69	0.30	43.48%
6. Medical 3D printing systems	-	-	-	-	-
Elimination of intersegment sales	(0.02)	(0.08)	(0.21)	0.19	(90.48%)
Total	296.31	295.04	330.39	(34.08)	(10.32%)

Revenue from the Fire Protection Project Business Unit and the Sanitary & Air-Conditioning Business Unit decreased by a total of 20.52 million baht, or 11.82%, due to reduced product delivery and economic uncertainty, which pressured new investment projects in real estate. Revenue from the Cooling System decreased by 16.81 million baht, or 25.97%, as the economic downturn caused customers to delay decisions and investments in building new cold rooms.

Other income

The Company's other income decreased by 4.98 million baht, or 31.54%, resulting from a decrease of 3.15 million baht in unrealized gains from investment in property funds and a decrease of 1.71 million baht in gains from the disposal of fixed assets.

Cost of sales and services and GPM

Cost of sales and services decreased by 32.97 million baht, or 13.61%. The reduction in cost of sales and services was proportionally greater than the decline in sales and service revenue, resulting in an increase in the gross profit margin by 2.69%. This was driven by the appreciation of the Thai baht, which lowered product costs, as well as an increase in product selling prices. The details of the gross profit margins for each business unit are shown below.

Gross Profit Margin (%)	Q3/2025	Q2/2025	Q3/2024	Increase / (Decrease)
1. Fire protection products and projects	26.93	27.01	25.60	1.33
2. Air-conditioning and sanitary products	24.02	27.15	24.49	(0.47)
3. Refrigeration systems	20.73	21.70	17.60	3.13
4. Digital printing systems	37.91	37.89	35.16	2.75
5. IoT products and solutions	25.93	12.90	32.27	(6.34)
6. Medical 3D printing systems	-	-	-	-
Total	29.35	29.69	26.66	2.69

Distribution costs

Distribution costs decreased by 2.70 million baht, or 8.86%, mainly due to lower commission and incentives for sales staff in proportionate to sales and service revenue, as well as reduced transportation costs and expenses related to participating in trade exhibitions.

Administrative expenses

Administrative expenses increased by 2.41 million baht, or 7.74%, due to an increase of staff remuneration and import duties on certain goods that were adjusted to higher tariff rates, which are considered a one-time expense.

Other expenses

Other expenses decreased by 1.11 million baht, or 100.00%, because in the third quarter of 2024, the company recognized unrealized losses from investments in investment units and recorded them as other expenses. The company has a policy to manage excess liquidity by investing in government bonds, REITs, property funds, and infrastructure funds listed on the Stock Exchange of Thailand. In the third quarter of 2025, however, these items became unrealized gains and were recorded under other income instead.

Net profit attributable to the shareholders of the parent company

The net profit attributable to the parent company amounted to 22.64 million baht, a decrease of 9.99 million baht, or 30.63%, compared to the same quarter of the previous year. This decline was mainly due to a reduction in total revenue and gross profit, as well as the recognition of expected credit loss (ECL) amounting to 7.50 million baht, as explained in the preceding section.

4. Summary of Financial Position

Balance sheet	As at September 30, 2025	As at December 31, 2024	Increase / (Decrease)	
			MB.	%
Total Assets	1,741.78	1,799.75	(57.97)	(3.22%)
Total Liabilities	375.46	421.74	(46.28)	(10.97%)
Equity attributable to the parent company shareholders	1,368.30	1,379.32	(11.02)	(0.80%)

Assets

As of September 30, 2025, the Company had total assets of 1,741.78 million baht, a decrease of 57.97 million baht, or 3.22%, compared to the end of 2024. The decline was mainly due to a decrease of 53.24 million baht in trade and other current receivables, and a decrease of 20.35 million baht in inventories.

Liabilities

As of September 30, 2025, the Company had total liabilities of 375.46 million baht, a decrease of 46.28 million baht, or 10.97%, compared to December 31, 2024. The decrease was mainly due to a reduction of 33.44 million baht in trade and other current payables, and a 9.28-million-baht decrease in corporate income tax payable.

Equity attributable to the parent company shareholders

As of September 30, 2025, the Company had shareholders' equity attributable to the owners of the parent of 1,368.30 million baht, a decrease of 11.02 million baht, or 0.80%, compared to the balance as of December 31, 2024 from operational result and dividend payment of 9 month period 2025.

Cash Flow Analysis

Description (MB.)	For nine - month period ended September 30,		
	2025	2024	Increase / (Decrease)
Net Cash Flow from Operating Activities	95.73	88.95	6.78
Net Cash Flow from (Used in) Investing Activities	(20.10)	(65.41)	45.31
Net Cash Flow from (Used in) Financing Activities	(79.41)	(96.75)	17.34
Effect of translation adjustment on foreign currency financial statements	(0.75)	(0.43)	(0.32)
Net Increase (Decrease) in Cash and Cash Equivalents	(4.53)	(73.64)	69.11
Cash and Cash Equivalents - B/F	293.47	340.19	(46.72)
Cash and Cash Equivalents - C/F	288.94	266.55	22.39

Net cash generated from operating activities for the nine-month period ended September 30, 2025, amounted to 95.73 million baht, a increase of 6.78 million baht compared to the same period of the previous year. The decrease was mainly due to a reduction of 8.52 million baht in profit before income tax, a decrease of 39.54 million baht in trade receivables, a decrease of 21.10 million baht in inventories, and a decrease of 35.54 million baht in trade and other payables.

Net cash used in investing activities amounted to 20.10 million baht, resulting from short-term investments in government bonds totaling 70.64 million baht and cash received from the redemption of matured government bonds totaling 52.00 million baht.

Net cash used in financing activities amounted to 79.41 million baht, mainly due to dividend payments of 70.14 million baht and total payments of 9.27 million baht for lease liabilities and interest expenses.

Key Financial Ratios

Key Financial Ratio	Unit	As at September 30, 2025	As at December 31, 2024
Current ratio	Times	4.73	4.17
Debt to equity (D/E ratio)	Times	0.27	0.31
Return of asset (ROA)	%	6.01	6.42
Return of equity (ROE)	%	5.91	6.34

As of September 30, 2025, the Company had a current ratio of 4.73 times, reflecting high liquidity and strong ability to meet short-term obligations. The debt-to-equity (D/E) ratio stood at 0.27 times, indicating a solid capital structure with no reliance on external funding sources. In terms of profitability, the return on assets (ROA) was 6.01% and the return on equity (ROE) was 5.91%, reflecting efficient asset management and the Company's continued ability to generate returns for its shareholders.

5. Factors That Could Impact Future Operations or Growth

The global trend and risks associated with climate change are key issues that may impact the company's operations and future growth. Therefore, the company has incorporated these factors into its strategic direction and risk management framework. These climate-related issues have been integrated into the organization's strategic planning and risk assessment processes since 2024, in alignment with the company's new vision and mission. This commitment is reflected in the company's continuous efforts to drive sustainability strategies in the environmental dimension, under the "Go Green" initiative, aligned with the BCG (Bio-Circular-Green) economic model. The focus is on developing the business towards a low-carbon society while maintaining environmentally friendly operations. The company has set a target to achieve carbon neutrality by 2040 and to reach net zero greenhouse gas emissions by 2050.

6. Sustainability Developments

The company is committed to operating and fostering sustainable business growth across four dimensions: economic, environmental, social, and governance. This supports its vision: "We strive to be a leading provider of integrated sustainable engineering services that meet customer needs while enhancing quality of life, society, and the environment." This commitment is embedded in every aspect of the company's operations, guided by principles of good governance and business ethics, with consideration for stakeholder impacts and the entire value chain. To this end, the company has established a sustainable development policy aligned with its core business strategy, focusing on two key areas: Business (B) and Sustainability (S), or B+S. This approach drives sustainability efforts in each dimension, aligns with long-term operational goals, and prepares the organization to respond effectively to potential future crises. The company also emphasizes developing employee skills and capabilities, and leveraging technology to improve work processes—enhancing competitiveness and enabling long-term sustainable growth. Further details are available on the company's website: www.harn.co.th.

Furthermore, the company has been rated at the highest level, "Excellent" (5 stars), for corporate governance for seven consecutive years. In 2025, it also received an "A" rating in the SET ESG Ratings for sustainability performance.

By integrating environmental consciousness into its products, the company promotes operational sustainability and contributes to addressing global environmental issues. This reflects its commitment to good corporate governance and sustainable growth, benefiting shareholders, society, and the environment as a whole.

Please be informed accordingly.

Sincerely Yours,

(Mr. Thammanoon Tripetchr)
Chief Executive Officer