

February 26, 2026

Subject : Management Discussion and Analysis for the year ended December 31, 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 year ended December 31, 2025, which have been audited by our certified public accountant as follows:

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

Thailand's economic growth in 2025 slowed slightly compared to 2024. According to the Office of the National Economic and Social Development Council, Thailand's GDP expanded by 2.4% in 2025, compared to 2.9% in 2024. Both private and public sector spending moderated, particularly in residential construction projects, while overdue debt in the private sector increased. The Thai Baht remained volatile, and logistics costs stayed elevated due to geopolitical conflicts. Industry competition affecting the Company's business remained intense both domestically and internationally. Lower-priced imported products increasingly competed with the standardized, quality products distributed by the Company. As a result, the Company emphasized its competitive strengths in product quality and marketing initiatives to maintain its existing customer base. In addition, the Company continued to seek new opportunities to expand its customer base. The Fire Protection and Air-Conditioning Systems businesses expanded their scope of installation services. In 2026, the Company secured purchase orders from customers in the data center sector and from substations of the Electricity Generating Authority of Thailand. Furthermore, the Company continues to explore new investment opportunities to diversify its investment portfolio and generate appropriate long-term returns for shareholders.

The Company's operating results for the year were impacted by the economic conditions, resulting in a decrease in sales and service income of Baht 57.95 million, representing a decline of 4.68%. The Company recognized expected credit losses (ECL) of Baht 14.51 million in accordance with financial reporting standards applying the prudence principle in setting allowances for doubtful accounts. The assessment considered aging classification of receivables, historical payment behavior, and forward-looking estimates of customers' repayment capacity, particularly among construction contractor customers, which represent more than 50% of the Company's total revenue. Economic conditions affecting the industry, such as a decline in bidding opportunities from government and private sectors,

intensified competition, and rising labor and material costs, inevitably affected liquidity within the sector. In response, the Company revised its credit approval criteria and debt collection procedures to align with the current economic environment in order to maintain credit risk at an acceptable level.

For 2025, the Company performed an impairment test of goodwill by engaging an independent appraiser to assess the value of the refrigeration and digital printing systems businesses pursuant to a valuation report dated 24 December 2025. The value in use was determined using the Discounted Cash Flow (DCF) method, based on the present value of future free cash flows projected over a five-year period (2026–2030). The discount rate applied was derived from the appropriate weighted average cost of capital (WACC) for the respective business units. The financial assumptions used in the valuation were reviewed by the auditor. The Company believes that no impairment of goodwill is required.

As a result of the above factors, the Company reported net profit attributable to the parent company of Baht 83.90 million, representing a decrease of Baht 3.70 million or 4.23% compared to the previous year

2. Summary of Key Events and Developments

The Company's operations in 2025 continued as normal. Key developments during the year are summarized as follows:

1. Establishment of the Third Subsidiary – Mollisa Co., Ltd.

The Company registered its third subsidiary, Mollisa Co., Ltd., on February 13, 2025, with the Department of Business Development, Ministry of Commerce (pursuant to the Board of Directors' Resolution No. 6/2024 dated November 13, 2024). The Company holds 100% of the registered capital of Baht 3 million. The subsidiary's principal business is the distribution, manufacture, assembly, fabrication, repackaging, modification, sterilization, and related activities concerning medical devices, including the production and distribution of artificial rubber, prosthetic devices, and related materials or products. This subsidiary represents the Company's sixth business unit, focusing on medical 3D printing systems.

Mollisa Co., Ltd. has obtained ISO 13485 Class 1 medical device manufacturing certification and certification of its medical device manufacturing facility. The final step is product registration with the Thai Food and Drug Administration to enable production, distribution, and marketing activities. The project remains on schedule, with production and commercial distribution expected to commence in 2026.

2. Approval for Establishment of the Fourth Subsidiary

Pursuant to the Board of Directors' Resolution No. 1/2026 dated February 26, 2026, the Board approved the establishment of a fourth subsidiary, in which the Company will hold 100% of the registered capital of Baht 1 million. The new subsidiary will engage in business activities related to planning, promotion, exploration, development, project investment, collaboration, research, consultancy services, and other operations associated with carbon dioxide and the reduction of carbon dioxide or other greenhouse gas emissions.

The Company expects to complete the registration of this subsidiary within the second quarter of 2026 and will report further progress on the business in due course.

3. Participation in the Jump+ Program with the Stock Exchange of Thailand

On October 3, 2025, the Company participated in the Jump+ Program organized by the Stock Exchange of Thailand, setting a target EBITDA of Baht 211 million by 2028, representing an increase of 57% from the 2025 base of Baht 134.30 million. The Company has formulated strategic expansion plans across its core business segments, including fire protection systems, sanitary systems, refrigeration systems, digital printing systems, and medical 3D printing.

Key strategies include elevating the Company's corporate image toward excellence in Engineering Solutions and implementing aggressive market expansion to broaden its customer base. The Company aims to deliver innovative solutions that address increasingly complex customer requirements in order to strengthen its competitive advantage.

Furthermore, the Company has reinforced its Dual-Growth Strategy by actively pursuing joint ventures (JV) and mergers and acquisitions (M&A). The investment criteria focus on identifying high-potential strategic partners capable of transferring specialized technologies or contributing expertise in new target business segments. This approach is intended to accelerate service expansion efficiently and effectively, thereby driving sustainable long-term organizational growth.

3. Summary of Business Performance

The company's operating results for the year ended December 31, 2025, are shown below.

Consolidated Income Statements (MB.)	Y2025	Y2024	Increase / (Decrease)	
			MB.	%
Revenues from sales and services	1,181.09	1,239.04	(57.95)	(4.68%)
Other revenues	29.50	32.42	(2.92)	(9.01%)
Total revenues	1,210.59	1,271.46	(60.87)	(4.79%)
Costs of sales and services	838.79	891.98	(53.19)	(5.96%)
Distribution costs	115.80	114.90	0.90	0.78%
Administrative expenses	134.78	129.77	5.01	3.86%
Other expenses	0.01	1.00	(0.99)	(99.00%)
Finance costs	3.37	2.76	0.61	22.10%
Expected credit loss	14.51	0.97	13.54	1,395.88%
Loss from impairment of Goodwill	-	18.70	(18.70)	(100.00%)
Total cost and operating expenses	1,107.26	1,160.08	(52.82)	(4.55%)
Profit before income tax	103.33	111.38	(8.05)	(7.23%)
Tax expense	20.29	24.86	(4.57)	(18.38%)
Profit for the period	83.04	86.52	(3.48)	(4.02%)
Sub Non-Controlling Interests (Loss)	(0.86)	(1.08)	0.22	(20.37%)
Profit attributable to owners of parent	83.90	87.60	(3.70)	(4.23%)
Gross profit margin (%)	28.98%	28.01%		0.97%
Net profit margin (%)	6.86%	6.80%		0.05%

Revenues from sales and services

The Group operates through six business units: (1) Fire Protection Systems and Projects, (2) Sanitary and Air-Conditioning Systems, (3) Refrigeration systems, (4) Digital Printing Systems, (5) IoT Solutions Systems, and (6) Medical 3D Printing Systems.

For the year 2025, the Company reported revenue from sales and services of Baht 1,181.09 million, representing a decrease of Baht 57.95 million, or 4.68%, compared to the previous year. The breakdown of revenue by business segment is presented in the table below.

Revenue from sales and services (MB.)	Y2025	Y2024	Increase / (Decrease)	
			MB.	%
1. Fire protection products & projects	549.25	595.99	(46.74)	(7.84%)
2. Air-conditioning & sanitary products	53.76	64.69	(10.93)	(16.90%)
3. Refrigeration systems	205.02	219.14	(14.12)	(6.44%)
4. Digital printing systems	369.82	357.86	11.96	3.34%
5. IoT products and solutions	3.70	2.15	1.55	72.09%
6. Medical 3D printing systems	-	-	-	-
Elimination of intersegment sales	(0.46)	(0.79)	0.33	(41.77%)
Total	1,181.09	1,239.04	(57.95)	(4.68%)

Revenue from the Fire Protection Products & Projects Business Unit and the Air-conditioning & sanitary projects Business Unit decreased by a total of 57.67 million baht, or 8.73%, due to reduced product delivery and economic uncertainty, which pressured new investment projects in real estate. Revenue from the Refrigeration system Business Unit decreased by 14.12 million baht, or 6.44%, as the economic downturn caused customers to delay decisions and investments in building new cold rooms. In contrast, revenue from the Digital Printing Systems Business Unit increased by Baht 11.96 million, or 3.34%.

Other income

The Company's other income decreased by Baht 2.92 million, or 9.01%, primarily due to a decrease in foreign exchange gain of Baht 2.18 million and a decrease in bad debts recovered after legal proceedings of Baht 2.87 million compared to the previous year.

Cost of sales and services and GPM

Cost of sales and services decreased by Baht 53.19 million, or 5.96%. The decrease in cost of sales and services was proportionally greater than the decrease in revenue from sales and services, resulting in an increase in the gross profit margin of 0.97%. This improvement was mainly attributable to the appreciation of the Thai Baht and adjustments in selling prices to reflect higher costs of goods and services. The gross profit margin of each business unit is presented in the table below.

Gross Profit Margin (%)	Y2025	Y2024	Increase / (Decrease)
1. Fire protection products and projects	26.29	26.82	(0.53)
2. Air-conditioning and sanitary products	23.85	23.71	0.14
3. Refrigeration systems	22.12	17.54	4.58
4. Digital printing systems	37.55	37.12	0.43
5. IoT products and solutions	27.41	40.96	(13.55)
6. Medical 3D printing systems	-	-	-
Total	28.98	28.01	0.97

Distribution costs

Distribution costs increased by Baht 0.90 million, or 0.78%, primarily due to salary adjustments and employee welfare expenses, which are fixed in nature, as well as higher expenses related to participation in trade exhibitions.

Administrative expenses

Administrative expenses increased by Baht 5.01 million, or 3.86%, primarily due to the recognition of tax bad debt amounting to Baht 2.21 million and higher import duties resulting from the reclassification of tariff codes for certain imported products, which was a one-time expense. In addition, employee-related expenses increased during the year.

Other expenses

Other expenses decreased by Baht 0.99 million, or 99.00%, as in 2024 the Company recognized a loss on disposal of discontinued fixed assets.

Expected Credit Loss (ECL)

The Company recognized expected credit losses (ECL) in 2025 amounting to Baht 14.51 million, compared to Baht 0.97 million recognized in 2024, representing an increase of Baht 13.54 million.

Loss on Impairment of Goodwill

During the year ended December 31, 2025, the Company performed a goodwill impairment test by engaging an independent appraiser to assess the value of the Refrigeration systems business unit and Digital Printing Systems business unit, based on a valuation report dated December 24, 2025.

The value-in-use approach was applied using the present value of future free cash flows (DCF method) expected to be received each year over a five-year financial projection period (2026–2030). The discount rate applied was 5.92%, derived from the business units' weighted average cost of capital (WACC), and the terminal value growth rate was 1.0%.

Based on the valuation results, the Company concluded that no goodwill impairment was required for both business units in 2025. In comparison, in 2024 the Company recognized a goodwill impairment loss of Baht 18.70 million in the Refrigeration systems business unit, which was a non-cash accounting expense.

Net profit attributable to the shareholders of the parent company

Profit attributable to owners of the parent amounted to Baht 83.90 million, representing a decrease of Baht 3.70 million, or 4.23%, compared to the previous year. The decline was primarily due to lower total revenue, higher expenses, and the recognition of an allowance for expected credit losses, as explained in the preceding sections.

4. Summary of Financial Position

Balance sheet	As at December 31, 2025	As at December 31, 2024	Increase / (Decrease)	
			MB.	%
Total Assets	1,799.81	1,799.75	0.06	0.00%
Total Liabilities	411.02	421.74	(10.72)	(2.54%)
Equity attributable to the parent company shareholders	1,390.97	1,379.32	11.65	0.84%

Total Assets

As of December 31, 2025, the Company had total assets of Baht 1,799.81 million, representing an increase of Baht 0.06 million compared to December 31, 2024. The increase was primarily attributable to an increase in cash and cash equivalents of Baht 146.36 million, partially offset by a decrease in trade and other receivables of Baht 116.61 million.

Total Liabilities

As of December 31, 2025, the Company had total liabilities of Baht 411.02 million, representing a decrease of Baht 10.72 million, or 2.54%, compared to December 31, 2024. The decrease was mainly attributable to a reduction in trade and other current payables of Baht 3.85 million, a decrease in corporate income tax payable of Baht 4.77 million, and a decrease in lease liabilities of Baht 8.62 million due to lease payments made during 2025.

Key Financial Ratios

Key Financial Ratio	Unit	As at December 31, 2025	As at December 31, 2024
Current ratio	Times	4.30	4.17
Debt to equity (D/E ratio)	Times	0.30	0.31
Return of asset (ROA)	%	5.93	6.42
Return of equity (ROE)	%	6.06	6.34

As of December 31, 2025, the Company's current ratio was 4.30 times, reflecting strong liquidity and a solid ability to meet its short-term obligations. The debt-to-equity ratio (D/E) stood at 0.30 times, indicating a strong capital structure with no significant reliance on external financing.

In terms of profitability, the return on assets (ROA) was 5.93%, and the return on equity (ROE) was 6.06%, reflecting the Company's continued efficiency in asset utilization and its ability to generate consistent returns for 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 2025, 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