

August 13, 2025

Subject : Management Discussion and Analysis for the 2rd quarter period ended June 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 June 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

The Thai economy in Q2/2025 expanded from the previous quarter, driven by an increase in exports. Government spending continued to grow steadily. However, private sector investment remained on a declining trend, especially in residential construction projects. Moreover, the level of outstanding debt in the private sector continued to rise. The Thai Baht experienced volatility, while logistics costs remained high due to ongoing geopolitical conflicts. Competition in the industrial sector, which significantly impacts business operations, remained intense both domestically and internationally. The presence of low-priced imported products has increased, competing with the standard-quality products represented by the company. As a result, the company adopted strategies that emphasize its strengths in product quality and marketing efforts to retain its existing customer base. In addition, the company continued to seek new opportunities to expand its customer base. The fire protection system business, in particular, expanded its reach from the condominium market to include factories and data centers. The company also seek for new business opportunities to diversify its investment portfolio and enhance returns for shareholders.

In Q1/2025, the company reported an expected credit loss (ECL) of THB 3.54 million, primarily attributed to construction contractor clients—its main customer segment—accounting for 63.23% of total sales and service income. This loss stemmed from sector-related economic challenges, such as the decline in public and private sector project bidding, intensified market competition, and rising labor and material costs, all of which have inevitably impacted financial liquidity. To address these issues, the company revised its credit approval and debt monitoring criteria in Q2/2025 to better align with the current economic environment. As a result, in this quarter, the company reversed expected credit losses and recognized them as income, amounting to 0.86 million baht.

Operating Performance in Q2/2025

The company recorded higher revenue and improved gross profit margins and net profit margins compared to the same period last year. Sales and service income increased by THB 18.94 million, or 6.86%, mainly due to the successful delivery of cooling system installation projects and a rise in digital printer sales.

The cost of sales and services increased 4.47%, partly due to the appreciation of the Thai Baht, resulting in a gross profit margin of 29.69%, an increase of 1.61% year-on-year. Distribution costs and administrative expenses increased by 5.48 million baht, or 9.27%, due to expenses for participating in trade shows and sales commissions, which vary in proportion to the higher sales volume. Other expenses, particularly unrealized losses from investments, decreased by THB 1.02 million due to SET index loss recovery. Consequently, net profit attributable to the parent company amounted to THB 22.57 million, representing an increase of THB 4.48 million or 24.76% compared to the same quarter of the previous year.

2. Summary of Key Events and Developments

The Company's business operations in the second quarter of 2025 proceeded as usual. Mollisa Co., Ltd., a newly established subsidiary incorporated in the first quarter of 2025, is currently in the process of implementing systems in preparation for ISO 13485 certification for medical device manufacturing. The certification is expected to be granted within the third quarter of 2025.

The next step involves registering the manufacturing facility and the Class 1 medical devices with the Food and Drug Administration (FDA) of Thailand, in order to enable lawful manufacturing, distribution, advertising, and promotion of the products in compliance with FDA regulations. As of 2025, this new subsidiary has not yet commenced operations that generate revenue.

Mollisa Co., Ltd. was officially incorporated on 13 February 2025 with the Department of Business Development, Ministry of Commerce, following the resolution of the Board of Directors' Meeting No. 6/2024 held on 13 November 2024. The Company holds 100% of the registered capital in Mollisa Co., Ltd., which amounts to THB 3 million and has been fully paid up.

The subsidiary's principal business objectives are to trade, manufacture, assemble, fabricate, pack, or repackage medical devices; modify, process, or sterilize such devices; and produce and trade synthetic rubber, prosthetics, raw materials, and related products. Mollisa Co., Ltd. constitutes the Company's sixth business segment, focusing on 3D printing systems for medical applications, and is the Company's third subsidiary.

3. Summary of Business Performance

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

Consolidated Income Statements (MB.)	Q2/2025	Q1/2025 (Restatement)	Q2/2024 (Restatement)	Increase / (Decrease)	
				MB.	%
Revenues from sales and services	295.04	303.98	276.10	18.94	6.86%
Other revenues	7.56	5.67	8.00	(0.44)	(5.50%)
Total revenues	302.60	309.65	284.10	18.50	6.51%
Costs of sales and services	207.45	222.03	198.58	8.87	4.47%
Distribution costs	29.87	28.78	26.49	3.38	12.76%
Administrative expenses	34.70	31.57	32.60	2.10	6.44%
Other expenses	2.82	3.29	3.84	(1.02)	(26.56%)
Finance costs	0.85	0.87	0.47	0.38	80.85%
Expected credit loss (Reversal)	(0.86)	3.54	(0.13)	(0.73)	(561.54%)
Total cost and operating expenses	274.83	290.08	261.85	12.98	4.96%
Profit before income tax	27.77	19.57	22.25	5.52	24.81%
Tax expense	5.45	3.88	4.33	1.12	25.87%
Profit for the period	22.32	15.69	17.92	4.40	24.55%
Sub Non-Controlling Interests	(0.25)	(0.18)	(0.17)	(0.08)	47.06%
	22.57	15.87	18.09	4.48	24.76%
Gross profit margin (%)	29.69%	26.96%	28.08%		1.61%
Net profit margin (%)	7.38%	5.08%	6.32%		1.06%

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. Building IoT Solutions and 6. Medical 3D Printing Systems.

In the second quarter of 2025, the Company recorded revenue from sales and services totaling THB 295.04 million, representing an increase of THB 18.94 million or 6.86% compared to the same quarter of the previous year, segments data as shown in the table below.

Revenue from sales and services (MB.)	Q2/2025	Q1/2025	Q2/2024	Increase / (Decrease)	
				MB.	%
1. Fire protection products & projects	120.45	147.82	124.21	(3.76)	(3.03%)
2. Air-conditioning & sanitary products	13.69	16.01	15.25	(1.56)	(10.23%)
3. Refrigeration systems	58.08	57.58	45.39	12.69	27.96%
4. Digital printing systems	101.50	82.24	90.72	10.78	11.88%
5. Building IoT products and solutions	1.40	0.64	0.61	0.79	129.51%
6. Medical 3D printing systems	-	-	-	-	#DIV/0!
Elimination of intersegment sales	(0.08)	(0.31)	(0.08)	-	0.00%
Total	295.04	303.98	276.10	18.94	6.86%

Revenue from the Fire Protection Systems for Project Business Unit and the Sanitary and Air Conditioning Systems Business Unit decreased by THB 5.32 million or 3.81%, due to the impact of fluctuations in the prices of imported goods and the economic uncertainty, which has pressured investor confidence.

Revenue from the Refrigeration Systems increased by THB 12.69 million or 27.96%, driven by the sales of cooling coils to convenience stores and the delivery of refrigeration system installation projects that commenced in late 2024.

Revenue from the Digital Printing Systems increased by THB 10.78 million or 11.88%, as a result of higher sales of digital printing machines.

Other income

Other income decreased by THB 0.44 million or 5.50%, primarily due to a decline in foreign exchange gains.

Cost of sales and services and GPM

Cost of sales and services increased by 8.87 million baht, or 4.47%, which was a smaller proportion than the increase in revenue. As a result, the gross profit margin rose by 1.61%, driven by the positive impact of the appreciation of the Thai baht, which reduced product costs, and by the upward adjustment of selling prices. Details of the gross profit margin for each business unit are shown below.

Gross Profit Margin (%)	Q2/2025	Q1/2025	Q2/2024	Increase / (Decrease)
1. Fire protection products and projects	27.01	25.81	26.33	0.68
2. Air-conditioning and sanitary products	27.15	22.02	23.56	3.59
3. Refrigeration systems	21.70	21.53	16.75	4.95
4. Digital printing systems	37.89	34.04	36.60	1.29
5. Building IoT products and solutions	12.90	41.41	78.33	(65.43)
6. Medical 3D printing systems	-	-	-	-
Total	29.69	26.96	28.08	1.61

Distribution costs

Distribution costs increased by THB 3.38 million or 12.76%, primarily due to higher commission payments and sales staff incentives, as well as increased transportation costs and expenses related to participation in trade exhibitions. In addition, a portion of the selling expenses consists of fixed costs, such as salaries and benefits for sales personnel.

Administrative expenses

Administrative expenses increased by THB 2.10 million or 6.44%. The majority of the increase was due to the annual adjustment of employee salaries.

Other expenses

Other expenses decreased by 1.02 million baht, or 26.56%, due to the reversal of unrealized losses from investments in investment units. The company has a policy of managing excess liquidity by investing in government bonds, real estate investment trusts (REITs), property funds, and infrastructure funds listed on the Stock Exchange of Thailand.

Net profit attributable to the shareholders of the parent company

Profit attributable to owners of the parent company amounted to THB 22.57 million, an increase of THB 4.48 million or 24.76% compared to the same quarter of the previous year, due to the improved operating results as mentioned above.

4. Summary of Financial Position

Balance sheet	As at June 30, 2025	As at December 31, 2024	Increase / (Decrease)	
			MB.	%
Total Assets	1,725.93	1,799.75	(73.82)	(4.10%)
Total Liabilities	381.89	421.74	(39.85)	(9.45%)
Equity attributable to the parent company shareholders	1,345.80	1,379.32	(33.52)	(2.43%)

Assets

As of 30 June 2025, the Company had total assets of THB 1,725.93 million, representing a decrease of THB 73.82 million or 4.10% compared to the end of 2024. This decrease was mainly due to a reduction of THB 40.04 million in trade and other current receivables, and a decrease of THB 33.55 million in other current financial assets i.e. government bond and marketable securities as described in section “Other expenses”.

Liabilities

As of 30 June 2025, the Company had total liabilities of THB 381.89 million, a decrease of THB 39.85 million or 9.45% compared to 31 December 2024. The decrease was primarily due to a reduction of THB 27.72 million in trade and other current payables, and a decrease of THB 9.36 million in corporate income tax payable.

Equity attributable to the parent company shareholders

As of 30 June 2025, equity attributable to owners of the parent company amounted to THB 1,345.80 million, representing a decrease of THB 33.52 million or 2.43% compared to the balance as of 31 December 2024.

Cash Flow Analysis

Description (MB.)	For six - month period ended June 30,		
	2025	2024	Increase / (Decrease)
Net Cash Flow from Operating Activities	51.46	53.54	(2.08)
Net Cash Flow from (Used in) Investing Activities	26.91	(23.12)	50.03
Net Cash Flow from (Used in) Financing Activities	(76.32)	(93.70)	17.38
Effect of translation adjustment on foreign currency financial statements	(0.48)	0.29	(0.77)
Net Increase (Decrease) in Cash and Cash Equivalents	1.57	(62.99)	64.56
Cash and Cash Equivalents - B/F	293.47	340.19	(46.72)
Cash and Cash Equivalents - C/F	295.04	277.20	17.84

Net cash provided by operating activities for the six-month period ended 30 June 2025 was THB 51.46 million, a decrease of THB 2.08 million compared to the same period of the previous year. This was primarily due to an increase of THB 3.63 million in profit before income tax, a decrease of THB 0.53 million in inventories, and a decrease of THB 28.80 million in trade and other payables.

Net cash used in investing activities amounted to THB 26.91 million, mainly from short-term investments in government bonds totaling THB 23.84 million, partially offset by proceeds from matured government bonds amounting to THB 52.05 million.

Net cash used in financing activities totaled THB 76.32 million, primarily due to dividend payments of THB 70.14 million and leased liability repayment and interest amounted THB 6.18 million.

Key Financial Ratios

Key Financial Ratio	Unit	As at June 30, 2025	As at December 31, 2024
Current ratio	Times	4.54	4.17
Debt to equity (D/E ratio)	Times	0.28	0.31
Return of asset (ROA)	%	6.85	6.42
Return of equity (ROE)	%	6.77	6.34

As of 30 June 2025, the Company had a current ratio of 4.54 times, reflecting a strong ability to meet short-term obligations. The debt-to-equity (D/E) ratio stood at 0.28 times, indicating a solid capital structure with no reliance on external financing sources. In terms of profitability, the return on assets (ROA) was 6.85%, and the return on equity (ROE) was 6.77%, reflecting efficient asset management and the Company's continued ability to generate 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 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 six consecutive years. In 2024, 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