



Management Discussion and Analysis (MD&A)

For the Year Ended 31 December 2025

In 2025, the Company recorded revenue from sales and services of Baht 574.71 million, an increase of 14.90%, and net profit of Baht 37.10 million, an increase of 22.75%. Although the gross profit margin declined from 23.48% to 21.72% due to project costs and the project revenue mix, the Company generated net cash flows from operating activities of Baht 96.00 million as a result of collections from receivables and a reduction in inventories. Total liabilities decreased by 38.69%, resulting in a decrease in the debt-to-equity ratio (D/E) from 2.54 times to 1.43 times. Overall, these results reflected growth in operating performance together with an improved financial position. The Company continues to focus on maintaining its profit margins, controlling project costs, managing working capital and diversifying its customer base to support future growth.

Overview of Business Operations, Economic Conditions and Industry Conditions Affecting the Company's Performance

Business Overview and Nature of Operations

Frontline Engineering Public Company Limited (the "Company" or "FLE") engages in the procurement and distribution, and the procurement, distribution and installation, of pumps, valves, pipes, Bailey bridges, dredgers and related equipment sourced from leading global manufacturers, as well as products under the Company's own brands. The Company also operates a pump rental business; an electrical and mechanical system contracting business for irrigation, water transmission and solar power systems; and a service business providing product installation, testing and maintenance.

The Company's business model focuses on providing one-stop water management system solutions, ranging from consulting, product and technology selection, system design and equipment procurement to installation, system testing and after-sales services. Drawing on the experience and expertise of its engineers and technicians, the Company is able to address the requirements of both public- and private-sector customers.

In 2025, the Company recorded revenue from sales and services of Baht 574.71 million, an increase of Baht 74.51 million, or 14.90%, from 2024. The increase was primarily attributable to the delivery of Floating Pump brand "Etec" Model: 48" to the Royal Irrigation Department (RID), which resulted in higher revenue from the procurement and distribution business. Meanwhile, revenue from the electrical and mechanical system contracting business for water transmission and solar power systems decreased because certain projects were affected by delays in site handover arising from unrest along the Thailand-Cambodia border and flooding in southern Thailand.

The Company's revenue structure comprises two principal customer groups (1) public-sector customers and (2) private-sector customers. In 2025, revenue from sales and services to public-sector customers amounted to Baht 458.74 million, representing 79.82% of revenue from sales and services and an increase of 60.68% from 2024. Revenue from private-sector customers amounted to Baht 115.97 million, a decrease of 45.98%, reflecting the effect of tender, delivery and work acceptance schedules for private-sector projects on the Company's operating results. The Company recorded net profit of Baht 37.10 million, an increase of Baht 6.88 million, or 22.77%, while the gross profit margin declined from 23.48% to 21.72% because solar power system projects carried a lower gross profit margin than the Company's other business segments. Nevertheless, revenue and backlog from the solar power system business continued to demonstrate a positive growth trend. The increase in revenue, foreign exchange gains, the reduction in expected credit losses and lower finance costs contributed to the increase in net profit from the previous year.

Economic and Industry Overview

In 2025, the Company's operations continued to benefit from the government's emphasis on water resource management under the 20-Year Water Resources Management Master Plan (2018-2037), which is intended to address the country's water-related challenges and enhance management efficiency in line with the capacity of each river basin and public demand. Public-sector projects involving waterworks, drainage systems and pumping stations constitute essential infrastructure and are directly related to the Company's products and services.

Nevertheless, industry operations remain dependent on the timing of budget approval and disbursement, procurement processes, site readiness, and delivery and work acceptance conditions. In addition, foreign exchange volatility, the cost of imported products,

transportation costs, energy prices and interest rates may affect costs and profit margins. The Company therefore places importance on procurement planning, inventory management, foreign exchange risk management and close control of project costs.

The Company's Strategy and Operations During the Year

In 2025, the Company focused on the following key strategies:

- Project and delivery management: monitoring site readiness, equipment procurement, installation, testing and work acceptance to enable revenue recognition in accordance with plan and mitigate the impact of project delays.
- Procurement and inventory management in line with delivery plans: progressively utilizing and selling inventories and reducing advance purchases of project-specific products.
- Strengthening the financial position and liquidity: repaying short- and long-term borrowings, reducing trade payables and collecting the short-term loan to a related party in full.
- Preparing for the initial public offering (IPO) and listing on the Market for Alternative Investment (mai) to enhance the Company's fundraising capacity and support future business expansion.
- Advancing corporate governance and sustainability: approving corporate social responsibility and anti-corruption policies and undertaking environmental, social and community activities.

Outlook and Future Direction

The Company expects investment demand in water management, irrigation, waterworks, water transmission, drainage and related infrastructure to continue presenting business opportunities. The Company will seek to maintain its competitiveness by providing one-stop services, selecting products that meet recognized standards, enhancing its engineering expertise and improving project management efficiency.

In addition, the Company plans to increase the proportion of recurring revenue from services, maintenance, installation, testing and the pump rental business, while expanding its private-sector customer base to reduce volatility arising from public-sector budget disbursement cycles. In 2025, the Company secured its first pump rental contract, marking the commencement of this new business. Alongside business expansion, the Company continues

to focus on working capital management, receivables collection and the appropriate utilization of credit facilities in line with operating plans.

Summary of Significant Events and Developments

On 14 March 2025, the 2025 Annual General Meeting of Shareholders approved an increase in the Company's registered capital of Baht 40.00 million, resulting in registered capital of Baht 100.00 million, divided into 1,000,000 ordinary shares with a par value of Baht 100 per share.

Subsequently, on 11 July 2025, Extraordinary General Meeting of Shareholders No. 1/2025 approved a further increase in the Company's registered capital of Baht 50.00 million and a change in the par value from Baht 100 per share to Baht 0.50 per share to accommodate the initial public offering. The Company registered these changes on 15 July 2025. As a result, as at 31 December 2025, the Company had registered capital of Baht 150.00 million and issued and paid-up capital of Baht 100.00 million.

During the year, the Company received full repayment of the short-term loan to a related party of Baht 9.59 million and established a policy not to enter into similar lending transactions in the future. The Company also repaid borrowings from financial institutions in accordance with the agreed schedules, resulting in a significant reduction in its debt burden and debt-to-equity ratio.

Operating Results of the Company

For the Years Ended 31 December 2024 and 31 December 2025

(Unit: Baht million)	For the Year Ended 31 December	For the Year Ended 31 December	Increase (Decrease)	
	2024	2025	Baht Million	%
Revenue				
Revenue from Sales	309.62	394.17	84.55	27.31
Revenue from Services	190.58	180.54	(10.04)	(5.27)

(Unit: Baht million)	For the Year Ended 31 December	For the Year Ended 31 December	Increase (Decrease)	
	2024	2025	Baht Million	%
Foreign Exchange Gains	0.10	4.52	4.42	4,420.00
Other Income	3.97	1.10	(2.87)	(72.29)
Total Revenue	504.27	580.33	76.06	15.08
Expenses				
Cost of Sales	251.86	305.90	54.04	21.46
Cost of Services	130.90	143.95	13.05	9.97
Selling and Distribution Expenses	13.85	14.74	0.89	6.43
Administrative Expenses	52.62	60.54	7.92	15.05
Impairment Loss on Financial Assets	7.51	1.29	(6.22)	(82.82)
Total Expenses	456.74	526.42	69.68	15.26
Operating Profit	47.53	53.91	6.38	13.42
Finance Income	0.12	0.12	-	-
Finance Costs	(6.81)	(4.92)	(1.89)	(27.75)
Profit Before Income Tax Expense	40.84	49.11	8.27	20.25
Income Tax Expense	(10.62)	(12.01)	1.39	13.09
Profit for the Year	30.22	37.10	6.88	22.77
Total Comprehensive Income for the Year	31.29	36.79	5.50	17.58

Note: The 2024 figures are based on the comparative figures in the 2025 financial statements, which were reclassified.

Revenue by Business Segment

For the Years Ended 31 December 2024 and 31 December 2025

(Unit: Baht million)	For the Year Ended 31 December			
	2024	%	2025	%
Revenue from Procurement and Distribution Business	153.52	30.44	317.45	54.70
Revenue from Procurement, Distribution and Installation Business	156.10	30.96	76.72	13.22
Revenue from Sales	309.62	61.40	394.17	67.92
Revenue from Electrical and Mechanical System Contracting for Water Transmission and Solar Power Systems	185.53	36.79	174.43	30.06
Revenue from Service Business	5.05	1.00	6.11	1.05
Revenue from Services	190.58	37.79	180.54	31.11
Total Revenue from Sales and Services	500.20	99.19	574.71	99.03
Foreign Exchange Gains	0.10	0.02	4.52	0.78
Other Income	3.97	0.79	1.10	0.19
Total Revenue	504.27	100.00	580.33	100.00

In 2025, the Company recorded total revenue of Baht 580.33 million, an increase of Baht 76.06 million, or 15.08%, from 2024. Revenue from sales and services increased by Baht 74.51 million, or 14.90%, to Baht 574.71 million.

Revenue from sales increased from Baht 309.62 million to Baht 394.17 million, or by 27.31%. The increase was primarily attributable to higher revenue from the procurement and distribution business following the delivery of large mobile pumps mounted on floating pontoons to a government agency. Revenue from the procurement, distribution and installation business decreased because no large-scale project comparable to those delivered in 2024 was delivered in 2025.

Revenue from services decreased from Baht 190.58 million to Baht 180.54 million, or by 5.27%. Revenue from the electrical and mechanical system contracting business for water transmission and solar power systems decreased by 5.98% due to delays in site handover for certain projects. However, revenue from installation, testing and maintenance services increased by 21.01% as the Company secured work from a more diverse range of government agencies.

The Company recorded foreign exchange gains of Baht 4.52 million, a significant increase from 2024, as the Thai baht strengthened when payments for imported products were made. Other income in 2025 amounted to Baht 1.10 million, a decrease of Baht 2.87 million from 2024. In 2024, the Company recognized commission income from a business partner, which was a non-recurring item. Other income in 2025 principally comprised gains on the disposal of operating assets and a share of profit from a joint venture.

Cost of Sales and Services

In 2025, the Company recorded total cost of sales and services of Baht 449.85 million, an increase of Baht 67.09 million, or 17.53%, from 2024, in line with the increase in revenue from sales and services. Cost of sales increased to Baht 305.90 million, primarily due to the cost of floating pontoon pumps delivered to a public-sector customer. Cost of services increased to Baht 143.95 million, reflecting material costs, labor costs, subcontractor charges and delays arising from unrest along the Thailand-Cambodia border, flooding in southern Thailand and water transmission system construction work with high on-site costs, including materials, labor, equipment, transportation and operating expenses across multiple sites.

Gross Profit and Gross Profit Margin

(Unit: Baht million)	For the Year Ended 31 December		Increase (Decrease)	
	2024	2025	Baht Million	%
Total Revenue from Sales and Services	500.20	574.71	74.51	14.90
Total Cost of Sales and Services	382.76	449.85	67.09	17.53
Gross Profit	117.44	124.86	7.42	6.32

(Unit: Baht million)	For the Year Ended 31 December		Increase (Decrease)	
	2024	2025	Baht Million	%
Gross Profit Margin (%)	23.48	21.72	(1.76)	-

The Company recorded gross profit of Baht 124.86 million, an increase of Baht 7.42 million, or 6.32%, from 2024, in line with the increase in revenue. Nevertheless, the gross profit margin declined from 23.48% to 21.72% because on-site costs for the electrical and mechanical system contracting business, water transmission systems and solar power systems remained high, while the revenue mix of individual projects differed from the previous year.

Selling and Administrative Expenses

The Company recorded selling and distribution expenses of Baht 14.74 million, an increase of Baht 0.89 million, or 6.43%, attributable to commissions and sales promotion expenses, consistent with the increase in revenue from sales.

Administrative expenses amounted to Baht 60.54 million, an increase of Baht 7.92 million, or 15.05%, due to higher employee expenses, bonuses, salary adjustments and office building rental expenses. Meanwhile, impairment losses on financial assets decreased from Baht 7.51 million to Baht 1.29 million, reflecting improved receivables quality and collection efforts. Nevertheless, the Company continues to recognize allowances for expected credit losses prudently, based on the risk profile of each receivables group.

Finance costs decreased from Baht 6.81 million to Baht 4.92 million, or by 27.75%, due to lower utilization of bank overdraft facilities and reduced borrowings from financial institutions.

Net Profit

(Unit: Baht million)	For the Year Ended 31 December	
	2024	2025
Net Profit (Baht Million)	30.22	37.10

(Unit: Baht million)	For the Year Ended 31 December	
	2024	2025
Net Profit Margin (%)	5.99	6.39

In 2025, the Company recorded net profit of Baht 37.10 million, an increase of Baht 6.88 million, or 22.77%, from 2024. The net profit margin increased from 5.99% to 6.39%, supported by higher revenue and gross profit, foreign exchange gains and lower finance costs, despite the increase in administrative expenses and the decline in the gross profit margin.

Net Profit Margin

(Unit: Baht million)	For the Year Ended 31 December	
	2024	2025
Net Profit Margin	5.99	6.39

In 2025, the Company's net profit margin was 6.39%, up from 5.99% in 2024, as total revenue and net profit increased, foreign exchange gains rose and finance costs declined, despite the lower gross profit margin and higher administrative expenses.

Summary of Financial Position

Overall Financial Position

Current Assets	As at 31 December 2024		As at 31 December 2025	
	Baht Million	%	Baht Million	%
Cash and Cash Equivalents	15.46	3.38	13.76	4.04
Trade and Other Current Receivables	111.20	24.34	41.75	12.24
Contract Assets - Unbilled Revenue	59.14	12.94	69.33	20.33
Short-Term Loan to a Related Party	9.59	2.10	-	-

Current Assets	As at 31 December 2024		As at 31 December 2025	
	Baht Million	%	Baht Million	%
Inventories	87.63	19.18	45.13	13.23
Advance Payments for Goods	23.00	5.04	10.81	3.17
Other Current Financial Assets	-	-	0.25	0.07
Total Current Assets	306.01	66.98	181.03	53.08

Assets and Current Assets

As at 31 December 2025, the Company had total assets of Baht 341.06 million, a decrease of Baht 115.81 million, or 25.35%, from Baht 456.87 million as at 31 December 2024. The decrease was primarily attributable to reductions in trade and other current receivables of Baht 69.45 million, inventories of Baht 42.50 million and advance payments for goods of Baht 12.19 million, together with the full repayment of the short-term loan to a related party of Baht 9.59 million.

Trade and other current receivables decreased from Baht 111.20 million to Baht 41.75 million because a substantial portion of revenue in 2025 was derived from public-sector customers that settled high-value balances in accordance with their credit terms, together with the Company's continued collection efforts. Nevertheless, the Company continues to recognize allowances for expected credit losses based on the ageing and risk profile of each receivables group.

Inventories decreased from Baht 87.63 million to Baht 45.13 million as the Company delivered finished goods to customers and sold more long-outstanding inventory. Advance payments for goods decreased from Baht 23.00 million to Baht 10.81 million as advance purchases of project-specific products declined.

Contract assets - unbilled revenue increased from Baht 59.14 million to Baht 69.33 million because the Company recognized revenue based on the stage of completion, while certain projects had not yet reached the contractual delivery conditions or billing milestones.

Liabilities

Current Liabilities	As at 31 December 2024		As at 31 December 2025	
	Baht Million	%	Baht Million	%
Bank Overdrafts and Short-Term Borrowings from Financial Institutions	99.53	21.79	38.64	11.33
Trade and Other Current Payables	162.52	35.57	109.81	32.20
Retention Payables	2.40	0.53	5.55	1.63
Contract Liabilities - Advances Received from Customers	17.08	3.74	3.38	0.99
Current Portion of Long-Term Borrowings	12.41	2.72	8.23	2.41
Current Portion of Lease Liabilities	3.28	0.72	3.25	0.95
Corporate Income Tax Payable	1.91	0.42	3.90	1.14
Provision for Product Warranties	1.37	0.30	4.66	1.36
Other Current Liabilities	0.25	0.04	0.53	0.16
Total Current Liabilities	300.75	65.83	177.95	52.17

Non-Current Liabilities

Non-Current Liabilities	As at 31 December 2024		As at 31 December 2025	
	Baht Million	%	Baht Million	%
Long-Term Borrowings - Net of Current Portion	15.92	3.49	8.61	2.52
Lease Liabilities - Net of Current Portion	6.33	1.38	8.48	2.49
Provision for Long-Term Employee Benefits	4.63	1.01	5.84	1.71

Non-Current Liabilities	As at 31 December 2024		As at 31 December 2025	
	Baht Million	%	Baht Million	%
Total Non-Current Liabilities	26.88	5.88	22.93	6.72

Note: Percentages in the assets and liabilities tables are calculated as a percentage of total assets or total liabilities and shareholders' equity for the respective year.

Liabilities

As at 31 December 2025, the Company had total liabilities of Baht 200.87 million, a decrease of Baht 126.76 million, or 38.69%, from Baht 327.63 million. The decrease was primarily attributable to a reduction of Baht 60.89 million in bank overdrafts and short-term borrowings from financial institutions, following the repayment of promissory notes and a reduction in payables under LC/TR facilities.

Trade and other current payables decreased by Baht 52.71 million due to lower purchasing volume and payments to suppliers in accordance with credit terms. Contract liabilities - advances received from customers decreased by Baht 13.70 million because the Company delivered floating pontoon pumps and completed contractual work milestones, with the related advances offset against contractual billings.

Long-term borrowings from financial institutions, including the portion due within one year, decreased from Baht 28.33 million to Baht 16.84 million as a result of scheduled repayments. Lease liabilities increased following the renewal of the office building lease.

Shareholders' Equity

As at 31 December 2025, shareholders' equity amounted to Baht 140.19 million, an increase of Baht 10.96 million, or 8.48%, from Baht 129.23 million. Issued and paid-up capital increased by Baht 40.00 million to Baht 100.00 million, and the Company recorded net profit for the year of Baht 37.10 million. Meanwhile, dividend payments and the appropriation of profit to the legal reserve resulted in a decrease in unappropriated retained earnings from Baht 63.23 million to Baht 30.17 million.

The Company's debt-to-equity ratio was 1.43 times, down from 2.54 times as at 31 December 2024, reflecting the decrease in total liabilities and the increase in shareholders' equity. The current ratio was 1.02 times, broadly in line with the previous year, while the quick ratio increased from 0.62 times to 0.70 times.

Key Financial Ratios

Key Financial Ratios	Unit	For the Year Ended 31 December	For the Year Ended 31 December	For the Year Ended 31 December
		2023	2024	2025
Liquidity Ratios				
Average Collection Period/1	Days	42	85	82
Average Inventory Holding Period/2	Days	65	82	54
Average Payment Period/3	Days	87	123	94
Profitability Ratios				
Gross Profit Margin/4	%	28.24	23.48	21.72
Net Profit Margin/5	%	13.25	5.99	6.39
Return on Equity (ROE)/6	%	40.55	17.92	27.54
Financial Policy Ratios				
Return on Assets (ROA)/7	%	17.43	6.65	9.30
Debt-to-Equity Ratio (D/E Ratio)/8	x	1.17	2.54	1.43
Debt Service Coverage Ratio (DSCR)/9	x	3.52	0.53	1.43
DSCR per Financial Institution Loan Covenant	x	6.60	3.09	5.10
Dividend Payout Ratio/10	%	100.11	217.81	97.04

Notes:



- /1 Average Collection Period = $365 / \text{Trade Receivables Turnover}$
- /2 Average Inventory Holding Period = $365 / \text{Inventory Turnover}$
- /3 Average Payment Period = $365 / \text{Trade Payables Turnover}$
- /4 Gross Profit Margin = $\text{Gross Profit} / \text{Net Revenue from Sales and Services}$
- /5 Net Profit Margin = $\text{Net Profit} / \text{Total Revenue}$
- /6 Return on Equity = $\text{Net Profit} / \text{Average Shareholders' Equity}$
- /7 Asset Turnover = $\text{Total Revenue} / \text{Average Total Assets}$
- /8 Debt-to-Equity Ratio = $\text{Total Liabilities} / \text{Shareholders' Equity}$
- /9 Interest Coverage Ratio = $\text{EBITDA} / \text{Interest Expense}$
- Debt Service Coverage Ratio = $\text{EBITDA} / (\text{Interest-Bearing Short-Term Liabilities} + \text{Long-Term Liabilities Due Within One Year})$
- /10 Dividend Payout Ratio = $\text{Dividends} / \text{Net Profit}$

Factors That May Affect Future Operations or Growth

The Company's operating performance is linked to government budget and investment policies, procurement processes and the water resource management master plan. Any delay or change in budget priorities may postpone project tenders, deliveries and revenue recognition. In addition, changes in energy-efficiency criteria or support measures for products manufactured in Thailand may affect product qualifications and tender competitiveness. The Company therefore continuously monitors the policies and requirements of government agencies.

Key cost factors include foreign exchange volatility, the cost of imported products, energy prices, transportation costs, material and equipment costs, and interest rates. The Company uses advance procurement planning, monitors production and shipment status, and enters into forward foreign exchange contracts as appropriate to help mitigate cost volatility.

Site readiness, weather conditions, subcontractor performance and events beyond the Company's control may affect project schedules and costs. The Company therefore places importance on pre-commencement risk assessments, progress monitoring, contract condition management and requests for extensions of time when qualifying events arise under the relevant contractual terms.

With respect to working capital, revenue recognition based on work progress before contractual billing milestones may increase contract assets and require the utilization of short-term credit facilities. The Company therefore focuses on expediting delivery, work acceptance, invoicing and collections, while managing payment terms in line with the cash flows of each project.

Sustainability Developments



In 2025, the Company enhanced its sustainability framework. On 18 July 2025, the Board of Directors approved the corporate social responsibility and anti-corruption policies, covering corporate governance, fair business practices, respect for human rights, labor practices, environmental stewardship, anti-corruption, and community and social development.

In the environmental dimension, the Company promotes the efficient use of energy, water and office materials, waste reduction, electronic documentation and resource reuse. The Company also joined the Stock Exchange of Thailand's "Care the Bear" project, which supports the reduction of greenhouse gas emissions from organizational activities. The Company does not yet have greenhouse gas emissions data verified by an independent external verifier and is in the process of establishing targets and action plans and developing a data collection system to support future carbon footprint management and verification.

In the social dimension, the Company donated consumer goods to Mongkut Khiriwan School for the Blind on 21 November 2025. From 28 November to 8 December 2025, the Company deployed mobile hydraulic pumping and drainage vehicles, together with a team of specialists, to assist flood-affected areas at 10 locations in Hat Yai District. The operation drained more than 60,000 cubic meters of standing water, demonstrating the application of the Company's core expertise to create value for communities.

The Company also promotes employee development, safety, occupational health and a suitable working environment, and has established human rights practices and grievance channels to support business growth alongside its responsibilities to employees, business partners, communities and all stakeholder groups.

Other Information

None