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VAROPAKORN PUBLIC COMPANY LIMITED
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Subject: Management Discussion and Analysis (MD&A) for the Year 2025 Ended 31 December 2025

To: Managing Director

The Stock Exchange of Thailand

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

The Company's core business is the manufacture of semi-finished aluminum products, which are primarily key raw materials for the air-conditioning industry. In 2025, the global economy continued to experience volatility driven by several factors, including exchange rate uncertainty, rising commodity prices, and tax measures imposed by various countries. These factors significantly increased raw material costs and import expenses.

In addition, unfavorable weather conditions affecting demand in the air-conditioning market led to a significant decline in demand for the Company's products. As a result, the Company reported sales revenue of Baht 2,782.43 million in 2025, decreasing from Baht 2,982.92 million in 2024. Despite the decrease in revenue compared to the previous year, the Company was able to maintain a net profit of Baht 69.46 million for 2025 before offsetting against accumulated losses. Overall, the Company continues to focus on cost management and market expansion to mitigate long-term volatility.

Operating Results **(Unit: Million Baht)**

Description	2025	2024	Change
Sales Revenue	2,782	2,983	(200)
Gross Profit	188	243	(56)
Gross Profit Margin (%)	6.7	8.2	(1.5)
Other Income	13	5	8
Selling and Administrative Expenses	(92)	(103)	11
Finance Costs	(43)	(55)	11
Gain (Loss) on Exchange Rate and Fair Value Adjustment of Derivatives	3	40	(37)
Profit (Loss) for the Year	70	130	(60)
Earnings per Share (Baht)	0.70	1.31	(0.61)

2. Significant Events and Developments During the Year

In 2025, the Company faced continued volatility in the global economy, particularly in Asia, which is the Company's main market. This resulted in a decline in total sales during the second and third quarters. The primary reason was the slowdown in purchase orders from customers in Asia, who were affected by a significant contraction in the air-conditioning market.

The appreciation and volatility of the Thai Baht against major currencies, particularly the US Dollar, directly impacted the Company's export revenue, resulting in lower revenue when translated into Baht. Additionally, fluctuations in raw material prices significantly affected the Company's costs.

The Company implemented stringent cost management measures to mitigate such impacts, including renegotiating purchasing terms with key suppliers, enhancing production efficiency, and continuously managing foreign exchange risks. The Company remains committed to maximizing cost efficiency to minimize the impact on its operating results amid current economic volatility. The Company will closely monitor domestic and international economic conditions and adjust its business strategies accordingly to ensure sustainable long-term performance.

3. Analysis of Operating Results

3.1 Sales Revenue

The Company recorded total sales revenue of Baht 2,782.43 million, a decrease of Baht 200.49 million or 6.7% compared to Baht 2,982.92 million in the previous year. The decline was mainly due to reduced revenue from domestic and Asian customers, as key customers held high inventory levels, leading to a slowdown in purchase orders during the second and third quarters.

3.2 Other Income

Other income totaled Baht 12.77 million, mainly from tax refunds and exemptions under import-export privileges.

3.3 Costs and Expenses

Cost of sales in 2025 amounted to Baht 2,594.73 million, decreasing from Baht 2,738.63 million in 2024, in line with the decrease in revenue.

Selling and administrative expenses totaled Baht 92.30 million, decreasing from Baht 103.59 million in 2024 (comprising selling expenses of Baht 36.29 million and administrative expenses of Baht 56.02 million in 2025, compared to Baht 46.47 million and Baht 57.12 million, respectively, in 2024).

Finance costs in 2025 amounted to Baht 43.18 million, decreasing from Baht 54.56 million in 2024 due to reduced debt obligations.

3.4 Operating Profit

Gross profit in 2025 was approximately Baht 187.70 million, representing a gross profit margin of 6.7%, decreasing from 8.2% in the previous year.

The Company recorded operating profit of Baht 110.86 million (2024: Baht 185.16 million), reflecting partial improvements in cost management despite pressure from higher raw material and energy costs.

Net profit for the year ended 31 December 2025 amounted to Baht 69.46 million, decreasing from Baht 130.43 million in 2024.

4. Analysis of Financial Position

4.1 Assets

As at the end of 2025, total assets amounted to Baht 2,188.13 million, decreasing from Baht 2,506.31 million at the end of 2024.

Current assets decreased from Baht 1,728.85 million to Baht 1,409.16 million, mainly due to reductions in trade receivables (from Baht 734.78 million to Baht 610.53 million) and inventories (from Baht 863.27 million to Baht 703.94 million).

4.2 Liabilities

Total liabilities at the end of 2025 were Baht 1,185.03 million, decreasing from Baht 1,604.35 million at the end of 2024.

Short-term loans decreased to Baht 150 million (from Baht 170 million).

Trust receipts decreased to Baht 621.85 million (from Baht 873.78 million).

The debt-to-equity ratio (D/E) significantly decreased from 1.78 to 1.18.

4.3 Cash Flow Analysis (Liquidity)

Net cash provided by operating activities in 2025 was Baht 273.35 million, increasing from Baht 6.43 million in 2024.

Net cash used in investing activities for machinery and equipment improvement amounted to Baht 18.94 million (decreasing from Baht 34.44 million in the previous year).

Net cash used in financing activities amounted to Baht 298.29 million (compared to net cash received of Baht 98.93 million in the previous year).

Cash and cash equivalents at the end of 2025 amounted to Baht 28.32 million (decreasing from Baht 72.21 million at the end of 2024).

4.4 Shareholders' Equity

Shareholders' equity increased to Baht 1,003.10 million from Baht 901.96 million at the end of 2024.

Return on Equity (ROE) decreased from 14.46% to 6.92%.

5. Factors That May Affect Future Operations

Raw material price volatility: Due to rising global demand for aluminum products, raw material prices show an improving trend in Q1/2026.

Foreign exchange risk: Volatility of the Thai Baht remains a key factor that may affect exchange gains or losses from exports.

Capacity expansion: The Company is upgrading machinery to support increased production capacity and has received Board approval to invest in a new production line to accommodate expected future orders. The project has partially commenced and is expected to be completed as planned.

Customer concentration risk: The Company has five major customers accounting for approximately 60% of total sales. The Company recognizes the importance of managing such risk by expanding its customer base while maintaining long-term contracts to ensure revenue stability.

Climate risk: Sudden climate changes remain a risk. If extreme heat or cold conditions become less frequent, demand for semi-finished aluminum products used in air-conditioning systems may decline. The Company has mitigated this risk by diversifying its customer base, developing higher value-added products, and investing in capacity expansion to support expected future demand. The Company will continue to strictly control costs and liabilities while adjusting business strategies to suit market conditions and ensure long-term stability.

6. Sustainability Development

The Company has joined the Sustainable Journey program organized by the Stock Exchange of Thailand. A working team has been established to prepare information and present sustainability development plans to management. The Company also plans to apply for the JUMP+ program and continue related initiatives.

The Company has continuously implemented greenhouse gas reduction projects. Completed projects include improving the efficiency of aluminum melting furnaces to reduce energy consumption and production costs and replacing air-conditioning systems with high energy-efficiency (SEER Level 5, 4–5 stars) units. Ongoing projects include improving incinerator efficiency to reduce natural gas consumption and replacing high-efficiency air compressors to reduce electricity usage.

After being selected to participate in the pilot project for industrial establishments applying circular economy principles, the Company has been evaluated by project consultants and is currently implementing recommended improvements, such as reducing waste by recycling wastewater treatment sludge instead of landfill disposal and reusing aluminum ash from production processes.

Management Clarification

In summary, although the Company was affected by global economic volatility, the appreciation of the Thai Baht, and weather conditions that significantly reduced demand in the air-conditioning market—resulting in lower sales revenue and net profit compared to 2024—the Company implemented strict cost and debt management measures, which significantly improved liquidity and

leverage position. To cope with long-term volatility, the Company continues to expand into new markets, develop higher value-added products, invest in capacity expansion, and accelerate sustainability initiatives.

Notification of Operating Results for 2025

The Company hereby reports its operating results for the year ended 31 December 2025, which changed by more than 20% compared to the same period of the previous year. The Company has submitted the financial statements for the year ended 31 December 2025, which have been reviewed by a certified public accountant, through the electronic system (SETLink) of the Stock Exchange of Thailand.

Please be informed accordingly.

Yours sincerely,

-Thanawat Sonjai -

Mr. Thanawat Sonjai

Managing Director