August 13, 2026

Subject : Management Discussion and Analysis for the 2nd quarter period ended June 30, 2026.

To : President

The Stock Exchange of Thailand

Harn Engineering Solutions Public Company Limited and its subsidiaries ("The Group") would like to provide information on the Company's operating results for the three-month period ended June 30, 2026, 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 the second quarter of 2026 showed signs of slowing down compared with the previous quarter, mainly due to the impact of higher energy prices and the ongoing conflict in the Middle East. With respect to competition in the industrial sector affecting the Group's businesses, price competition remained intense, with an increasing influx of lower-priced imported products competing with the standard-quality products of the manufacturers represented by the Group. Consequently, the Group continued to leverage its strengths in product quality and standards, together with marketing promotion strategies, to retain its existing customer base. In addition, the Group continued to seek new opportunities to expand its customer base. In the Fire protection products & projects business, the Group expanded its customer base from the condominium market to industrial factories and Data Centers, while also investing in new businesses to diversify its investments and generate returns for shareholders. Despite the continued challenges in the economic and competitive environment, including elevated costs, intense price competition, and overall economic volatility, the Group's operating performance in the second quarter of 2026 declined compared with both the previous quarter and the same quarter of the previous year.

Overall, in the second quarter of 2026, the Group recorded total revenue of Baht 292.01 million, a decrease of Baht 10.59 million, or 3.50%, while the gross profit margin was 28.87%, decreasing by 0.82 percentage points compared with the same quarter of the previous year. Other income increased by Baht 2.45 million, or 32.41%, while distribution costs and administrative expenses increased by Baht 1.19 million. As a result, net profit attributable to owners of the parent amounted to Baht 17.09 million, a decrease of Baht 5.48 million, or 24.29%, compared with the same quarter of the previous year.

2. Summary of Key Events and Developments

The Company's business operations continued as normal during the second quarter of 2026. However, the following significant events occurred in relation to the subsidiaries:

2.1 Mollisa Co., Ltd.

Mollisa Co., Ltd., the Company's third subsidiary, received project funding of Baht 2.95 million on April 20, 2026, from the Technology and Innovation Management Office for Life Sciences (Public Organization) for the project entitled "Development of an Integrated Ecosystem for Personalized Virtual Prosthetic Toes Using 3D Printing: A Practical Approach to Service Delivery and Market Expansion." In addition, Mollisa Co., Ltd. has successfully passed the certification audit for the ISO 13485 : 2016 quality management system for medical devices.

2.2 Harn Vietnam Co., Ltd.

Pursuant to the resolution of the Board of Directors' Meeting No. 4/2026 held on August 13, 2026, the Board of Directors approved the dissolution of Harn Vietnam Co., Ltd., a wholly owned subsidiary of the Group engaged in the distribution of printing equipment in Vietnam. The subsidiary is currently undergoing the legal process of dissolution and liquidation. As of June 30, 2026, the subsidiary had total assets of Baht 3.89 million, representing 0.21% of the Group's total assets, and total revenue for the six-month period of Baht 0.01 million, representing 0.002% of the Group's total revenue. Management expects that the dissolution will not have a material impact on the Group's operations or financial position.

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3. Summary of Business Performance

Consolidated Income Statements (MB.)	Q2/2026	Q1/2026	Q2/2025	YoY Increase / (Decrease)	
				MB.	%
Revenues from sales and services	282.00	336.50	295.04	(13.04)	(4.42%)
Other revenues	10.01	7.02	7.56	2.45	32.41%
Total revenues	**292.01**	**343.52**	**302.60**	**(10.59)**	**(3.50%)**
Costs of sales and services	200.58	237.84	207.45	(6.87)	(3.31%)
Distribution costs	32.57	30.92	29.87	2.70	9.04%
Administrative expenses	33.19	31.79	34.70	(1.51)	(4.35%)
Other expenses	-	0.01	2.82	(2.82)	(100.00%)
Finance costs	0.79	0.80	0.85	(0.06)	(7.06%)
Expected credit loss (Reversal)	3.42	0.84	(0.86)	4.28	497.67%
Total cost and operating expenses	**270.55**	**302.20**	**274.83**	**(4.28)**	**(1.56%)**
Profit before income tax	**21.46**	**41.32**	**27.77**	**(6.31)**	**(22.72%)**
Tax expense	4.51	8.56	5.45	(0.94)	(17.25%)
Profit for the period	**16.95**	**32.76**	**22.32**	**(5.37)**	(24.06%)
Less Non-Controlling Interests	(0.14)	(0.32)	(0.25)	0.11	(44.00%)
	17.09	**33.08**	**22.57**	**(5.48)**	**(24.29%)**
Gross profit margin (%)	**28.87%**	**29.32%**	**29.69%**		**(0.82%)**
Net profit margin (%)	**5.80%**	**9.54%**	**7.38%**		**(1.58%)**

Revenues from sales and services

The Group operates the following businesses: (1) Fire Protection Systems and Projects, (2) Sanitary and Air-Conditioning Systems, (3) Refrigeration Systems, (4) Digital Printing Systems, (5) IoT Solutions for Building Systems, (6) Medical 3D printing systems and (7) businesses related to carbon dioxide and the reduction of carbon dioxide emissions and other greenhouse gases.

Business Units 6 and 7 are currently in the preparation stage and have not generated revenue from the date of incorporation through the end of the second quarter of 2026. These business units are presented under “Other” in the segment information note to the consolidated financial statements.

For the second quarter of 2026, the Group recorded revenue from sales and services of Baht 282.00 million, a decrease of Baht 13.04 million, or 4.42%, compared with the same quarter of the previous year, as shown in the table below.

Revenue from sales and services (MB.)	Q2/2026	Q1/2026	Q2/2025	YoY Increase / (Decrease)	
				MB.	%
1. Fire protection products & projects	150.94	183.37	120.45	30.49	25.31%
2. Air-conditioning & sanitary product	13.67	12.59	13.69	(0.02)	(0.15%)
3. Refrigeration systems	35.64	48.31	58.08	(22.44)	(38.64%)
4. Digital printing systems	81.14	91.95	101.50	(20.36)	(20.06%)
5. Building IoT products and solutions	0.69	0.29	1.40	(0.71)	(50.71%)
Other		-	-	-	-
Elimination of intersegment sales	(0.08)	(0.01)	(0.08)	-	0.00%
Total	**282.00**	**336.50**	**295.04**	**(13.04)**	**(4.42%)**

The key factors affecting sales and service income in the second quarter of 2026 were as follows:

1. Fire protection products & projects and Air-conditioning & sanitary products increased by a combined Baht 30.47 million, or 22.72%, mainly due to the gradual delivery of large-scale projects, particularly Data Center projects and energy infrastructure projects.

2. Refrigeration systems decreased by Baht 22.44 million, or 38.64%, as market competition remained intense and the number of new projects in the market was relatively limited. Competition also increased due to the entry of Chinese operators offering imported pre-assembled equipment at relatively low prices, resulting in significant pricing pressure in the market.

3. Digital printing systems decreased by Baht 20.36 million, or 20.06%, due to lower sales of printing equipment and a decrease in revenue from equipment rental contracts.

<u>Other income and Other expenses</u>

The Group's other income increased by Baht 2.45 million, or 32.41%, mainly due to the recognition of an unrealized gain on investment units of Baht 3.46 million. In the same period of the previous year, the Group recognized an unrealized loss on investment units of Baht 2.85 million, which was presented as other expenses. The unrealized gain or loss resulted from changes in the value of investment units in each period.

Cost of sales and services and GPM

The Group's cost of sales and services decreased by Baht 6.87 million, or 3.31%, at a lower rate than the decrease in revenue. As a result, the gross profit margin decreased by 0.82 percentage points, mainly due to higher costs of products and services. However, the Group has gradually increased selling prices to partially offset the increase in costs.

Gross Profit Margin (%)	Q2/2026	Q1/2026	Q2/2025	YoY Increase / (Decrease)
1. Fire protection products and projects	25.84	27.56	27.01	(1.17)
2. Air-conditioning and sanitary products	22.51	22.27	27.15	(4.64)
3. Refrigeration systems	16.75	17.51	21.70	(4.95)
4. Digital printing systems	40.66	39.88	37.89	2.77
5. Building IoT products and solutions	62.30	31.58	12.90	49.40
Other	-	-	-	-
Total	**28.87**	**29.32**	**29.69**	**(0.82)**

Distribution costs

The Group's distribution costs increased by Baht 2.70 million, or 9.04%, mainly due to higher freight expenses resulting from the increase in energy prices. In addition, certain distribution costs are fixed in nature, such as salaries and employee benefits for sales personnel.

Administrative expenses

The Group's administrative expenses decreased by Baht 1.51 million, or 4.35%, mainly due to lower legal professional fees and lower depreciation expenses as certain assets had been fully depreciated, partially offset by an increase in salaries and employee benefits.

Expected Credit Losses

For the three-month periods ended June 30, 2026 and 2025, the company recorded expected credit losses as follows:

Expected Credit Losses (Unit : MB.)	Q2/2026	Q1/2026	Q2/2025	YoY Increase / (decrease)
Parent Company	3.42	0.84	(0.87)	4.29
Subsidiaries				
Harn Vietnam Co., Ltd.	-	-	-	-
Aiyaraharn Co., Ltd.	-	-	0.01	(0.01)
Mollisa Co., Ltd.	-	-	-	-
Total Expected Credit Losses	**3.42**	**0.84**	**(0.86)**	**4.28**

The Group recognized an increase in expected credit losses of Baht 4.28 million compared with the same quarter of the previous year, as the Group assessed higher credit risk for certain customers due to liquidity constraints and their ability to meet debt obligations. As a result, the Group increased its allowance for expected credit losses.

Net profit attributable to the shareholders of the parent company

Net profit attributable to owners of the parent amounted to Baht 17.09 million, a decrease of Baht 5.48 million, or 24.29%, compared with the same quarter of the previous year, mainly due to lower revenue and an increase in expected credit losses recognized in respect of customers.

4. Summary of Financial Position

Balance sheet (Unit : MB.)	As at June 30, 2026	As at December 31, 2025	Increase / (Decrease)	
			MB.	%
Total Assets	1,818.67	1,799.81	18.86	1.05%
Total Liabilities	450.08	411.02	39.06	9.50%
Equity attributable to the parent company shareholders	1,371.23	1,390.97	(19.74)	(1.42%)

Total Assets

As of June 30, 2026, the Group had total assets of Baht 1,818.67 million, an increase of Baht 18.86 million, or 1.05%, compared with the end of 2025. The increase was mainly attributable to an increase in inventories of Baht 23.42 million, trade and other receivables of Baht 19.94 million, and current contract assets of Baht 12.67 million, in line with the Group's level of business and project activities during the period. However, the increase was partially offset by a decrease in cash and cash equivalents of Baht 17.52 million and other current financial assets of Baht 14.31 million.

Total Liabilities

As of June 30, 2026, the Group had total liabilities of Baht 450.08 million, an increase of Baht 39.06 million, or 9.50%, from Baht 411.02 million as of December 31, 2025. The increase in total liabilities was mainly attributable to an increase in trade and other current payables of Baht 55.62 million, in line with the increase in inventories and purchasing activities during the period. In addition, bank overdrafts and short-term borrowings from financial institutions increased by Baht 1.10 million.

However, non-current liabilities decreased from Baht 159.94 million to Baht 144.39 million, a decrease of Baht 15.55 million, mainly due to a decrease in non-current provisions for employee benefits of Baht 9.14 million as a result of retirement benefit payments, and a decrease in lease liabilities of Baht 5.26 million.

Equity attributable to the parent company shareholders

As of June 30, 2026, equity attributable to owners of the parent amounted to Baht 1,371.23 million, a decrease of Baht 19.74 million, or 1.42%, compared with the balance as of December 31, 2025, mainly due to the Group's operating results for the first six months of 2026 and dividend payments.

Cash Flow Analysis

Description (MB.)	For the six-month period ended June 30,		
	2026	2025	Increase / (Decrease)
Net Cash Flow from Operating Activities	40.83	51.56	(10.73)
Net Cash Flow from (Used in) Investing Activities	16.66	26.81	(10.15)
Net Cash Flow from (Used in) Financing Activities	(75.23)	(76.32)	1.09
Effect of translation adjustment on foreign currency financial statements	0.22	(0.48)	0.70
Net Increase (Decrease) in Cash and Cash Equivalents	**(17.52)**	**1.57**	**(19.09)**
Cash and Cash Equivalents - B/F	**439.84**	**293.47**	**146.37**
Cash and Cash Equivalents - C/F	**422.32**	**295.04**	**127.28**

Net cash flows from operating activities for the six-month period ended June 30, 2026 amounted to Baht 40.83 million, a decrease of Baht 10.73 million compared with the same period of the previous year. The decrease was mainly attributable to an increase in trade and other current receivables of Baht 23.35 million, an increase in inventories of Baht 25.75 million, an increase in trade and other current payables of Baht 55.44 million, and annual employee retirement benefit payments of Baht 10.68 million.

Net cash flows from investing activities amounted to Baht 16.66 million, mainly attributable to cash receipts of Baht 17.06 million from the maturity of government bonds, partially offset by purchases of property, plant and equipment of Baht 4.81 million.

Net cash flows used in financing activities amounted to Baht 75.23 million, mainly attributable to dividend payments and repayments of lease liabilities.

Key Financial Ratios

Key Financial Ratio	Unit	As at June 30, 2026	As at December 31, 2025
Current ratio	Times	3.62	4.30
Debt to equity (D/E ratio)	Times	0.33	0.30
Return on asset (ROA)	%	6.88	5.93
Return on equity (ROE)	%	7.04	6.06

As of June 30, 2026, the Group's current ratio was 3.62 times, decreasing from 4.30 times as of the end of 2025, reflecting a decline in liquidity while remaining at a relatively high level.

Meanwhile, the debt-to-equity ratio (D/E Ratio) was 0.33 times, increasing from 0.30 times as of the end of 2025, in line with the increase in total liabilities.

In terms of profitability, return on assets (ROA) and return on equity (ROE) improved. ROA increased to 6.88% from 5.93%, while ROE increased to 7.04% from 6.06%, reflecting improved efficiency in generating returns from the Group's assets and shareholders' equity.

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 received the highest corporate governance rating of "Excellent" (5 stars) for seven consecutive years and received an "A" rating in the SET ESG Ratings for its 2025 sustainability performance. In addition, the Company has introduced environmentally friendly products to its customers.

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,

- Signed -

(Mr. Thammanoon Tripetchr)
Chief Executive Officer