



(Translation)

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August 14, 2025

Subject: Management Discussion and Analysis of Operating Result for the second quarter of 2025
Ended June 30, 2025

To: The Directors and Managers,
The Stock Exchange of Thailand

Operating Results

NEP Real Estate and Industry Public Company Limited would like to clarify the operating results for the second quarter of 2025, ending on June 30, 2025, compared to the same period of 2024, as follows:

For the three-month period of 2025, ending on June 30, 2025

The Company's operating results for the first three months of the second quarter of 2025, ending on June 30, 2025. There was a net loss of 2.12 million baht compared to the same period in 2024, which had a net profit of 4.97 million baht, with an increase in operating loss of 7.09 million baht due to the following main reasons:

1. Revenue from Sales and Other Income

The Company had sales revenue in the second quarter of 2025, ending on June 30, 2025, of 3.14 million baht, compared to 2024. There was a sales revenue of 0.53 million baht, an increase of 2.61 million baht. The increased revenue from sales operations under the VAVA Z brand, which is a Circular Upcycling model, is considered a positive direction.

Other income in 2025 amounted to 1.05 million baht, compared to 3.00 million baht in 2024, a decrease of 1.95 million baht, without any significant change.

2. Cost of Sales and Gross Profit

In the second quarter of 2025, the company had a cost of sales of 2.29 million baht, compared to the same period in 2024, which had a cost of sales of -0.68 million baht, an increase of 2.97 million baht, with a gross profit of 0.85 million baht, representing 27% of sales revenue. This gross profit margin is in line with the company's plan to operate its business selling products under the VAVA Z brand. The company expects to drive revenue from sales of products under the VAVA Z brand, which is a Circular Upcycling model. To create added value in the environmental business direction as the company has clearly defined in its business plan.

3. Selling Expenses

In the second quarter of 2025, distribution costs were 1.69 million baht, or 53.82 percent of sales revenue. The Company focuses on key strategies to drive sustainable business growth, aiming to



increase revenue and expand the customer base under the VAVAZ brand. In addition to managing the Company's assets for maximum benefit, the Company has expanded its market and developed sales channels, including developing new products and there is an increase in product value by using marketing strategies to increase sales and managing other assets to create additional income to drive sales as the company has determined.

4. Administrative Expenses

In the second quarter of 2025, administrative expenses were 6.19 million baht, compared to the same period of 2024, which had administrative expenses of 9.77 million baht, a decrease of 3.58 million baht from 2024. In 2025, the Company will continue to implement its management policy and reduce costs continuously.

5. Management Remuneration

In the second quarter of 2025, executive compensation was 1.56 million baht, compared to the same period of 2024, which had executive compensation of 1.57 million baht, a decrease of 0.01 million baht or 0.34 percent, with no significant change.

6. Finance Costs

In the second quarter of 2025, there were financial expenses of 0.02 million baht, compared to the same period of 2024, which had financial expenses of 0.05 million baht, a decrease of 0.03 million baht. The Company's financial expenses will be interest from the hire-purchase contract, as the Company has no long-term debt from financial institutions.

7. Share of Profit (Loss) from Investment in Associate

In the second quarter of 2025, the share of profit from the associated company was 5.39 million baht, compared to the same period of 2024, which was 12.13 million baht, a decrease of 6.74 million baht or 55.59 percent, due to the associated company's decreased profit compared to the previous year.

For the Six-month period of 2025, ending on 30 June 2025

The Company's operating results for the first six months of 2025, ending on June 30, 2025, showed a net profit of 1.50 million baht, compared to the same period in 2024. Which had a net profit of 6.10 million baht. The operating results had a decrease in profit of 4.60 million baht due to the following main reasons:

1. Revenue from Sales and Other Income

The Company's sales revenue for the first six months of 2025, ending on June 30, 2025, was 6.84 million baht, compared to sales revenue in 2024 of 15.90 million baht, a decrease of 9.06 million baht or a decrease of 56.98 percent due to a decrease in sales of plastic bag products and flexible packaging. As the company has ceased production and distribution of plastic bags and flexible packaging products since February 23, 2024.



Other income in 2025 was 1.53 million baht, compared to 3.73 million baht in 2024, a decrease of 2.22 million baht. As of 2024, the Company has sold excess raw materials that were not used due to the discontinuation of flexible packaging products.

2. Cost of Sales and Gross Profit

For the first six months of 2025, the Company had a cost of sales of 4.95 million baht and a gross profit of 1.89 million baht, representing 27.63% of sales revenue. Compared to the same period in 2024, the cost of sales was 19.70 million baht, a decrease of 14.75 million baht or 74.87%. As of 2024, the Company has stopped producing and selling plastic bags and flexible packaging. The company expects to drive revenue from sales of products under the VAVA Z brand, which is a Circular Upcycling model. products. To create added value in the environmental business direction as the company has clearly defined in its business plan. By using marketing strategies to increase sales and manage other assets to generate additional income to drive sales as the company has determined.

3. Selling Expenses

Distribution costs for the first six months of 2025 were 3.05 million baht, representing 44.59 percent of sales revenue, compared to the same period in 2024. There is a distribution cost of 0.91 million baht, an increase of 2.13 million baht from 2024. The Company aims to increase revenue and expand its customer base under the VAVAZ brand, as well as maximize the efficiency of its asset management. The Company has expanded markets and developed sales channels, developed new products, and added value to its products.

4. Administrative Expenses

For the first six months of 2025, administrative expenses were 12.56 million baht, compared to the same period of 2024, which had administrative expenses of 21.76 million baht, a decrease of 9.20 million baht. In 2025, the Company will continue to implement its management policy and reduce costs continuously.

5. Management Remuneration

For the first six months of 2025, executive compensation was 3.29 million baht, compared to the same period of 2024, which had executive compensation of 3.19 million baht, an increase of 0.10 million baht or increased by 3.13 percent due to the company increasing operating expenses to stimulate sales as the company has set its target.

6. Finance Costs

Financial expenses for the first six months of 2025 amounted to 0.03 million baht, compared to the same period of 2024, which amounted to 0.12 million baht, a decrease of 0.09 million baht. The Company's financial expenses include interest on hire-purchase contracts and the Company has no long-term debt from financial institutions.



7. Share of Profit (Loss) from Investment in Associate

For the first six months of 2025, the share of profit from associated companies amounted to 16.92 million baht, compared to the same period of 2024, which amounted to 32.24 million baht, a decrease of 15.33 million baht, due to the associated companies' lower profits compared to the previous year.

Financial Position

1. Total Assets

The Company had total assets as of June 30, 2025, of 584.63 million baht, an increase of 1.46 million baht or 0.25% from December 31, 2024, with details of significant changes as follows:

1.1 Current Assets

As of June 30, 2025, the amount was 25.12 million baht, an increase of 3.44 million baht or 15.85 percent from 2024. The main reason is that cash and cash equivalents increased by 8.13 million baht and other current financial assets decreased by 5.11 million baht due to the company withdrawing fixed deposits to use as working capital for the company's business operations.

1.2 Non-Current Assets

As of June 30, 2025, the amount was 559.51 million baht, a decrease of 1.98 million baht or 0.35 percent. Investment in associates increased by 1.44 million baht due to the Company recognizing profit sharing from investments in associates and decreased by 2.67 million baht due to the annual depreciation of assets.

2. Total Liabilities

The Company's total liabilities as of June 30, 2025, were 6.39 million baht, a decrease of 0.04 million baht or 0.62 percent from December 31, 2024. Details of the significant changes are as follows:

2.1 Current Liabilities

As of June 30, 2025, the amount was 3.03 million baht, an increase of 0.10 million baht or 3.32 percent, with debt repayment as scheduled.

2.2 Non-Current Liabilities

As of June 30, 2025, the amount was 3.37 million baht, a decrease of 0.14 million baht or 4.02 percent. This represents a decrease of 0.13 million baht from lease liabilities and an increase of 0.08 million baht from non-current liabilities for employee benefits. The Company has no long-term debt from financial institutions.

3. Shareholders' Equity

As of June 30, 2025, the amount was 578.24 million baht, an increase of 1.50 million baht or 0.26% from December 31, 2024, due to the company having a net profit.



Future Directions

In the second half of 2025, the company will focus on key strategies to drive the business under the VAVAZ brand. This is aimed at achieving concrete sales revenue targets, accelerating the search for tenants for the factory building to utilize unused assets, and studying new product projects or trading new products in line with the business plan presented earlier this year to create sustainable revenue growth for the company. The details are as follows:

1. Products under the VAVAZ Brand

1. Market Expansion and Sales Channel Development

1.1 Expansion of distribution channels (Omnichannel Expansion)

- Increase distributors and B2B partners by collaborating with eco-friendly stores, lifestyle shops, and businesses interested in the Upcycle Fashion concept.
- Penetrate the market through partners or online platforms like Shopee, Lazada, TikTok Shop, and Home Pro Online.
- Find new VAVAZ brand storefronts to increase sales, in addition to the Emsphere and One Nimman stores.

1.2 Expansion of online channels (E-commerce & Social Commerce)

- Increase sales from Shopee, Lazada, TikTok Shop, and Facebook/Instagram Store.
- Conduct Live Commerce & Influencer Marketing to build awareness and increase the conversion rate.
- Expand advertising through Google Ads, Meta Ads, and TikTok Ads to reach the target audience.

1.3 Increasing sales through organizations and corporate clients (B2B & Corporate Sales)

- Push VAVAZ into the Corporate Gift market for companies seeking eco-friendly gifts.
- Target hotels, resorts, and environmental organizations looking for eco-friendly products to use.
- Target government and state enterprise clients that have projects and activities related to the environment.

2. New Product Development and Product Value Enhancement

2.1 Development of new product lines (Product Diversification)

- Add products made from recycled and upcycled materials, such as accessories and lifestyle products.
- Design Limited Collections, such as elephant, temple, and TUKTUK patterns, to offer more variety for consignment channels.
- Design VAVAZ Limited Collections, such as the PIM, nylon, and rerun Hippo models, with modern, unique designs to support online and in-store sales.
- Add new products with cute patterns to offer to Gift Shop customers with physical stores and branches, at prices suitable for the consumer group.

2.2 Brand differentiation (Brand Positioning)

- Present VAVAZ as a modern and eco-friendly Upcycle Fashion brand.



- Add value through storytelling and brand identity to make customers feel involved in helping the world.

2.3 Cooperation development (Collaboration & Co-branding)

- Collaborate with designers or artists to create unique products.
- Collaborate with brands that have similar concepts, such as organic or eco-fashion brands.
- Conduct Research & Development (R&D) to develop new materials for the Circular Upcycle Economy.

3. Marketing Strategies to Increase Sales

3.1 Content & Digital Marketing

- Produce UGC (User-Generated Content) and customer reviews to build credibility.
- Do SEO and Content Marketing to increase reach from Google searches.
- Use Line OA to encourage repeat purchases from customers.
- Employ a strategy of hiring people in the community to generate income under the sustainable job creation project.

3.2 Experiential Marketing

- Organize Pop-up Stores and Roadshows in target locations to test the market and build awareness.
- Participate in environmental and fashion fairs and events to increase business opportunities.
- Organize activities where customers can participate and provide feedback through online channels, with complimentary gifts.

Strategic Guidelines

1. Channel-specific strategies

- **OEM:** Hire a salesperson to accelerate follow-ups with old customers and acquire new ones. Train the sales team on role-playing sales presentation techniques to ensure they understand the products and can professionally close sales.

- **Direct Sales:** Consider relocating or improving branches that are not meeting revenue targets. Add new product formats and a sales application to replace long-standing products.

- **Consignment:** Accelerate contact with major consignment stores to select potential stores that can distribute the company's products. Increase product variety, select potential sales points, position products more clearly in the Functional + Lifestyle group, and set up a sales promotion team.

2. Develop products that better meet the target audience's needs, such as Mini Size for tourists, special patterns, bags for specific groups, and new VAVAZ brand collections to replace outdated products.

3. Increase the budget and frequency of marketing, with a focus on measuring the ROI of each campaign.



2. Asset Management for Additional Revenue

Space and building rentals: Rent out the existing factory building to other businesses for purposes such as a warehouse or a production factory.

3. Investing in New Businesses Related to Sustainability or a Trading Company

- Study investment opportunities in Biodegradable Products or high-growth potential Green Businesses.
- Study investment opportunities in trading other products to increase company revenue beyond existing operations.

For the second half of 2025, the company will continue to drive performance in its core business under the VAVAZ brand. It will accelerate sales revenue from bags and other upcycled products to meet the set targets, and it will speed up the search for tenants for the factory building to utilize unused assets. The company also plans to study new business models, such as acting as a trading company to buy and sell products or add new products. Having a new product group that can enter both domestic and international markets will help diversify revenue streams, reduce the risk from sales fluctuations in the original product group, and create long-term business sustainability.

The Company is fully committed to achieving its objectives through the diligent execution of its strategic and operational plans. All actions will be conducted with caution and in strict compliance with the rules and regulations of the Stock Exchange of Thailand (SET), the Office of the Securities and Exchange Commission (SEC), and all other applicable regulatory requirements to ensure the best interests of the Company and its shareholders, with the goal of long-term sustainability.

Please be informed accordingly.

Sincerely yours,

- Weerachart Lohsiri -

Mr. Weerachart Lohsiri

Managing Director