



บริษัท เอ็นอีที อสังหาริมทรัพย์และอุตสาหกรรม จำกัด (มหาชน)
NEP REALTY AND INDUSTRY PUBLIC COMPANY LIMITED
Public Company Registration No. 0107537000831



(Translation)

NEP-AC 009/2566

November 9, 2023

Subject : Management's Overall analysis "3rd Quarter of Year 2023 as of September 30, 2023"

To : The President

The Stock Exchange of Thailand

Overall achievement

NEP Realty and Industry Public Company Limited would like to inform overall achievement of the 3rd Quarter of Year 2023 as of September 30, 2023 by comparing with the same period of year 2022 as follows;

For the past 3 mounts of Quarter 3 ended of September 30, 2023

Overall achievement of the 3rd Quarter of Year 2023 as of September 30, 2023, Had a net profit of 2.93 million baht to compare with the same period of year 2022, the net loss was 14.19 million baht. The performance is still consecutive loss by decreasing 11.26 million baht loss. The important causes were as follows:

1. Sales revenue and other income

Sales revenue for the 3rd Quarter of Year 2023 as of September 30, 2023, amounted to 32.15 million baht, to compare with the same period of year 2022, Has Sales revenue of 69.23 million baht showing a reduction of 37.08 million baht or 53.56 %. The main causes were the decrease in sales of plastic woven bag orders and the cessation of production in the plastic woven bag line.

Other income for the 3rd Quarter of Year 2023 as of September 30, was 0.72 million baht, compared to the same period in 2022 when it was 0.56 million baht, increased 0.16 million baht. There were no significant changes in the reported items.



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2. Cost of Sales & Gross Profit

In the 3rd Quarter of Year 2023 as of September 30, Cost of sales amounted to 35.92 million baht, compared to the same period of 2022 which with a cost of sales of 71.62 million baht, decreased by 35.70 million baht or 49.84 % while sales decreased 53.56 % It shows that the company has high unit costs. Therefore, there is still a gross loss of 11.75 % Flexible Packaging products have sales and production that are still less than the target. As a result, production capacity does not cover fixed costs. Waste control still does not meet the required standards.

The company must therefore urgently solve the problem of production efficiency. And the company recorded a loss from raw materials and deteriorated products in the amount of 1.65 million baht and a loss from the net realizable value of 0.37 million baht in cost of sales.

NEP changing the business model by selling plastic bags in the form of Outsourcing or Trading by hiring production from other manufacturers who are business partners instead of producing it ourselves. As a result, the company's gross profit from selling plastic bags is quite stable in this quarter. Even though there has been a decrease in sales.

3. Sales & Marketing costs

In the 3rd Quarter of Year 2023 as of September 30, sales and marketing costs amounted to 1.94 million baht, accounting for 6.03 % of total sales, compared to 2.53 million baht or 3.66 % of total sales in the same period of 2022. Costs in distribution decreased the reason is that in 2023 orders will decrease, resulting in lower research and development costs for new products to use as samples to present to customers.

4. Overheads

In the 3rd Quarter of Year 2023 as of September 30, overheads were 8.52 million baht or accounted for 26.49 % of sales revenue to compare with the same period of year 2022, it was 9.60 million baht or accounted for 13.87 % of sales revenue. Overall were lower than same period of last year at 1.08 million baht. NEP adjusted the organizational structure to be more compact and ongoing cost reduction.



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However, if comparing proportion of income, it was still higher than last year due to sales order reduction.

5. Benefit management

In the 3rd Quarter of Year 2023 as of September 30, benefit management amounted 3.11 million baht, a reduction of 1.86 million baht or 59.79 % compared to the same period in 2022. This is because personnel at the marketing and sales management level have resigned and the company has not yet paid remuneration to the directors. Because the general meeting of shareholders did not approve directors' remuneration.

6. Financial expenses

In the 3rd Quarter of Year 2023 as of September 30, financial expense was 0.11 million baht to compare with the same period of year 2022, it was 0.16 million baht. Overall closed to last year. The main cost of financial expense was bank interest for TR payment. NEP has not had long-term debt with financial institution.

7. Return on Investment

In the 3rd Quarter of Year 2023 as of September 30, the profit from investments 17.80 million baht, compared to 2.07 million baht in the same period of 2022, resulting in an increase of 15.73 million baht due to higher profits from investment companies.

For the past 9 mounts of Quarter 3 ended of September 30, 2023

The operating result for Quarter 3 of the year 2023 of the company show a net loss of 7.38 million baht, compare to the same period of previous year which a net loss of 38.33 million baht, decreased 30.95 million baht due to the main reasons as follow;

1. Revenue from sale, Other income

The company had sale revenue at the end of 3rd Quarter of Year 2023 as of September 30, at 100.63 million baht, compare with the same period of previous year with amount of 244.55 million baht which decrease by 143.91 million baht or 58.85 %, due to the impact of sales from Plastic woven bag that was declined from the cancellation of plastic woven bag's production line.



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Other income the past 9 months of Quarter 3 ended of September 30, 2023 are 2.12 million baht compare to last year at 3.71 million baht, which decrease by 1.59 million baht. Because in the first quarter of 2022, the company has income from service fees for sack production machines and labor services from vava pack Company Limited, which currently has no income from such services.

2. Cost of sale, Profit margin

For end of 3rd Quarter of Year 2023 as of September 30, the company had cost of sale of 113.03 million baht compare to 253.83 million baht last year with the decreasing of 140.80 million baht or 55.47 % decreased, while sale revenue decreases by 58.85 % this reveal that the company has lower cost per unit however still in negative gross loss profit margin of 12.31 % The product, Flexible Packaging, has experienced sales and production volumes below target, leading to production capacity not fully covering fixed costs. Quality control has not met the specified standards. Therefore, the company needs to expedite solutions to enhance production efficiency. The company has depreciation amounting to 1.65 million baht from raw materials and deteriorated products, and decrease by 0.37 million baht from the net realizable value within the cost of sales.

By transitioning business operations, such as selling plastic bags through outsourcing or trading, the company has engaged external manufacturers who are strategic partners, replacing in-house production. This has resulted in an initial profit from the sale of plastic bags that is relatively certain for this quarter, despite a decrease in sales volume.

3. Sales & Marketing costs

For end of 3rd Quarter of Year 2023 as of September 30, Sales and marketing costs amounted to 7.36 million baht or 7.31 % from sale revenue compare to 7.09 million baht or 2.90 % distribution costs increase. This is due to increased expenses for research and development of new product formats to be used as samples for sale to customers.

4. Administrative expenses

For end of 3rd Quarter of Year 2023 as of September 30, the administration expenses were 24.74 million baht or 24.58 % of revenue compared to the same period last year at 36.56 million baht or 14.95 % of revenue which almost the same with previous year 11.82 million baht. Due to the company's



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organizational restructuring for increased efficiency and a heightened focus on continuous cost reduction, the proportion of expenses has been minimized. However, when compared proportionally to the income, there is a higher ratio than the previous year. This is due to a decrease in sales volume.

5. Management benefit expenses

For end of 3rd Quarter of Year 2023 as of September 30, the management benefit was 6.33 million baht compare to 10.28 million baht, decrease by 3.95 million baht or 38.46 % compared to the same period in 2022. This is because personnel at the marketing and sales management level have resigned and the company has not yet paid remuneration to the directors. Because the general meeting of shareholders did not approve directors' remuneration.

6. Financial cost

For end of 3rd Quarter of Year 2023 as of September 30, the financial cost was 0.35 million baht compare to 0.47 million baht last year, which is almost the same with previous year. The financial cost came from the Interest from hire purchase contract and the interest payment from the payment through banking of plastic granule purchased (TR) without the long-term debts from financial institutions. The Company has no long-term debt with any financial institution.

7. Share of profit (loss) from investment in associated company

For end of 3rd Quarter of Year 2023 as of September 30, share of profit from investment in associated company was 41.67 million baht compare to 20.67 million baht last year, increase by 21 million baht due to higher profits from investment companies.

Balance sheet

1. Total assets: As of September 30, 2023, NEP has total assets of 640.51 million baht, which decreased by 11.56 million baht or accounted for 1.77 % from December 31, 2022.

1.1 Current assets: As of September 30, 2023, the total value was 42.40 million baht, a decrease of 12.34 million baht or accounted for 22.55 % from 2022. The details of the decrease include a reduction of cash by 2.97 million baht due to losses from operations, and a decrease of debtors and inventories 4.68 million baht and 4.91 million baht, respectively. which was related to decreased sales.



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1.2 Fixed assets: As of September 30, 2023, the total value was 598 million baht, an increase of 0.79 million baht or accounted for 0.13 %. The major increase was from profit sharing of investments, amounting to 15.87 million baht. Additionally, assets such as estate, buildings, and equipment reduced by 12.43 million baht from the company selling machinery for producing plastic bags to vava pack Company Limited, and from annual depreciation.

2. Total liability: NEP has total liability 44.41 million baht as of September 30, 2023, decreasing liability value 4.18 million baht or accounting for 8.60 %. Details of major changes are as follows;

2.1 Current liability : As of September 30, 2023, the total value was 38.50 million baht and slightly decreasing 3.72 million baht or accounted for 8.80 % from 2022. This is because the company's purchases of raw materials decreased according to sales. And the portion of debt under the lease that was due within one year decreased by 1.18 million baht.

2.2 Fix liability : As of September 30, 2023, the total value was 5.91 million baht, decreased 0.46 million baht or accounted for 7.23 % from 2022. This is a decrease in liabilities under lease agreements. The Company has no long-term debt from financial institutions.

3. Shareholder equity was 596.10 million baht as of September 30, 2023, decreased 7.38 million baht or accounted for 1.22 % from December 31, 2022. The main cause the company loss from operation in 9 mouths by 7.38 million baht

Future trends

Business direction in the year 2023, at present the world economy still has an impact on various problems such as the burden of the war between Russia and Ukraine. Including the country still experiencing economic stagnation from the post-pandemic recovery. world economic problems and trade war problems which still has an impact on the economy all over the world Including the business of the company. Therefore, the company must adjust its business plan to be consistent with the situation that occurs at all times. In order for the business to move forward and grow further and in line with the company's vision that "NEP must be a leader in Flexible Packaging Solution and Innovation"



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NEP focuses on the business of selling traditional plastic bags and expands the business through outsourcing because it has an existing customer base and finds new customers using Partner Strategy to increase sales and have more retained profits. As well as accelerating the expansion of sales by increasing sales in flexible packaging. To analyze customers, competitors, market, price competition. Focus on customer groups and oversee the entire production process including marketing plans, production and product development (Product Innovation) continuously in the form of NEP products in order to receive more accumulated profits in each product. To be able to cover fixed costs

NEP follows up on operations according to guidelines for adding new business channels and opportunities. continuously to expand income from sales and services that will result in the company having increased income and being able to return to profit from business operations. This has begun to be implemented according to a defined action plan which must be controlled and monitored to achieve the goals. The details are as follows:

- Creating New Products: Developing new products that are accessible to customers through various channels, ensuring continuous sales.
- Product Development: Collaborating with customers from the beginning to add value to NEP products, creating value-added products and services and fostering customer relationships.
- Services: Providing consultation services for designing and planning Flexible Packaging business for interested companies or clients.
- Partnering: Collaborating with business partners to expand Packaging business channels, reduce production costs, minimize waste, increase product efficiency, and ensure timely deliveries.

In the 4th quarter of 2023 and 2024, the company will have to adjust its marketing and sales strategy and the positioning of products and services. To raise the quality of product focus on selling Value Added products and providing professional customer service. including the importance of analysis Continuously solve product quality problems in order to increase gross profit which is in the process of preparing a business plan to present to the Board of Directors in December 2023

Although the overall picture of the country still faces the problem of economic stagnation from the post-pandemic recovery. world economic problems and trade war problems However, the packaging



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industry is still considered an industry where the impact is moderate, which is somewhat less than other industries. Because most of them are consumer products that are consumed in daily life. The company therefore has to quickly adapt to reach potential customer groups during this period as quickly as possible. Including following up on the existing customer base and building confidence in new customer groups. to create more orders and must be more careful about both internal and external factors that will affect operations to be in line with the business plan on a regular basis.

Please be informed accordingly.

Sincerely yours,

Mr. Weerachart Lohsiri

Managing Director