



Ref: NEP-AC 006/2026

May 15, 2026

Subject: Management Discussion and Analysis of Operating Results for the First Quarter of 2026
Ended 31 March 2026

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

1. Overview of Business Operations for the First Quarter of 2026 Ended March 31, 2026

NEP Realty and Industry Public Company Limited continued to focus on its business strategy under the VAVA-Z and WISE brands, including other packaging products, while expanding its business into a Trading Company specializing in zipper bags under the WISE brand and other packaging products. The overall operating performance was as follows:

- **Overview of VAVA-Z Product Group Operations**
 - **Overview and Variance Analysis** Although overall operating revenue in Q1/2026 continued to face challenges from market conditions, resulting in the Company achieving 48% of its business plan target, the monthly sales trend did not reflect a decline. Rather, this was primarily a matter of “revenue recognition timing,” particularly within the OEM/ODM business segment, which remains the core revenue portfolio of the VAVA-Z brand.
 - **Recovery Potential of the OEM/ODM Segment** Management recognizes “strong recovery potential” from the existing project pipeline and purchase orders that continued to be confirmed toward the end of the quarter. This improvement was driven by a more effective Sales Pipeline management strategy. As these purchase orders began to materialize in the final month of the quarter, they are expected to serve as a key supporting factor for stronger revenue recognition in Q2, bringing cumulative annual performance closer to the Company’s targets.
 - **Establishing the Foundation for New S-Curve Product Categories** For new product categories such as Food Packaging and Trading of spunbond bags, these businesses remain in the early market penetration stage. Management is focused on building a solid foundation through consumer behavior analysis and the selection of strategic business partners. This initial time investment is considered a critical step in creating a “new revenue base” (New S-Curve) to reduce volatility from reliance on a single product group and to strengthen the Company’s long-term sustainability in line with its strategic vision.



- **Overview of WISE and Other Packaging Product Group Operations**
 - **Premium Product Strategy to Enhance Margin** the Company has positioned its products within the premium segment, focusing on building strong profit margins through superior quality and value, rather than competing primarily on price in the mass market. This strategy is intended to establish a sustainable profit growth foundation.
 - **Penetrating Premium Retail and Fully Integrated Online Channels Growth** is being driven through product distribution into premium supermarkets and modern trade channels, including Gourmet Market (Siam Paragon, Emporium, and EmQuartier), Foodland, and Index Living Mall, alongside comprehensive expansion across leading e-commerce platforms to directly reach modern consumers.
 - **Targeting High-Value Customer Segments** the Company is focusing on modern families and urban working professionals with high purchasing power, a segment demonstrating strong growth potential and increasing demand for hygiene-related products.
 - **Cost Advantage and Innovation Leadership** the Company is preparing to introduce world-class zipper bag innovations and technologies to continuously enhance product development, enabling consumers to access international-standard products at more affordable prices than imported alternatives, thereby strengthening competitive capability.
 - **Product Portfolio Expansion (Product Mix)** The Company aims to diversify its packaging product portfolio to better respond to evolving consumer behavior, creating new opportunities for stable cash flow generation and incremental sales growth for the brand.
 - **Growth with Responsibility** Business operations are being driven under the concept of “Driving Sustainable Packaging for a Better Tomorrow,” with a focus on environmentally friendly production processes and reducing food waste—key global trends increasingly valued by both business partners and consumers.
- **Maximizing Utilization of Existing Assets**

Following the Company’s transition to a Trading Company model, the original factory premises are no longer fully utilized for manufacturing operations. Accordingly, the Company has actively sought tenants for both the entire factory premises and individual buildings. In 2026, one factory building has already secured a tenant, while the remaining buildings continue to be marketed to potential high-quality tenants in order to fully optimize the use of factory and warehouse space. This strategy is expected to increase recurring income while enhancing the efficiency of asset utilization to its fullest potential.
- **Maintaining Investment in NNCL Shares**

Dividend income from NNCL continues to strengthen the Company’s financial position and remains an important component of shareholder portfolio value.



2. Summary of Significant Events and Key Developments

- At the Board of Directors' Meeting No. 11/2025 of NEP Realty and Industry Public Company Limited, held on 18 December 2025, the Board resolved to approve the Company's 2026 business plan, under which the Company will continue to focus on its core businesses under the VAVA-Z and WISE brands, while accelerating sales revenue generation to achieve its established targets and pursuing investment plans in trading businesses covering various other types of products.
- At the Board of Directors' Meeting No. 2/2026, held on 27 February 2026, the Board resolved to approve the amendment to the Company's objectives and the revision of Clause 3 of the Memorandum of Association regarding the Company's objectives, and to propose such amendments to the 2026 Annual General Meeting of Shareholders (held via E-AGM on 29 April 2026). The shareholders' meeting subsequently approved the amendment of the Company's objectives and Clause 3 of the Memorandum of Association in order to comprehensively support and align with the Company's new business structure.

3. Summary of Operating Results

NEP Realty and Industry Public Company Limited would like to clarify the operating results for the first quarter of 2026 ended 31 March 2026, compared with the same period of 2025, as follows:

For the three-month period of Q1/2026 ended 31 March 2026.

the Company reported a net profit of 1.53 million baht, compared to a net profit of 3.59 million baht in the same period of 2025. Net profit therefore decreased by 2.06 million baht from the previous year, mainly due to the following key factors:

1. Sales Revenue and Other Income

The Company recorded total revenue for Q1/2026 ended 31 March 2026 of 6.39 million baht, compared to 4.18 million baht in Q1/2025, representing an increase of 2.21 million baht or 52.87%. In Q1/2026, the Company generated revenue from sales of products under the VAVA-Z brand in the Circular Upcycling segment, trading business in zipper bags and other packaging products under the WISE brand, as well as rental income from leasing factory building space, with the lease agreement commencing on 1 February 2026 onward.

Other income in 2026 amounted to 0.91 million baht, compared to 0.48 million baht in 2025, representing an increase of 0.43 million baht. This mainly consisted of rental income, interest income from bank deposits, and other income, none of which involved any material changes.



2. Cost of Sales and Gross Profit

In the first quarter of 2026, the Company recorded cost of sales of 2.83 million baht, from the sale of products under the VAVA-Z and WISE brands, generating a gross profit of 1.09 million baht, or a gross profit margin of 27.74% of sales revenue. This reflects the Company's ability to effectively manage product costs and maintain an appropriate profit margin level despite ongoing volatility in raw material costs and operating expenses resulting from economic conditions and market competition.

Compared to the same period in 2025, when cost of sales was 2.65 million-baht, cost of sales increased by 0.18 million baht, or 6.79%. The primary reasons were higher sales volume, as well as increased costs of certain products in line with rising raw material prices, transportation costs, and production expenses. Nevertheless, the Company was able to effectively control costs and maintain a healthy gross profit margin through efficient cost management, careful product selection aligned with market demand, and a stronger focus on selling higher-margin products. As a result, overall operating performance remained on a positive trajectory compared to the previous year.

3. Distribution costs

In the first quarter of 2026, distribution costs amounted to 0.95 million baht, representing 14.87% of total revenue, compared with 1.44 million baht, or 34.45% of total revenue, in the same period of 2025. The decrease in distribution costs was primarily attributable to the Company's strategic business execution in 2026, which focused on driving sustainable growth through revenue expansion and customer base development under the VAVA-Z brand, while also maximizing asset utilization. The Company actively expanded its market presence, developed additional sales channels, introduced new products, and enhanced product value through targeted marketing strategies to increase sales, alongside optimizing other assets to generate supplementary income. These initiatives contributed to improved cost efficiency and supported the Company's sales growth objectives as planned.

4. Administrative expenses

In Q1/2026, the Company recorded administrative expenses of 6.02 million baht, representing 94.21% of total revenue, compared to administrative expenses of 6.32 million baht, or 151% of total revenue, in the same period of 2025. Administrative expenses therefore decreased by 0.30 million baht, or 4.75%, reflecting the Company's continued improvement in cost control and expense management efficiency.



The Company has maintained a strict expense management policy, focusing on reducing unnecessary expenditures, enhancing operational efficiency, and maximizing the effective use of internal resources. As a result, the ratio of administrative expenses to revenue declined significantly from the previous year, despite the Company's revenue still being in a recovery phase. This approach has helped strengthen the Company's financial position and support more sustainable long-term operating performance.

5. Executive compensation

For the first quarter of 2026, the Company's executive compensation expenses amounted to 1.99 million baht, increasing from 1.73 million baht in the same period of 2025, representing an increase of 0.26 million baht or 15.03%. The main reason for this increase was the Company's higher operating and management expenses to support its business expansion plans and drive sales growth in line with its targets.

This increase in executive compensation was part of strengthening the Company's management capabilities, business strategy development, and team enhancement to support long-term business growth. At the same time, the Company remains committed to cost management alongside operational efficiency improvements in order to create opportunities for revenue expansion and enhance its competitive capability in the future.

6. Financial expenses

For the first quarter of 2026, the Company recorded finance costs of 0.01 million baht, which was comparable to 0.01 million baht in the same period of 2025. The Company's finance costs primarily consisted of interest expenses from hire-purchase agreements. The Company had no long-term debt obligations from financial institutions.

7. Share of profit (loss) from investments in joint ventures

For the first quarter of 2026, the Company recorded a share of profit from its associated company of 7.72 million baht, compared to 11.53 million baht in the same period of 2025, representing a decrease of 3.81 million baht or 33.04%. The decrease was mainly due to lower profitability of the associated company compared to the previous year.



Financial Position

1. Total Assets: As of March 31, 2026, the Company's total assets amounted to 596.77 million baht, increasing by 3.08 million baht or 0.52%. The significant changes were as follows:

1.1 Current Assets : As of March 31, 2026, current assets totaled 25.58 million baht, decreasing by 3.95 million baht or 13.38% from December 31, 2025. The key factor was a decrease in cash and cash equivalents of 5.56 million baht. However, trade and other current receivables increased by 1.36 million baht or 29%, in line with the Company's sales growth, resulting in higher receivables compared to the previous year.

1.2 Non-Current Assets : As of March 31, 2026, non-current assets totaled 571.19 million baht, increasing by 7.03 million baht or 1.25% from December 31, 2025. The main reasons were an increase in investment in an associated company of 7.72 million baht or 2%, due to the Company's recognition of its share of profit from the associated company during this quarter. In addition, right-of-use assets increased by 0.56 million baht or 55%, resulting from the recognition of a vehicle hire-purchase agreement for the Company's operations during the quarter.

2. Total Liabilities: As of March 31, 2026, the Company's total liabilities amounted to 8.85 million baht, increasing by 1.55 million baht or 21.26% from December 31, 2025. The significant changes were as follows:

2.1 Current Liabilities: As of March 31, 2026, current liabilities totaled 3.91 million baht, decreasing by 0.16 million baht or 3.93% from December 31, 2025, mainly due to debt repayments made in accordance with scheduled obligations.

2.2 Non-Current Liabilities: As of March 31, 2026, non-current liabilities totaled 4.93 million baht, increasing by 1.72 million baht or 53.11% from December 31, 2025. The main reason was the recognition of rental security deposits amounting to 1.52 million baht from the leasing of the Company's factory premises. In addition, lease liabilities increased by 0.20 million baht from office building lease agreements and a vehicle hire-purchase agreement for the Company's operations.

3. Shareholders' Equity: As of March 31, 2026, shareholders' equity amounted to 587.93 million baht, increasing by 1.53 million baht or 0.26% from December 31, 2025, mainly due to the Company's net profit for the period.



Overall Performance Summary

For the first quarter of 2026, ended 31 March 2026, NEP Realty and Industry Public Company Limited reported a net profit of 1.53 million baht under the equity method financial statements, while the separate company financial statements recorded a net loss of 6.20 million baht. Total operating revenue amounted to 13.21 million baht.

A key strategic development during the quarter was the Company's continued commitment to fully transforming into a Trading Company model. The Company accelerated revenue generation through its core product portfolio under the VAVA-Z brand by expanding its OEM and ODM customer base, which serves as a primary channel for generating stable cash flow and sustainable revenue. In parallel, the Company diversified its Product Mix through the launch of WISE branded zipper bag packaging products, along with other innovative packaging solutions designed to meet evolving market demands. If product distribution expansion proceeds according to plan, this business segment is expected to become a significant driver of long-term sustainable growth. On the infrastructure side, the Company actively optimized asset utilization by seeking high-potential tenants to maximize occupancy of its factory and warehouse spaces, thereby increasing recurring income streams while improving operational efficiency. In addition, the Company continues to maintain its investment in its associated company, which remains an important factor in strengthening financial stability. Overall, the Company remains firmly committed to accelerating its organizational transformation into a full-scale Trading Company by focusing on enhancing operational efficiency and value creation across its core VAVA-Z and WISE product lines. Through strategic investment in its trading business, NEP aims to establish a more flexible revenue structure with stronger long-term profitability potential, while driving substantial sales growth in line with its strategic objectives.

The Company recognizes the importance of Good Corporate Governance in ensuring that its management system is ethical, transparent, and accountable. This governance framework is designed to maximize the Company's benefits while strengthening confidence among shareholders, investors, stakeholders, and all related parties.

Please be informed accordingly.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Weerachart Lohsiri'.

Mr. Weerachart Lohsiri

Managing Director