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VAROPAKORN PUBLIC COMPANY LIMITED
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At Vor. 017/2568 14th May 2025

Subject: Management Discussion and Analysis (MD&A) for the three-month period ended March 31, 2025

To: The president

The Stock Exchange of Thailand

The company provided Management Discussion and Analysis (MD&A) the three-month period ended March 31, 2025 as follows:

1. Business overview, economic conditions, and industry outlook

FY2024 FINANCIAL PERFORMANCE (Unit: Million Baht)

	Q1-24	Q4-24	Q1-25	Change YOY	Change QoQ
Sales Revenue	753	839	923	170	84
Gross Profit	60	74	90	30	16
Gross Profit Ratio (%)	8.0%	8.8%	9.8%	1.8%	1.0%
Other Revenues	4	8	4	-	(4)
Selling & Admin. Expenses	(24)	(32)	(26)	(2)	6
Financial Costs	(15)	(14)	(15)	-	(1)
Gain (Loss) on Exchange and Derivative Revaluation	10	8	13	3	5
Net Profit	29	44	65	36	21
EPS (THB)	0.29	0.44	0.65	0.36	0.21

In the first quarter of 2025, global economic situation remained volatile, influenced by persistently high interest rates and uncertain fiscal policies in the United States, as well as ongoing geopolitical conflicts in the Middle East. Nevertheless, demand for semi-finished aluminum products in Asia region, especially from the air-conditioning industry, remained strong, reflecting stable industrial consumption across the region.

The Company implemented strategic adjustments by focusing on cost management while expanding its overseas customer base and enhancing production efficiency. These efforts have led to a clearly improved operating performance for the quarter.

2. Significant events and developments during the quarter

The Company recorded a significant increase in sales, primarily driven by orders from several major international clients. This growth was largely attributable to the sharp expansion in demand for air conditioning products across the South Asian region. In addition, the Company experienced a rise in domestic orders during the same period. Furthermore, the Company has been approached by new potential customers in the East Asian region, who are considered high-potential clients with the possibility of developing into major long-term customers. This development is expected to further strengthen the Company's export revenue base in the future.

3. Operating Results

3.1 Sales Revenue

- Total sales revenue amounted to THB 923.29 million, an increase of THB 170.31 million or 22.62% from THB 752.98 million in the same quarter of the previous year. The primary driver was sales growth in the Asian region, which rose 13.60% from THB 456 million to THB 518 million. Sales in the Americas and Europe also grew significantly by 214.29% and 84.21%, respectively.
- Production capacity utilization improved from 59.96% to 73.47%, compared to the same quarter last year.

3.2 Other Income

Other income totaled THB 16.23 million, up 20.85% from THB 13.43 million in the previous quarter, primarily due to:

- Gain on foreign exchange: THB 6.52 million
- Fair value gain on derivatives: THB 5.94 million
- Other income: THB 3.77 million

3.3 Costs and Expenses

- Cost of sales rose to THB 832.93 million from THB 692.92 million, an increase of 20.21%.
- Selling, general, and administrative expenses (SG&A) amounted to THB 26.18 million, a slight increase of 5.32% from THB 24.86 million, attributed to market expansion and customer service enhancement.
- Financial costs slightly decreased to THB 14.69 million from THB 15.10 million. Although total liabilities increased, this was primarily due to the Company's debt restructuring efforts and effective interest management. The increase reflects an improvement of financial cost control and demonstrates the Company’s ability to manage its financial structure efficiently.

3.4 Profit from operation

- The Company’s gross profit margin improved to 9.79%, compared to 7.98% in the same quarter of last year. This improvement was primarily driven by enhanced production efficiency and a better economy of scale, along with a slightly lower cost of raw materials during the early part of the year.
- Net profit reached THB 65.29 million, a significant increase of THB 36.27 million or 124.97% from THB 29.02 million in the same quarter of last year. The improvement was driven by the growth in sales revenue, particularly from Asian markets as well as effective cost control, and currency exchange gain realization.
- Net profit margin rose to 7.07%, up from 3.85%, reflecting enhanced profitability from both cost efficiency and revenue growth.

4. Financial Position Analysis

4.1 Assets

- Total assets increased by THB 115.56 million to THB 2,621.88 million, up from THB 2,506.32 million at year-end 2024.
- Trade receivables rose by 13.9% to THB 836.78 million, corresponding to the increase in sales.
- Inventory decreased from THB 863.27 million to THB 806.82 million, indicating improved stock management.

4.2 Liabilities

- Total liabilities increased slightly from THB 1,604.35 million to THB 1,654.62 million, primarily due to higher Trust Receipts, which aligned with the increased order volume.
- Trust Receipts rose by THB 267.69 million or 30.64% to THB 1,141.47 million.
- Debt-to-equity ratio (D/E) slightly decreased from 1.78 times to 1.71 times, remaining within a safe and manageable level.

4.3 Cash Flow and Liquidity Analysis

- Net cash flows from operating activities recorded an outflow of THB 80.25 million, compared to an inflow of THB 62.51 million in the same period of the previous year. This decline was primarily due to an increase in operating assets and a decrease in operating liabilities.
- Net cash flows from financing activities amounted to THB 147.52 million, a significant increase from THB 32.50 million in the same quarter of the prior year. This reflects the Company's effective use of external funding sources to support operational and liquidity needs.
- The current ratio stood at 1.19 times, indicating that the Company maintained adequate liquidity to meet its short-term obligations.

4.4 Shareholders' Equity

- Shareholders' equity increased to THB 967.26 million from THB 901.96 million, due to retained earnings for the quarter.
- Return on equity (ROE) of 6.75%, reflecting improved profitability and efficient utilization of shareholders' equity. As a result, the trailing 12-month ROE increased to 17.23%, indicating sustained growth in shareholder value over the past four quarters.

5. Risk Factors and Business Outlook

- Raw Material Price Volatility: The volatility of raw material prices remains a key risk factor that may impact on gross profit margins in the upcoming quarter. Although raw material prices were relatively stable at the beginning of the year, market trends indicate potential fluctuations in Q2/2025, which could affect the Company's cost structure.
- Foreign Exchange Risk: The continued fluctuation of the Thai Baht remains a factor to monitor, as it may result in foreign exchange gains or losses, particularly given the Company's significant exposure to export markets.
- Production Capacity Expansion: To accommodate increasing demand, the Company has commenced upgrades to its production machinery and is evaluating potential investments in a new production line. This strategic move is intended to support the anticipated growth in customer orders in the coming year.
- Outlook for Q2/2025: The Company expects continued revenue growth in the second quarter of 2025, driven by confirmed orders from existing key customers and additional demand from new clients currently undergoing product qualification and trial approval processes.

6. Sustainability developments

- The Company has been certified ISO 14064-1, an international standard developed by the International Organization for Standardization (ISO), which forms part of the ISO 14060 series for greenhouse gas (GHG) management. This certification reflects the Company's commitment to accurate and transparent GHG emissions measurement and reporting at the organizational level.
- The Company has participated in the "Declaration of Readiness for EU CBAM Compliance" initiative, jointly organized by the Thailand Greenhouse Gas Management Organization (TGO) and Chulalongkorn University. The program prepares exporters for compliance with the European Union's Carbon Border Adjustment Mechanism (CBAM).
- The Company is actively implementing GHG emission reduction initiatives. This include Improving the efficiency of its odor incinerator system to reduce natural gas consumption, replacing air conditioning systems with high-efficiency SEER-rated units (Thailand Energy Label No. 5, 4–5 stars), Upgrading to high-efficiency air compressors to reduce electricity usage.
- In a further step toward advancing its ESG performance, the Company is preparing to enroll in an ESG Rating assessment, demonstrating its commitment to operating responsibly with respect to environmental, social, and corporate governance (ESG) principles.
- Additionally, the Company has been selected to join a pilot program for circular economy practices in the industrial sector. This initiative promotes maximum resource efficiency through waste reduction, reuse, and recycling, with the goal of minimizing environmental impact and promoting long-term sustainability.

Management Commentary

The Company delivered a strong performance in the first quarter of 2025, reflecting its resilience and continued business expansion. Growth was seen across key areas including revenue, profitability, and the effective management of assets and liabilities. This performance indicates the Company's ability to adapt and control costs efficiently under changing market conditions.

Looking ahead, the outlook for the next quarter remains positive, supported by increasing customer orders and the expansion of international markets. The Company will continue to emphasize risk management and pursue strategic initiatives to support sustainable growth. Management remains confident in its ability to maintain this growth trajectory into the future.

Notification of Q1/2025 Financial Results

The Company would like to announce its financial performance for the first quarter of 2025, ended March 31, 2025. The Company reported a net profit increase of more than 20% compared to the same period last year.

Additionally, the financial statements for the period ended March 31, 2025, which have been audited by a certified public accountant, have been submitted through the electronic system (SETLink) of the Stock Exchange of Thailand (SET).

Please be informed accordingly,

Sincerely yours,

-Thanawat Sornjai-

Mr. Thanawat Sornjai

Managing Director