ที่ MAI 2568/002

23 September 2025

Subject Management Discussion and Analysis of the Operating Results for the 6-month ended 30 June 2025

To President

The Stock Exchange of Thailand

Skin Laboratory PCL ("the Company") would like to submit Management Discussion and Analysis of the Operating Results for the 6-month period ended 30 June 2025, the details are as follows:

1. Business operation overview

The Company engages in the business of researching, developing, outsourcing manufacturing, and distributing skincare and make-up care products under 2 brands, "Skinsista" and "Dermie". All products are manufactured by Original Equipment Manufacturers (OEMs) scheme that are certified in Good Manufacturing Practice (GMP) for cosmetics and accredited with ISO 22716:2007 cosmetic quality management standard.

The Company is committed to delivering high quality skincare products at accessible price. With a strong focus on research, formulation, and the selection of safe and effective ingredients to develop innovative products that meet evolving consumer needs. The Company has also expanded its distribution channels, which currently include 1) Modern Trade retailers such as Convenience Stores (e.g., 7-Eleven) and Specialty Beauty Stores (e.g., Watsons, Beautrium, and Found & Found) 2) General Trade outlets, and 3) E-Commerce platforms including Shopee, Lazada, and TikTok Shop. This approach aligns with the Company's vision to make premium skincare widely available, as reflected in its slogan: "High quality skincare is not exclusive; it is for everyone."

The Company's product portfolio can be categorized into 5 main types: (1) Serums, (2) Sun Blocks, (3) Cleansers, (4) Creams, and (5) Other products, such as Anti-Acne Body Sprays and Foundation Powders.

2. Summary of significant events and development

Summary of important events and developments for the 6-month ended 30 June 2025, are as follows:

- The Company has expanded internationally, selling products outright to partners for distribution in Vietnam and Malaysia.
- The Company launched the "Natural Retinal Moisturizer" under the concept of "Cosmetic Allergy-Free"
- The Company fully launched the 'Dermie' brand with its initial products, including a moisturizer and sunscreen.
- The Company expanded its distribution to specialized health and beauty retailers, selling products on consignment at Beautrium and outright at Found & Found.

3. Summary of operating results

The Company has submitted its financial statements for the 6-month period ended 30 June 2025, which have been reviewed by a certified public auditor from the Stock Exchange of Thailand. For this period, the Company reported a net profit of THB 7.63 million, representing an increase of THB 4.38 million, or 134.67% YoY, compared

to a net profit of THB 3.25 million in the same period of the previous year. The year-on-year change in operating results can be explained as follows:

Statement of Comprehensive Income	6M/2025		6M/2024 (Restated)	
	Million Bath	%	Million Bath	%
Revenue from sales	93.70	100.00%	122.95	100.00%
Cost of sales	(25.85)	(27.58%)	(29.45)	(23.95%)
Gross Profit	**67.85**	**72.42%**	**93.50**	**76.05%**
Other Income/1	1.61	1.71%	0.85	0.69%
Profit before operating expense	**69.46**	**74.13%**	**94.35**	**76.74%**
Distribution costs	(45.71)	(48.79%)	(75.31)	(61.25%)
Administrative expenses	(14.10)	(15.04%)	(14.42)	(11.73%)
Gain/(loss) on fair value measurement of other current financial assets	---	---	(0.31)	(0.26%)
Profit before finance costs and tax	**9.65**	**10.30%**	**4.31**	**3.51%**
Finance costs	(0.09)	(0.09%)	(0.12)	(0.10%)
Profit before tax	**9.56**	**10.20%**	**4.19**	**3.41%**
Tax income (expense)	(1.93)	(2.06%)	(0.94)	(0.76%)
Net profit for the year	**7.63**	**8.15%**	**3.25**	**2.65%**

Note: /1 - Other income comprises interest income, gains from asset disposals, online shipping fees collected by platforms on behalf of the Company, marketing fees from affiliate programs with certain online platforms, and sales of welfare products to its employees.

Revenue from Sales

Revenue Breakdown by Product Category	6M/2025		6M/2024	
	Million Bath	%	Million Bath	%
(1) Serum	40.81	43.56%	74.02	60.20%
(2) Sun Block	39.80	42.47%	45.44	36.96%
(3) Cleanser	0.95	1.01%	2.22	1.81%
(4) Cream	8.83	9.42%	1.17	0.95%
(5) Other	3.31	3.54%	0.10	0.08%
Revenue from sales	**93.70**	**100.00%**	**122.95**	**100.00%**

Revenue Breakdown by Recognition Method	6M/2025		6M/2024	
	Million Bath	%	Million Bath	%
(1) Consignment sales revenue	54.02	57.66%	86.80	70.60%
(2) Revenue from outright sales	39.68	42.34%	36.15	29.40%
(2.1) Sales revenue through retail stores	16.64	17.76%	14.97	12.18%
(2.2) Sales revenue through e-commerce channels	23.04	24.58%	21.18	17.23%
Revenue from sales	**93.70**	**100.00%**	**122.95**	**100.00%**
Gross profit granted to consignees	(24.21)		(36.61)	
Net consignment sales revenue	29.81	42.90%	50.19	58.13%
Net Revenue from outright sales	39.67	57.10%	36.15	41.87%
Net Revenue from Consignment and Outright sales	**69.48**	**100.00%**	**86.34**	**100.00%**

The Company's sales revenue is recognized under two methods: (1) consignment sales and (2) outright sales. Revenue from consignment sales is recognized based on the price at which consignees sell to customers (retail price), while revenue from outright sales is recognized at the amount received or expected to be received for delivered goods, net of returns and discounts, excluding VAT (net price), in accordance with financial reporting

standards. Consequently, a decrease in consignment sales has a greater impact on total sales revenue compared with outright sales, given the same quantity of goods sold.

For the 6-month period ended 30 June 2025, the Company reported net sales of THB 93.70 million, representing a decrease of THB 29.26 million, or 23.80% YoY. The decrease was primarily due to lower consignment sales at a convenience store, which decreased by THB 17.75 million YoY, mainly from the Premium Booster & Cream facial serum products in sachet form that have reached the late stage of their product life cycle. Revenue from one outright sales channel also decreased by THB 15.03 million YoY, mainly attributable to the V Series Boosters launched in 2018, which are nearing the end of their product trend cycle. However, the launch of the Retinal Moisturizer in early 2025 and the Foundation Powder in late 2024 contributed to stronger performance in the skincare and cosmetic product segment.

Cost of sales and Gross Profit

Cost of sales and Gross Profit	6M/2025		6M/2024	
	Baht million	%	Baht million	%
Revenue from sales	93.70	100.00%	122.95	100.00%
Cost of sales	25.85	27.58%	29.45	23.95%
Gross profit (as reported in the financial statements)	**67.85**	**72.42%**	**93.50**	**76.05%**
Net sales after deducting gross profit shared with consignees	69.49		86.34	
Gross profit (Net-sale adjusted for consignment GP)	**43.64**	**62.80%**	**56.89**	**65.89%**

Cost of sales consists of the cost of goods and packaging, product testing expenses, allowance for inventory obsolescence, and other costs. The primary component is the cost of goods and packaging, which accounts for over 99% of total cost of sales.

For the 6-month period ended 30 June 2025, the Company reported a gross profit of THB 67.85 million, representing a gross profit margin of 72.42%. The decrease in gross profit and margin was primarily attributable to lower consignment sales, which had a more pronounced impact compared to the decline in outright sales. On a net sales basis (after deducting gross profit granted to consignees), the Company recorded a gross profit of THB 43.64 million, representing a gross profit margin of 62.80%. The decrease in gross profit and margin on a net sales basis was mainly due to lower revenue contributions from facial serum products, which are approaching the end of their product trend cycle and historically generated higher gross margins. Nevertheless, the Company plans to continue launching new products throughout the remaining of 2025.

Distribution costs

Distribution costs	6M/2025		6M/2024	
	Baht million	%	Baht million	%
(1) Sales promotion expenses	29.80	65.19%	43.48	57.74%
(2) Media and advertising expenses	11.01	24.07%	27.24	36.17%
(3) Marketing staff expenses	1.73	3.79%	1.38	1.83%
(4) Transportation expenses	1.86	4.06%	1.59	2.11%
(5) Other selling expenses	1.31	2.88%	1.62	2.15%
Distribution costs	**45.71**	**100.00%**	**75.31**	**100.00%**
% of Revenue from sales		48.79%		61.25%

Distribution costs are the Company's main operating expenses, primarily comprising sales promotion and media and advertising expenses. For the 6-month period ended 30 June 2025, distribution costs totaled THB 45.71 million, a decrease of THB 29.60 million or 39.30% YoY, mainly due to:

1) Sales promotion expenses decreased by THB 13.68 million, primarily because most of these expenses relate to the gross profit share (GP) agreed with consignees, which varies directly with the volume of goods sold and revenue from consignment sales.
2) Media and advertising expenses decreased by THB 16.23 million, as the Company analyzed consumer behavior trends and gradually reduced advertising on Facebook and Google since 2023 due to declining consumer engagement. Instead, the Company shifted its focus to new marketing channels with greater impact, such as TikTok Shop, which enables product promotion through Influencers or Key Opinion Leaders (KOLs) who are actual users of the products. This approach requires lower expenditure compared to traditional online advertising platforms.

Administrative expenses

Administrative expenses mainly comprise staff-related expenses and professional fees. For the 6-month period ended 30 June 2025, G&A expenses amounted to THB 14.10 million, a decrease of THB 0.33 million or 2.28% YoY. The increase was primarily due to the recognition in early 2024 of relocation costs from office moving, which resulted in a loss on right-of-use asset cancellation of THB 0.69 million. As no such expense was incurred in the current period, staff-related expenses and professional fees remained broadly in line with the same period of the previous year.

Finance cost

For the 6-month period ended 30 June 2025, the Company recorded finance costs of THB 0.09 million, representing 0.09% of net sales. These costs arose from interest expenses under lease agreements in accordance with TFRS 16 “Leases”. The Company had no borrowing-related interest expenses during the period.

Net Profit and Net Profit Margin

For the 6-month period ended 30 June 2025, the Company recorded a net profit of THB 7.63 million, representing a net profit margin of 8.01%, compared with a net profit of THB 3.25 million and a net profit margin of 2.63% in same period of 2024. The improvement was primarily attributable to lower distribution costs, particularly media and advertising expenses, as the Company gradually reduced advertising on Facebook and Google in response to shifting consumer behavior, while focusing more on in-house content creation and marketing channels with lower expenses, as discussed in the operating expense section.

4. Summary of financial position

Statement of financial position	30 June 2025		31 December 2024	
	Baht million	%	Baht million	%
Cash and cash equivalents	34.07	40.70%	27.84	32.69%
Trade and other current receivables	21.80	26.04%	29.09	34.17%
Inventories	19.89	23.76%	19.28	22.64%
Total current assets	**75.76**	**90.51%**	**76.20**	**89.50%**
Office and equipment improvement	0.89	1.06%	1.03	1.21%
Right-of-use assets	1.96	2.34%	2.58	3.03%
Other intangible assets	0.32	0.38%	0.33	0.38%
Deferred tax assets	4.41	5.27%	4.64	5.45%
Other non-current assets	0.37	0.44%	0.37	0.43%

Statement of financial position	30 June 2025		31 December 2024	
	Baht million	%	Baht million	%
Total non-current assets	**7.95**	**9.49%**	**8.94**	**10.50%**
Total assets	**83.70**	**100.00%**	**85.15**	**100.00%**
Trade and other current payables	15.85	18.93%	15.21	17.86%
Current portion of lease liabilities	1.28	1.53%	1.24	1.46%
Corporate income tax payable	1.70	2.03%	3.07	3.61%
Total current liabilities	**18.83**	**22.50%**	**19.52**	**22.92%**
Lease liabilities	0.79	0.95%	1.45	1.70%
Non-current provisions for employee benefit	2.76	3.30%	2.50	2.93%
Total non-current liabilities	**3.55**	**4.24%**	**3.94**	**4.63%**
Total liabilities	**22.38**	**26.74%**	**23.46**	**27.55%**
Share capital	50.00	59.73%	50.00	58.72%
Retained earnings – Legal reserve	0.70	0.84%	0.70	0.82%
Retained earnings – Unappropriated	10.62	12.69%	10.99	12.91%
Total shareholders' equity	**61.32**	**73.26%**	**61.69**	**72.45%**
Total liabilities and shareholders' equity	**83.70**	**100.00%**	**85.15**	**100.00%**

Assets

As of 30 June 2025 and 31 December 2024, the Company's total assets amounted to THB 83.70 million and THB 85.15 million, respectively. Key assets include cash and cash equivalents, trade and other current receivables, inventories, and right-of-use assets, representing 92.85% and 92.52% of total assets for each period.

Trade and other receivables decreased by THB 9.86 million, primarily due to lower sales to a convenience store partner and a reduction of THB 1.40 million in an overdue account receivable with a credit term of less than 30 days. As of 30 June 2025, the outstanding balance of THB 0.07 million, relating to a hypermarket, has already been settled. Meanwhile, cash and cash equivalents increased by THB 6.23 million, mainly from operating activities and the reduction in receivables.

Liabilities

As of 30 June 2025 and 31 December 2024, the Company's total liabilities amounted to THB 22.38 million and THB 23.46 million, representing 26.74% and 27.55% of total assets, respectively. Key liabilities include trade and other payables, lease liabilities, and income tax payable. Current liabilities accounted for 84.13% and 83.20% of total liabilities for each period.

The significant change in liabilities was a decrease in income tax payable of THB 1.37 million, resulting from the Company's settlement of corporate income tax obligations related to restatements of the 2021 and 2023 financial statements.

Shareholders' Equity

The Company's shareholders' equity as of 30 June 2025 and 31 December 2024, amounted to THB 61.32 million and THB 61.69 million, representing 73.26% and 72.45% of total assets, respectively. The decrease in shareholders' equity was primarily due to dividend payments of THB 8.00 million.

5. Analysis and explanation of cash flows

Cash flows (Unit: Million Baht)	6M/2025	6M/2024
Net cash generated from/(used in) operating activities	15.02	(4.41)
Net cash generated from/(used in) investing activities	(0.09)	(0.78)
Net cash generated from/(used in) financing activities	(8.70)	(15.83)
Net increase (decrease) in cash and cash equivalents	**6.23**	**(21.03)**
Cash and cash equivalents at the beginning of the period	27.84	41.21
Cash and cash equivalents at the end of the period	**34.07**	**20.18**

For the 6-month period ended 30 June 2025, the Company's cash and cash equivalents increased by THB 6.23 million. Net cash generated from operating activities amounted to THB 15.02 million, primarily driven by operating profit of THB 7.63 million and a decrease in trade and other receivables of THB 7.29 million. Net cash used in investing activities totaled THB 0.09 million, mainly from the purchase of business assets such as employee laptops, software, and camera equipment for marketing contents production. Net cash used in financing activities amounted to THB 8.70 million, primarily from the repayment of lease liabilities and dividend payments of THB 8.00 million.

6. Significant financial ratios

Significant financial ratios	30 June 2025	31 December 2024
Current ratio (times)	4.02	3.90
Average Collection Period (days)	43	43
Average Inventory Turnover Period (days)	127	112
Cash Conversion Cycle (days)	100	89
Return on Equity (%)	24.82%	15.95%
Return on Assets (%)	2.26%	11.23%
Dept to Equity Ratio (times)	0.37	0.38
Interest coverage Ratio (times)/1	n.a	980.91
Debts Service Coverage Ratio (times)/2	n.a	n.a

Note: /1 - The interest coverage ratio is calculated based solely on borrowing-related interest expenses. In 2024, the Company incurred short-term borrowings of THB 30.00 million from a related company, with interest expense of THB 16,393.44. For the 6-month period ended 30 June 2025, the Company had no borrowings subject to interest expense.

/2 - As of 30 June 2025 and 31 December 2024, the Company had no outstanding borrowings bearing interest.

7. Factors that may affect the Company's operations

Most of the Company's contract-manufactured and distributed products are in highly competitive segments, facing competition from both existing players and new entrants due to low barriers to entry, amid rapidly changing consumer behavior. The Company is aware of these potential impacts and has analyzed consumer behavior and adjusted its operational strategies accordingly, including product development to meet consumer needs and marketing initiatives to enhance brand awareness.

8. Sustainability Development

The Company emphasizes the Environment, Society, and Governance matters (called "ESG") by studying and implementing the following:

- Since January 2025, the Company has discontinued the use of plastic wrapping by collaborating with packaging manufacturers to develop durable, high-quality, and recyclable paper boxes. In addition, the Company replaced plastic label stickers with direct screen printing on packaging. The Company also plans to apply this sustainable packaging approach to other existing products as well as new products to be launched in the future.