

Date 12 May 2025

Subject: Management Discussion and Analysis for Q1/2025

Attention: Managing Director, The Stock Exchange of Thailand

Euro Creations Public Company Limited ("The Company") provides Management Discussion and Analysis for Q1/2025 as follows:

Overview of Business Operations, Economic Conditions, and Industry Factors Impacting Performance

In Q1/2025, the global and Thai economies continued to face challenges from external factors and an overall slowdown in market consumption. However, customer demand remained well-aligned with the Company's diverse product portfolio, covering both Home & Living—such as furniture, office furniture, outdoor furniture, lighting and home automation, flooring, home decor, and household items—and Lifestyle segments, including fitness equipment (Technogym), sound systems (B&O), and luxury bedding (Frette). This comprehensive range enabled the Company to consistently meet customer needs across all dimensions, resulting in sustained sales (bookings) levels during the quarter. Revenue recognition, occurring upon the completion of product delivery and services, remained aligned with the Company's anticipated shipment plans. Furthermore, the Company continues to prioritize effective cost management, inventory control, and high standards in after-sales service, reinforcing its competitive edge and sustainable growth amid current economic conditions.

Summary of Key Events and Developments During the Quarter:

Showroom	Progress
Pop-up store B&O - Emporium	Commenced operations in February 2025 (operating duration: 105 days)
Molteni&C Flagship Store /T5	Commenced operations on 12 May 2025
B&O Showroom /Central Embassy	Under interior decoration, expected completion by June 2025
Euro Creations Gallery /T3	Under construction, expected completion in 2026

Q1/2025 Financial Performance Summary:

Consolidated statement of Comprehensive Income (Unit: Million Baht)	Q1/2024	%(⁽¹⁾)	Q4/2024	%(⁽¹⁾)	Q1/2025	%(⁽¹⁾)	% increased (decreased)	
							YoY	QoQ
Revenue from sales and services	306.69	100.00%	391.34	100.00%	311.32	100.00%	+1.51%	-20.45%
Cost of sales and services	(154.26)	-50.30%	(217.97)	-55.70%	(159.39)	-51.20%	+3.33%	-26.88%
Gross profit	152.43	49.70%	173.37	44.30%	151.93	48.80%	-0.33%	-12.37%
Other income	2.43	0.79%	2.32	0.59%	2.77	0.88%	+13.99%	+19.40%
Net gain (loss) on exchange rate	(0.45)	-0.15%	2.90	0.74%	(0.05)	-0.02%	-88.89%	-101.72%
Selling expenses and distribution costs	(65.74)	-21.27%	(86.44)	-21.96%	(77.03)	-24.52%	+17.17%	-10.89%
Administrative expenses	(31.60)	-10.22%	(39.95)	-10.15%	(31.86)	-10.14%	+0.82%	-20.25%
Finance cost	(5.18)	-1.68%	(4.14)	-1.05%	(3.72)	-1.18%	-28.19%	-10.14%
Profit before income tax	51.89	16.79%	48.06	12.21%	42.04	13.38%	-18.98%	-12.53%
Income tax expense	(10.46)	-3.38%	(9.92)	-2.52%	(8.54)	-2.72%	-18.36%	-13.91%
Net profit for the period	41.43	13.40%	38.14	9.69%	33.50	10.67%	-19.14%	-12.17%
Other comprehensive income for the period	-	0.00%	-	0.00%	-	0.00%	0.00%	0.00%
Total comprehensive income for the period	41.43	13.40%	38.14	9.69%	33.50	10.67%	-19.14%	-12.17%
Owner of the Company	41.43	100.00% ⁽²⁾	38.14	100.00% ⁽²⁾	33.50	100.00% ⁽²⁾	-19.14%	-12.17%
Non-controlling interests	-	0.00% ⁽²⁾	-	0.00% ⁽²⁾	-	0.00% ⁽²⁾	0.00%	0.00%

Notes: ⁽¹⁾ Percentage proportion compared to Total revenue, except Revenue from sales and services, Cost of sales and services and Gross profit compared to the proportion of Revenue from sales and service income.

⁽²⁾ Percentage proportion compared to Total comprehensive income for the year.

In Q1/2025, the Company recorded sales and service revenue of Baht 311.32 million, representing an increase compared to Q1/2024 and a decrease compared to Q4/2024. This equates to an increase of 1.51% and a decrease of 20.45%, respectively. The revenue figure aligned with the Company's projected delivery and service plans for Q1/2025.

Selling expenses and distribution costs in Q1/2025 amounted to Baht 77.03 million, representing an increase from Q1/2024 and a decrease from Q4/2024 by 17.17% and 10.89%, respectively. The increase in selling and distribution expenses reflects the Company's business expansion, including the launch of new showrooms since the end of Q1/2024 and the addition of new brands for which the Company entered into dealership agreements in late 2024. Nevertheless, the decrease in these expenses compared to Q4/2024 corresponds with the decline in sales and service revenue during the same period.

Administrative expenses in Q1/2025 amounted to Baht 31.86 million, which was comparable to Q1/2024, increasing by 0.82%, but decreased significantly by 20.25% compared to Q4/2024. The decline was primarily due to lower personnel-related expenses and the absence of expected credit loss provisions, which had been recorded in Q4/2024 but not in Q1/2025.

The Company reported a net profit of Baht 33.50 million in Q1/2025, marking a decrease of 19.14% from Q1/2024 and 12.17% from Q4/2024, consistent with the overall decline in revenue. However, the net profit margin in Q1/2025 stood at 10.67%, which was higher than that of Q4/2024. This was achieved despite the decrease in sales and service revenue and the increase in expenses associated with business expansion, demonstrating the Company's effective cost control capabilities.

(A) Total revenue

Revenue from sales and services by customer groups	Q1/2024		Q1/2025		% increased (decreased)
	Million Baht	%	Million Baht	%	
Revenue from sales and services	306.69	99.21%	311.32	99.12%	+1.51%
• Business-to-Consumer (B2C)	225.27	72.87%	187.36	59.65%	-16.83%
1. Product for interior architecture ⁽¹⁾	98.03	31.71%	46.03	14.65%	-53.04%
2. Product for interior ⁽²⁾	69.84	22.59%	58.22	18.54%	-16.64%
3. Product for decoration and fitness equipment ⁽³⁾	57.40	18.57%	83.11	26.46%	+44.79%
• Business-to-Business (B2B)	81.42	26.34%	123.96	39.47%	+52.25%
1. Product for interior architecture ⁽¹⁾	26.46	8.56%	40.71	12.96%	+53.85%
2. Product for interior ⁽²⁾	17.33	5.61%	26.06	8.30%	+50.38%
3. Product for decoration and fitness equipment ⁽³⁾	37.63	12.17%	57.19	18.21%	+51.98%
Other income ⁽⁴⁾	2.43	0.79%	2.77	0.88%	+13.99%
Total revenue	309.12	100.00%	314.09	100.00%	+1.61%

Notes: ⁽¹⁾ Consists of GESSI, Robina, Basalte, DeltaLight, L&L, Lutron, Molteni&C and Dada etc.

⁽²⁾ Consists of Cassina, Calligaris, Christopher Guy, Flos, Foscarini, Gallotti&Radice, Giorgetti, Lasvit, Natuzzi Italia, Nemo, Malerba, Molteni&C, Poltrona Frau, Rolf Benz Preciosa and Haworth., etc

⁽³⁾ Consists of Technogym, Sidea, Dedon, Royal Botania, Limited Edition, Frette and Bang & Olufsen (B&O)., etc

⁽⁴⁾ Other income consists of rental revenue, interest income and gain (loss) from sale of asset., etc

In Q1/2025, the Company recorded total revenue of Baht 314.09 million, comprising (1) sales and service revenue of Baht 311.32 million and (2) other income of Baht 2.77 million. Sales and service revenue can be classified into two main customer segments: general consumers (B2C) and business clients (B2B).

Overall, sales and service revenue increased by 1.51% compared to Q1/2024, primarily driven by higher revenue from Product for decoration and fitness equipment. These product categories received positive responses following the opening of new showrooms in 2024, including the Euro Creations Flagship Gallery / Phuket for fitness equipment, the Frette Flagship Store / Central Embassy, and the launch of the Pop-up Store B&O - Emporium in February 2025. These products are typically available for immediate delivery and have been well received by customers, resulting in increased sales in both the B2C and B2B segments.

The growth in B2B revenue was also supported by the recognition of income from certain projects whose delivery schedules had been postponed from 2024. However, in Q1/2025, revenue from Product for interior architecture in the B2C segment declined due to delays in structural construction at customers' residences. These delays impacted the delivery and installation of the relevant products, including those intended for functional areas within homes and buildings, which are generally delivered after the completion of structural and interior architectural work. Nonetheless, the Company has taken such delays into account in its current delivery planning.

(B) Gross profit

Gross profit by customer groups	Q1/2024		Q1/2025		% increased (decreased)
	Million Baht	% ⁽¹⁾	Million Baht	% ⁽¹⁾	
Gross profit of B2C	115.61	51.32%	101.71	54.29%	-12.03%
Gross profit of B2B	36.82	45.22%	50.22	40.51%	+36.39%
Total gross profit	152.43	49.70%	151.93	48.80%	-0.33%

Note: ⁽¹⁾ Gross profit compared to Revenue from sales and services

In Q1/2025, the Company reported a gross profit of Baht 151.93 million, representing a slight decrease of 0.33% compared to the same period last year. This minor change was in line with the shift in the composition of sales and service revenue. The gross profit margin stood at 48.80%, exceeding the projected margin of 47.00%, due to the Company's effective management of inventory costs and service-related expenses. The breakdown of gross profit by customer segment is as follows:

- Gross profit from sales and services to general consumers (B2C) was Baht 101.71 million, lower than the Baht 115.61 million reported in the previous year. However, the gross profit margin in Q1/2025 was 54.29%, higher than the 51.32% reported in Q1/2024. This improvement was attributed to the Company's ability to manage inventory and service costs efficiently, achieving a margin higher than the forecasted 50.00% for the B2C segment.
- Gross profit from sales and services to business clients (B2B) was Baht 50.22 million, representing an increase of 36.39% from the same period last year, in line with the growth in sales and service revenue for this customer segment according to the Company's delivery plans during Q1/2025. The gross profit margin for Q1/2025 was 40.51%, a decrease from Q1/2024, due to the recognition of revenue from several large B2B clients during the quarter, whose transactions carried a gross profit margin in the range of approximately 25.00% to 30.00%. Nonetheless, the overall gross profit margin for the B2B segment remained higher than the projected range of 30.00% to 40.00%.

Explanation on financial position:

Items	Unit	31 Dec 2024	31 Mar 2024	Change (Million Baht)	increased (decreased) (%)
Total assets	Million Baht	2,004.82	1,975.16	-29.66	-1.48%
Total liabilities	Million Baht	1,122.69	1,059.53	-63.16	-5.63%
Total equity	Million Baht	882.13	915.63	+33.50	+3.80%

(A) Assets

As of the end of 2024 and Q1/2025, the Company's total assets amounted to Baht 2,004.82 million and Baht 1,975.16 million, respectively. The key asset components were net inventories and net right-of-use assets, which accounted for 40.62% and 34.40% of total assets as of the end of Q1/2025, respectively. Total assets decreased by Baht 29.66 million or 1.48% compared to the end of 2024, primarily due to the following factors: (1) A decrease in cash and cash equivalents and short-term investments (fixed deposits) totaling Baht 56.00 million, resulting from operating activities such as payments to trade creditors, accrued expenses, employee bonuses, as well as investment spending related to the construction of new showrooms and loan repayments to financial institutions during the quarter; (2) A decrease in trade and other current receivables of Baht 26.09 million due to collections during the quarter; and (3) An increase in right-of-use assets of Baht 23.07 million, primarily related to showroom construction during the quarter.

(B) Liabilities

As of the end of 2024 and Q1/2025, the Company's total liabilities amounted to Baht 1,122.69 million and Baht 1,059.53 million, respectively. The principal components of liabilities were advance receipts and lease liabilities, which accounted for 45.64% and 38.92% of total liabilities as of the end of Q1/2025, respectively. Total liabilities decreased by Baht 63.16 million or 5.63% compared to the end of 2024, mainly due to a decrease in trade and other payables totaling Baht 70.39 million, resulting from payments made to both domestic and international trade creditors, other payables, and accrued expenses during the quarter. However, the Company's advance receipts increased by Baht 6.93 million, consistent with the increase in sales (bookings) during the quarter.

(C) Equity

Shareholders' equity consists of issued and fully paid-up share capital, and retained earnings, including both legal reserves and unappropriated earnings. As of the end of Q1/2025, the Company's shareholders' equity totaled Baht 915.63 million, representing an increase of Baht 33.50 million compared to Baht 882.13 million at the end of 2024. The increase was attributable to the Company's net profit for the quarter.

Cash Flows Summary:

Items	Unit	Q1/2024	Q1/2025	Change
Cash flows from operating activities	Million Baht	(74.97)	5.42	+80.39
Cash flows from investing activities	Million Baht	(133.84)	(20.39)	+113.45
Cash flows from financing activities	Million Baht	374.53	(21.03)	-395.56

(A) Cash Flows from Operating Activities

In Q1/2025, the Company generated a profit before income tax and non-cash adjustments totaling Baht 42.04 million from normal business operations. After adding back non-cash items—primarily depreciation and amortization of Baht 21.37 million—and accounting for changes in operating assets and liabilities, the key movements were as follows: (1) an increase in trade and other receivables of Baht 26.23 million; (2) a decrease in finance lease receivables of Baht 23.52 million; (3) a decrease in trade and other payables of Baht 63.79 million; and (4) an increase in unearned revenue of Baht 6.93 million. As a result, the Company recorded a net cash outflow from operating activities of Baht 5.42 million in Q1/2025.

(B) Cash Flows from Investing Activities

Net cash used in investing activities in Q1/2025 amounted to Baht 20.39 million, primarily due to: (1) payments for the acquisition of right-of-use assets totaling Baht 39.95 million, mainly related to the construction of new showrooms scheduled to open in 2025–2026; (2) net cash inflows from short-term investments (fixed deposits) of Baht 20.00 million; and (3) payments for the purchase of buildings and equipment amounting to Baht 1.26 million.

(C) Cash Flows from Financing Activities

Net cash used in financing activities in Q1/2025 totaled Baht 21.03 million, primarily due to: (1) loan repayments to financial institutions totaling Baht 11.55 million; (2) lease liability payments of Baht 5.74 million; and (3) interest payments of Baht 3.74 million.

Significant financial ratio:

Significant financial ratio	Unit	For the three-month period ended March 31	
		2024	2025
<u>Profitability Ratio</u>			
Gross profit margin ⁽¹⁾	%	49.70	48.80
Earnings before Interest, Tax, Depreciation and Amortization expenses (EBITDA margin) ⁽¹⁾	%	23.78	21.57
Net profit margin ⁽²⁾	%	13.40	10.67

Notes: ⁽¹⁾ Percentage proportion compared to Revenue from sales and services, ⁽²⁾ Percentage proportion compared to total revenue

Significant financial ratio	Unit	31 Dec 2024	31 Mar 2024
<u>Profitability Ratio</u>			
Return on Equity ⁽³⁾	%	23.59	13.77
<u>Efficiency Ratio</u>			
Return on Asset ⁽⁴⁾	%	10.20	8.67
<u>Liquidity Ratio</u>			
Current Ratio	Times	1.58	1.61
Averaged Collection Period	Days	20	23
Averaged Inventory Period	Days	372	390
Averaged Payment Period	Days	290	271
<u>Financial Policy Ratio</u>			
Debt to Equity	Times	1.27	1.16
Interest Bearing Debt to Equity	Times	0.01	0.00

Notes: ⁽³⁾ The ratio is calculated based on net profit attributable to owners of the parent and equity attributable to owners of the parent., ⁽⁴⁾ The ratio is calculated based on earnings before interest and income tax expense (EBIT)proportion compared to total revenue

Management's Outlook for 2025

Based on the Company's current circumstances, management maintains its forecast that sales and service revenue for the year 2025 will grow by 10% to 15% compared to the previous year. Key supporting factors include: (1) official commencement of sales for Bang & Olufsen (B&O), with a current pop-up store at Emporium Department Store and an upcoming showroom at Central Embassy scheduled to open in June; (2) despite the volatile economic environment in Q1/2025, the Company successfully maintained its sales (bookings) performance during the first quarter; (3) showrooms opened during 2024 have already generated sales (bookings) since that year, and such revenue will be fully recognized throughout 2025; and (4) the Company's delivery plan for the full year 2025, which is progressing as anticipated during Q1/2025.

In terms of expenses, the Company maintains a policy to keep administrative expenses at a level similar to the previous year, with a slight increase in employee compensation to support the expansion of new brands and showroom spaces. Management remains confident that the ratio of administrative expenses to revenue will decline compared to 2024.

Best regards,

Euro Creations Public Company Limited