

Date 23 February 2024

Subject: Management Discussion and Analysis for the year ended 31 December 2023

Attention: Managing Director, The Stock Exchange of Thailand

Euro Creations Public Company Limited ("The Company") provides Management Discussion and Analysis for the year ended 31 December 2023 as follows:

Explanation on financial position and operating result:

| Consolidated statement of Comprehensive Income (Unit: Million Baht) | For the year ended 31 December | | | | Change | |
|---------------------------------------------------------------------------|--------------------------------|----------------------|---------------|-----------------------|---------------|--------------|
| | 2022 | | 2023 | | | |
| | Million Baht | % ⁽¹⁾ | Million Baht | % ⁽¹⁾ | Million Baht | % |
| Revenue from sales and services | 1,047.91 | 100.00 | 1,262.76 | 100.00 | 214.85 | 20.50 |
| Cost of sales and services | (555.91) | (53.05) | (668.62) | (52.95) | (112.71) | 20.27 |
| Gross profit | 492.00 | 46.95 | 594.14 | 47.05 | 102.14 | 20.76 |
| Other income | 20.54 | 1.96 | 12.00 | 0.94 | (8.54) | (41.58) |
| Net gain (loss) on exchange rate | (0.30) | (0.03) | 5.16 | 0.40 | 5.46 | (1,820) |
| Selling expenses | (232.68) | (21.78) | (268.29) | (21.05) | (35.61) | 15.30 |
| Administrative expenses | (93.79) | (8.78) | (121.33) | (9.52) | (27.54) | 29.36 |
| Finance cost | (14.37) | (1.35) | (19.16) | (1.50) | (4.79) | 33.33 |
| Profit before income tax | 171.40 | 16.04 | 202.52 | 15.89 | 31.12 | 18.16 |
| Income tax expense | (35.49) | (3.32) | (40.00) | (3.14) | (4.51) | 12.71 |
| Net profit for the period | 135.91 | 12.72 | 162.52 | 12.75 | 26.61 | 19.58 |
| Other comprehensive income for the year | - | - | (0.02) | 0.00 | (0.02) | (100) |
| Total comprehensive income for the year | 135.91 | 12.72 | 162.50 | 12.75 | 26.59 | 19.56 |
| Owner of the Company | 106.16 | 78.11 ⁽²⁾ | 162.50 | 100.00 ⁽²⁾ | 56.34 | 53.07 |
| Non-controlling interests | 29.75 | 21.89 ⁽²⁾ | - | -. ⁽²⁾ | (29.75) | (100.00) |

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.

During the years 2022 and 2023, the Company recorded revenue from sales and services amounting to Baht 1,047.91 million and Baht 1,262.76 million, respectively. This signifies an increase of 20.50% from 2022. The Company incurred cost of sales and services for 2022 and 2023, amounting to Baht 555.91 million and Baht 668.62 million, respectively, representing an increase of 20.27% from 2022. The gross margin was 46.95% and 47.05% of revenue from sales and services for the respective years.

The Company's net profit for the years 2022 and 2023 was Baht 135.91 million and Baht 162.52 million, respectively, representing an increase of 19.58% from the same period in 2022. These figures account for 12.72% and 12.75% of total revenue, respectively. The details of the Company's operating results for the years ended 31 December 2022 and 2023 are as follows:

(A) Total revenue

For the years ended 31 December 2022 and 2023, the Company has total revenue amounting to Baht 1,068.45 million and Baht 1,274.76 million, respectively. The total revenue is comprised of (1) Revenue from sales and services amounting to Baht 1,047.91 million and Baht 1,262.76 million, respectively (2) Other income amounting to Baht 20.54 million and Baht 12.00 million, respectively. The revenue from sales and services can be divided into 2 major customer groups, Business-to-Consumer (B2C) and Business-to-Business (B2B).

| Revenue from sales and services by customer groups | For the years ended 31 December | | | | change | |
|----------------------------------------------------------------|---------------------------------|---------------|-----------------|---------------|---------------|----------------|
| | 2022 | | 2023 | | | |
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Revenue from sales and services | 1,047.91 | 98.08 | 1,262.76 | 99.06 | 214.85 | 20.50 |
| • Business-to-Consumer (B2C) | 682.05 | 63.84 | 852.79 | 66.90 | 170.74 | 25.03 |
| 1. Product for interior architecture ⁽¹⁾ | 122.24 | 11.44 | 268.06 | 21.03 | 145.82 | 119.29 |
| 2. Product for interior ⁽²⁾ | 305.14 | 28.56 | 295.73 | 23.20 | (9.41) | (3.08) |
| 3. Product for decoration and fitness equipment ⁽³⁾ | 254.67 | 23.84 | 289.00 | 22.67 | 34.33 | 13.48 |
| • Business-to-Business (B2B) | 365.86 | 34.24 | 409.97 | 32.16 | 44.11 | 12.06 |
| 1. Product for interior architecture ⁽¹⁾ | 164.78 | 15.42 | 183.50 | 14.39 | 18.72 | 11.36 |
| 2. Product for interior ⁽²⁾ | 57.38 | 5.37 | 70.07 | 5.50 | 12.69 | 22.12 |
| 3. Product for decoration and fitness equipment ⁽³⁾ | 143.70 | 13.45 | 156.40 | 12.27 | 12.70 | 8.84 |
| Other income ⁽⁴⁾ | 20.54 | 1.92 | 12.00 | 0.94 | (8.54) | (41.58) |
| Total revenue | 1,068.45 | 100.00 | 1,274.76 | 100.00 | 206.31 | 19.31 |

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, Potrona Frau, Rolf Benz Preciosa and Haworth., etc

⁽³⁾ Consists of Technogym, Sidea, Dedon, Royal Botania, Limited Edition and Frette., etc

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

In 2023, the Company's total revenue increased by Baht 206.31 million, marking a 19.31% rise from 2022. This growth was primarily attributed to the resilience of the luxury customer base, which remains relatively insulated from economic swings and increasingly values home decoration that enhances lifestyle and comfort. Moreover, a rising focus on health and wellness has spurred more individuals to engage in exercise, prompting the development of home fitness areas and greater utilization of external fitness facilities. The luxury sector itself has also seen remarkable expansion over the last year, underscored by the outstanding financial achievements of high-end product brands and the successful launch of luxurious hotel, resort, and residential projects in Thailand, all contributing to impressive sales figures. These trends collectively contributed to the Company's revenue increase across Business-to-Consumer (B2C) and Business-to-Business (B2B) segments.

(B) Cost of sales and services

The cost of sales and services for the Company consists of the cost of inventory intended for sale, including directly related cost, for example, freight and import duties. The Company classifies the cost of sales and services into 2 groups of major customer groups, Business-to-Consumer (B2C) and Business-to-Business (B2B) which are summarized as follows:

| Cost of sales and services by customer groups | For the years ended 31 December | | | | Change | |
|-----------------------------------------------|---------------------------------|---------------|---------------|---------------|---------------|--------------|
| | 2022 | | 2023 | | | |
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Cost of sales and services of B2C | 357.53 | 64.31 | 419.07 | 62.68 | 61.54 | 17.21 |
| Cost of sales and services of B2B | 198.38 | 35.69 | 249.55 | 37.32 | 51.17 | 25.79 |
| Total cost of sales and services | 555.91 | 100.00 | 668.62 | 100.00 | 112.71 | 20.27 |

In 2023, the Company's total sales and service costs increased by Baht 112.71 million, representing a 20.27% increase from 2022. This was divided into the cost of sales and services for B2C, which rose from Baht 357.53 million in 2022 to Baht 419.07 million in 2023, marking an increase of 17.21%. Additionally, the cost of sales and services for B2B increased from Baht 198.38 million in 2022 to Baht 249.55 million in 2023, or by 25.79%. The increase in the cost of sales and services for both customer groups aligns with the rise in revenue from sales and services in both B2C and B2B segments.

(C) Gross profit

In 2023, the Company's gross profit amounted to Baht 594.14 million, an increase from Baht 492.00 million in 2022, representing a 20.76% increase. This led to a gross profit margin of 47.05% in 2023, an improvement from 46.95% in 2022. This change aligns with the revenue proportions from sales and services for the B2C segment from the previous year, and contrasts with the revenue proportions from sales of goods and services for the B2B segment, which decreased from the previous year. Sales of goods and services to the B2C segment yield a higher gross profit margin compared to those to the B2B segment. The details of the gross profit are as follows:

| Gross profit by customer groups | For the years ended 31 December | | | | Change | |
|---------------------------------|---------------------------------|------------------|---------------|------------------|---------------|--------------|
| | 2022 | | 2023 | | | |
| | Million Baht | % ⁽¹⁾ | Million Baht | % ⁽¹⁾ | Million Baht | % |
| Gross profit of B2C | 324.52 | 47.58 | 433.72 | 50.88 | 109.20 | 33.65 |
| Gross profit of B2B | 167.48 | 45.78 | 160.42 | 39.13 | (7.06) | (4.22) |
| Total gross profit | 492.00 | 46.95 | 594.14 | 47.05 | 102.14 | 20.76 |

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

- (1) In 2023, the Company's gross profit from sales and services to the B2C segment was Baht 433.72 million, up from Baht 324.52 million in 2022, representing a 33.65% increase. This rise aligns with the increased revenue from sales and services to the B2C segment, leading to an increase in the gross profit margin from sales and services for the B2C segment from 47.58% in 2022 to 50.88% in 2023.

- (2) In 2023, the Company's gross profit from sales and services to the B2B segment was Baht 160.42 million, a decrease from Baht 167.48 million in 2022, representing a 4.22% decrease. This decrease aligns with the decreased revenue from sales and services to the B2B segment, leading to a decrease in the gross profit margin from sales and services for the B2B segment from 45.78% in 2022 to 39.13% in 2023.

(D) Net profit

In 2022 and 2023, the Company recorded net profits of Baht 135.91 million and Baht 162.52 million, respectively, with net profit margins of 12.72% and 12.75% of total revenue for each year. The increase in net profit in 2023, compared to 2022, corresponds with the rise in the Company's revenue from sales and services. Additionally, the net profit margin experienced a slight increase over the same period.

Summery of financial position:

| Items | Unit | As of 31 December 2022 | As of 31 December 2023 | Change (Million Baht) | Change (%) |
|-------------------|--------------|---------------------------|---------------------------|--------------------------|---------------|
| Total assets | Million baht | 1,244.69 | 1,446.77 | 202.08 | 16.24 |
| Total liabilities | Million baht | 1,023.72 | 1,259.29 | 235.57 | 23.01 |
| Total equity | Million baht | 220.97 | 187.48 | (33.49) | (15.16) |

(A) Assets

At the end of 2022 and 2023, the Company's total assets were Baht 1,244.69 million and Baht 1,446.77 million, respectively. The main assets, consisting of net inventory, net right-of-use assets trade and other receivables and net land, buildings and equipment, represented 40.93%, 29.12%, 12.67% and 10.93% of the total assets at the end of 2023, respectively. Total assets increased by Baht 202.08 million, equaling a 16.24% increase from the end of 2022. The primary reason for this was an increase of Baht 83.00 million in buildings and equipment, due to the construction of all three branches of showrooms that have not yet commenced operations, including the Phuket showroom, the Thonglor Soi 5 showroom, and the Thonglor Soi 1 showroom. Additionally, there was an increase in inventory by Baht 76.36 million, from placing orders in preparation for the new showrooms that are scheduled to open in the first half of 2024.

(B) Liabilities

At the end of 2022 and 2023, the Company's total liabilities were Baht 1,023.72 million and Baht 1,259.29 million, respectively. The main liabilities consist of unearned revenue, finance lease liabilities, bank overdrafts and short-term loans from financial institutions, and trade and other payables, representing 35.57%, 31.41%, 16.02%, and 11.04% of the total liabilities at the end of 2023, respectively. Total liabilities increased by Baht 235.57 million, equaling a 23.01% rise from the end of 2022. This increase resulted from an increase in bank overdrafts and short-term loans from financial institutions by Baht 201.73 million, due to the Company's liquidity management.

(C) Equity

The Company's equity consists of issued and paid-up share capital, legal reserves, and unappropriated retained earnings. As of 31 December 2022 and 2023, the Company's equity amounted to Baht 220.97 million and Baht 187.48 million, respectively, representing a decrease of Baht 33.49 million, or 15.16%, compared with the end of 2022. Despite recording a comprehensive profit of Baht 162.50 million for the year, the Company announced an interim dividend payment from the unappropriated retained earnings of the separate financial statements, totaling Baht 198.75 million. As a result, the Company's retained earnings decreased.

Significant financial ratio:

| Significant financial ratio | Unit | For the years ended | |
|---------------------------------------------------------------------------------------|-------|---------------------|-------|
| | | 31 December | |
| | | 2022 | 2023 |
| <u>Profitability Ratio</u> | | | |
| Gross Profit Margin | % | 46.95 | 47.05 |
| Earnings before Interest, Tax, Depreciation and Amortization expenses (EBITDA Margin) | % | 22.71 | 22.53 |
| Net Profit Margin | % | 12.72 | 12.75 |
| Return on Equity | % | 57.71 | 79.58 |
| <u>Liquidity Ratio</u> | | | |
| Current Ratio | Times | 1.08 | 0.96 |
| Averaged Collection Period | Days | 19 | 17 |
| Averaged Inventory Period | Days | 295 | 302 |
| Averaged Payment Period | Days | 263 | 268 |
| <u>Efficiency Ratio</u> | | | |
| Return on Asset | % | 12.10 | 12.08 |
| <u>Financial Policy Ratio</u> | | | |
| Debt to Equity | Times | 4.63 | 6.72 |
| Interest Bearing Debt to Equity | Times | 0.13 | 1.33 |

Best regards,

Euro Creations Public Company Limited