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Subject Management Discussion and Analysis for the Operating Results for 6-month period ended 30 Jun 2026

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 6-month period ended 30 Jun 2026, the details are as follows:

1. Business operation overview

The Company is engaged in the research, development, and distribution of skincare and cosmetic products under the brands “Skinsista” and “Dermie”. By utilizing an Original Equipment Manufacturer (OEM) model with international standards such as GMP and ISO 22716:2007, the Company delivers high-quality innovation at accessible prices, consistent with the slogan 'High quality skincare is not exclusive, it is for everyone'. The Company focuses on a comprehensive consumer reach strategy through three primary channels: 1) Modern Trade, including 7-11 convenience stores and leading beauty stores such as Watsons, Beautrium, EVEANDBOY, and found & found; 2) General Trade via retail stores nationwide; and 3) Social Commerce and E-Commerce through popular online platforms such as Shopee, Lazada, and TikTok Shop. Currently, the Company possesses a diverse product portfolio covering five main categories: facial serums, sun protection, facial cleansers, facial creams, and color cosmetics such as foundation powder, blush, and lipstick, as well as other products, to address consumer needs in every dimension of skincare and beauty.

2. Summary of significant events and development

For Quarter 2/2026 and 6-month period, the Company focused on strengthening its foundation to support long-term growth through a strategic transition from legacy products to new product launches. Key developments include:

- 1) **Product Lifecycle Transition:** The Company replaced legacy products, which had become technologically and perceptually outdated, with new innovations. Revenue declined YoY as the Company intentionally suspended certain sales to clear legacy inventory, while the new products are currently in the initial phase of building market awareness.
- 2) **Marketing Investment:** Selling expenses as a percentage of revenue increased primarily due to significant marketing spend for new product launches—specifically the Facial Cleanser (Jan), Anti-Acne Cushion (Feb), Sachet Cream series (Mar), and Sachet Blush series (Apr) —alongside promotional costs to accelerate the liquidation of old stock. Furthermore, aggressive brand-building for “Dermie” via social media influencers has driven sustained growth, successfully transitioning the focus toward higher-potential product lines.
- 3) **Success in Digital Transformation:** The Company achieved significant success in its full-scale expansion into Social Commerce and E-commerce. This led to exponential growth in online revenue, which has now emerged as the primary revenue channel, surpassing traditional offline channels

(Modern Trade). This shift aligns with the Company's proactive strategy to engage modern consumers on digital platforms that drive both sales and brand awareness.

- 4) **Expansion of Beauty Specialty Channels:** The Company continued to expand its distribution network through beauty specialty stores, recently adding Boots to its channel mix. This complements the existing presence in Watsons, EVEANDBOY, and Beautrium, further increasing coverage of target consumer segments.

3. Summary of Operating Results

Profit and Loss Statement	6M/2026		6M/2025		Change	
	THB million	%	THB million	%	THB million	%
Revenues from sales	66.01	100%	93.70	100%	(27.69)	(30%)
Cost of sales	(20.04)	(30%)	(25.85)	(28%)	5.81	(22%)
Gross Profit	45.97	70%	67.85	72%	(21.88)	(32%)
Other income*	1.17	2%	1.61	2%	(0.44)	(27%)
Profit before operating expense	47.14	71%	69.46	74%	(22.32)	(32%)
Distribution costs	(47.56)	(72%)	(45.71)	(49%)	1.85	4%
Administrative expenses	(13.89)	(21%)	(14.10)	(15%)	0.21	(1%)
Profit before finance costs and tax	(14.32)	(22%)	9.65	10%	(23.96)	N.A.
Finance costs	(0.04)	<1%	(0.09)	<1%	(0.04)	(52%)
Profit before tax	(14.36)	(22%)	9.56	10%	(23.92)	N.A.
Tax income (expense)	(0.34)	(1%)	(1.93)	(2%)	1.59	(82%)
Net Profit for the period	(14.70)	(22%)	7.63	8%	(22.33)	N.A.

Note: * Other income includes interest income, gain on disposal of assets, online shipping fees collected from customers by platforms and subsequently remitted to the Company, marketing fees from online affiliate programs in collaboration with certain platforms, and revenue from the sale of welfare products to employees, among others.

Operational Overview

For Quarter 2/2026 and 6-month period, the Company was in a period of Strategic Transition, focusing on rebalancing the product portfolio by shifting from maturing legacy product groups to high-growth innovations. This shift includes a strategic migration of distribution channels from offline to digital platforms.

While sales revenue moderated due to reduced sales volumes of legacy products in Modern Trade, the Company successfully expanded its customer base through E-commerce (Shopee) and Social Commerce (TikTok Shop), which have become the Company's first and second largest online revenue-generating channels, respectively.

Revenue from Sales

For 6-month period, the Company recorded sales revenue of THB 66.01 million, representing a decrease of THB 27.69 million or 30% compared to the same period last year. Key highlights are as follows:

- **Product Transition :** Managed reduction of legacy product volumes to prepare for new innovation launches, which led to a 58% decline in 7-Eleven sales and a 61% decline in Watsons.

- **Online Channel Growth** : TikTok Shop surged by 225% , reaching THB 10.81 million in sales (accounting for 18% of total sales). Shopee grew by 10% with sales of THB 19.34 million (accounting for 32% of total sales), emerging as the Company's largest online revenue-generating channel.
- **Expansion of New Customer Base** : Revenue recognition from new distribution channels, including PTT and leading Beauty Store groups (BEAU).

Cost of Sales and Gross Profit

For 6-month period, the Company's cost of sales totaled THB 20.04 million, a 22% decrease in line with lower sales volume. However, the cost-to-sales ratio rose from 28% to 30%, reducing the gross profit margin from 72% to 70%. This margin shift was driven by two primary factors: a lower share of consignment sales and a strategic shift in procurement. The Company increased its share of turnkey Finished Goods (FG) production, in which the manufacturer handles the entire process (including packaging), rather than sourcing packaging separately. While this approach incurs a slightly higher unit cost, it enhances operational agility, reduces packaging complexity, and improves procurement and distribution efficiency in the long term.

Distribution Costs (Selling Expenses)

For 6-month period, the distribution costs totaled THB 47.56 million, representing an increase of THB 1.85 million or 4% compared to the previous year. This increase was primarily driven by significant marketing expenditures to build brand awareness for multiple products launched from late 2025 through early 2026. Furthermore, the Company incurred higher fees and service charges from expanding its Social Commerce and E-commerce platforms, largely due to the exponential growth of TikTok Shop. This upfront marketing investment is a temporary factor impacting short-term net profit, strategically aimed at driving long-term sales growth for the new product portfolio.

Administrative Expenses

For 6-month period, the Company's administrative expenses amounted to THB 13.89 million, representing a decrease of 1% compared to the same period last year (YoY). Overall administrative expenses remained relatively stable.

Finance Costs

For 6-month period, the Company's finance costs amounted to THB 0.04 million, a decrease of 52% compared to the same period last year. These costs consist of interest expenses recognized under Thai Financial Reporting Standard No. 16 (TFRS 16) - Leases. The decrease was due to the periodic lease payments made according to contract terms and the subsequent reduction in the present value of lease liabilities. Currently, the Company has no interest expenses from borrowings.

Net Profit and Net Profit Margin

For 6-month period, the Company recorded a net loss of THB 14.70 million, representing a Net Profit Margin of -22%. This performance declined compared to the same period last year due to the following key factors:

- **Decrease in Sales Revenue** : Primarily caused by the reduction of legacy product inventory in Modern Trade channels as part of a Strategic Transition toward new product groups, leading to a slowdown in offline sales.
- **Decrease in Gross Profit Margin** : The margin dropped to 70% from 72% in the previous year, resulting from the combination of consignment revenue portion and the shift to a Finished Goods production model to enhance production management agility.
- **Increase in Distribution Costs** : These expenses rose by 4% YoY, driven by marketing budgets allocated to build awareness for new products and service fees associated with the customer base expansion on E-commerce platforms.

Nevertheless, the Company remains committed to rebalancing its revenue streams by expanding its customer base in digital, Social Commerce, and E-commerce channels (TikTok Shop and Shopee), which have shown significant growth. This initiative is being managed alongside the new product life cycle management to ensure that operating results align with future strategic plans.

4. Summary of Financial Position

Assets

Assets	30 Jun 2026		31 Dec 2025 (Restated)*		Change	
	THB million	%	THB million	%	THB million	%
Cash and cash equivalents	56.84	55%	72.36	59%	(15.52)	(21%)
Trade and other current receivables	17.59	17%	23.54*	19%	(5.95)	(25%)
Inventories	22.55	22%	19.22	16%	3.33	17%
Right to return Asset	0.22	<1%	0.14	<1%	0.08	57%
Total current assets	97.21	95%	115.26	95%	(18.05)	(16%)
Building and equipment improvements	0.86	1%	1.06	1%	(0.20)	(19%)
Right-of-use assets	0.71	1%	1.33	1%	(0.62)	(47%)
Other intangible assets	0.28	<1%	0.30	<1%	(0.02)	(6%)
Deferred tax assets	3.27	3%	3.61	3%	(0.34)	(9%)
Other non-current assets	0.37	<1%	0.37	<1%	0.00	1%
Total non-current assets	5.50	5%	6.67	5%	(1.17)	(18%)
Total assets	102.70	100%	121.93	100%	(19.23)	(16%)

Note : * The Company has restated its financial statements for the year ended 31 December 2025, specifically regarding the accounting treatment of a dividend refund amounting to THB 1.60 million. (For further details, please refer to Note 23 of the Notes to the Financial Statements for Q2/2026).

As of Jun 30, 2026, the Company's total assets stood at THB 102.70 million, representing a decrease of THB 19.23 million or 16% compared to the end of 2025. The primary reasons for this decrease are as follows:

- **Cash and Cash Equivalents** : Decreased by THB 15.52 million or 21% to THB 56.84 million. Despite the decrease, cash and cash equivalents remained the Company's primary asset, accounting for 55% of total assets. The decrease was mainly due to net cash used in operating activities.

- **Trade and Other Current Receivables** : Decreased by THB 5.95 million or 25%, consistent with the 30% decline in revenue from sales, reflecting a slowdown in sales activities during the first 6 months of 2026.
- **Inventories** : As of Jun 30, 2026, inventories totaled THB 22.55 million, representing an increase of THB 3.33 million or 17% compared to the end of 2025. This increase was primarily driven by a strategic inventory build-up to support new product launches. Key additions include: (1) the Dermie product line, specifically introducing Sachet formats to expand into convenience store channels; (2) Facial Cleansers, with new packaging sizes (45g) added to enhance product variety; (3) the Cosmetics group, featuring the launch of the Skinsista Cushion; and (4) the cosmetics group, featuring the launch of Skinsista Blush in Sachet format. The increase in inventory aligns with the Company's supply chain management plan to prepare for distribution channel expansion and sales promotion activities in the upcoming quarter.

Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity	30 Jun 2026		31 Dec 2025 (Restated)*		Change	
	THB million	%	THB million	%	THB million	%
Trade and other current payables	11.33	11%	17.34	14%	(6.01)	(35%)
Current portion of lease liabilities	0.79	1%	1.33	1%	(0.54)	(40%)
Provision for inventories returned	0.53	1%	0.35	<1%	0.19	54%
Total current liabilities	12.65	12%	19.01	16%	(6.36)	(33%)
Lease liabilities	0.00	0%	0.12	<1%	(0.12)	(100%)
Non-current provisions for employee benefit	3.56	3%	3.21	3%	0.35	11%
Total non-current liabilities	3.56	3%	3.33	3%	0.23	7%
Total liabilities	16.21	16%	22.34	18%	(6.13)	(27%)
Share capital	72.00	70%	72.00	59%	0.00	0%
Share premium	28.17	27%	28.17	23%	0.00	0%
Retained earnings - Legal reserve	1.00	1%	1.00	1%	0.00	0%
Retained earnings - Unappropriated	(14.68)	(14%)	(1.58)*	(1%)	(13.10)	(827%)
Total shareholders' equity	86.49	84%	99.59	82%	(13.10)	(13%)
Total liabilities and shareholders' equity	102.70	100%	121.93	100%	(19.23)	(16%)

Note : * The Company has restated its financial statements for the year ended 31 December 2025, specifically regarding the accounting treatment of a dividend refund amounting to THB 1.60 million. (For further details, please refer to Note 23 of the Notes to the Financial Statements for Q2/2026).

Liabilities

As of Jun 30, 2026, the Company's total liabilities amounted to THB 16.21 million, representing 16% of total liabilities and shareholders' equity. This was a decrease of THB 6.13 million or 27% compared to the end of 2025, primarily due to the following factors:

- **Trade and Other Current Payables** : Decreased by THB 6.01 million or 35% compared to the end of 2025. This was mainly due to the reduction in purchase orders for products and raw materials, aligning with market conditions and moderated sales as part of the Company's proactive inventory management.
- **Lease Liabilities** : Decreased by THB 0.12 million or 100% compared to the end of 2025, consistent with the periodic lease payments made during the year. This decrease reflects the reduction in lease obligations under Thai Financial Reporting Standard No. 16 (TFRS 16).
- **Non-current Provisions for Employee Benefits** : Increased by THB 0.35 million or 11% compared to the end of 2025, reflecting the recent expansion of the workforce and organizational structure.

Shareholders' Equity

As of Jun 30, 2026, the Company's shareholders' equity amounted to THB 86.49 million, representing 84% of total liabilities and shareholders' equity. This was a decrease of THB 13.10 million or 13% compared to the end of the previous year. The decline was directly attributable to the net operating loss recorded for 6-month period of 2026. Meanwhile, registered capital and share premium remained unchanged during the period.

5. Cash Flow Analysis

Cash flows (Unit: Million Baht)	6M/2026	6M/2025 (Restated)*
Net cash generated from (used in) operating activities	(16.41)	14.93
Net cash from (used in) investing activities	(0.05)	(0.09)
Net cash provided by (used in) financing activities	0.95	(8.61)
Net increase (decrease) in cash and cash equivalents	(15.52)	6.23
Cash and Cash Equivalents - beginning	72.36	27.84
Cash and Cash Equivalents - ending	56.84	34.07

For 6-month period, the Company's operating cash flow declined compared to the same period last year, recording net cash used in operating activities of THB 16.41 million. This cash outflow was primarily driven by the ongoing Strategic Transition, which resulted in short-term operating losses during the initial promotional phases for new product innovations and aggressive penetration of the Social Commerce/E-Commerce market. Additionally, cash flow was temporarily impacted by a strategic inventory build-up to support the official launches of the "Dermie" brand and the "Make Up Care" product line.

6. Significant financial ratios

Significant financial ratios	30 Jun 2026	31 Dec 2025
Current ratio (times)	7.68	6.06
Average Collection Period (days)	38	45
Average Inventory Turnover Period (days)	178	132
Cash Conversion Cycle (days)	153	111
Return on Equity (%)	(31.59%)	5.43%
Return on Assets (%)	(26.17%)	4.23%
Debt to Equity Ratio (times)	0.19	0.22

7. Factors Affecting the Company's Operations

The products jointly developed and distributed by the Company remain in a highly competitive market, characterized by competition from both existing and new market entrants, low barriers to entry, and rapidly changing consumer behavior toward digital platforms. However, the Company is currently undergoing a Strategic Transition, reducing the volume of legacy products in Modern Trade channels in preparation for the launch of new innovative products. This has resulted in a temporary slowdown in revenue but is expected to support long-term revenue growth and profitability. Meanwhile, Social Commerce and E-commerce channels have delivered significant growth. Furthermore, the Company continues to invest in marketing activities to build awareness for newly launched products, while managing its organizational structure to support its long-term growth plans, in line with the Company's established strategic direction.

8. Sustainability Development

The Company operates its business with a strong awareness of sustainable development, prioritizing Environmental, Social, and Governance (ESG) principles, consist of:

- We have begun phasing out external plastic shrink-wrap, transitioning instead to high-quality, durable, and recyclable paper boxes.
- We have discontinued the use of plastic label stickers on packaging, opting for direct screen printing on the product boxes to further reduce waste.
- Furthermore, the Company is currently conducting feasibility studies on refillable packaging formats for upcoming products. This initiative aims to minimize the consumption of plastic—a material that is difficult to decompose—in line with our commitment to environmental responsibility for all future product launches.