

19 December 2023

Subject Management Discussion and Analysis for the year ended December 31, 2022

Attention President
The Stock Exchange of Thailand

SCG Decor Public Company Limited and subsidiaries (collectively called the “**Company**”) would like to inform the analysis of financial performance and financial positions for the year ended December 31, 2022, from the Pro forma consolidated financial information, which is prepared based on assumptions that the Company had internal restructuring to reflect the performance from this restructuring. This restructuring is under common control basis with major assumptions that the internal restructuring by acquiring and disposal of shares and the adjustment items are occurred on 31 December 2019. The details are as follows:

Revenue from Sales of the Company

Revenue from Sales of the Company	For the fiscal year ended 31 December			
	2021		2022	
	THB mm	Percent	THB mm	Percent
Decor surfaces business ⁽¹⁾	20,350.4	78.5	24,400.5	80.7
Thailand	10,418.8	40.2	12,421.4	41.1
Vietnam	6,165.9	23.8	7,909.0	26.1
Philippines and Indonesia	4,234.5	16.3	4,558.8	15.1
(Less) Cross-country elimination	(468.8)	(1.8)	(488.7)	(1.6)
Bathroom business	4,674.7	18.0	5,111.7	16.9
Other business ⁽²⁾	912.3	3.5	741.6	2.5
Total revenue from sales	25,937.4	100.0	30,253.8	100.0

Remarks:

(1) Include revenue from the bathroom business in Vietnam and the Philippines, which amounted to THB 200.9 million, and THB 264.3 million for the years 2021, and 2022, respectively.

(2) Other businesses include the industrial estate business and the solar business.

Revenue from Sales

For the fiscal years ending on December 31, 2021, and 2022, the Company had sales revenues of THB 25,937.4 million, and THB 30,253.8 million, respectively. The Company's sales revenue increased by THB 4,316.4 million compared to the previous year, representing a growth rate of 16.6 percent. This growth was primarily driven by increased sales revenue from the decorative surface business in Thailand, Vietnam, and Indonesia. Additionally, there was an increase in revenue from the sanitary ware business, with the growth attributed to higher sales volumes due to increased market demand and higher product prices.

Gross Profit

For the fiscal years ending on December 31, 2021, and 2022, the Company reported gross profit of THB 6,796.0 million, and THB 7,132.9 million, respectively. These figures represent gross profit margin of 26.2 percent, and 23.6 percent, respectively. The cost of goods sold of the Company mainly include energy costs, raw material costs, and employee expenses. In 2022, the gross profit of the Company increased by THB 336.9 million, indicating a growth rate of 5.0 percent compared to the previous year. This growth was primarily driven by an increase in sales revenue. However, the Company's gross profit margin decreased by 23.6 percent in 2022 compared to 26.2 percent in 2021. The main reason for this decrease was the rise in energy production costs.

Profit for the year

For the fiscal years ending on December 31 in 2021, and 2022, the Company had profits of THB 1,401.9 million, and THB 643.1 million, respectively. This translates to net profit margin of 5.3 percent, and 2.1 percent, respectively. In 2022, the Company's profits decreased by THB 758.8 million, primarily due to losses from setting aside asset impairment reserves and a decrease in the carrying value of inventory for large-sized artificial stone sheet manufacturing plants, amounting to THB 677.0 million. If we consider the profits for the year without including the impact of the mentioned items, it will result in adjusted profits of THB 1,320.1 million, which is a decrease of THB 81.8 million or a decrease of 5.8 percent. In 2022, the net profit margin of the Company, excluding the asset impairment reserves, decreased to 4.3 percent, primarily due to the increase in selling costs resulting from increased energy production costs in manufacturing products.

Financial Position

Total Assets

As of December 31, 2021, 2022, the Company's total assets were THB 40,379.8 million and THB 40,575.9 million, respectively. The majority of the Company's assets comprise land, buildings, and equipment, inventory, short-term investments, accounts receivable, and other current assets, as well as cash and cash equivalents, representing 79.1 percent and 78.1 percent of the total assets, respectively.

As of December 31, 2022, the increase in total assets was primarily due to land, buildings, and equipment, driven by construction activities related to the production of 60x60 cm ceramic tiles and the installation of solar power production systems in Thailand, as well as investments to expand the production capacity of glazed porcelain tiles in Vietnam.

Total Liabilities

As of December 31, 2021, 2022, the Company's total liabilities amounted to THB 21,582.4 million and THB 21,264.0 million, respectively. Most of the Company's liabilities consist of short-term borrowings, accounts

payable, and other current liabilities, representing 88.0 percent and 86.2 percent of the total liabilities, respectively. The Company's total liabilities have remained relatively stable during the past period.

Shareholder's Equity

As of December 31, 2021, 2022, the Company's equity attributable to shareholders amounted to THB 18,797.4 million and THB 19,311.9 million, respectively. On December 31, 2022, the equity attributable to shareholders increased by THB 514.5 million from December 31, 2021. The main reason for this increase was the accumulation of retained earnings, which increased due to the net profit for the year, adjusted for dividend payments.

Summary Tables of the Pro Forma Consolidated Financial Statements for the Year Ended 31 December 2022

Pro Forma Consolidated Statement of Financial Position (THB Million)	As of 31 December,	
	2021	2022
Assets		
Current assets		
Cash and cash equivalents	2,908.7	1,703.8
Investments in short-term debt instruments	5,327.2	5,413.5
Trade and other current receivables	4,570.8	5,269.4
Short-term loans	73.2	31.0
Inventories	7,109.0	8,049.3
Land development for sale	429.7	429.7
Other current assets	26.6	64.7
Total current assets	20,445.2	20,961.4
Non-current assets		
Investments in associates	52.4	71.0
Other non-current receivables	189.9	158.6
Long-term loans	87.1	86.3
Investment property	512.6	622.6
Property, plant and equipment	12,008.5	11,268.7
Goodwill	5,841.4	5,838.9
Other intangible assets	140.0	121.4
Deferred tax assets	369.9	593.3
Other non-current assets	732.8	853.7
Total non-current assets	19,934.6	19,614.5
Total assets	40,379.8	40,575.9

Pro Forma Consolidated Statement of Financial Position (THB Million)	As of 31 December,	
	2021	2022
Liabilities		
Current liabilities		
Bank overdrafts and short-term borrowings from financial institutions	262.0	500.4
Trade and other current payables	4,346.2	5,205.5
Current portion of lease liabilities	141.9	166.6
Short-term borrowings	14,640.5	13,121.0
Corporate income tax payable	114.3	209.3
Other current liabilities	71.0	121.2
Total current liabilities	19,575.9	19,324.0
Non-current liabilities		
Lease liabilities	510.0	636.7
Deferred tax liabilities	263.8	234.9
Non-current provisions for employee benefits	1,182.8	1,004.4
Other non-current liabilities	49.9	64.0
Total non-current liabilities	2,006.5	1,940.0
Total liabilities	21,582.4	21,264.0
Shareholders' equity		
Authorized share capital	7,909.0	7,909.0
Paid-up share capital	7,909.0	7,909.0
Share premium on ordinary shares	0.1	0.1
Other deficits	(4,544.9)	(4,476.5)
Retained earnings		
<i>Appropriated</i>		
Legal reserve	130.1	130.1
<i>Unappropriated</i>	14,606.5	15,303.6
Other components of shareholders' equity	(2,154.1)	(2,363.0)
Total equity attributable to owners of the company	15,946.7	16,503.3
Non-controlling interests	2,850.7	2,808.6
Total shareholders' equity	18,797.4	19,311.9
Total liabilities and shareholders' equity	40,379.8	40,575.9

Pro Forma Consolidated Income Statement*(THB Million)***For the year ended 31 December**

	2021	2022
Revenue from sales	25,937.4	30,253.8
Cost of sales	(19,141.4)	(23,120.9)
Gross profit	6,796.0	7,132.9
Other income	549.3	631.7
Profit before expenses	7,345.3	7,764.6
Distribution costs	(3,053.7)	(3,579.4)
Administrative expenses	(1,918.1)	(2,832.5)
Total expenses	(4,971.8)	(6,411.9)
Profit from operations	2,373.5	1,352.7
Finance costs	(530.3)	(540.9)
Share of profit of associates accounted for using equity method	5.0	3.7
Profit before income tax	1,848.2	815.5
Tax expense	(446.3)	(172.4)
Profit for the year	1,401.9	643.1
Profit attributable to		
Owners of the Company	1,210.0	602.6
Non-controlling interests	191.9	40.5
	1,401.9	643.1
Basic earnings per share (Baht)		
Owners of the Company	15.3	7.6

Please be informed accordingly,

Sincerely yours,

(Mr. Smithi Kosicharoen)
Chief Financial Officer