

19 December 2023

Subject Management Discussion and Analysis for the nine months ended September 30, 2023

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 nine months ended September 30, 2023, 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 nine months ended September 30			
	2022		2023	
	THB mm	Percent	THB mm	Percent
Decor surfaces business ⁽¹⁾	18,551.4	81.2	16,666.4	77.4
Thailand	9,533.9	41.7	9,397.1	43.7
Vietnam	5,862.2	25.7	4,619.9	21.5
Philippines and Indonesia	3,553.6	15.6	3,029.9	14.1
(Less) Cross-country elimination	(398.3)	(1.7)	(380.6)	(1.8)
Bathroom business	3,821.0	16.7	3,947.4	18.3
Other business ⁽²⁾	477.2	2.1	908.3	4.3
Total revenue from sales	22,849.6	100.0	21,522.0	100.0

Remarks:

- (1) Include revenue from the bathroom business in Vietnam and the Philippines, which amounted to THB 199.0 million and THB 202.6 million for the nine-month periods ending September 30, 2022, and 2023, respectively
- (2) Other businesses include the industrial estate business and the solar business.

Revenue from Sales

For the nine-month periods ending on September 30, 2022, and 2023, the Company had sales revenues of THB 22,849.6 million and THB 21,522.0 million, respectively. For the nine-month period ending on September 30, 2023, the Company's sales revenue decreased by THB 1,327.6 million compared to the same period in the previous year, representing a reduction rate of 5.8 percent. This decline was primarily due to reduced sales revenue from the decorative surface business in Vietnam, particularly attributed to the issues in the real estate sector in Vietnam that caused significant debt defaults by the Company in that sector, leading to delays in property

development projects in Vietnam. Additionally, sales revenue from the decorative surface business in the Philippines and Indonesia slightly decreased due to lower market demand. However, revenue from the sanitary ware business increased, mainly driven by higher sales volumes resulting from increased market demand, especially from project customers, and higher sales from high price products. Furthermore, revenue from other businesses also increased, primarily due to land sales in the industrial property business and the solar energy equipment installation business.

Gross Profit

For the nine-month periods ending on September 30, 2022, and 2023, the Company reported gross profit of THB 5,648.6 million and THB 5,059.0 million, respectively. These figures represent gross profit margin of 24.7 percent and 23.5 percent, respectively. The costs of the Company mainly include energy costs, raw material costs, and employee expenses. For the nine-month period ending on September 30, 2023, the gross profit of the Company decreased by THB 589.6 million, reflecting a decline of 10.4 percent compared to the same period in 2022. The primary cause of this decrease was the increased production energy costs, resulting in a 23.5 percent decrease in the gross profit margin compared to 24.7 percent in the corresponding period of the previous year.

Profit for the period

For the nine-month periods ending on September 30, 2022, and 2023, the Company had profits of THB 1,126.2 million and THB 547.0 million, respectively. These figures correspond to net profit margin of 4.8 percent and 2.5 percent, respectively. For the nine-month period ending on September 30, 2023, the Company's profits decreased by THB 579.3 million, with a decrease rate of 51.4 percent compared to the same period in the previous year. This decrease was mainly attributed to the reduced operational profits and increased income tax expenses due to the dividend income received from subsidiary companies in Vietnam.

Financial Position

Total Assets

As of December 31, 2022, and September 30, 2023, the Company's total assets were THB 40,575.9 million, and THB 41,054.4 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 78.1 percent, and 78.3 percent of the total assets, respectively.

As of September 30, 2023, 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, 2022, and September 30, 2023, the Company's total liabilities amounted to THB 21,264.0 million, and THB 20,603.7 million, respectively. The majority of the Company's liabilities consist of short-

term borrowings, accounts payable, and other current liabilities, representing 86.2 percent, and 85.9 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, 2022, and September 30, 2023, the Company's equity attributable to shareholders amounted to THB 19,311.9 million, and THB 20,450.8 million, respectively. As of September 30, 2023, the equity attributable to shareholders increased by THB 1,138.8 million. The primary cause of this increase was the increase in registered capital, while retained earnings decreased due to dividend payments.

Summary Tables of the Pro Forma Consolidated Financial Statements for the Nine-Month Ended 30 September 2023

Pro Forma Consolidated Statement of Financial Position	As of 31 December,	As of 30 September,
<i>(THB Million)</i>	2022	2023
Assets		
Current assets		
Cash and cash equivalents	1,703.8	2,523.3
Investments in short-term debt instruments	5,413.5	4,825.7
Trade and other current receivables	5,269.4	5,177.7
Short-term loans	31.0	-
Inventories	8,049.3	7,900.3
Land development for sale	429.7	394.3
Other current assets	64.7	48.2
Total current assets	20,961.4	20,869.5
Non-current assets		
Investments in associates	71.0	76.7
Other non-current receivables	158.6	169.8
Long-term loans	86.3	-
Investment property	622.6	630.6
Property, plant and equipment	11,268.7	11,845.7
Goodwill	5,838.9	5,918.4
Other intangible assets	121.4	115.7
Deferred tax assets	593.3	566.1
Other non-current assets	853.7	861.9
Total non-current assets	19,614.5	20,184.9
Total assets	40,575.9	41,054.4

Pro Forma Consolidated Statement of Financial Position	As of 31 December,	As of 30 September,
<i>(THB Million)</i>	2022	2023
Liabilities		
<i>Current liabilities</i>		
Bank overdrafts and short-term borrowings from financial institutions	500.4	455.0
Trade and other current payables	5,205.5	5,484.8
Current portion of lease liabilities	166.6	177.3
Short-term borrowings	13,121.0	12,220.1
Corporate income tax payable	209.3	170.4
Other current liabilities	121.2	64.0
Total current liabilities	19,324.0	18,571.6
<i>Non-current liabilities</i>		
Lease liabilities	636.7	642.4
Deferred tax liabilities	234.9	221.1
Non-current provisions for employee benefits	1,004.4	1,105.1
Other non-current liabilities	64.0	63.5
Total non-current liabilities	1,940.0	2,032.1
Total liabilities	21,264.0	20,603.7
<i>Shareholders' equity</i>		
Authorized share capital	7,909.0	16,550.0
Paid-up share capital	7,909.0	12,109.0
Share premium on ordinary shares	0.1	0.1
Other deficits	(4,476.5)	(4,397.1)
Retained earnings		
<i>Appropriated</i>		
Legal reserve	130.1	233.2
<i>Unappropriated</i>	15,303.6	11,549.1
Other components of shareholders' equity	(2,363.0)	(1,895.9)
Total equity attributable to owners of the company	16,503.3	17,598.4
Non-controlling interests	2,808.6	2,852.3
Total shareholders' equity	19,311.9	20,450.7
Total liabilities and shareholders' equity	40,575.9	41,054.4

Pro Forma Consolidated Income Statement*(THB Million)***For the Nine-month ended 30 September,**

	2022	2023
Revenue from sales	22,849.6	21,522.0
Cost of sales	(17,201.0)	(16,463.0)
Gross profit	5,648.6	5,059.0
Other income	504.1	478.3
Profit before expenses	6,152.7	5,537.3
Distribution costs	(2,705.8)	(2,655.0)
Administrative expenses	(1,545.9)	(1,561.4)
Total expenses	(4,251.7)	(4,216.4)
Profit from operations	1,901.0	1,320.9
Finance costs	(409.7)	(416.8)
Share of profit of associates accounted for using equity method	3.6	1.3
Profit before income tax	1,494.9	905.4
Tax expense	(368.7)	(358.4)
Profit for the period	1,126.2	547.0
Profit attributable to		
Owners of the Company	968.1	425.2
Non-controlling interests	158.1	121.8
	1,126.2	547.0
Basic earnings per share (Baht)		
Owners of the Company	1.22	0.38

Please be informed accordingly,

Sincerely yours,

(Mr. Smithi Kosicharoen)
Chief Financial Officer