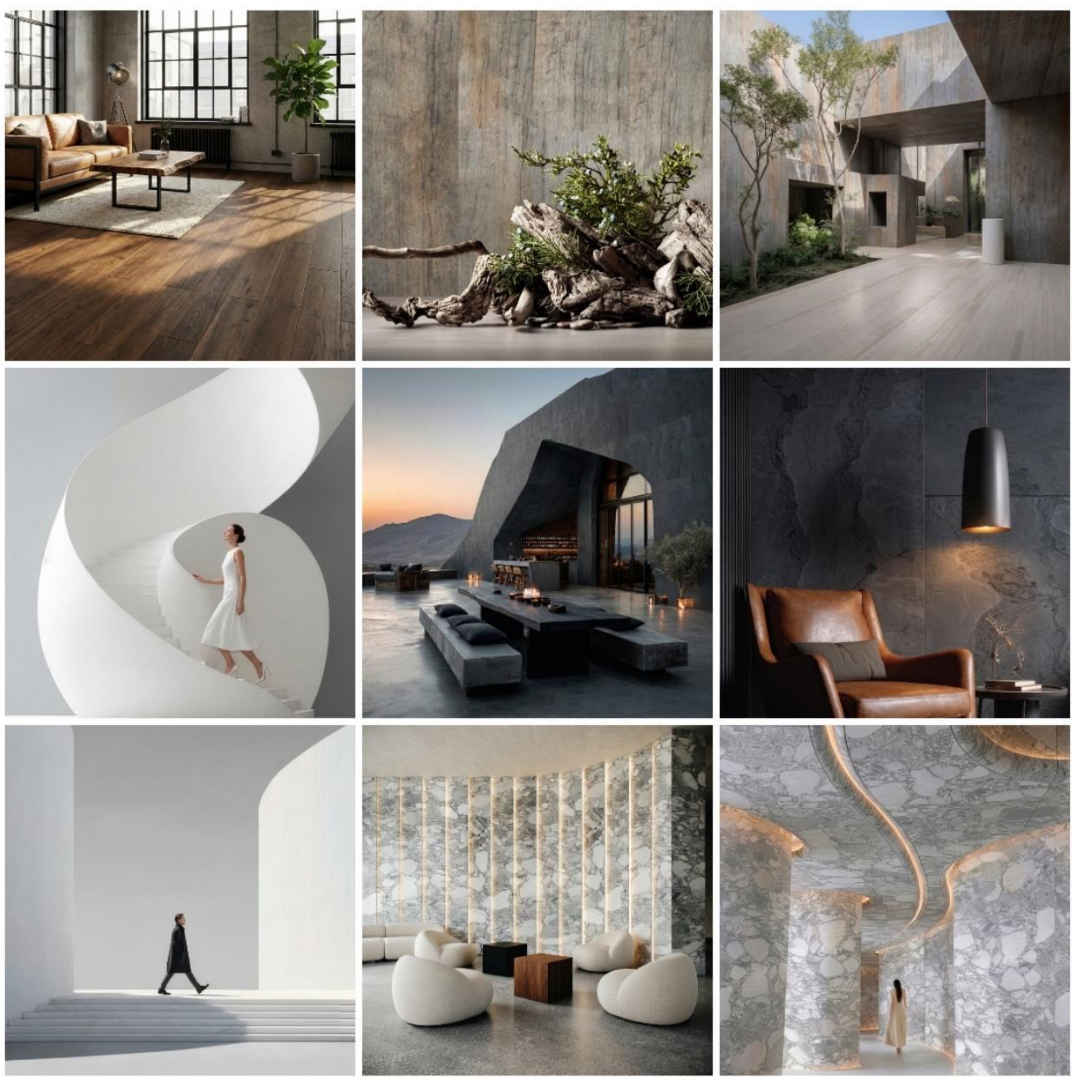
Management Discussion and Analysis: MD&A

The Operating Results of the 2nd Quarter and 1st Half of 2026

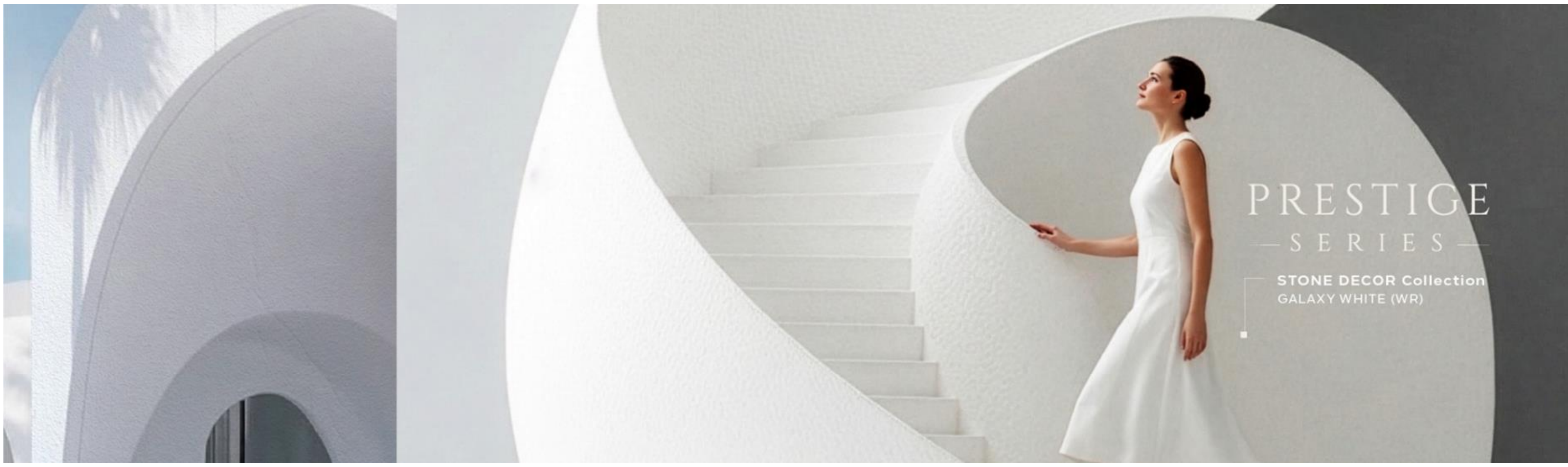
SCG Decor Public Company Limited (SCGD)



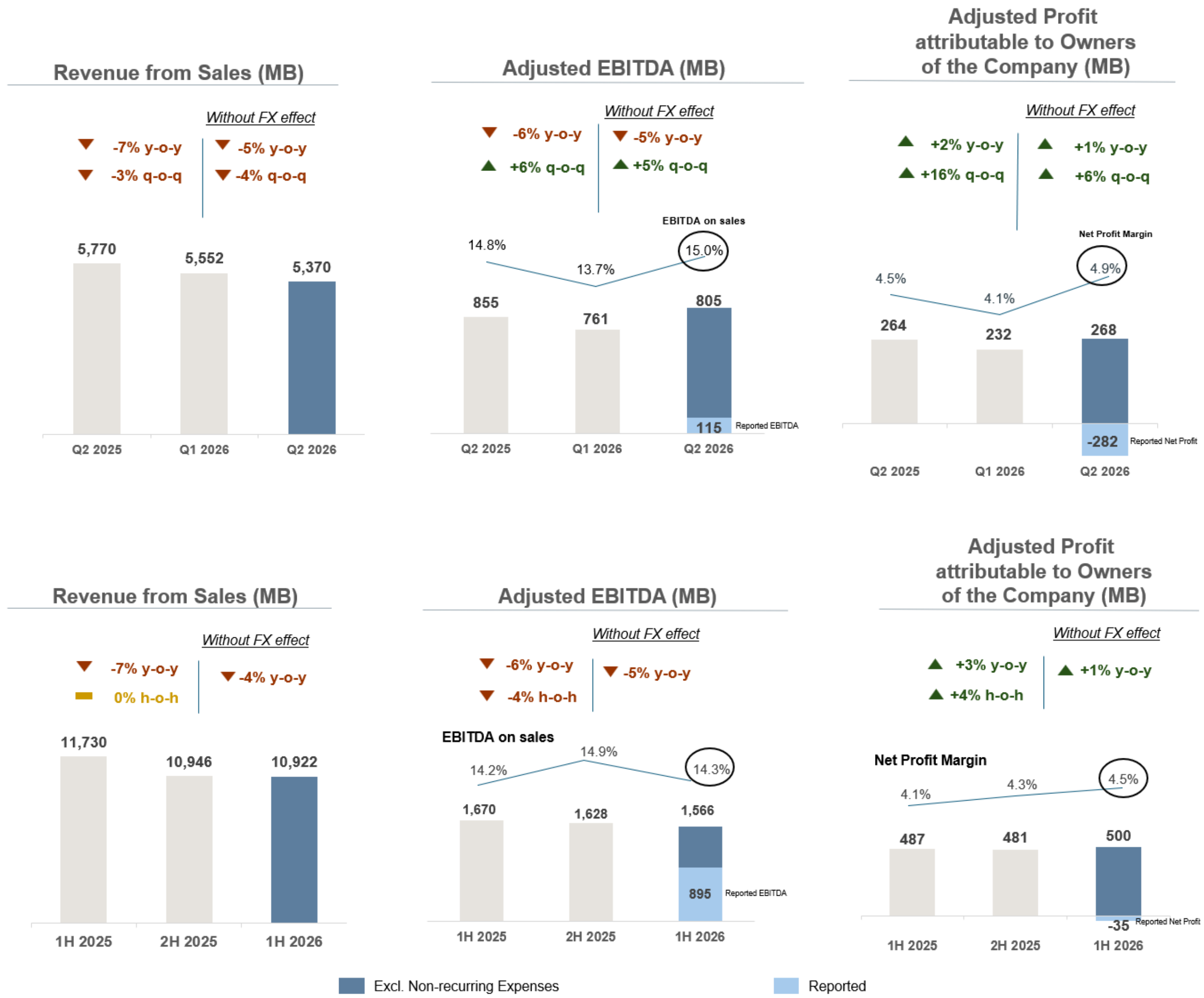
Management Discussion and Analysis: MD&A

Summary of Key Operating Results in Q2 2026 and 1H 2026

1. Excluding non-recurring expenses, the Company reported **Adjusted EBITDA of 805 million Baht** and **Adjusted Profit attributable to Owners of the Company of 268 million Baht** in the second quarter of 2026. **Results improved compared with both the same period last year and the previous quarter, driven by effective cost management to mitigate the impact of energy price volatility, prudent financial cost management, and the Company's ability to maintain profitability.**
2. Excluding non-recurring expenses, **the Company reported Adjusted EBITDA of 1,566 million Baht** and **Adjusted Profit attributable to Owners of the Company of 500 million Baht** in the first half of 2026.
3. **In the second quarter of 2026, domestic sales volume in Vietnam increased by 3% from the same period last year and 10% from the previous quarter**, supported by stronger demand for glazed porcelain tiles. In addition, the Company increased exports from Vietnam in line with the strategy to position PRIME Vietnam as a manufacturing and export hub to support future growth. The Company has also continued investing in additional glazed porcelain tile production capacity in Vietnam, targeting glazed porcelain tiles to account for 50% of total tile production capacity by 2030.
4. **In the second quarter of 2026**, **the Company commenced the consolidation of ceramic tile and glazed porcelain tile production lines in Thailand (Plant Consolidation)**. Upon completion of the project in the third quarter of 2027, the Company expects to reduce production costs by approximately 16% to 20%, enhance competitiveness against imported products, and maintain market leadership and market share in Thailand.
5. **The Company maintained a strong financial position**, with cash and cash equivalents of 9,218 million Baht, representing 25% of total assets. In addition, the Company approved an interim dividend payment of 0.155 Baht per share.



Operating results of Q2 and 1H of 2026



Non-recurring expenses

In the second quarter of 2026, the Company recorded non-recurring expenses that impacted EBITDA and profit attributable to owners of the Company, with a total impact on EBITDA of 690 million Baht. These mainly resulted from the Plant Consolidation Project at SCG Ceramics Public Company Limited, a subsidiary in which SCGD holds a 99% stake, totaling 622 million Baht. The amount comprised asset and inventory impairment and write-off of 578 million Baht and business restructuring expenses of 44 million Baht.

Year-on-year basis

In the second quarter of 2026, excluding non-recurring expenses, which reflect the Company's normal operating performance, **Adjusted EBITDA was 805 million Baht**, decreasing by 6%, while **Adjusted Profit attributable to Owners of the Company was 268 million Baht**, increasing by 2%. Sales revenue amounted to 5,370 million Baht, decreasing by 7% due to softer demand in Thailand, which was partly offset by sales growth in Vietnam, the Philippines, and Indonesia. However, the financial results reported in the financial statements were largely affected by non-recurring expenses related to the Plant Consolidation project, resulting in reported EBITDA of 115 million Baht and a loss attributable to owners of the Company of 282 million Baht.

Excluding the impact of the appreciation of the Thai Baht on the conversion of overseas revenue into Baht, sales revenue and **Adjusted EBITDA** in the second quarter of 2026 would have decreased by only 5%, while **Adjusted Profit attributable to Owners of the Company would have increased by 1%**.

In the first half of 2026, excluding non-recurring expenses, which reflect the Company's normal operating performance, **Adjusted EBITDA was 1,566 million Baht**, decreasing by 6%, while **Adjusted Profit attributable to Owners of the Company was 500 million Baht**, increasing by 3%. However, the financial results reported in the financial statements were largely affected by non-recurring expenses related to the Plant Consolidation project, resulting in reported EBITDA of 895 million Baht and a loss attributable to owners of the Company of 35 million Baht.

Excluding the impact of the appreciation of the Thai Baht on the conversion of overseas revenue into Baht, revenue in the first half of 2026 would have decreased by only 4%, while **Adjusted EBITDA** would have declined by only 5%, and **Adjusted Profit attributable to Owners of the Company would have increased by 1%**.

Quarter-on-quarter basis

In the second quarter of 2026, excluding non-recurring expenses, which reflect the Company's normal operating performance, **Adjusted EBITDA increased by 6%**, while **Adjusted Profit attributable to Owners of the Company increased by 16%**. However, the financial results reported in the financial statements were largely affected by the recognition of such non-recurring expenses, resulting in an 85% decrease in reported EBITDA and a 214% decrease in profit attributable to owners of the Company.

In the first half of 2026, excluding non-recurring expenses, which reflect the Company's normal operating performance, **Adjusted EBITDA decreased by 4%**, while **Adjusted Profit attributable to Owners of the Company increased by 4%**. However, the financial results reported in the financial statements were largely affected by the recognition of such non-recurring expenses, resulting in a 46% decrease in reported EBITDA and a 107% decrease in profit attributable to owners of the Company.

Table 1 – Summary of Operating Performance Excluding Non-recurring Expenses [1] and Reported Financial Performance

Operating Performance (excluding Non-recurring Expenses)	Unit	Q2		Q1	Change		Jan - Jun		Change
		2026	2025	2026	% YoY	% QoQ	2026	2025	% YoY
Revenue from sales	MB	5,370	5,770	5,552	-7%	-3%	10,922	11,730	-7%
Total revenue	MB	5,473	5,867	5,679	-7%	-4%	11,152	11,948	-7%
Adjusted EBITDA	MB	805	855	761	-6%	6%	1,566	1,670	-6%
Net profit	MB	263	265	226	-1%	16%	489	489	0%
Profit attributable to owners of the Company	MB	268	264	232	2%	16%	500	487	3%

Reported Financial Performance	Unit	Q2		Q1	Change		Jan - Jun		Change
		2026	2025	2026	% YoY	% QoQ	2026	2025	% YoY
Revenue from sales	MB	5,370	5,770	5,552	-7%	-3%	10,922	11,730	-7%
Total revenue	MB	5,473	5,867	5,679	-7%	-4%	11,152	11,948	-7%
Reported EBITDA [2]	MB	115	803	780	-86%	-85%	895	1,611	-44%
Net profit (loss)	MB	(287)	223	241	-229%	-219%	(46)	441	-110%
Profit (loss) attributable to owners of the Company	MB	(282)	222	247	-227%	-214%	(35)	439	-108%

Remark

(1) Adjusted performance refers to performance metrics that reflect the underlying performance of the business by excluding non-recurring items. These items include net realizable value and inventory adjustments (NRV & Stock Adjustment), asset impairment, negative goodwill (gain from bargain purchase), cease business expenses, business restructuring expenses, and asset write-offs.

(2) Reported EBITDA is calculated as profit before finance costs, income tax, depreciation, and amortization. It included dividend income from associates and gains or losses from exchange rate fluctuations on loans.

Profitability ratios of Q2 2026

The Company's gross profit margin was 29.8%, increasing from 26.4% in the previous quarter and 28.3% in the same period last year, supported by production process improvements that effectively reduced costs, as well as selling price adjustments to reflect higher production costs during periods of energy price volatility.

Excluding non-recurring expenses, which reflect the Company's normal operating performance, EBITDA on Sales was 15.0%, while profit attributable to owners of the Company margin was 4.9%. However, the financial results reported in the financial statements were affected by the recognition of such expenses, resulting in EBITDA on Sales of 2.1%, down from 14.1% in the previous quarter and 13.9% in the same period last year. Meanwhile, the Company reported a net loss margin of 5.2%, compared with a net profit margin of 4.2% in the previous quarter and 3.8% in the same period last year.

Table 2 – Key Financial Ratios

Key Financial Ratio (excluding Non-recurring Expenses)	Unit	Q2		Q1	Jan - Jun	
		2026	2025	2026	2026	2025
EBITDA on Sales (1)	%	15.0%	14.8%	13.7%	14.3%	14.2%
Net profit margin (2)	%	4.8%	4.5%	4.0%	4.4%	4.1%
Profit attributable to owners of the Company margin (3)	%	4.9%	4.5%	4.1%	4.5%	4.1%

Remark

(1) EBITDA on Sales is calculated by dividing Adjusted EBITDA by Revenue from Sales.

(2) Net Profit Margin is calculated by dividing profit (or loss) for the period/year by total Revenue.

(3) Profit margin which attributable to owners of the company margin is calculated by Adjusted profit attributable to owners of the company divided by total Revenue

Cost of Goods Sold and overall Expenses decreased

Cost of Goods Sold in the second quarter of 2026 was 3,770 million Baht, decreasing by 368 million Baht from the same period last year due to lower costs, and by 317 million Baht from the previous quarter, in line with lower sales amounts in Thailand and reduced production costs.

Energy cost per square meter of tile produced increased from the previous quarter to 32 Baht per square meter, primarily due to higher energy prices resulting from the situation in the Middle East. **Selling and administrative expenses** amounted to 1,966 million Baht, increasing by 642 million Baht from the same period last year and 774 million Baht from the previous quarter, mainly due to non-recurring expenses related to the Plant Consolidation project, which were recorded under administrative expenses and were largely non-cash items.

Financial Position

Total Assets

As of June 30, 2026, The Company's total assets amounted to 37,270 million Baht, including cash and cash equivalents of 9,218 million Baht.

Total Liabilities and Shareholders' Equity

The Company maintained a strong financial position. As of 30 June 2026, the Company had total liabilities of 17,563 million Baht, including interest-bearing debt of 12,662 million Baht, while total shareholders' equity amounted to 19,707 million Baht.

The Net Debt to EBITDA ratio was 1.4 times, and the Net Debt to Equity ratio remained stable at 0.2 times.

Interim Dividend Payment

The Board of Directors approved an interim dividend payment based on the Company's operating results for the first half of 2026 at a rate of 0.155 Baht per share, totaling 256 million Baht, representing a dividend payout ratio of 60% of adjusted net profit (excluding non-recurring expenses). The interim dividend will be paid on 19 August 2026. The Record Date for determining shareholders entitled to receive the dividend is 5 August 2026, and the XD date is 4 August 2026.

Table 3 – Financial position

Summary of financial position	Unit	Q2		Q1	Change	
		2026	2025	2026	% YoY	% QoQ
Total assets	MB	37,270	38,787	37,220	-4%	0%
Total liabilities	MB	17,563	18,806	17,342	-7%	1%
Net debt	MB	3,444	4,526	3,449	-24%	0%
Total shareholders' equity	MB	19,707	19,981	19,878	-1%	-1%
Net debt to Equity (1)	time	0.2	0.2	0.2		
Net debt to EBITDA (2)	time	1.4	1.5	1.1		

Remark

(1) Net Debt to Equity Ratio is calculated by dividing net debt by total shareholders' equity.

(2) Net Debt to EBITDA Ratio is calculated by dividing net debt by trailing-12-month reported EBITDA.

Key strategies in Q2 2026

Building on Growth in Vietnam

PRIME reported sales volume of 13.0 million square meters, increasing by 3% from the same period last year and 10% from the previous quarter, supported by continued growth in export volumes. Sales volume of glazed porcelain tiles exceeded 4.1 million square meters, the highest level in the past two years, increasing by 18% from the same period last year and 12% from the previous quarter, reflecting strong demand in line with the growing glazed porcelain tile market.

The Company continued to expand dealer network in Vietnam to enhance market penetration, particularly in southern Vietnam, enabling broader access to new markets where the Company does not have manufacturing facilities. This strategy supports the growth of high value-added products (HVA). In addition, the installation of machinery to expand glazed porcelain tile production capacity in central and northern Vietnam progressed as planned, reaching 70% and 10% completion, respectively. The Company remains committed to increasing the proportion of glazed porcelain tile production capacity to 50% of total tile production capacity by 2030.

Consolidation of Ceramic and Glazed Porcelain Tile Production Lines and Investment in a New Glazed Porcelain Tile Production Line with Automation Systems in Thailand (Plant Consolidation)

The Company commenced the relocation and consolidation of production lines from multiple factories into same manufacturing site in the second quarter of 2026. The project is designed to improve production efficiency through better capacity utilization, resulting in lower unit production costs, reduced manufacturing and administrative expenses, and enhanced productivity. In addition, the upgrade of production technology will enable the Company to expand the production of a wider range of high value-added products (HVA), particularly larger-sized glazed porcelain tiles. Upon completion, the project is expected to strengthen the Company's profitability by reducing variable costs by approximately 16% to 20% from the third quarter of 2027 onwards. The project will also enhance the Company's competitiveness against imported products, while supporting ability to maintain market leadership and market share in Thailand on a sustainable basis.

Growth in New Products and Related Goods in Thailand

While demand in the domestic core market softened, the Company recorded sales of new surface decoration products, including Stone Decor, bathroom furniture, Clay Decor, water tanks, and SPC (Stone Plastic Composite). In the first half of 2026, revenue from these products reached 520 million Baht, increasing by 34% from the same period last year. In addition, revenue from related products and businesses in both Thailand and overseas amounted to 233 million Baht in the first half of 2026, representing an increase of 13% from the same period last year. Key products included tile adhesives and grouts, kitchen countertops, and door and window frames.

The Company has improved manufacturing processes to enhance the cost competitiveness of SPC (Stone Plastic Composite) products manufactured in Thailand, enabling the Company to compete more effectively with imported products from global players. As a result, SPC sales volume reached 675,000 square meters in the first half of 2026, increasing by 23% from the same period last year.

Expanding Growth Across ASEAN

The Company further enhanced supply chain efficiency by leveraging PRIME as a production and export base. During the period, PRIME exported more than 760,000 square meters of ceramic tiles to central and southern Philippines, compared with 290,000 square meters in the previous year, supported by a more competitive cost structure than products manufactured and distributed locally in the Philippines. At the same time, the Company continued to implement cost reduction and environmental efficiency initiatives (Green Initiatives) while pursuing growth opportunities through investments in high-potential markets. The number of overseas distributors for sanitaryware products increased to 217 distributors. In addition, sanitaryware sales in ASEAN reached 293 million Baht, representing an increase of 21% from the same period last year.

Q3 2026's market outlook

Thailand Market

The Thailand market continues to face uncertainties from consumer purchasing power, volatile energy prices, and intense competition from imported products. Although the government has extended the implementation period of the relaxed LTV ratio measures and the reduction of transfer and mortgage registration fees for residential properties, the market outlook remains subject to close monitoring.

Vietnam Market

The Vietnam market is expected to improve compared with the previous year, supported by government stimulus measures, public sector disbursements, and the implementation of the one million social housing units program. However, the rainy season in the third quarter may temporarily soften market demand.

Indonesia and Philippines Markets

Demand in Indonesia is expected to gradually recover, supported by government economic stimulus measures. However, fluctuations in energy costs and the depreciation of the Indonesian Rupiah may increase the cost of imported raw materials, which could put pressure on production costs.

Purchasing power in the Philippines is expected to remain stable, while energy costs are likely to remain volatile, although energy prices have started to ease from the levels seen in the second quarter. Nevertheless, the Philippines continues to show positive long-term economic growth prospects, supported by the World Bank's recent upgrade of the country from a Lower-Middle Income Economy to an Upper-Middle Income Economy.

Update on KIA Case

In late 2023, KIA and KKM filed lawsuits against the relevant Indonesian government agencies, requesting the court to revoke claims asserted by the relevant authorities and requesting the court to demand the relevant authorities to unblock KIA's and KKM's access to Ministry of Law ("MOL", formerly known as Ministry of Law and Human Rights) system.

Subsequently, both the Jakarta State Administrative Court, the State Administrative High Court of Jakarta (at the appeal level), and recently, in late 2025, the Supreme Court (at the cassation level) dismissed the cases. Therefore, on December 18, 2025, KIA and KKM filed the case review, for the Supreme Court to reconsider the decisions. Simultaneously, coordination has been established with the Indonesian ministries overseeing economic and investment affairs to expedite the resolution of these issues. On July 30, 2026, the relevant Indonesian government authorities allowed KIA to proceed with filing the registration of the change of directors pursuant to the resolutions of KIA's latest shareholders' meeting.

Appendix

Table shows the Market Growth Rate for Ceramic Tiles in Q2 2026

Countries	Comparison with Past Performance	
	Vs. Q2/25	*Vs. Q1/26*
Thailand	▼	▼
Vietnam	▲	▲
Indonesia	⇔	▲
The Philippines	⇔	▼

In the second quarter of 2026, overall market in Indonesia and the Philippines remained uncertain, mainly due to volatile energy costs and currency depreciation. At the same time, domestic demand in Thailand continued to soften because of weaker consumer purchasing power. However, Vietnam showed positive growth momentum, supported by government economic stimulus measures and energy-related policies that helped stabilize energy costs, resulting in relatively limited volatility in energy prices.

Performance by country for Q2 2026

Revenue from operations in Thailand accounted for 61% of Revenue from sales. Decor surface business and other businesses[1] amounted to 2,337 million Baht, representing a decrease of 12% from the same period last year and 10% from the previous quarter. Revenue from **Bathroom business** totaled 1,125 million Baht, decreasing by 2% from the same period last year and 9% from the previous quarter.

Revenue from business in Vietnam accounted for 25% of Revenue from sales, contributing 1,395 million Baht, increasing by 4% from the same period last year and 20% from the previous quarter, supported by improving domestic demand and increased export volumes.

Revenue from business in the Philippines accounted for 9% of Revenue from sales, contributing 507 million Baht, increasing by 3% from the same period last year and 2% from the previous quarter.

Revenue from business in Indonesia accounted for 5% of Revenue from sales, contributing 300 million Baht, decreasing by 7% from the same period last year, mainly due to the depreciation of the Indonesian Rupiah. Excluding the foreign exchange impact, revenue from sales would have increased by 4% from the same period last year and 14% from the previous quarter.

[1] Other Businesses mainly operate in industrial estate sector