

February 12, 2019

No.: VS/KT (COTTO) 024/2562

Subject: Management's Discussion and Analysis (MD&A) of Q4/2018 and FY2018

To: The President of the stock exchange of Thailand

SCG Ceramics Public Company ("The Company") would like to provide information on the company's operating results for the period ending December 31, 2018, as follows:

The Company reported Q4/18, Profit for the period of 66 MB, dropped 49% y-o-y and EBITDA amounted to 228 MB, dropped 28% y-o-y, also affected by (1) Energy cost increased 23% y-o-y (2) Non-recurring expense, mainly from Consultant fee 21 MB (3) Declining of revenue from sales 3% y-o-y, amounted to 2,713 MB because ceramic tiles demand in Thailand was slow down due to private investment in construction, especially real estate segment. By their nature, main ceramics tiles market 80% of total market relies on domestic market

For the period of FY2018, Profit for the period registered 10 MB, dropped 98% y-o-y and EBITDA amounted to 730 MB, dropped 48%, also affected by (1) Increasing in energy and raw material cost (2) Difference of profit from land selling in Nong Khae industrial estate (3) Non-recurring expense, was from Mutual Separation Plan (MSP) and Consultant fee, mostly from Q3/18 (4) Declining of revenue from sales 11% y-o-y, amounted to 11,557 MB

For the period of FY2018, Revenue from land selling 43 MB, dropped 81% y-o-y. However, revenue from public utility service in industrial estate amounted 119 MB, increased 15%

### Table1: Consolidated financial Summary

Unit: Million Baht	Q4	%change	Jan-Dec	%change
	2018	Y-o-Y	2018	Y-o-Y
Revenue from Sales	2,713	-3%	11,557	-11%
Profit for the Period	66	-49%	10	-98%
EBITDA	228	-28%	730	-48%
Earning per Share (Baht)	0.01	-0.01%	0.00	-0.02%

Note: EBITDA = Earnings and dividends, before interest, tax, depre.& amortization  
Profit for the Period = Profit for the Period attributable to owners of the parent

For the period of FY2018, Finance costs amounted 25 MB, whereas FY2017 amounted 37 MB. Average interest rate at 1.9%, fixed rate and all in Thai baht.

<b>Table2: Debt Profile</b>		
Unit: Million Baht	December	December
	2018	2017
Short Term	865	844
Foreign	-	-
Baht	865	844
%of Total Loan	100%	100%
Total Loan	865	844
Cash and Cash Under Management	424	912
Cash and cash equivalents	424	912
Total Net Debt	441	(67)
<b><u>Financial Ratios</u></b>		
	December	December
	2018	2017
EBITDA on Assets (%)	6%	11%
Current Ratio (times)	2.2	2.5
Quick Ratio (times)	0.7	1.0
Interest Coverage (times)	31.0	40.3
Net Debt to EBITDA (times)	0.6	N/A
Net Debt to Equity (times)	0.1	N/A
Debt to Equity (times)	0.3	0.3
Return on Equity (%)	2%	7%
Note:	Net Debt	= Total debt (interest bearing), less cash and cash under management
	EBITDA	= Earnings and dividends, before interest, tax, depre.& amortization
	EBITDA on Assets	= Annualized EBITDA, to Total Consolidated Assets
	Current Ratio	= Current Assets, to current liabilities
	Quick Ratio	= Cash+short term investments+receivable, to current liabilities
	Interest Coverage	= EBITDA, to interest expense
	Net Debt to EBITDA	= Net debt, to annualized EBITDA
	Net Debt to Equity	= Net debt, to equity & non-controlling interest
	Debt to Equity	= Total Liabilities, to equity & non-controlling interest
	Return on Equity	= Annualized Net profit, to average total shareholder's equity (not including non-controlling interest)

As of December 31, 2018, Total Assets amounted 11,725 MB, whereas account receivables, inventory and spare parts & consumables decreased.

Total Liabilities amounted 2,816 MB, where current liabilities amounted 2,397 MB and non-current liabilities amounted 419 MB. However, the company had no long term loan with interest.

Total equity attributable to owners of the parent amounted 8,397 MB, which 94.3% of total shareholder's equity

<b>Table3: Statement of Financial Position</b>		
Unit: Million Baht	December	December
	2018	2017
<b>Total Assets</b>	<b>11,725</b>	<b>12,781</b>
Current Assets		
Cash, cash equivalent and short term investment	424	912
Trade and other receivables	1,352	1,575
Inventory	2,898	2,961
Land for selling	582	597
Property, plant and equipment	5,570	5,749
<b>Total Liabilities</b>	<b>2,816</b>	<b>2,881</b>
Trade and other payables	1,506	1,536
Loans	865	844
Total Shareholder's equity	8,909	9,901
Total equity attributable to owners of the parent	8,397	8,603
Total equity before amalgamation	-	760
Non-controlling interests	512	538

The overall results of the financial statements are the same as those in the unaudited financial statements submitted on January 24, 2019. The only exceptional is the reclassification adjustments in the consolidated statements of cash flow with immaterial effects.

Sincerely yours,

(Numpol Malichai)

Managing Director