ENGLISH TRANSLATION

SCCC 22/2023

8 August 2023

Subject: Management discussion and analysis of the Quarter 2/2023

Attention: Managing Director,
The Stock Exchange of Thailand

Attachment: A copy of the interim financial statements of SCCC for the three-month and six-month periods ended 30 June 2023

We hereby submit to you the separate financial statements and consolidated financial statements of Siam City Cement Public Company Limited and its subsidiaries for the three-month and six-month periods ended 30 June 2023 compared to the same period of 2022 with a summary of our operating result as mentioned below:

Key Highlights

Q2/2023: Amidst softening demand and challenges from continued high inflation and energy prices, the company maintains its focus on cost reductions and optimization to drive profitability.

	QTD (3 Months)				YTD (6 Months)		
Group Performance (THB Mn)	**Q1/23**	**Q2/23**	**%QoQ**	**Q2/22**	**6M/23**	**6M/22**	**%YoY**
Net Sales	11,353	10,975	-3.3%	12,758	22,328	25,334	-11.9%
EBITDA	1,720	1,685	-2.0%	3,208	3,405	6,033	-43.6%
Net Profit	758	656	-13.5%	1,355	1,414	2,157	-34.4%
Earnings per share (THB)	2.54	2.20	-13.5%	4.55	4.75	7.24	-34.4%
EBITDA margin	15.2%	15.4%	1.3%	25.1%	15.2%	23.8%	-36.0%

- **Further softening of domestic demand in Thailand and clinker export segment.**
- **Demand in Vietnam continues to deteriorate from Q4/22 declining by 37%**
- **High inflation and interest rates and socio-economic crisis in Sri Lanka persisting, adversely impacting demand and selling prices.**

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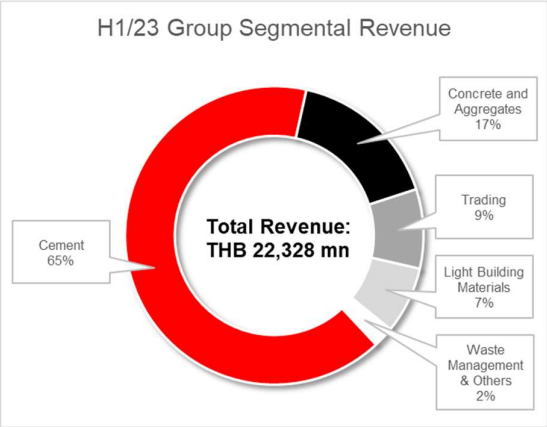
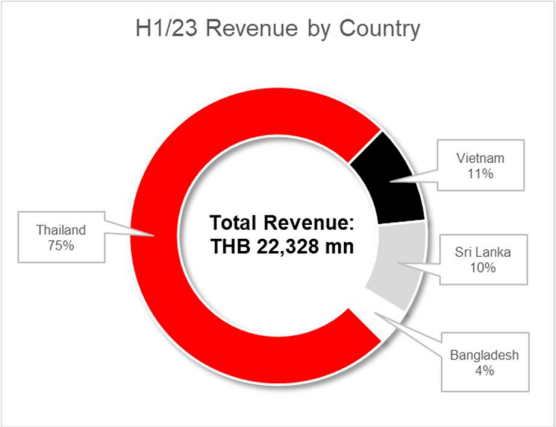
- **Overall sluggish demand and difficulties in raising prices resulted in lower EBITDA and net profit. Energy prices are softening and will help improve operating margins.**
- **ESG continues to be prioritized focusing on decarbonization, circular economy, and TSR. SCCC is the first Thai cement producer to receive EPD (Environment Product Declaration) certification, and to date, 11 of our cement products have been certified.**
- **The focus is on improving performance through implementation of structural cost reduction and optimization initiatives to offset variable and fixed costs.**

SCCC Group performance





SCCC's revenue is primarily driven by cement sales, accounting for 65% of the total sales in the first half of 2023. During this period, the majority of the Group's revenue was generated in Thailand, constituting 75% of the total revenue.

Overview of Q2/23 Performance

During Q2/23, the company faced a variety of challenges in each of the countries it operates. In Thailand, the retail sector experienced reduced demand due to extended holidays and elections, resulting in limited scope for raising prices while energy costs still remained high.

The southern Vietnam market continued to suffer from a very low demand, driven by a slowdown in real estate development caused by bond market issues and inflationary pressures. Sri Lanka's overall demand remained sluggish due to the ongoing economic crisis and extended festival holidays. Additionally, income from joint ventures and associated companies also decreased due to unfavorable market conditions.

Notwithstanding the challenges posed by weak demand and difficulties in implementing price increases across the Group companies, which led to a 3.3% Q-on-Q decrease in revenues, the cost reduction initiatives yielded positive results by limiting the EBITDA dip to 2.0% and a slight improvement in EBITDA margin over Q1/23.

The net profit of SCCC in Q2/23 was impacted by the decline in EBITDA, higher financial expenses, and higher non-controlling interests resulting in a decrease to THB 656 million from THB 758 million in the preceding quarter. However, the lower income tax and non-operating expenses helped to bolster the company's net profit performance.

Segmental performance

Cement

	QTD (3 Months)				YTD (6 Months)		
Cement (THB Mn)	**Q1/23**	**Q2/23**	**%QoQ**	**Q2/22**	**6M/23**	**6M/22**	**%YoY**
Net Sales	7,608	6,996	-8.0%	9,084	14,604	17,973	-18.7%
EBITDA	1,296	1,210	-6.6%	2,886	2,506	5,314	-52.8%
EBITDA margin	17.0%	17.3%	1.5%	31.8%	17.2%	29.6%	-42.0%

Remark: EBITDA by segment is presented before intersegment elimination

Thailand Domestic Cement Market: The domestic cement sales volume shrank compared to the previous quarter as demand weakened in the retail sector resulting from the general elections and long holidays. This resulted in an 8.1% Q-on-Q decline in net sales. However, compared to the previous year, net sales achieved a 1.8% and 8.3% increase over Q2/22 and 6M/22, respectively. The softening in thermal energy, electricity and transportation costs had a positive impact on profits but was offset by higher maintenance costs due to planned shutdowns.

Southern Vietnam: Despite efforts by the government to ease lending restrictions, the cement market continued to struggle with lackluster cement demand due to issues in the real estate sector, corporate bond problems, inflationary pressures, and high interest rates. Although there was a slight improvement in sales volumes, resulting in a 4.2% Q-on-Q increase in net sales, the performance remained significantly below the levels of the same period in the previous year. Profitability was further eroded by a full kiln maintenance shutdown and a sharp increase in fuel cost.

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Sri Lanka: Interest rate cuts aimed at stimulating the economy and enhancing consumer purchasing power had minimal impact on cement demand, as the ongoing economic crisis and the extended holiday period posed significant challenges to the industry. Prices were under much pressure due to depressed demand and intense competition. Net sales slid 27.6% Q-on-Q (Q2/23 v Q1/23), and 56.3% Y-on-Y (Q2/23 v Q2/22), and profitability was further eroded by higher fuel, electricity, and kiln shutdown costs. However, at the net income level, the appreciation of the local currency resulted in a substantial foreign exchange gain which helped to soften the adverse operating results.

Bangladesh: The average selling price and sales volume for the quarter ended trended up Y-on-Y resulting in higher net sales and a positive EBITDA. However, on a Q-on-Q comparison, the average selling price and sales volume lost momentum, adversely impacting net sales and EBITDA.

Cambodia: The overall cement demand and prices contracted compared to the quarter in the previous year as a result of the intense market competition, resulting in lower net sales of 6.3%. However, continued cost-efficiency efforts improved EBITDA over the last quarter.

Concrete and Aggregates

	QTD (3 Months)				YTD (6 Months)		
Concrete and Aggregates (THB Mn)	**Q1/23**	**Q2/23**	**%QoQ**	**Q2/22**	**6M/23**	**6M/22**	**%YoY**
Net Sales	1,883	1,809	-3.9%	1,559	3,692	3,013	22.5%
EBITDA	87	104	19.5%	54	191	143	33.6%
EBITDA margin	4.6%	5.7%	24.4%	3.5%	5.2%	4.7%	9.0%

Remark: EBITDA by segment is presented before intersegment elimination

Concrete and Aggregates: Following the increased volume from the accelerated activities in infrastructure and residential development projects, net sales, predominantly from ready-mixed concrete, increased 16.0% Y-on-Y, on the back of higher average selling prices and volume. Price adjustments in concrete helped offset the increased expenses for materials and distribution, resulting in an improved EBITDA over the previous quarter

Trading

Trading (THB Mn)	QTD (3 Months)				YTD (6 Months)		
	Q1/23	Q2/23	%QoQ	Q2/22	6M/23	6M/22	%YoY
Net Sales	794	1,125	41.7%	1,185	1,919	2,448	-21.6%
EBITDA	45	69	53.3%	70	114	134	-14.9%
EBITDA margin	5.7%	6.1%	8.2%	5.9%	5.9%	5.5%	8.5%

Remark: EBITDA by segment is presented before intersegment elimination

Trading: The clinker export market has deteriorated both in terms of demand activity and also in terms of pricing, with a large effect from starkly reduced Chinese clinker import volumes. As a result, trading activities softened compared with same quarter last year, and Y-o-Y EBITDA was just under 15% lower than same period prior year.

Waste Management and Industrial Services and Others

Waste Management Services and Others (THB Mn)	QTD (3 Months)				YTD (6 Months)		
	Q1/23	Q2/23	%QoQ	Q2/22	6M/23	6M/22	%YoY
Net Sales	224	275	22.8%	274	499	561	-11.1%
EBITDA	222	235	5.9%	148	457	325	40.6%
EBITDA margin	99.1%	85.5%	-13.8%	54.0%	91.6%	57.9%	58.1%

Remark: EBITDA by segment is presented before intersegment elimination

Waste Management and Industrial Services and Others: The waste management business for the quarter ended benefitted from the deferred projects from the last quarter, resulting in higher volume and net sales. Despite the higher production costs, the EBITDA performance notably improved compared to the previous year on the back of higher waste solutions pricing.

Light Building Materials

Light Building Materials (THB Mn)	QTD (3 Months)				YTD (6 Months)		
	Q1/23	Q2/23	%QoQ	Q2/22	6M/23	6M/22	%YoY
Net Sales	844	770	-8.8%	656	1,614	1,339	20.5%
EBITDA	81	93	14.8%	49	174	133	30.8%
EBITDA margin	9.6%	12.1%	25.8%	7.5%	10.8%	9.9%	8.5%

Remark: EBITDA by segment is presented before intersegment elimination

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Light Building Materials: The overall market demand has shown signs of recovery, particularly in the private construction sector, driven by an expansion in housing and high-rise building backlogs. However, the high cost of raw materials has affected margin realization. Despite the potential impact on selling volume, the division has succeeded in improved price realization. Net sales improved by 17.4% compared to the previous year, with significantly higher overall profitability.

Outlook

Under the current political climate in Thailand, which has emerged in the wake of the general elections, the company is cautiously monitoring the situation as it may potentially lead to delays in critical infrastructure projects and create adverse effects on the real estate sector. This could, in turn, further dampen the demand for cement in the domestic market, presenting challenges to the company's recovery.

Looking beyond the Thailand market, the company faces additional hurdles in overseas markets, particularly in southern Vietnam and Sri Lanka. In southern Vietnam, the tight liquidity position and poor sentiment in the overall retail market is expected to continue hindering the demand for building materials. Similarly, in Sri Lanka, the depressed economy, high inflation and interest rates, and social economic issues will prevent the recovery of the construction and building materials sectors in the near term.

The company remains committed to navigating the headwinds and optimizing its operations. While energy costs are anticipated to abate slightly, the company understands that prudence and adaptability are paramount in driving cost-effectiveness and profitability. We continue to pursue all of our ESG goals and are well on track with our decarbonization ambitions.

Yours sincerely,
On behalf of Siam City Cement Public Company Limited

Mr. Aidan John Lynam

Group Chief Executive Officer

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Key financial information

in THB million	Jun-23	% of total assets	Dec-22	% of total assets	% Change	Jun-22	% of total assets
Statements of financial position							
Current assets	14,512	19.9	16,525	22.5	-12.2	16,681	22.4
Non-current assets	58,406	80.1	56,828	77.5	2.8	57,949	77.6
Total assets	**72,918**	**100.0**	**73,353**	**100.0**	**-0.6**	**74,630**	**100.0**
Current liabilities	18,350	25.2	14,491	19.8	26.6	16,970	22.7
Non-current liabilities	19,975	27.4	24,360	33.2	-18.0	21,995	29.5
Total liabilities	**38,325**	**52.6**	**38,851**	**53.0**	**-1.4**	**38,965**	**52.2**
Equity attributable to owners of the Company	33,502	45.9	33,240	45.3	0.8	34,322	46.0
Non-controlling interests of the subsidiaries	1,091	1.5	1,262	1.7	-13.5	1,343	1.8
Total shareholders' equity	**34,593**	**47.4**	**34,502**	**47.0**	**0.3**	**35,665**	**47.8**
Debt profile							
Short-term loans	10,549	14.5	2,947	4.0	258.0	7,521	10.1
Long-term loans	14,547	19.9	19,009	25.9	-23.5	17,105	22.9
Total loans	**25,096**	**34.4**	**21,956**	**29.9**	**14.3**	**24,626**	**33.0**
Cash & cash equivalents	2,604	3.6	3,430	4.7	-24.1	4,677	6.3
Total net debt	**22,492**	**30.8**	**18,526**	**25.3**	**21.4**	**19,949**	**26.7**
Key ratio							
RONOA (%)	3.9		9.8			12.8	
ROE (%) *	3.3		5.2 *			10.8	
Total net debt/EBITDA (times)	3.49		2.04			1.86	
Total net debt/shareholders' equity (times)	0.65		0.54			0.56	

* December 2022 ROE (%) excluding one-time tax impact in Sri Lanka amounts to 7.3%.

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