

ENGLISH TRANSLATION

SCCC 18/2022

26 July 2022

Subject: Management discussion and analysis of the Quarter 2/2022

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 2022

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 2022 compared to the same period of 2021 with a summary of our operating result as mentioned below:

Q2/2022: Revenues up with project activity driving demand in both domestic and overseas markets, albeit with some continued margin pressures due to increased energy and bulk material cost

- **Infrastructure projects continued to support cement consumption in Thailand; demand in overseas markets was softer, mostly caused by higher market prices of construction material**
- **Noticeable improvement on increasing sales price to reflect rising fossil fuel prices and electrical energy and raw material costs and to mitigate pressure on profitability**
- **Continued strong operating performance achieved in Sri Lanka despite difficult macro-economic environment; softening currency devaluation resulted in overall higher net income for the Group on a like-for-like basis.**

SCCC Group performance

Group performance Q2	Q2 (3-month)			YTD (6-month)		
	Q2/22	Q2/21	%YoY	6M/22	6M/21	%YoY
Net Sales	12,758	10,051	26.9	25,334	20,429	24.0
EBITDA	3,208	2,155	48.9	6,033	4,709	28.1
Net Profit	1,355	1,445	-6.2	2,157	2,509	-14.0
Earnings per share (THB)	4.55	4.85	-6.2	7.24	8.42	-14.0

* Excluding one-time tax benefit in Sri Lanka, 2021 net profit and EPS amounted to THB 1,780 million and THB 5.97 (6 months) and THB 716 million and THB 2.40 (3 months), respectively

Overall construction market softened during the second quarter amidst increasing prices of construction material in domestic and overseas markets. Cement demand was slower in the retail market whereas demand for bulk material continued at a moderate growth level. Accelerated activities for key infrastructure project resulted in a moderate sales volume growth for the Group. Coupled with initiatives to pass-through increased material and energy cost to cement prices, overall net sales increased by 27% compared to the second quarter of last year. Despite an environment of geopolitical tensions, rising input cost and supply chain disruption, the Group achieved solid operating results, driven by overseas markets particularly Sri Lanka and Vietnam. In addition, solid results from associated companies positively impacted the Group's performance. As a result, EBITDA increased 49% compared to the second quarter of prior year. Excluding prior year's one-time income tax benefit in Sri Lanka, net income was positively impact by a strong operating performance, lower depreciation and financial expenses, despite continuing but slowing currency devaluation in Sri Lanka.

Segmental performance

Cement

in THB million

Cement	Q2 (3-month)			YTD (6-month)		
	Q2/22	Q2/21	%YoY	6M/22	6M/21	%YoY
Net sales	9,084	7,025	29.3	17,973	13,933	29.0
EBITDA	2,886	1,809	59.5	5,314	3,868	37.4

Remark: EBITDA by segment is presented before intersegment elimination

Thailand domestic cement market: Infrastructure projects continued to be a key channel to support domestic cement consumptions and strong market demand. This positive momentum led to higher cement sales volume and coupled with cement price improvement, led to a solid net sales growth of 26%. However, continued pressure from coal and diesel cost increases could not be fully offset by higher product pricing and overall profitability dropped.

In southern Vietnam, cement demand softened during the second quarter due to multiple market price increases. Despite lower volumes and continued competitive pressure, higher sales price realization resulted in a 23% increased topline. Sustained pressure from raw material and energy costs were fully offset by operational efficiencies and higher topline resulting in increased overall profitability.

In Sri Lanka, cement demand slowed down during the second quarter owing to continued foreign currency liquidity issues and high inflation resulting in lower disposal income. Despite lower sales volume, significant price adjustments needed to mitigate higher input costs resulted in 50% higher net sales. The solid operating performance was able to mitigate the impact from the devaluation of the local currency on the net income level, excluding the impact from prior year's one-time income tax rate adjustment.

In Bangladesh, cement demand continued slower than expected because of the high prices of other construction materials, particularly steel. Depressed construction activity resulted in softer cement sales volume and contributed to intensifying price competition. Nevertheless, some price increases could be realized during the latter part of the first quarter and resulted in 16% higher net sales. The steep increase of bulk material prices, however, negatively weighed on overall profitability.

In Cambodia, overall cement demand remained subdued, with slowdown infrastructure activity compared with previous years. As a result, sales volume was soft compared to last year and pricing remained under pressure in a more competitive environment. A further increase in coal prices negatively affected production cost and led to pressure on profitability.

Concrete and Aggregates

in THB million

Concrete and Aggregates	Q2 (3-month)			YTD (6-month)		
	Q2/22	Q2/21	%YoY	6M/22	6M/21	%YoY
Net sales	1,559	1,329	17.3	3,013	2,831	6.4
EBITDA	54	85	-36.5	143	226	-36.7

Remark: EBITDA by segment is presented before intersegment elimination

Concrete and Aggregates: Thailand construction market continued with accelerated activity due to inflationary impact from rising raw material and transportation cost. Government infrastructure remained the most promising construction sector driver with the commencement of some high-speed rail projects and led to overall higher sales volume during the second quarter. Coupled with additional price increase, net sales increased in Q2 by 17%. However, cost inflation could not be fully passed-through to customers and led to overall lower profitability.

Trading

in THB million

Trading	Q2 (3-month)			YTD (6-month)		
	Q2/22	Q2/21	%YoY	6M/22	6M/21	%YoY
Net sales	1,185	855	38.6	2,448	1,929	26.9
EBITDA	70	43	62.8	134	86	55.8

Remark: EBITDA by segment is presented before intersegment elimination

Trading: International trading activities were negatively impacted by pandemic-related controls in China as well as higher bulk material and transportation cost putting more pressure on market demand. However, overall higher cost of bulk material and shipping cost charged to customers resulted in a 39% rise in net sales and profitability increased due to higher gross margins on clinker and slag contracts.

Waste Management Services and Others

in THB million

Waste Management Services and Others	Q2 (3-month)			YTD (6-month)		
	Q2/22	Q2/21	%YoY	6M/22	6M/21	%YoY
Net sales	274	270	1.5	561	509	10.2
EBITDA	148	171	-13.5	325	358	-9.2

Remark: EBITDA by segment is presented before intersegment elimination

Waste Management Services: The Ecocycle business continued to offer customized and sustainable solutions to a wide range of customers. The company strengthened its position in waste management and benefited from higher price and volumes of light waste material and carbon black. Industrial services strengthened its business activities with additional projects in chemical cleaning. As a result, net sales increased by 2% and profitability improved due to better operational cost management, excluding one-off transactions of other businesses in prior year.

Light building materials

in THB million

Light building materials	Q2 (3-month)			YTD (6-month)		
	Q2/22	Q2/21	%YoY	6M/22	6M/21	%YoY
Net sales	656	572	14.7	1,339	1,227	9.1
EBITDA	49	77	-36.4	133	198	-32.8

Remark: EBITDA by segment is presented before intersegment elimination

The overall residential market remained soft despite increased government support and developers starting new projects. Intensified market competition limited pricing opportunities. Overall net sales increased by 15%, mainly due to higher sales prices that were not enough to cover increased input costs.

The **mortar** business further expanded its sale of value-added products. Especially the sales in the retail channel resulted in a higher topline. Raw material and supply chain costs eroded profitability.

The **fiber cement** business was impacted by soft demand, especially in the retail segment. Higher prices positively impacted the topline, but profitability remained below prior year due to elevated variable costs.

The market for **aerated concrete products** started to recover and some price increases were realized during the latter part of the second quarter, resulting in an overall increased topline. Higher raw material and fuel cost however weighed negatively on the performance and resulted in lower profitability.



Sustainability

We remain committed to delivering our Environmental, Social, and Governance agenda and, with more capital investments, to accelerating reduction of our Group's CO₂ footprint. We are fully on track with our "Sustainability Ambition 2030" commitments. We have renewed a three-year memorandum of understanding with the International Union for Conservation of Nature (IUCN) for continuation of biodiversity impact minimization in our quarrying activities and we carry on with efforts to lower ground water consumption at our facilities. Simultaneously, we continue to adhere to the highest international standards of corporate governance and of industry occupational health and safety practices. The Group also remains focused on our social responsibility towards both our employees and neighboring communities.

For the 3rd consecutive time, our Group has been exclusively selected by the Thaipat Institute for ESG100 as one of the 100 listed companies in Thailand with outstanding Environmental, Social and Governance performance.

Outlook

With continuing economic reverberations from the pandemic, and the conflict in Ukraine, which are leading to substantial cost inflation impacting our operations, we anticipate limited growth across our markets in 2022. Government infrastructure projects will likely continue to be a bright spot whereas general residential, commercial, and industrial construction may remain depressed. Margin erosion will have to be mitigated by more determined pass-through of input cost inflation.

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

Mr. Aidan John Lynam
Group Chief Executive Officer

Key financial information

in THB million	Jun22	% of total assets	Dec21	% of total assets	% Change	Jun21	% of total assets
Statements of financial position							
Current assets	16,681	22.4	19,544	23.8	-14.6	16,216	20.8
Non-current assets	57,949	77.6	62,468	76.2	-7.2	61,671	79.2
Total assets	74,630	100.0	82,012	100.0	-9.0	77,887	100.0
Current liabilities	16,970	22.7	19,848	24.2	-14.5	19,017	24.4
Non-current liabilities	21,995	29.5	22,937	28.0	-4.1	22,917	29.4
Total liabilities	38,965	52.2	42,785	52.2	-8.9	41,934	53.8
Equity attributable to owners of the Company	34,322	46.0	37,713	46.0	-9.0	34,592	44.4
Non-controlling interests of the subsidiaries	1,343	1.8	1,514	1.8	-11.3	1,362	1.7
Total shareholders' equity	35,665	47.8	39,227	47.8	-9.1	35,954	46.2
Debt profile							
Short-term loans	7,521	10.1	10,690	13.0	-29.6	10,541	13.5
Long-term loans	17,105	22.9	17,368	21.2	-1.5	17,420	22.4
Total loans	24,626	33.0	28,058	34.2	-12.2	27,961	35.9
Cash & cash equivalents	4,677	6.3	9,662	11.8	-51.6	6,819	8.8
Total net debt	19,949	26.7	18,396	22.4	8.4	21,142	27.1
Key ratio							
RONOA (%)	12.8		10.0			11.8	
ROE (%) *	10.8		12.0			12.8	
Total net debt/EBITDA (times)	1.86		1.95			2.14	
Total net debt/shareholders' equity (times)	0.56		0.47			0.59	

* December 2021 ROE (%) excluding one-time tax benefit in Sri Lanka amounts to 9.9%