

## ENGLISH TRANSLATION

SCCC 22/2022

4 November 2022

Subject: Management discussion and analysis of the Quarter 3/2022

Attention: Managing Director,  
The Stock Exchange of Thailand

Attachment: A copy of the interim financial statements of SCCC for the three-month and nine-month periods ended 30 September 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 nine-month periods ended 30 September 2022 compared to the same period of 2021 with a summary of our operating result as mentioned below:

### Q3/2022: Construction activity grows compared with prior year amidst continued higher material and energy costs resulting in softer operating results

- Despite a persistently challenging operating environment and adverse weather impacts, cement consumption in Thailand and Vietnam further improved; however, the prior year baseline sales had been negatively impacted by pandemic related lockdowns
- Steep increases in raw material and energy costs could not be fully offset by sales price adjustments, and negatively weighed on profitability
- Inflationary pressure and supply chain disruption adversely impacted net working capital management and cash conversion efficiency

### SCCC Group performance

Group performance Q3	Q3 (3-month)			YTD (9-month)		
	Q3/22	Q3/21	% YoY	9M/22	9M/21	% YoY
Net Sales	12,358	8,848	39.7	37,692	29,277	28.7
EBITDA	1,940	2,024	-4.2	7,973	6,733	18.4
Net Profit	603	676	-10.8	2,760	3,185*	-13.3
Earnings per share (THB)	2.02	2.27	-11.0	9.26	10.69*	-13.4

\* Excluding one-time tax benefit in Sri Lanka, 9M2021 net profit and EPS amounted to THB 2,456 million and THB 8.24, respectively

Overall, the construction market remained relatively solid during the third quarter even amidst adverse weather conditions and increasing prices of construction material. Cement demand continued to slow down in the retail market whereas demand for bulk material grew at a moderate level. Key infrastructure projects resulted in modest sales volume growth over a pandemic-impacted prior year. Most markets showed a continuing improvement, albeit at slower pace, on product pricing aimed at pass-through of cost inflation and, together with higher volume, resulted in 40% increase of overall net sales compared to the third quarter of last year. Cost pressure related to raw materials, energy, packaging, and transportation as well as higher planned and unplanned kiln maintenance costs have weighed on profitability, despite continued fixed cost efficiency measures. In addition, softer results from associated companies negatively impacted the Group's performance. As a result, EBITDA decreased by 4% compared to the third quarter of prior year.

Net income was also negatively impacted during the quarter despite a reduction of foreign currency losses from the Sri Lanka currency. On a year-to-date basis however, net income remained above prior year excluding the positive one-time effect from a reduced corporate income tax rate in Sri Lanka brought in during the second quarter in prior year.

Inflationary pressure on raw material and energy costs as well as continued supply chain disruption resulted in an overall higher net working capital and reduced cash conversion. Out of abundance of caution in the presence of these risks, the Group has therefore early-renewed a 3 billion Baht long-term committed credit facility to strengthen its liquidity assurance in this challenging economic environment.

## Segmental performance

### Cement

in THB million

Cement	Q3 (3-month)			YTD (9-month)		
	Q3/22	Q3/21	%YoY	9M/22	9M/21	%YoY
Net sales	8,274	5,743	44.1	26,247	19,676	33.4
EBITDA	1,522	1,764	-13.7	6,836	5,632	21.4

Remark: EBITDA by segment is presented before intersegment elimination

**Thailand domestic cement market:** Government infrastructure projects continued to be the key driver for domestic cement demand despite decelerated construction activities in residential and commercial sectors. The construction market was slightly hampered by adverse weather conditions but improved over pandemic-impacted construction site lockdowns in the prior year. Coupled with higher cement prices, net sales grew by 35% compared to prior year's third quarter. However, continued pressure from higher coal, diesel and electricity costs as well as higher maintenance costs from planned and unplanned kiln shutdowns could not be offset by higher sales pricing and overall profitability dropped.

**In southern Vietnam,** market demand seasonally slowed down after multiple price increases during the first half-year but remained well above the pandemic-impacted prior year with hard lockdowns. As a result, sales volumes were significantly higher and, combined with increased sales prices, resulted in a 205% higher topline during the third quarter. Continued pressures from raw material and energy costs were offset by higher net sales and resulted in improved profitability.

**In Sri Lanka,** cement demand continued to weaken due to the ongoing foreign currency liquidity issues with high inflation resulting in lower consumer purchasing power. Despite higher sales prices realized by our operation to mitigate increased input costs, lower sales volume negatively impacted the topline and resulted in overall 1% lower net sales. Higher bulk material cost was fully offset, however, by higher product pricing and led to overall higher profitability.

**In Bangladesh,** market demand slightly recovered after slow growth during the preceding months. High prices of construction materials continued to impact the market and resulted in intensified price competition. Towards the end of the third quarter, additional selling price increases were implemented and resulted in overall 34% higher net sales. However, high bulk material cost as well as an adverse impact from local currency devaluation negatively weighed on overall profitability.

In **Cambodia**, overall cement demand remained depressed during rainy season with slow infrastructure activity compared to prior years. As a result, sales volumes w soft, and pricing remained under pressure due to intense competition. Additionally increases in coal prices negatively affected production cost and led to lower profitability.

### Concrete and Aggregates

Concrete and Aggregates	Q3 (3-month)			YTD (9-month)		
	Q3/22	Q3/21	%YoY	9M/22	9M/21	%YoY
Net sales	1,692	1,114	51.9	4,705	3,945	19.3
EBITDA	83	20	315.0	226	246	-8.1

Remark: EBITDA by segment is presented before intersegment elimination

**Concrete and Aggregates:** Thailand's overall construction market remained relatively solid despite a negative impact from adverse weather conditions. Prior year demand was depressed due to pandemic-related curfew measures. The commencement of some high-speed rail projects led to higher sales volumes and combined with increased sales prices, resulted in 52% higher net sales during the third quarter. Cost inflation could be fully passed through to customers and led to overall higher profitability in Q3.

### Trading

Trading	Q3 (3-month)			YTD (9-month)		
	Q3/22	Q3/21	%YoY	9M/22	9M/21	%YoY
Net sales	1,376	1,190	15.6	3,824	3,119	22.6
EBITDA	56	67	-16.4	190	153	24.2

Remark: EBITDA by segment is presented before intersegment elimination

**Trading:** Demand for clinker and other cementitious material was soft due to depressed demand from China and high energy and transportation cost. However, overall higher prices for bulk materials and shipping charged to customers resulted in a 16% rise in net sales in Q3. Delay of some clinker shipments resulted in an overall lowered profitability during the third quarter.

### Waste Management Services and Others

in THB million

Waste Management Services and Others	Q3 (3-month)			YTD (9-month)		
	Q3/22	Q3/21	%YoY	9M/22	9M/21	%YoY
Net sales	256	289	-11.4	817	798	2.4
EBITDA	216	147	46.9	541	505	7.1

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 increasing price realized on light waste material and carbon black during the third quarter. However, customers of the industrial cleaning services rescheduled some of the projects to the next quarters. As a result, net sales decreased by 11% while profitability increased over prior year due to improved cost management.

### Light building materials

in THB million

Light building materials	Q3 (3-month)			YTD (9-month)		
	Q3/22	Q3/21	%YoY	9M/22	9M/21	%YoY
Net sales	760	512	48.4	2,099	1,739	20.7
EBITDA	66	50	32.0	199	248	-19.8

Remark: EBITDA by segment is presented before intersegment elimination

The demand of residential and housing segment slightly increased from pandemic-impacted prior year. Overall net sales increased by 48%, mainly due to higher sales prices that were unfortunately not enough to fully 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 packaging costs eroded profitability.

The **fiber cement** business was impacted by market slowdown and resulted in lower sales volume. Increasing product price positively impacted the topline, but profitability remained below prior year due to elevated input costs.

The market for **aerated concrete products** recovered with higher sales volume in both retail and project sales and some price increases during the third quarter, resulting in an overall increased net sales. Higher raw material and fuel cost was fully offset by better topline performance and resulted in improved 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 CO<sub>2</sub> footprint. We are fully on track with our "Sustainability Ambition 2030" commitments. Our large modified-manufacturing investment at the Saraburi facility in Thailand is on schedule for start-up in Q4 of this year to deliver lowered CO<sub>2</sub> intensity products. 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 4<sup>th</sup> 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 geopolitical and economic unsettlement, substantial inflationary pressures are anticipated to result in 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, alongside unrelenting sustainable cost efficiency efforts.

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	Sep22	% of total assets	Dec21	% of total assets	% Change	Sep21	% of total assets
<b>Statements of financial position</b>							
Current assets	16,679	22.0	19,544	23.8	-14.7	16,475	20.6
Non-current assets	59,259	78.0	62,468	76.2	-5.1	63,590	79.4
<b>Total assets</b>	<b>75,938</b>	<b>100.0</b>	<b>82,012</b>	<b>100.0</b>	<b>-7.4</b>	<b>80,065</b>	<b>100.0</b>
Current liabilities	16,097	21.2	19,848	24.2	-18.9	18,369	22.9
Non-current liabilities	22,059	29.0	22,937	28.0	-3.8	23,067	28.8
<b>Total liabilities</b>	<b>38,156</b>	<b>50.2</b>	<b>42,785</b>	<b>52.2</b>	<b>-10.8</b>	<b>41,436</b>	<b>51.8</b>
Equity attributable to owners of the Company	36,279	47.8	37,713	46.0	-3.8	37,141	46.4
Non-controlling interests of the subsidiaries	1,503	2.0	1,514	1.8	-0.7	1,487	1.9
<b>Total shareholders' equity</b>	<b>37,782</b>	<b>49.8</b>	<b>39,227</b>	<b>47.8</b>	<b>-3.7</b>	<b>38,628</b>	<b>48.2</b>
<b>Debt profile</b>							
Short-term loans	6,844	9.0	10,690	13.0	-36.0	11,207	14.0
Long-term loans	17,057	22.5	17,368	21.2	-1.8	17,419	21.8
<b>Total loans</b>	<b>23,901</b>	<b>31.5</b>	<b>28,058</b>	<b>34.2</b>	<b>-14.8</b>	<b>28,626</b>	<b>35.8</b>
Cash & cash equivalents	3,983	5.2	9,662	11.8	-58.8	6,670	8.3
<b>Total net debt</b>	<b>19,918</b>	<b>26.2</b>	<b>18,396</b>	<b>22.4</b>	<b>8.3</b>	<b>21,956</b>	<b>27.4</b>
<b>Key ratio</b>							
RONOA (%)	13.2		10.0			10.2	
ROE (%) *	10.3		12.0			11.7	
Total net debt/EBITDA (times)	1.87		1.95			2.35	
Total net debt/shareholders' equity (times)	0.53		0.47			0.57	

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