

ENGLISH TRANSLATION

SCCC 25/2023

3 November 2023

Subject: Management discussion and analysis of the Quarter 3/2023

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 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 nine-month periods ended 30 September 2023 compared to the same period of 2022 with a summary of our operating result as mentioned below:

Key Highlights

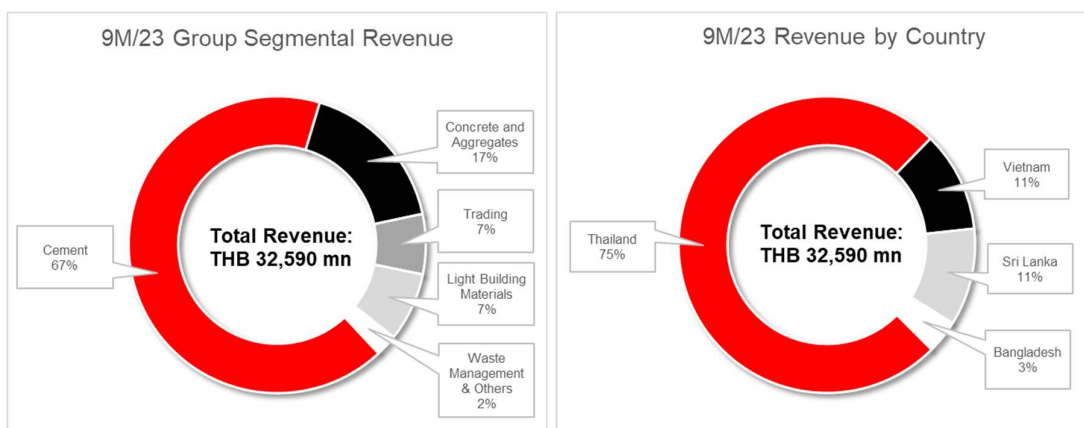
Q3/2023: Overall performance benefitted from a positive domestic performance, lower coal and electricity costs, and a continued focus on structured cost reductions and optimization to enhance profitability despite ongoing structural challenges in overseas markets.

Group Performance (THB Mn)	QTD (3 Months)			YTD (9 Months)			
	Q2/23	Q3/23	%QoQ	Q3/22	9M/23	9M/22	%YoY
Net Sales	10,975	10,262	-6.5%	12,358	32,590	37,692	-13.5%
EBITDA	1,685	1,846	9.6%	1,940	5,251	7,973	-34.1%
Net Profit	656	441	-32.8%	603	1,855	2,760	-32.8%
Earnings per share (THB)	2.20	1.48	-32.7%	2.02	6.22	9.26	-32.8%
EBITDA margin	15.4%	18.0%	17.2%	15.7%	16.1%	21.2%	-23.8%

Remark: Excluding one-off expenses relating to restructuring and impairment, normalized Q3/23 EBITDA was THB 2,127 Mn and 9M/23 was THB 5,824 Mn, while normalized Q3/23 net profit was THB 827 Mn. and 9M/23 was THB 2,533 Mn. The restructuring will enable the company to benefit from fixed costs in the future.

- Domestic demand in Thailand has shown signs of a good recovery, but the clinker export market remains subdued.
- Weak demand in Vietnam, declining by 43% Y-on-Y, is attributed to a slowdown in the real estate sector.
- Demand in Sri Lanka continues to face challenges due to high inflation and a socio-economic crisis.
- The reduction in energy prices has positively impacted margins, mitigating the effects of sluggish demand and challenges in raising prices, leading to a higher EBITDA outcome.
- ESG remains a top priority, centering around sustainability, decarbonization and elevating substitution of fossil fuel consumption.

SCCC Group performance



SCCC's revenue is primarily driven by cement sales, accounting for 67% of the total sales in 9M/2023. During this period, the majority of the Group's revenue was generated in Thailand, constituting 75% of the total revenue.

Overview of Q3/23 Performance

In Q3/23, the company continued to face challenges in its overseas markets, but strong performance in Thailand offset these. Despite potential construction delays in Thailand due to the rainy season and pricing limitations, the company benefited from increased sales volumes from ongoing government projects and reduced production costs.

The southern Vietnam market continued to suffer from low demand, driven by a slowdown in real estate development and credit growth due to the corporate bond crisis and inflationary pressures. Sri Lanka's overall demand shows signs of modest improvement from the ongoing economic crisis,

helped by IMF support. Income from joint ventures and associated companies decreased due to ongoing unfavorable market conditions.

Challenges such as weak demand and hurdles in realizing price rises across the Group, resulted in a 6.5% Q-on-Q decline in revenues. Reduced costs, primarily from lowered energy prices, helped mitigate these issues, resulting in an improvement of 9.6% in EBITDA and 17% in EBITDA margin compared to Q2/23.

In Q3/23, despite higher EBITDA, SCCC's net profit declined to THB 441 million from THB 656 million in the previous quarter. This was primarily due to unfavorable FX movement during Q3 and assets impairment in Sri Lanka. However, reduced financial expenses helped mitigate these challenges, providing some support to the company's overall net profit performance.

Segmental performance

Cement - Total

Cement (THB Mn)	QTD (3 Months)			YTD (9 Months)			
	Q2/23	Q3/23	%QoQ	Q3/22	9M/23	9M/22	%YoY
Net Sales	6,996	7,095	1.4%	8,274	21,699	26,247	-17.3%
EBITDA	1,210	1,414	16.9%	1,522	3,920	6,836	-42.7%
EBITDA margin	17.3%	19.9%	15.2%	18.4%	18.1%	26.0%	-30.6%

Remark: EBITDA by segment is presented before intersegment elimination

Thailand Domestic Cement Market: Domestic cement sales volume increased compared to the previous quarter, driven by improved economic stability from the new government transition and ongoing government projects. This growth managed to outweigh the decline in demand caused by the rainy season and flooding in the Northeast region, resulting in a 4.2% Q-on-Q increase in net sales. Compared to the previous year, net sales achieved a 17.1% and 11.1% increase over Q3/22 and 9M/22, respectively. The reduction in thermal energy, electricity, and maintenance costs had a favorable effect on profits.

Southern Vietnam: Despite the implementation of economic stimulus measures aimed at addressing the ongoing uncertainty associated with the real estate segment and inflation, the cement market continued to struggle with strongly reduced cement demand. There was a decline in sales volumes, resulting in an 11.7% Q-on-Q decrease in net sales. The topline performance remained significantly below the levels of the same period in the previous year. However, lower thermal costs from higher thermal substitution rate (TSR), favorable purchased materials prices, and favorable foreign exchange impact positively impacted profits.

Sri Lanka: Sri Lanka's economy is showing modest signs of recovery due to monetary policy measures aimed at stimulating economic growth and support from the IMF, resulting in a slight recovery in cement demand. This was partially offset by the continued pressure on prices resulting from intense competition and sales volume affected by unfavorable seasonal conditions in Sri Lanka. Net sales increased 12.2% Q-on-Q (Q3/23 v Q2/23) but dipped 40.0% Y-on-Y (Q3/23 v Q3/22). Lower fuel and electricity costs mitigated the adverse impact of the planned kiln maintenance costs. At the net income level, the unfavorable impact of foreign exchange further compounds the adverse operating results.

Bangladesh: Cement consumption declined due to diminished construction activities caused by high construction material prices and sluggish advancement of government projects, leading to decreased net sales by 14.9% Q-on-Q. However, the reduction in thermal energy, electricity, distribution, and maintenance costs favorably affected EBITDA.

Cambodia: Amid the economic slowdown and intense market competition coupled with increased consumer price consciousness and sluggish demand, net sales declined by 3.7% compared to the previous quarter.

Concrete and Aggregates

Concrete and Aggregates (THB Mn)	QTD (3 Months)			YTD (9 Months)			
	Q2/23	Q3/23	%QoQ	Q3/22	9M/23	9M/22	%YoY
Net Sales	1,809	1,860	2.8%	1,692	5,552	4,705	18.0%
EBITDA	104	142	36.5%	83	333	226	47.3%
EBITDA margin	5.7%	7.6%	32.8%	4.9%	6.0%	4.8%	24.9%

Remark: EBITDA by segment is presented before intersegment elimination

Concrete and Aggregates: From the ongoing construction site activities, driven by infrastructure and residential segments, net sales, predominantly from ready-mixed concrete, increased 2.8% Q-on-Q on the back of higher average selling prices and volume. Price adjustments in concrete helped offset the increased costs, resulting in an improved EBITDA over the previous quarter.

Trading

Trading (THB Mn)	Q3 (3 Months)			YTD (9 Months)			
	Q2/23	Q3/23	%QoQ	Q3/22	9M/23	9M/22	%YoY
Net Sales	1,125	215	-80.9%	1,376	2,134	3,824	-44.2%
EBITDA	69	6	-91.3%	56	120	190	-36.8%
EBITDA margin	6.1%	2.8%	-54.5%	4.1%	5.6%	5.0%	13.2%

Remark: EBITDA by segment is presented before intersegment elimination

Trading: The clinker export market has seen a decline in demand, significantly influenced by the drop in Chinese clinker import volumes due to their subdued real estate market. As a result, trading activities softened compared with the same quarter last year, and Y-o-Y EBITDA was lower than the prior year.

Waste Management and Industrial Services and Others

Waste Management Services and Others (THB Mn)	QTD (3 Months)			YTD (9 Months)			
	Q2/23	Q3/23	%QoQ	Q3/22	9M/23	9M/22	%YoY
Net Sales	275	271	-1.5%	256	770	817	-5.8%
EBITDA	235	181	-23.0%	216	638	541	17.9%
EBITDA margin	85.5%	66.8%	-21.8%	84.4%	82.9%	66.2%	25.1%

Remark: EBITDA by segment is presented before intersegment elimination

Waste Management and Industrial Services and Others: The waste management business benefitted from higher volumes in the quarter, however, adverse selling prices, the increase in production and transportation costs lowered the EBITDA performance compared to the previous quarter and Q3 last year.

Light Building Materials

Light Building Materials (THB Mn)	QTD (3 Months)				YTD (9 Months)		
	Q2/23	Q3/23	%QoQ	Q3/22	9M/23	9M/22	%YoY
Net Sales	770	821	6.6%	760	2,435	2,099	16.0%
EBITDA	93	102	9.7%	66	276	199	38.7%
EBITDA margin	12.1%	12.4%	2.9%	8.7%	11.3%	9.5%	19.6%

Remark: EBITDA by segment is presented before intersegment elimination

Light Building Materials: The company pivoted to concentrate on the Eastern and Metro regions, bolstered by the expansion of residential, infrastructure, and commercial sectors. It realized elevated sales volumes and selling prices by focusing on high-margin products. Net sales improved by 6.6% compared to the previous quarter leading to higher overall profitability.

Outlook

The Thailand construction market is showing signs of steady improvement, with positive sentiments from the private and government sectors. The successful formation of the new government could further drive construction activities and elevate sales of construction materials. Moreover, the government's initiatives to reduce energy and electricity costs will be beneficial. However, the company remains cautious about rising household debt and increasing interest rates.

Beyond the Thai market, the company faces challenges in the overseas markets. In southern Vietnam, the tight liquidity position and poor sentiment are expected to hinder market demand. To tackle these problems, the company has implemented measures to rationalize cost structures. Although Sri Lanka remains burdened by socio-economic issues and the aggressive competitive pricing in the market, there are modest signals of recovery in cement demand. There are also expectations that the easing of monetary policy could gradually drive economic growth.

The company stays dedicated to steering through these challenges, with prudence and flexibility remaining crucial for improving profitability in alignment with the company's vision. Our commitment to ESG objectives remains unwavering. We have made progress by increasing TSR to 20.3% from 16.4% in 2022 and reducing the clinker factor to 72.7% from 74.7% in 2022, aligning with our ambitious goal of reducing CO2 emissions. We are well on with track in our decarbonization efforts and have set more aggressive targets for CO2 intensity reduction by 2030.

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	Sep-23	% of total assets	Dec-22	% of total assets	% Change	Sep-22	% of total assets
Statements of financial position							
Current assets	12,777	18.2	16,525	22.5	-22.7	16,679	22.0
Non-current assets	57,422	81.8	56,828	77.5	1.0	59,259	78.0
Total assets	70,199	100.0	73,353	100.0	-4.3	75,938	100.0
Current liabilities	15,628	22.3	14,491	19.8	7.8	16,097	21.2
Non-current liabilities	19,779	28.2	24,360	33.2	-18.8	22,059	29.0
Total liabilities	35,407	50.4	38,851	53.0	-8.9	38,156	50.2
Equity attributable to owners of the Company	33,780	48.1	33,240	45.3	1.6	36,279	47.8
Non-controlling interests of the subsidiaries	1,012	1.4	1,262	1.7	-19.8	1,503	2.0
Total shareholders' equity	34,792	49.6	34,502	47.0	0.8	37,782	49.8
Debt profile							
Short-term loans	8,050	11.5	2,947	4.0	173.2	6,844	9.0
Long-term loans	14,521	20.7	19,009	25.9	-23.6	17,057	22.5
Total loans	22,571	32.2	21,956	29.9	2.8	23,901	31.5
Cash & cash equivalents	2,368	3.4	3,430	4.7	-31.0	3,983	5.2
Total net debt	20,203	28.8	18,526	25.3	9.1	19,918	26.2
Key ratio							
RONOA (%)	7.2		9.8			13.2	
ROE (%) *	5.4		5.2*			10.3	
Total net debt/EBITDA (times)	3.18		2.04			1.87	
Total net debt/shareholders' equity (times)	0.58		0.54			0.53	

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