**SCG Announces Q1/2023 Operating Results:**

**Recovery Driven by Booming Tourism and China's Reopening,**

**Highlighting Clean Energy and Vietnam Petrochemicals for Long-term Growth**

**Bangkok : 27 April 2023 – SCG reported its operating results for Q1/2023, showing a recovery across all business units, with increased sales and profits boosted by the revival of tourism and China's border reopening. To propel long-term growth, SCG is accelerating its focus on SCG Cleanergy, an end-to-end clean energy business that continuously grows in response to global trends in environmental protection. Successful cost reduction was achieved through the increased use of alternative fuels and solar energy. The petrochemical complex project, LSP, has commenced trial operations, producing plastic resins to supply the Vietnamese market.**

**Roongrote Rangsiyopash,** **President and CEO of SCG,** disclosed, "SCG's Q1/2023 operating results showed revenue of 128,748 MB, an increase of 5% q-o-q, and a profit of 16,526 MB, including the one-time gain from fair value adjustment of investment in SCG Logistics, following SCGJWD Logistics merger transaction in Cement-Building Materials business amounting to 11,956 MB. Profit excluding extra items amounted to 4,516 MB. This is an improvement from the previous quarter, with an increase of 3,446 MB driven by increased sales in all business units, higher chemicals spreads, the recovery of the construction market and booming tourism have led to higher demand for cement, building materials, and packaging in Thailand, coupled with falling coal prices and reduced costs through greater use of alternative fuels and solar energy in business operations. Chemicals Business is well-prepared and able to effectively adapt to market conditions. The Rayong Olefins (ROC) plant has accelerated resuming production since the beginning of February 2023 due to rising regional demand following China's reopening, signifying a progressively positive trend. Recently, **the petrochemical complex plant LSP (Long Son Petrochemicals)** began trial operations, producing plastic resins for the Vietnamese market. **SCG Cleanergy** continues to expand its end-to-end clean energy services for the public, business, and industrial sectors. Furthermore, **SCG Decor** has announced a merging plan with COTTO to expand and grow as an ASEAN leader in integrated decor surfaces and bathroom business, with a focus on innovation, design, and environmental friendliness.

Regarding the ASEAN market, recovery appears to need more time. High interest rates and inflation rate continue to impact the real estate sector in some countries. Meanwhile, the global economy remains fragile, particularly in the United States and Europe, with risks of an economic slowdown due to the inflation crisis, high interest rates, and fluctuations in energy prices.

However, the Thai economy still needs to be cautious of three risk factors: **1.)** **Volatility of energy prices**, such as costs of electricity and other types of energy, which could weaken the competitiveness of industries in Thailand as a whole, resulting in an immediate increase in the cost of living and a decrease in purchasing power, impacting the cost of production; **2.)** **The risk of drought**. The Hydro Informatics Institute (HII) forecasts that in 2023-2024, there may be below-average rainfall, longer dry spells, and the possibility of an El Niño event, increasing the risk of severe droughts that would affect the public, production, industry, agriculture, and tourism sectors, which are the pillars of the Thai economy; and **3.) The PM 2.5 dust pollution**, which has been above standard levels for a long time covering many economic and tourist cities, has impacted health, the environment, and the economy. Preparing for these factors is an urgent matter that all sectors should collaborate to find solutions to reduce the impact on the quality of life, maintain the country's competitiveness, and sustain the growth of the Thai economy.

SCG is urgently adapting and collaborating to address issues arising from risk factors to the fullest extent by increasing the proportion of alternative fuels and solar energy use, setting water-saving and efficient water usage measures, preparing water sources in company areas for water reserves, and assisting communities. On top of that, SCG aims to alleviate dust pollution with strict measures by installing dust capture systems, conducting semi-open cut mining with buffer zones serving as a dust barrier, spraying water along transport routes, covering every vehicle with tarpaulins, and planting trees as a green belt around plants. SCG also works with partners to reduce dust from construction work by using BIM in the design process and producing of prefabricated components or modular assembly for off-site construction. Furthermore, SCG places emphasis on prudent investment consideration and embraces artificial intelligence (AI) and automation technologies. For example, COTTO employs image processing technology to analyze the quality of sanitary ware, allowing for faster product inspection and reducing the time from 1 day to just 1 hour.”

**Thammasak Sethaudom, Executive Vice President of SCG**, said, "With the global trend towards environmental conservation and high electricity prices, **SCG Cleanergy**, an end-to-end clean energy electricity trading provider for the public sector, businesses, and industries, has been growing continuously and well-received. The Smart Grid technology for buying and selling clean energy electricity is convenient and fast, and it also enables customers to sell their clean energy electricity in the future. Recently, we have been selected to produce and sell solar power to the government in 10 projects, with a total capacity of 367 megawatts, equivalent to the average electricity consumption of 180,000 households. At the same time, investing in **Rondo Energy**, a rising clean energy startup, which develops the world's highest temperature thermal energy storage battery innovation to supply heat energy to plants as a replacement for boilers, helps reduce the combustion of fossil fuels and lower carbon dioxide emissions. The technology has been recently installed and put into use at Calgren Renewable Fuels in the United States."

**Tanawong Areeratchakul, CEO and President of SCG Chemicals Public Company Limited or SCGC,** said, "SCGC's total sales have improved due to the readiness and ability to adapt effectively to market conditions. Furthermore, the demand for chemical products has increased after China reopened. As a result, the Rayong Olefins (ROC) plant has accelerated to resume production to meet market demand. Recently, **the LSP** **petrochemical complex project in Vietnam** has begun trial operations of the polyolefins (PP, HDPE, LLDPE) segment to produce plastic resins to feed the Vietnamese market, where we already have a customer base, and we will commence commercial operations by the middle of this year. LSP has a strong advantage in cost management, thanks to its feedstock flexibility that allows it to align with market conditions. At the same time, the business is moving forward with **SCGC GREEN POLYMERTM,** an eco-friendly innovation, which will continue to grow this year following last year's sales volume of 140,000 tons. SCGC has collaborated with global business partners such as Colgate-Palmolive (Thailand) to develop **'Lightweight Packaging**' for Care and Protex powder products using SMX™ technology, where the packaging output is 20% stronger than conventional plastics but reduces packaging weight by up to 8%, helping to reduce greenhouse gas emissions. In addition, we worked with SACMI to design **'eco-friendly bottle caps for carbonated beverages'** with tethered caps, which helps reduce litter entering the environment and makes recycling more efficient."

**Nithi Patarachoke, President of Cement-Building Materials Business of SCG**, said, "The performance of the Cement-Building Materials Business has improved due to the gradual economic recovery and cost reduction by increasing the use of alternative fuels, from 34%last year to 38%, and increasing the use of solar energy from 177 megawatts last year to 179 megawatts in Q1/2023. As green innovations have gained ground, the use of **'SCG Hybrid Structural Cement'** to help mitigate global warming has increased by 50%, helping to reduce carbon dioxide emissions in the production process by more than 80,000 tons in Q1, equivalent to planting 8 million trees. The product offers robustness and aesthetics, and it has been used in several projects adhering to green building standards, such as the ONE BANGKOK project and the Supalai Loft Ratchada-Wongsawang project. As summer approaches and electricity costs rise, the **'SCG Solar Roof Solutions'** business grew by 313% y-o-y, and the **'SCG Air Scrubber'** innovation for large buildings has been accelerated, helping to save 20-30% of energy and minimize pulluting gas emissions such as carbon dioxide. Recently, we have increased our investment in enVerid, a leading American startup, to improve energy efficiency and indoor air quality in buildings worldwide."

**Wichan Jitpukdee, Chief Executive Officer of SCG Packaging Public Company Limited or SCGP,** said, "SCGP's operating results have improved owing to its ability to fulfill the domestic demand for consumer packaging and the recovering tourism industry. In addition, SCGP is gearing up to invest in **Starprint Vietnam Joint Stock Company (SPV)**, one of Vietnam’s leading producer of offset folding cartons, rigid boxes and luxury packaging, that has a prominent client base and long-term track record of commercial relationship with renowned multinational and national companies. Furthermore, SCGP is partnering with Origin Materials, a leading US technology company, to develop **'Bio-based Plastic from Eucalyptus Woodchip’** by processing Eucalyptus woodchip using advanced technology to produce Bio-PTA. This material will be used to manufacture Bio-PET for packaging and other products, such as beverage packaging, food packaging, textile & apparels. This project would support the use of Bio-PET in multiple industries which require sustainable raw materials while also enable efficient recycle operation."

**Roongrote revealed**, "The Company's unreviewed Operating Results for Q1/2023 registered Revenue from Sales of 128,748 MB, an increase of 5% q-o-q. Profit for the Period was 16,526 MB, which includes gain from fair value adjustment of investment in SCG Logistics, following SCGJWD Logistics merger transaction in Cement-Building Materials business amounting to 11,956 MB, improving 16,369 MB q-o-q. Meanwhile, Profit excluding extra items would have been 4,516 MB, which increased 3,446 MB q-o-q, due to higher chemicals spreads and sales volume, as well as lower energy cost.

Compared to the same period of the previous year, Revenue from Sales fell by 16%, mainly from Chemicals Business. Meanwhile, Profit excluding extra items decreased by 42% y-o-y, largely attributable to lower sales volume and equity income in Chemicals Business, as well as higher energy cost compared to the previous year.

In Q1/2023, SCG's Revenue from Sales of High Value Added Products and Services (HVA) reached 42,184 MB, accounting for 33% of total Revenue from Sales.

SCG’s Revenue from operations outside Thailand, including export sales from Thailand, registered 53,468 MB in Q1/2023, or 42% of total Revenue from Sales.

**SCG's total assets as of 31 March 2023, amounted to 923,725 MB, of which 44% represented assets in ASEAN (excluding Thailand).**

**The Q1/2023 operating results by business units are as follows:**

**Chemicals Business (SCGC)** recorded Revenue from Sales of 46,805 MB, increased 8% q-o-q due to higher product prices and sales volume, while sales dropped by 32% y-o-y. Profit for the Period was 1,356 MB, increasing 2,408 MB q-o-q, from higher spreads and sales volume, while dropping by 2,232 MB y-o-y.

**Cement-Building Materials Business** recorded Revenue from Sales of 50,800 MB, increasing by 3% q-o-q and similar to the same period last year thanks to increased sales volume and commercial strategies, resulting in higher revenues both domestically and in other regions. Profit for the Period was 13,463 MB, an increase of 10,972 MB y-o-y, mainly due to gain from fair value adjustment of investment in SCG Logistics, whereas core Profit for the Period would have been 1,507 MB, a decrease of 984 MB y-o-y mainly due to higher raw material and energy costs.

**Packaging Business (SCGP)** recorded Revenue from Sales of 33,729 MB, up 1% q-o-q mainly due to the increase in sales volume in the integrated packaging and the pulp and paper business but decreased 8% y-o-y due to the ongoing impact of lockdown policies amid the COVID-19 pandemic last year in China, resulting in a decline in overall demand for packaging paper, which in turn affected sales volume and selling prices. Coupled with high exchange rates and interest rates, consumer spending contracted. Profit for the Period was 1,220 MB, increasing by 171% q-o-q from the reduced cost, particularly raw material and transportation costs, along with the recovery of packaging paper sales volume for domestic and export markets. When compared to the same period last year, Profit for the Period decreased by 26% due to reduced sales volume and selling prices.”

"The progressive recovery of Thailand's economy is a positive sign for 2023. If all sectors work together to address issues affecting health, the environment, and the economy, arising from soaring energy and electricity costs, drought risks, and PM 2.5 dust problems, it will help our country, Thailand, move forward, maintain competitiveness, and sustain economic growth." **Roongrote concluded.**

**\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\***