



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q4/20 and FY2020**

Consolidated Financial Performance

**Q4/20 earnings of
8,048 MB, -17% q-o-q**

SCG reported Q4/20 Profit for the Period of 8,048 MB, a decrease of -17% q-o-q. EBITDA decreased -4% q-o-q to 18,300 MB, largely from lower Cement-Building Materials (CBM) performance resulting from continued economic slowdown due to COVID-19, heavy rainfall and floods in the region, and recognition of CBM's asset impairments in Q4/20 from Myanmar and Indonesia cement operations. Revenue from Sales decreased -4% q-o-q to 97,250 MB from seasonally weak demand at CBM business, effect from COVID-19, and Chemicals business had a planned Map Ta Phut Olefins (MOC) turnaround in Q4/20. While the turnaround was completed sooner than planned (38 days vs. 45 days as originally scheduled) which helped offset some production loss, it nevertheless contributed to lower-than-normal chemicals sales volume in Q4/20.

On a y-o-y basis, Q4/20 Profit for the Period increased 13% y-o-y from better chemicals earnings, mainly driven by lower feedstock costs. However, EBITDA dropped by -12% y-o-y from lower seasonal dividend from associates in Q4/20. Similarly, Revenue from Sales dropped -8% y-o-y, mainly due to lower sales volume of Chemicals business stemming from MOC turnaround and lower sales in Cement-Building Materials business due to the effect of COVID-19 pandemic on the economy.

**FY2020 Profit for the
year of 34,144 MB,
+7% y-o-y**

For FY2020, Revenue from Sales decreased -9% y-o-y to 399,939 MB, largely from lower chemical prices and sales volume. However, EBITDA slightly decreased only -1% y-o-y to 74,600 MB, thanks partly to the continuous cost & efficiency improvements seen in CBM business. Profit for the year registered at 34,144 MB, an increase of +7% y-o-y from better performance in all businesses.

Packaging business reported FY2020 profit of 6,457 MB, an increase of +23% y-o-y. Revenue from Sales registered 92,786 MB, increased +4% y-o-y, while EBITDA registered 16,884 MB, increased +11% y-o-y. EBITDA margin improved to 18% for FY2020 compared to 17% for FY2019.

Table 1 - Consolidated financial summary

	<u>Q4/20</u>	% Change	% Change	<u>FY2020</u>	% Change
	MB	Y-o-Y	Q-o-Q	MB	Y-o-Y
Revenue from Sales	97,250	-8%	-4%	399,939	-9%
Profit for the Period	8,048	13%	-17%	34,144	7%
EBITDA	18,300	-12%	-4%	74,600	-1%
EBITDA from Operations	16,763	25%	-9%	68,112	12%
Earnings per Share (Baht)	6.7	13%	-17%	28.5	7%
Dividend Summary	<u>H1/20</u>	<u>H2/20</u>	<u>FY2020</u>	<u>FY2019</u>	
Baht Per Share	5.5	8.5	14.0	14.0	
Payout Ratio (% of Net Profit)	40%	57%	49%	52%	
Payout Ratio (% of Net Profit before recognition of severance pay adjustment)				49%	
<i>Note :</i>	EBITDA	= Earnings and dividends, before interest, tax, depreciation & amortization.			
	EBITDA from Operations	= Earnings before interest, tax, depreciation & amortization.			
	Profit for the Period	= Profit for the period attributable to owners of the parent.			

Equity Income registered 9,456 MB in FY2020, down 2,176 MB y-o-y.

Equity Income in FY2020 registered 9,456 MB, representing a drop of 2,176 MB y-o-y, whereby the chemicals portion accounted for 53% of the total or 5,033 MB, which represents a decline of 2,192 MB y-o-y, while the non-chemicals portion was the remaining 47% or 4,423 MB, which represents a gain of 16 MB y-o-y.

Cash & Cash Under Management of 107,150 MB.

Total dividends received in FY2020 amounted to 7,158 MB, a decrease of -56% y-o-y or 9,050 MB, with details as follows: a) 6,488 MB from "Associated" companies (20%-50% stake), and b) 670 MB from "Other" companies (less than 20% stake).

Continued solid financials, with cash & cash under management of 107,150 MB, compared to the 46,002 MB in Q4/19. CAPEX and Investments registered 58,308 MB in FY2020.

Net Working Capital registered 66,880 MB, a decrease of -2% q-o-q or 1,165 MB, while Inventory to Sales was 51 days higher compared to the previous quarter (Q3/20).

8.5 Bt/sh year-end dividend, totaling 14.0 Bt/sh for FY2020.

The Board of Directors of SCC has approved a year-end 2020 dividend of 8.5 Bt/sh (57% of H2/20 earnings) that is payable on 23 April 2021. The total FY2020 dividend paid amounts to 14.0 Bt/sh (16,800 MB), which is comprised of the H1/20 interim of 5.5 Bt/sh, and the year-end of 8.5 Bt/sh. This compares to the FY2019 dividend of 14.0 Bt/sh.

Table 2 - Segments

	Q4/20	Change	Change	FY2020	Change
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB	% Y-o-Y
Consolidated SCG	97,250	-8%	-4%	399,939	-9%
Cement-Building Materials Business	40,284	-11%	-6%	171,720	-7%
Chemicals Business	36,035	-13%	-5%	146,870	-17%
Packaging Business	23,596	2%	1%	92,786	4%
Other	37	28%	23%	122	4%
EBITDA	Q4/20	% Y-o-Y	% Q-o-Q	FY2020	% Y-o-Y
Consolidated SCG	18,300	-12%	-4%	74,600	-1%
Cement-Building Materials Business	3,673	-20%	-29%	21,591	3%
Chemicals Business	9,451	-12%	8%	30,965	-4%
Packaging Business	4,211	9%	9%	16,884	11%
Other	1,036	-40%	-24%	5,462	-19%
EBITDA from Operations	Q4/20	% Y-o-Y	% Q-o-Q	FY2020	% Y-o-Y
Consolidated SCG	16,763	25%	-9%	68,112	12%
Cement-Building Materials Business	3,510	-22%	-32%	21,068	3%
Chemicals Business	8,150	138%	-7%	26,532	32%
Packaging Business	4,211	9%	9%	16,876	11%
Other	963	-39%	15%	3,938	-24%
EBITDA Margins (%)	Q4/20	Q4/19	Q3/20	FY2020	FY19
Consolidated SCG	17%	13%	18%	17%	14%
Cement-Building Materials Business	9%	10%	12%	12%	11%
Chemicals Business	23%	8%	23%	18%	11%
Packaging Business	18%	17%	17%	18%	17%
Profit (Loss) for the Period	Q4/20	% Y-o-Y	% Q-o-Q	FY2020	% Y-o-Y
Consolidated SCG	8,048	13%	-17%	34,144	7%
Cement-Building Materials Business	(194)	N/A	N/A	6,422	18%
Chemicals Business	5,837	108%	6%	17,667	14%
Packaging Business	1,486	24%	11%	6,457	23%
Other	1,150	-37%	12%	3,862	-34%

Note: EBITDA = Earnings and dividends, before interest, tax, depreciation & amortization.
EBITDA from Operations = Earnings before interest, tax, depreciation & amortization.
EBITDA Margins = Operating EBITDA, to Revenue from Sales.
Profit for the Period = Profit for the period attributable to owners of the parent.
Consolidated SCG's financial statement is presented after the intersegment elimination.

Business Segments

Cement-Building Materials Business

Seasonally weak demand, severe rainfall and floods, and resurgence of COVID-19

In Q4/20, Thailand's total domestic grey cement demand decreased -5% y-o-y. Cement demand from the government sector (approx. 40% of total demand volume) remained stable y-o-y, but demand from non-government sectors (approx. 60% of total demand volume) lowered -7% y-o-y. The average grey cement price in Q4/20 dropped to the range of 1,700 - 1,750 Bt/ton.

For non-cement products in Q4/20, Thailand's demand of ceramic tiles dropped -2% y-o-y while demand of housing products (applications for roof, ceiling & wall) dropped -8% y-o-y.

For SCG ceramic tiles business (floor and wall tiles), total sales volume in all markets (Thailand, Vietnam, Indonesia, Philippines) in Q4/20 amounted to 39 million sqm, decreased -12% y-o-y, due to severe floods in many countries such as Vietnam and Cambodia which exerted more pressure on an already weak market. The average price of ceramic tiles for all of SCG's ASEAN operations decreased -2% y-o-y.

For Q4/20, revenue from sales of the Cement-Building Materials Business registered 40,284 MB, decreased -11% y-o-y and -6% q-o-q as a result of weakened demand from the resurgence of COVID-19 outbreak as well as logistic barrier from heavy floods in Thailand. Additionally, floods in Vietnam and Cambodia from severe rainfall contributed to the weak sales. EBITDA registered 3,673 MB, lowered -20% y-o-y and -29% q-o-q due to decreased sales volume from economic slowdown. Net Loss for the Period was -194 MB due mainly to the recognition of 1,316 MB asset impairments at Myanmar and Indonesia cement operations during the quarter. Without the impairments, Profit for the Period would have been 1,122 MB.

For FY2020, revenue from sales registered at 171,720 MB, decreased -7% y-o-y due to COVID-19 pandemic and challenging economic environment. However, EBITDA registered 21,591 MB, an increase of +3% y-o-y and Profit for the Period registered 6,422 MB, an increase of +18% y-o-y as a result of continuous efficiency improvements and lower production cost. However, without the asset impairments, EBITDA would register at 24,405 MB or +10% increased y-o-y and without severance pay adjustment in year 2019 and asset impairments, profit for the period would register at 8,793 MB or +18% increased y-o-y.

Chemicals Business

Strong EBITDA from operations driven by higher product spreads

In Q4/20, Brent crude oil price increased by \$2/bbl to \$45/bbl, and Naphtha price increased by \$11/ton or 3% q-o-q to \$408/ton. Crude oil price increased from COVID-19 vaccine rollout and depreciating US dollar resulted from stimulus packages. Naphtha price increased following crude oil price.

Overall, product prices increased q-o-q due to demand recovery, supply tightness, and higher freight cost from limited container space. HDPE price rose by \$81/ton or 9% q-o-q to \$1,000/ton. PP price also increased by \$170/ton or 17% q-o-q to \$1,144/ton. HDPE-Naphtha spread increased by \$70/ton or 13% q-o-q to \$592/ton, and PP-naphtha spread increased by \$159/ton or 28% q-o-q to \$736/ton. In Q4/20, Chemicals Business sold 384,000 tons of polyolefin products (PE and PP), decreased by 58,000 tons q-o-q from MOC turnaround. Export sales volume of PE and PP was 193,000 tons or 50% of the total sales volume.

In Q4/20, PVC-EDC/C2 spread increased by \$69/ton or 15% q-o-q to \$524/ton, and PVC sales volume dropped by 3,000 tons or -1% q-o-q to 209,000 tons due to COVID-19 restriction policy in Indonesia.

BD-Naphtha spread rose by 334% q-o-q to \$724/ton due to limited supply from Europe and U.S. and regional unplanned shutdown amid improved demand. Meanwhile, MMA-Naphtha spread increased 18% q-o-q to \$1,202/ton due to limited supply from unplanned shutdown and planned turnaround of producers while demand gradually recovered from automotive sector.

In Q4/20, revenue from sales was 36,035 MB, decreased -5% q-o-q and dropped -13% y-o-y due to lower sales volume from MOC turnaround, which was postponed from Q2/20. Chemicals business managed to complete the turnaround in 38 days from original plan of 45 days. Additional ethylene and propylene sourcing together with faster MOC turnaround reduced production and sales volume loss from 120,000 tons expected earlier to 60,000 tons. EBITDA increased 8% q-o-q to 9,451 MB from higher product spreads but decreased -12% y-o-y due to lower dividends from associates. EBITDA from operations decreased to 8,150 MB or -7% q-o-q due to lower sales

volume from MOC turnaround, but increased 138% y-o-y due to lower feedstock cost and inventory gain. Profit for the period was 5,837 MB or increased 6% q-o-q mainly from higher product spreads and higher equity income from associates, and grew 108% y-o-y from lower feedstock cost and inventory gain. Chemicals Business realized inventory gain of 1,060 MB, increased 240 MB q-o-q and 2,120 MB y-o-y.

For FY2020, revenue from sales decreased -17% y-o-y to 146,870 MB from lower product prices and lower sales volume. EBITDA declined -4% y-o-y to 30,965 MB from lower dividends from associates. Profit for the period increased 14% y-o-y to 17,667 MB as a result of higher product spreads.

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Financials

Net Debt

Registered 154,214 MB in Q4/20, a decrease of 27,197 MB from the end of Q4/19.

Net debt registered 154,214 MB in Q4/20, a decrease of 27,197 MB from Q4/19. While FY2020 EBITDA registered at 74,600 MB. As a result, Net Debt / EBITDA ratio dropped to 2.1 times (x) from 2.4 times (x) in Q4/19.

FY2020 cash inflow included EBITDA generation of 74,600 MB and cash proceeds from SCGP's IPO of 40,092 MB. This is compared to cash outflow of 87,464 MB consisting of CAPEX & Investments of 58,308 MB, dividend payments of 16,409 MB, interest payment of 7,653 MB and corporate tax expense of 5,094 MB.

Net finance and interest cost in for FY2020 amounted to 7,082 MB, compared to 6,587 MB in FY2019. The increase stemmed mainly from the adoption of TFRS 16 (Leases) accounting standard. The average cost of interest in FY2020 decreased to 2.9% from 3.1% in FY2019.

CAPEX & Investment 58,308 MB in FY2020.

CAPEX & Investment in FY2020 amounted to 58,308 MB, of which 66% was in Chemicals, 16% was in CBM, 14% was in Packaging, and 4% was in others. FY2021 CAPEX & Investment are expected to be 65,000 - 75,000 MB, consisting mainly of committed Petrochemicals Complex construction in Vietnam, and other efficiency and maintenance projects.

Table 3 - SCG's Debt Profile (MB)

	Q4/20	Q3/20	Q4/19
Short Term	22,020	37,114	19,267
Foreign	6,657	6,807	6,341
Baht	15,363	30,307	12,926
% of Total Loan	8%	13%	8%
Long Term	239,344	240,393	208,146
Foreign	20,534	22,234	11,881
Baht	218,810	218,159	196,265
% of Total Loan	92%	87%	92%
Total Loan	261,364	277,507	227,413
Cash & Cash Under Management	107,150	87,352	46,002
Cash and cash equivalents	64,399	44,931	27,627
Investment in short-term debt securities	38,582	39,207	16,595
Investment in debt securities (Private funds) and fixed deposit more than 12 months	4,169	3,214	1,780
Total Net Debt	154,214	190,155	181,411
SCG's Financial Ratios	Q4/20	Q3/20	Q4/19
EBITDA on Assets (%)	10%	11%	12%
EBITDA on Assets (%) (excluding projects under construction)	12%	12%	13%
Current Ratio (times)	1.3	1.1	1.3
Quick Ratio (times)	0.9	0.7	0.7
Interest Coverage (times)	10.6	10.8	12.5
Net Debt to EBITDA (times)	2.1	2.5	2.4
Net Debt to EBITDA (times) (excluding projects under construction)	1.0	1.5	1.8
Net Debt to Equity (times)	0.4	0.5	0.6
Debt to Equity (times)	0.9	1.1	0.9
Return on Equity (%)	11%	11%	12%
Note:	<p><i>Net Debt</i> = Total debt (interest bearing), less cash and cash under management</p> <p><i>EBITDA</i> = Earnings before interest, tax, depreciation & amortization, plus dividends</p> <p><i>EBITDA on Assets</i> = Trailing-12-month EBITDA, to Total Consolidated Assets</p> <p><i>Current Ratio</i> = Current assets, to current liabilities</p> <p><i>Quick Ratio</i> = Cash + short term investments + receivable, to current liabilities</p> <p><i>Interest Coverage</i> = EBITDA, to interest expense</p> <p><i>Net Debt to EBITDA</i> = Net debt, to Trailing-12-month EBITDA</p> <p><i>Net Debt to Equity</i> = Net Debt, to equity & non-controlling interest</p> <p><i>Debt to Equity</i> = Total Liabilities, to equity & non-controlling interest</p> <p><i>Return on Equity</i> = Trailing-12-month Net profit, to average total shareholders' equity (not including non-controlling interest)</p>		

Table 4 - Statement of Financial Position (MB)

	<u>Dec/20</u>	<u>Dec/19</u>	<u>Sep/20</u>
Total Assets	749,381	634,733	723,147
Current assets			
Cash, cash equivalent and			
Investments in short-term debt securities	102,981	44,222	84,138
Trade and other receivables	54,842	62,166	61,365
Inventory	54,654	56,411	52,278
Long-term investment	114,808	100,033	111,472
Property, plant and equipment	363,425	305,986	354,104
Total Liabilities	353,255	306,990	372,017
Trade and other payables	65,273	55,887	69,129
Loans	261,364	227,413	277,507
Total Shareholders' Equity	396,126	327,743	351,130
Total equity attributable to owners of the parent	320,972	280,215	302,749
Non-controlling interests	75,154	47,528	48,381



Sustainability

SCG adheres to conducting its business with ethics, and responsibility to all stakeholders for sustainable mutual benefits. SCG has set its Sustainable Development Framework in accordance with global practices, covering three dimensions of economy, society and the environment, with corporate governance as an overarching principle. SCG Sustainable Development Committee or “SDC” has been appointed since 1995 to ensure that operations by our business units are aligned. SDC is responsible for defining sustainability strategy, targets and action plans for business and their own subsidiaries. **“Sustainable Development Guideline”** has been adopted since 2008 to encourage effective and collaborative practices across organization and responsible functions.

I. Environment: Being a role model in tackling Climate Change and support Circular Economy

SCG has unveiled its commitment to achieve “Net Zero” emissions within 2050

SCG has set a long-term goal to reduce greenhouse gas emissions by 20% in 2025 and 28% in 2030 (compared to business as usual at the base year of 2007). Additionally, in 2020, SCG unveiled its commitment to achieve “Net Zero” emissions within 2050. This is in accordance with the Paris Agreement which aims to cap the increase in global average temperature to well below 1.5 degrees Celsius following the Science Based Targets. In addition, SCG also applies Circular Economy principles to our operations from the design and production processes to the recovery of post-consumer materials for reuse in manufacturing.

SCG also collaborates with 180 alliances both domestically and internationally to pursue sustainability. Water management, for instance, is one of the key agenda under Circular Economy. SCG has set target to reduce water withdrawal by 23% within 2025 compared to business as usual (BAU) level in 2014. By investing in less water-intensive manufacturing processes and close-loop water system, SCG is following 3R principle (Reduce Reuse and Recycle).

To help improve quality of life of the communities, SCG has been focusing on research, development and adoption of modern technologies to produce innovative products, services, and solutions that are environmentally friendly. SCG labels these products **“SCG Green Choice”** SCG is the first Thai organization to establish environmentally friendly labels for products and services by setting the criteria for consideration in accordance with ISO14021: Environmental Labels and Declarations-Self-Declared Environmental Claims. SCG Green Choice labels (Formerly: SCG eco value) were



launched in 2009. SCG targets SCG Green Choice products and services to make up 2/3 of its sales by 2030.

Corporate social responsibility during time of crisis

II. Social: Elevating corporate social responsibility during time of crisis

During the COVID-19 pandemic in 2020, SCG donated innovative medical equipment and supplies needed to curb the risk of infection and protect healthcare professionals. The equipment included Modular Screening & Swab Units, Positive Pressure Isolation Chamber, Patient Isolation Capsule, CT Scan, Tele - monitoring system and N95 medical mask as well as financial support to 979 institutions in 74 provinces in Thailand and ASEAN countries in which SCG operates.

With regards to Human rights, SCG provides support and encourages suppliers and joint ventures to recognize, protect, and respect human rights in their business operations. We target to have 0 case of human rights violation

SCG is resolved to become a role model in corporate governance

III. Governance: Operating business with Responsibility Transparency Fairness

SCG conducts business with responsibility, transparency, and fairness, adhering to the long-practiced business principles defined by the framework of the SCG Code of Conduct and dedication to sustainable and balanced benefits. The Board of Directors behave as role models in compliance with SCG's Principles of Corporate Governance and Code of Conduct.

SCG is resolved to become a role model in corporate governance, encapsulating it in SCG Vision with the conviction that SCG's corporate governance will ensure fairness, transparency, and long-term economic value for shareholders whilst creating confidence among all stakeholders and enhancing the Company's competitiveness to achieve sustainable growth.

To strengthen the board composition on the principles of transparency, diversity and to have sufficient number of independent directors in order to ensure the Board's ability to oversee the interest of the Company and every shareholder equitably, the Board of Directors has determined that the proportion of independent directors shall not be less than half of total number of the board members.

In 2020, SCG was ranked 1st in the world and ranked in the Gold Class as Industry Leader in Construction Materials by DJSI

Awards and recognitions in 2020

- Assessed and listed No. 1 in the world ranked in the Gold Class as Industry Leader- Construction Materials by the Dow Jones Sustainability Indices (DJSI) in 2020
- Earned Thailand Corporate Excellence Awards 2020 for our sustained commitment to drive long term growth through Circular Economy from Thailand Management Association (TMA) and Sasin School of Management
 - 2 royally-bestowed excellence awards in Human Resource for 18 consecutive years and in Financial Management
 - 3 distinguished awards in Leadership Excellence, Sustainable Development Excellence and Product / Service Excellence
- Granted "Outstanding" in the Human Rights Award 2020 as a role model organization for our best practices on human rights from Rights and Liberties Protection department, Ministry of Justice Thailand
- Rated "Excellent" in the Corporate Governance Report of Thai Listed Companies in 2020 from Thai Institute of Directors (IOD) for 6 consecutive years

For additional information



SCG Sustainability
<http://www.scgsustainability.com/en/>



Corporate governance
<https://scc.listedcompany.com/cg.html>