



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q2/21 and H1/21**

Consolidated Financial Performance

Q2/21 earnings of 17,136 MB, +15% q-o-q

SCG reported Q2/21 strong Revenue from Sales of 133,555 MB or +9% q-o-q on increased contribution from all businesses, particularly Chemicals business which recorded higher product prices as well as sustainably high polyolefin sales volume despite freight tightness situation. EBITDA rose to 32,051 MB, an increase of +35% q-o-q, from higher Chemicals product spreads and seasonal dividend from associates. Similarly, Profit for the Period increased +15% q-o-q to 17,136 MB from the higher Chemicals spreads.

On a y-o-y basis, Q2/21 Profit for the Period increased +83% y-o-y largely attributable to improved Chemicals product spreads and equity income while EBITDA rose +39% y-o-y from higher Chemicals product spreads and dividend from associates. Revenue from Sales increased +39% y-o-y, mainly from higher Chemicals selling prices.

For the period of H1/21, Profit for the Period registered 32,050 MB, an increase of +96% y-o-y. EBITDA increased +50% y-o-y to 55,716 MB, while Revenue from Sales increased +27% y-o-y to 255,621 MB. These were mainly attributable to the higher Chemicals selling prices and Chemicals product spreads as well as the equity income.

Packaging business reported Q2/21 profit of 2,263 MB, an increase of +19% y-o-y. Revenue from Sales registered 29,895 MB, increase +38% y-o-y, while EBITDA registered 5,564 MB, increase +9% y-o-y. EBITDA margin maintained at 19% for Q2/21 compared to Q1/21.

Table 1 - Consolidated financial summary

	<u>Q2/21</u>	<u>% Change</u>	<u>% Change</u>	<u>H1/21</u>	<u>% Change</u>
	MB	Y-o-Y	Q-o-Q	MB	Y-o-Y
Revenue from Sales	133,555	39%	9%	255,621	27%
Profit for the Period	17,136	83%	15%	32,050	96%
EBITDA	32,051	39%	35%	55,716	50%
EBITDA from Operations	26,418	40%	13%	49,872	52%
Earnings per Share (Baht)	14.3	83%	15%	26.7	96%
Dividend Summary					
	<u>H1/21</u>	<u>H1/20</u>	<u>FY2020</u>		
Baht Per Share	8.5	5.5	14.0		
Payout Ratio (% of Net Profit)	32%	40%	49%		
<i>Note :</i>	<i>EBITDA</i>	<i>= Earnings and dividends, before interest, tax, depreciation & amortization.</i>			
	<i>EBITDA from Operations</i>	<i>= Earnings before interest, tax, depreciation & amortization.</i>			
	<i>Profit for the Period</i>	<i>= Profit for the period attributable to owners of the parent.</i>			

Equity Income registered 11,405 MB in H1/21, increased 8,455 MB y-o-y.

Equity Income in H1/21 registered 11,405 MB, representing an increase of 8,455 MB or +287% y-o-y. The chemicals portion accounted for 66% of the total equity income, or 7,514 MB, and registered an increase of 6,354 MB y-o-y. The non-chemicals portion accounted for the remaining 34% or 3,891 MB, representing an increase of 2,101 MB.

Total dividends received in H1/21 amounted to 7,346 MB, an increase of +49% y-o-y or 2,425 MB, with details as followed: a) 5,844 MB from "Associated" companies (20%-50% stake), and b) 1,502 MB from "Other" companies (less than 20% stake).

Cash & Cash Under Management of 94,543 MB.

Continued solid financials, with cash & cash under management of 94,543 MB, compared to 111,704 MB in Q1/21.

Net Working Capital registered 92,184 MB, an increase of +16% q-o-q, while Inventory turnover period was 57 days, compared to 56 days in the previous quarter (Q1/21).

8.5 Bt/Sh Interim dividend

The Board of Directors of SCG has approved a H1/21 interim dividend payment of 8.5 Bt/Sh (10,200 MB), which is payable on Aug 27/21 (XD-date on Aug 13/21, and record date on Aug 16/21).

Table 2 - Segments

	Q2/21	Change	Change	H1/21	Change
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB	% Y-o-Y
Consolidated SCG	133,555	39%	9%	255,621	27%
Cement-Building Materials Business	46,416	9%	1%	92,601	4%
Chemicals Business	60,740	75%	18%	112,347	54%
Packaging Business	29,895	38%	10%	57,148	24%
Other	32	19%	-14%	69	25%
EBITDA	Q2/21	% Y-o-Y	% Q-o-Q	H1/21	% Y-o-Y
Consolidated SCG	32,051	39%	35%	55,716	50%
Cement-Building Materials Business	6,548	9%	0%	13,127	3%
Chemicals Business	15,591	59%	42%	26,540	108%
Packaging Business	5,564	9%	6%	10,837	23%
Other	4,450	99%	364%	5,409	76%
EBITDA from Operations	Q2/21	% Y-o-Y	% Q-o-Q	H1/21	% Y-o-Y
Consolidated SCG	26,418	40%	13%	49,872	52%
Cement-Building Materials Business	6,251	9%	-4%	12,758	3%
Chemicals Business	12,418	81%	14%	23,276	141%
Packaging Business	5,564	9%	6%	10,831	23%
Other	2,287	75%	149%	3,204	50%
EBITDA Margins (%)	Q2/21	Q2/20	Q1/21	H1/21	H1/20
Consolidated SCG	20%	20%	19%	20%	16%
Cement-Building Materials Business	13%	13%	14%	14%	14%
Chemicals Business	20%	20%	21%	21%	13%
Packaging Business	19%	23%	19%	19%	19%
Profit for the Period	Q2/21	% Y-o-Y	% Q-o-Q	H1/21	% Y-o-Y
Consolidated SCG	17,136	83%	15%	32,050	96%
Cement-Building Materials Business	2,468	27%	-12%	5,277	12%
Chemicals Business	10,392	128%	18%	19,221	203%
Packaging Business	2,263	19%	6%	4,398	21%
Other	2,682	173%	54%	4,418	163%

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

Soft domestic cement demand but strong Building Materials demand

In Q2/21, Thailand's total domestic grey cement demand decreased -2% y-o-y due partly to the lower number of working days this year compared to last year when the government cancelled Songkran Holiday in efforts to contain the spread of Covid-19. Cement demand from the government sector (accounting for 40% of total demand volume) grew +2%y-o-y, but demand from commercial and residential sectors (accounting for 60% of total demand volume) dropped -5% y-o-y and -4% y-o-y respectively. The average grey cement price in Q2/21 slightly dropped to the range of 1,700 - 1,750 Bt/ton.

Compared to cement, the demand landscape of non-cement products in Q2/21 was comparatively better with Thailand's demand of ceramic tiles increasing +10% y-o-y and of housing products (applications for roof, ceiling & wall) rising +1% y-o-y.

For SCG ceramic tiles business (floor and wall tiles), total sales volume in all markets (Thailand, Vietnam, Indonesia, Philippines) in Q2/21 amounted to 41 million sqm, increased +10% y-o-y, thanks to demand from renovation projects in Thailand and improved economic conditions in Indonesia and Philippines which lead to higher sales volume. The average price of ceramic tiles for all of SCG's ASEAN operations increased +3% y-o-y.

In Q2/21, revenue from sales of the Cement-Building Materials Business registered 46,416 MB, increased +9% y-o-y and +1% q-o-q thanks to export sales to ASEAN and Non-ASEAN markets as well as higher domestic demand for building materials from renovation projects. Meanwhile, domestic cement revenue were stable y-o-y thanks to increased sales of construction solution which largely offset lower cement sales volume and selling price due to soften demand. EBITDA registered 6,548 MB,

increased +9% y-o-y and held steady q-o-q thanks to an increase in export sales. Given the recognition of asset impairment in Q2/20, however, EBITDA excluding impairment would register a drop of -2% y-o-y in Q2/21 from softer domestic cement demand and resulting drop in sales volume and selling price. This in turn caused the EBITDA margin excluding impairment to drop slightly y-o-y despite consistently tight control on cost which held steady q-o-q. The Cement-Building Materials Business reported Profit for the period of 2,468 MB, an increase of +27% y-o-y and a decrease of -12% q-o-q.

In H1/21, Revenue from sales registered at 92,601 MB or +4% y-o-y. EBITDA was 13,127 MB or +3% y-o-y while Profit for the period registered at 5,277 MB or +12% y-o-y.

Chemicals Business

Strong chemicals performance from high chemicals product spreads and equity income

In Q2/21, Brent crude oil price increased by \$8/bbl to \$69/bbl, and Naphtha price increased by \$49/ton or +9% q-o-q to \$606/ton. Crude oil price increased from higher demand in summer and easing restrictions in Western countries following lower COVID-19 infections. Naphtha price increased following crude oil price.

HDPE price increased by \$46/ton or +4% q-o-q to \$1,191/ton from prolonged impact of winter freeze in the U.S. in February this year. PP price fell by \$42/ton or -3% q-o-q to \$1,306/ton as Middle East and Chinese producers returned from maintenance season. HDPE-Naphtha spread slightly decreased q-o-q to \$585/ton, and PP-naphtha spread decreased by \$91/ton or -12% q-o-q to \$700/ton. In Q2/21, Chemicals Business sold 492,000 tons of polyolefin products (PE and PP), increased by 4,000 tons q-o-q despite a tight freight situation and rising COVID-19 cases in the region. Chemicals business achieved satisfactory sales volume by proactively managing distribution channel, freight, and product portfolio.

In Q2/21, PVC-EDC/C2 spread increased by \$166/ton or +31% q-o-q to \$700/ton as supply was still impacted by winter freeze in the U.S. in Q1/21. PVC sales volume decreased by 8,000 tons or -4% q-o-q to 203,000 tons due to slowing demand in Southeast Asia and in India as COVID situation intensified since the beginning of Q2/21.

BD-Naphtha spread increased by +28% q-o-q to \$452/ton due to cracker maintenance and limited supply in the U.S, while demand was firm. Meanwhile, MMA-Naphtha spread increased +11% q-o-q to \$1,442/ton from global supply tightness due to plant turnarounds in Europe & Asia.

In Q2/21, revenue from sales was 60,740 MB, increased +18% q-o-q and rose +75% y-o-y due to higher product prices. EBITDA increased +42% q-o-q to 15,591 MB from seasonal dividend and higher product spreads and +59% y-o-y mainly due to higher product spreads. EBITDA from operations increased to 12,418 MB or +14% q-o-q and increased +81% y-o-y due to higher product spreads and sales volume. Profit for the period was 10,392 MB or increased +18% q-o-q mainly from higher product spreads and grew +128% y-o-y from higher product spreads and equity income from associates. Chemicals Business realized inventory gain of 150 MB in Q2/21, decreased 990 MB q-o-q and increased 740 MB y-o-y.

In H1/21, revenue from sales was 112,347 MB, increasing 54% y-o-y from higher product prices. EBITDA increased 108% y-o-y to 26,540 MB and EBITDA from operations was 23,276 MB or increased +141% y-o-y from higher product spreads. Profit for H1/21 was 19,221 MB or increased +203% y-o-y from higher product spreads and equity income.

Financials

Net debt registered 178,232 MB in Q2/21, an increase of 16,611 MB from Q1/21. Relative to the 12-month trailing EBITDA, Q2/21's the Net Debt / EBITDA ratio stood still at 1.9 times (x) compared to Q1/21. Net Debt / EBITDA (not including project CAPEX under construction) ratio slightly increased to 0.9 times.

Net finance and interest cost in H1/21 amounted to 3,385 MB compared to 3,587 MB in H1/20 and 7,082 MB in FY2020. This corresponded to the average cost of interest in

Net Debt

Registered 178,232 MB in Q2/21, an increase of 16,611 MB from the end of Q1/21.

H1/21 which was 2.8%, lower than 2.9% in H1/20 and in FY2020.

CAPEX & Investment
34,544 MB in H1/21.

CAPEX & Investment in H1/21 amounted to 34,544 MB, of which 70% was from Chemicals, 17% was from Packaging, 10% was from Cement-Building Materials, and 3% was from others.

The expected FY2021 CAPEX & Investment and acquisitions will be in the range of 80,000 - 90,000 MB. Apart from continuous spending used in construction of Long Son Petrochemicals Complex, this CAPEX & Investment amount also includes planned investment in PT Chandra Asri's second petrochemicals complex, the recent acquisition of a 70% stake in Duy Tan in Vietnam for Packaging business, and announced acquisition of a 51% stake in A.I. Technology which is a leading automation business in Thailand.

The H1/21 EBITDA generation of 55,716 MB compares to the cash outflow of 56,315 MB (CAPEX & Investments of 34,544 MB, dividend payment of 13,104 MB, interest payment of 3,796 MB and corporate tax of 4,871 MB).

Table 3 - SCG's Debt Profile (MB)				
	Q2/21	Q1/21	Q4/20	Q2/20
Short Term	33,370	26,681	22,020	40,951
Foreign	11,366	8,631	6,657	7,470
Baht	22,004	18,050	15,363	33,481
% of Total Loan	12%	10%	8%	15%
Long Term	239,405	246,644	239,344	233,743
Foreign	38,200	28,502	20,534	20,677
Baht	201,205	218,142	218,810	213,066
% of Total Loan	88%	90%	92%	85%
Total Loan	272,775	273,325	261,364	274,694
Cash & Cash Under Management	94,543	111,704	107,150	88,628
Cash and cash equivalents	39,814	53,198	64,399	61,190
Investment in short-term debt securities	48,360	53,332	38,582	26,178
Investment in debt securities (Private funds) and fixed deposit more than 12 months	6,369	5,174	4,169	1,260
Total Net Debt	178,232	161,621	154,214	186,066
SCG's Financial Ratios	Q2/21	Q1/21	Q4/20	Q2/20
EBITDA on Assets (%)	12%	11%	11%	11%
EBITDA on Assets (%) (excluding projects under construction)	14%	13%	13%	13%
Current Ratio (times)	1.3	1.2	1.3	1.1
Quick Ratio (times)	0.8	0.9	0.9	0.7
Interest Coverage (times)	18.9	14.0	10.6	13.0
Net Debt to EBITDA (times)	1.9	1.9	2.1	2.6
Net Debt to EBITDA (times) (excluding projects under construction)	0.9	0.8	1.0	1.7
Net Debt to Equity (times)	0.4	0.4	0.4	0.5
Debt to Equity (times)	0.9	0.9	0.9	1.1
Return on Equity (%)	15%	13%	11%	10%
<i>Note:</i>	<ul style="list-style-type: none"> <i>Net Debt</i> = Total debt (interest bearing), less cash and cash under management <i>EBITDA</i> = Earnings before interest, tax, depreciation & amortization, plus dividends <i>EBITDA on Assets</i> = Trailing-12-month EBITDA, to average Total Consolidated Assets <i>Current Ratio</i> = Current assets, to current liabilities <i>Quick Ratio</i> = Cash + short term investments + receivable, to current liabilities <i>Interest Coverage</i> = EBITDA, to interest expense <i>Net Debt to EBITDA</i> = Net debt, to Trailing-12-month EBITDA <i>Net Debt to Equity</i> = Net Debt, to equity & non-controlling interest <i>Debt to Equity</i> = Total Liabilities, to equity & non-controlling interest <i>Return on Equity</i> = Trailing-12-month Net profit, to average total shareholders' equity (not including non-controlling interest) 			

Table 4 - Statement of Financial Position (MB)

	Jun/21	Dec/20	Jun/20
Total Assets	812,051	749,381	706,652
Current assets			
Cash, cash equivalent and			
Investments in short-term debt securities	88,174	102,981	87,368
Trade and other receivables	74,771	54,842	59,512
Inventory	68,825	54,654	50,926
Long-term investment	122,625	114,808	106,584
Property, plant and equipment	387,670	363,425	341,360
Total Liabilities	379,943	353,255	362,701
Trade and other payables	74,831	65,273	60,584
Loans	272,775	261,364	274,694
Total Shareholders' Equity	432,108	396,126	343,951
Total equity attributable to owners of the parent	351,978	320,972	296,485
Non-controlling interests	80,130	75,154	47,466

SCG Sustainability

Accelerate transformation by incorporating TCFD and SBTi criteria into business plan

In achieving global warming limit to 1.5 degrees Celsius above pre-industrial levels, SCG has set the target to be Net Zero emissions by 2050 and has committed to the Science Based Targets initiative (SBTi) to pursue our roadmap towards zero-carbon economy.

SCG has **accelerated business model transformation** and incorporated climate action into its medium to long-term plans by adhering to **Task Force on Climate-related Financial Disclosures (TCFD) framework and SBTi criteria** in order to become a Sustainable Business Leader together with good social responsibility and corporate governance.

Grow the proportion of Renewable energy and Alternative fuel

I. Environment: Key initiatives on Climate resilience

- **Increasing the proportion of Renewable energy and Alternative fuel** to tackle with climate change: SCG has developed and installed solar energy systems ranging from conventional solar farm to floating solar, and rooftop solar. SCG also promotes and sells SCG Solar Roof Solutions Innovation for energy-efficient home to customers. Our Solar Roof Solutions help homeowners reduce the cost of electricity by up to 60%.

Additionally, SCG also made investments to increase the share of biomass and alternative fuel from 14.3% in 2020 to 16.8% in 1Q21, helping to reduce fossil fuel use.

Establish Internal Carbon Pricing ("ICP") program

- **Establishing Internal Carbon Pricing ("ICP") program** and applying it as one of the criteria for investment decision: This encourages a shift to low-carbon investments by giving financial incentive to projects that contribute to greenhouse gas reduction. The existence of the program also increases relative cost of projects with high carbon footprint.

Develop new products, services, and solutions as well as invest in Deep Tech

- **Developing new products, services and solutions** as well as **looking for opportunities to invest in Deep Technology**: The focus is on Carbon capture, utilization and storage (CCUS) and other digital technology such as AI supervisory to optimize energy use, lower energy consumption, and reduce greenhouse gas emissions.

Become a member of the RE100 Thailand Club

- **Collaborating with leading organizations in driving Climate change concern into action**: SCG continues to be active member of national and international organizations promoting sustainability. In June 2021, SCG **became a member of the RE100 Thailand Club** to support the move by Thai industries towards sustainable economic, societal and environmental growth.

Continuous public service during the Covid-19 pandemic

II. Social: Continuous public service during the Covid-19 pandemic

In June 2021, SCG volunteered the use of its Bangsue corporate headquarters as one of Bangkok's "COVID-19 vaccination unit" to assist the government in the distribution of vaccine. Apart from the physical location, SCG also provides equipment, personnel and budgets to accommodate 3,000 visitors per day.

Amid the 3rd and the ongoing 4th Covid-19 wave in Thailand, SCG Foundation, SCG and SCG Packaging (SCGP) donate **SCG Paper Field Hospital Beds and nets to field hospitals** to provide immediate assistance to the public. The rapid spread of COVID-19 in Thailand has caused a severe shortage of personal protective equipment (PPE) suits and beds necessary to cater to a growing number of patients. Additionally, SCG **continues to develop health-related innovations and provide assistance** including Modular ICU for critical Covid-19 patients, Modular Bathrooms, Positive Pressure SWAB Cabinet, Negative Pressure Isolation Rooms, Patient Isolation Capsule used to prevent the spread of virus during patient transports, Small Patient Isolation Capsule for CT scan, Dent Guard, as well as other medical equipment and financial support to hospitals and institutions with needs both, in Thailand and ASEAN countries in which SCG operates.

At the same time, SCG also **provides financial supports and services to mitigate the impact of Covid-19 lockdown to its business and trade partners** by extending payment window for an additional month as well as offering credit facility for SME partners. Further assistance is provided in the form of distribution channels via SCG Home and online channels belonging to SCG and its alliances. This is done to enable SME businesses to generate cash inflows. SCG also provides advice on digital technology for plant management to allow businesses to continue to operate efficiently.

Board seminar on ESG topics to maintain robust ESG oversight

III. Governance:

To **reinforce awareness and maintain a robust ESG oversight** at the highest level, SCG arranged Board of Directors seminar focusing on 2 topics in 2Q/21:

- ESG in the eye of investors and ESG Disclosure by Aberdeen Standard Investments Singapore
- Climate Resilience, Decarbonization and Mitigation Mechanism by Thailand Greenhouse Gas Management Organization (TGO)

For additional information

SCG Sustainability

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

Corporate governance

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

Link to ESG Profile (New)

<https://bit.ly/3dLEVVV>