



**The Siam Cement Public Company Limited  
Management's Discussion and Analysis (MD&A)  
Consolidated Financial Results: Q4/18 and FY2018**

**Q4/18 earnings of 10,468 MB, with FY2018 results of 44,748 MB.**

**Consolidated Financial Performance**

SCG reported Q4/18 Profit for the Period of 10,468 MB, an increase +11% q-o-q, similarly, EBITDA grew +13% q-o-q, attributed mainly from seasonal dividend contribution from the Chemicals business and the investment business. While Revenue from Sales decreased -4% q-o-q to 117,223 MB, largely from lower chemicals product prices.

On a y-o-y basis, Q4/18 Profit for the Period decreased -17% y-o-y and EBITDA dropped -24% y-o-y, mainly due to the decline in performance from the Chemicals business in light of the market volatility which resulted in decreased margins and inventory loss of 2,200 MB. However, Revenue from Sales increased +3% y-o-y, mainly from increased chemicals sales volumes, and the domestic growth in the Cement-Building Material business.

For the period of FY2018, Profit registered at 44,748 MB, a decrease of -19% y-o-y while EBITDA declined -15% y-o-y to 86,641 MB, attributed to the lower chemicals earnings, which was partially compensated by the earnings of Packaging business. However, Revenue from Sales increased +6% y-o-y to 478,438 MB due to higher sales volume in every Business Unit.

**Equity Income registered 15,047 MB in FY2018, down 3,165 MB y-o-y.**

Equity Income in FY2018 registered 15,047 MB, representing an drop of 3,165 MB y-o-y, whereby the chemicals portion accounted to 74% of the total or 11,183 MB, which represents a decline of 3,643 MB y-o-y, while the non-chemicals portion was the remaining 26% or 3,864 MB, which represents a gain of 478 MB y-o-y.

Total dividends received in FY2018 amounted to 13,668 MB, a decrease of -26% y-o-y or 4,728 MB, with details as follows: a) 11,189 MB from "Associated" companies (20%-50% stake), and b) 2,479 MB from "Other" companies (less than 20% stake).

**Table 1 - Consolidated financial summary**

	Q4/18 MB	% Change Y-o-Y	% Change Q-o-Q	FY2018 MB	% Change Y-o-Y
<b>Revenue from Sales</b>	<b>117,223</b>	3%	-4%	<b>478,438</b>	6%
<b>Profit for the Period</b>	<b>10,468</b>	-17%	11%	<b>44,748</b>	-19%
<b>EBITDA</b>	<b>20,081</b>	-24%	13%	<b>86,641</b>	-15%
<b>EBITDA from Operations</b>	<b>16,246</b>	-20%	-8%	<b>75,452</b>	-12%
<b>Earnings per Share (Baht)</b>	<b>8.7</b>	-17%	11%	<b>37.3</b>	-19%
<b>Dividend Summary</b>					
	H1/18	H2/18	FY2018	FY2017	
<b>Baht Per Share</b>	8.5	9.5	18.0	19.0	
<b>Payout Ratio (% of Net Profit)</b>	41%	57%	48%	41%	

Note : EBITDA = Earnings and dividends, before interest, tax, depre & amortization.  
EBITDA from Operations = Earnings before interest, tax, depre & amortization.  
Profit for the Period = Profit for the period attributable to owners of the parent.

**Cash & Cash Under Management of 57,937 MB.**

Continued solid financials, with cash & cash under management of 57,937 MB, compared to the 64,129 MB in Q4/17. CAPEX and Investments registered 45,817 MB.

Net Working Capital registered 76,687 MB, an increase of 1% q-o-q or 679 MB, while Inventory to Sales was 47 days from 49 days in the previous quarter (Q3/18).

**9.5 Bt/sh year-end dividend, totaling 18.0 Bt/sh for FY2018.**

The Board of Directors of SCC has approved a year-end 2018 dividend of 9.5 Bt/sh (57% of H2/18 earnings) that is payable on Apr 19/19. The total FY2018 dividend paid amounts to 18.0 Bt/sh (21,600 MB), which is comprised of the H1/18 interim of 8.5 Bt/sh, and the year-end of 9.5 Bt/sh. This compares to the FY2017 dividend of 19.0 Bt/sh.

### **Business Segments**

**Cement-Building Materials Business  
Revenue from sales increased +5% y-o-y.**

In Q4/18, Thailand's total domestic grey cement demand increased +4% y-o-y, resulting in the FY2018 Thai total domestic demand growth of 3% y-o-y. The majority of the growth came from the governmental sector (approx 35% to 40% of total volume) which grew +6% y-o-y. At the same time, the non-governmental sectors (approximately 60% to 65% of total volume) grew +3% y-o-y for the commercial sector and +2% y-o-y for the residential sector. The average grey cement price in Q4/18 remained in the range of 1,700-1,750 Baht/ton.

Grey cement exports in Q4/18 grew y-o-y to 1.1 MT, with the average upward FOB export price movement to \$46/ton, driven by the Chinese national policy to limit cement capacity and production.

For the non-cement products, Q4/18 Thai demand of ceramic tiles and housing products (roof, ceiling & wall) ranged from flat to slightly positive, or +1 to +4% y-o-y, depending on the products. Within ASEAN (Thailand, Vietnam, Indonesia, Philippines), the ceramics tiles business recorded Q4/18 total sales volume (floor and wall tiles) of 45.8 million sqm, which increased +1% y-o-y, however, the total average price of ceramic tiles decreased -3% y-o-y due to high competition.

Financially, Revenue from Sales in Q4/18 registered 45,728 MB, slightly decreased by -1% q-o-q but improved by +5% y-o-y, attributed to the operational expansion of Thailand and international. In Q4/18, EBITDA increased +14% y-o-y, and +30% q-o-q to 5,324 MB. Similarly, Profit for the Period registered 1,558 MB, an increase of +49% y-o-y from higher sales in Thailand and ASEAN & Others and +488% q-o-q from the asset impairments which occurred in Q3/18.

For the period of FY2018, Revenue from Sales increased by +4% y-o-y to 182,952 MB, with the operational expansion of Thailand and international. EBITDA slightly decreased by -1% y-o-y to 21,244 MB and Profit for the year declined -7% y-o-y to 5,984 MB, mainly from the asset impairments in the Q3/18.

**Chemicals Business  
Lower performance q-o-q and y-o-y from volatility.**

Driven by the market volatility in Q4/18, Brent crude oil prices declined by \$8/bbl or -11% q-o-q to \$68/bbl, while Naphtha prices fell by \$100/ton or -15% q-o-q to \$567/ton. Crude and naphtha prices were pressured by worries over global economic slowdown from US-China trade tension and waivers on Iranian oil imports to 8 countries.

Overall, product prices decreased q-o-q. HDPE price dropped \$143/ton or -11% q-o-q to \$1,207/ton, and PP price decreased by \$72/ton or -6% q-o-q to \$1,218/ton. Therefore, the spread of HDPE-naphtha narrowed by \$44/ton or -6% q-o-q to \$639/ton; however, PP-naphtha spread slightly increased by \$27/ton or +4% q-o-q to \$650/ton. In Q4/18, Chemicals Business sold 477,000 tons of polyolefin products (PE and PP), an increase of 17,000 tons or +4% q-o-q, due to more availability of ethylene after LLDPE producers in Middle East and Asia decided to sell ethylene into the market. Additionally, 61% of the PE and PP produced were exported, or amounted to 291,000 tons of the total sales volume.

PVC spread (PVC-EDC/C2) squeezed by \$38/ton or -10% q-o-q to \$332/ton, as a result of slowdown PVC demand and destocking activities during year end. PVC sales in Q4/18 increased by 23,000 tons or +11% q-o-q to 225,000 tons, as VCM plant in Thailand resumed production after turnaround.

BD-Naphtha spread fell by -42% q-o-q to \$551/ton, and MMA-Naphtha spread also declined by -8% q-o-q to \$1,911/ton, caused by lower demand in Asia from trade tension and customers' aim to keep low inventory towards year end.

Revenue from sales in Q4/18 decreased by -7% q-o-q to 53,905 MB mainly from lower product prices, but grew +4% y-o-y. EBITDA amounted to 9,051 MB, a

decrease of -8% q-o-q and -48% y-o-y, driven by the stock loss in the last quarter of the year. Profit for the period decreased -28% q-o-q and -43% y-o-y to 5,415 MB, due to lower equity income from associated companies, and inventory loss.

For the period of FY2018, Revenue from Sales gained +7% y-o-y to 221,538 MB on higher product prices and sales volume. However, EBITDA dropped -28% y-o-y to 46,117 MB, while Profit for the year declined by -29% y-o-y to 29,166 MB due to higher feedstock costs and lower equity income from associated companies.

**Packaging Business**  
**FY2018, Revenue and**  
**Profit increased from**  
**higher selling prices.**

In the Packaging Chain, the Q4/18 average price of recovered paper (AOCC) decreased -\$20/ton q-o-q to \$200/ton due to weak demand among key Chinese players. The average regional prices of Packaging Paper dropped q-o-q from \$565/ton to \$545/ton due to lower Chinese and regional demand. The total sales volume of Packaging Paper in Q4/18 registered 611,000 tons, a decrease of -5% q-o-q and -5% y-o-y on domestic and regional demand softness. In Thailand, the domestic sales volume of Packaging Paper registered 329,000 tons, a decrease of -3% q-o-q due to lower production from the Electronics and Electrical Appliances segment, while growing +3% y-o-y.

Revenue from Sales of the Packaging Chain in Q4/18 amounted to 16,722 MB, representing a decline of -4% q-o-q and -1% y-o-y. EBITDA generation of the Packaging Chain amounted to 3,008 MB, a drop of -9% q-o-q while grew +14% y-o-y due to improved margin and cost saving initiatives.

In the Fibrous Chain, the regional price of P&W paper decreased q-o-q of -\$50/ton to \$870/ton due to lower pulp costs. The average prices of short-fiber and long-fiber pulp decreased q-o-q to \$730/ton and \$805/ton, respectively, due to lower Chinese demand. The domestic sales volume of P&W Paper amounted to 69,000 tons, dropped -7% q-o-q from soften demand in Business Communication segment and dropped -6% y-o-y. Export sales volume of P&W Paper in Q4/18 was 29,000 tons or 30% of the total sales volume.

Revenue from Sales in the Fibrous Chain in Q4/18 registered 4,561 MB, down -6% q-o-q but increased +2% y-o-y. EBITDA generation of the Fibrous Chain in Q4/18 amounted to 646 MB which improved +11% q-o-q due to lower cost and increased +23% y-o-y mainly from better margin and stable operations.

Financially, the Q4/18 Revenue from Sales of the Packaging Business registered 21,283 MB, a decrease of -4% q-o-q and -1% y-o-y as a result of lower sales volume both Packaging chain and Fibrous chain. EBITDA amounted to 3,654 MB, a decline of -6% q-o-q from lower sales volume but increased +17% y-o-y with enhanced margins and cost saving initiatives. The Q4/18 EBITDA contributions from the Packaging Chain and the Fibrous Chain were 82% and 18%, respectively. Profit registered 1,492 MB dropped -13% q-o-q but grew +23% y-o-y.

For the period of FY2018 Revenue from Sales increased +7% y-o-y to 87,255 MB and EBITDA amounted to 14,866 MB, increased +20% y-o-y. Similarly, Profit for the year increased +36% y-o-y to 6,319 MB.

**Table 2 - Segments**

	Q4/18	Change	Change	FY2018	Change
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB	% Y-o-Y
Consolidated SCG	117,223	3%	-4%	478,438	6%
Cement-Building Materials Business	45,728	5%	-1%	182,952	4%
Chemicals Business	53,905	4%	-7%	221,538	7%
Packaging Business	21,283	-1%	-4%	87,255	7%
Other	25	25%	-7%	100	22%
EBITDA	Q4/18	% Y-o-Y	% Q-o-Q	FY2018	% Y-o-Y
Consolidated SCG	20,081	-24%	13%	86,641	-15%
Cement-Building Materials Business	5,324	14%	30%	21,244	-1%
Chemicals Business	9,051	-48%	-8%	46,117	-28%
Packaging Business	3,654	17%	-6%	14,866	20%
Other	2,062	69%	n.a	4,469	-4%
EBITDA from Operations	Q4/18	% Y-o-Y	% Q-o-Q	FY2018	% Y-o-Y
Consolidated SCG	16,246	-20%	-8%	75,452	-12%
Cement-Building Materials Business	5,252	14%	28%	20,853	-1%
Chemicals Business	5,476	-52%	-43%	36,674	-25%
Packaging Business	3,654	17%	-6%	14,850	20%
Other	1,874	73%	n.a	3,130	-1%
EBITDA Margins (%)	Q4/18	Q4/17	Q3/18	FY2018	FY/17
Consolidated SCG	14%	18%	14%	16%	19%
Cement-Building Materials Business	11%	11%	9%	11%	12%
Chemicals Business	10%	22%	17%	17%	24%
Packaging Business	17%	15%	17%	17%	15%
Profit for the Period	Q4/18	% Y-o-Y	% Q-o-Q	FY2018	% Y-o-Y
Consolidated SCG	10,468	-17%	11%	44,748	-19%
Cement-Building Materials Business	1,558	49%	488%	5,984	-7%
Chemicals Business	5,415	-43%	-28%	29,166	-29%
Packaging Business	1,492	23%	-13%	6,319	36%
Other	2,034	122%	n.a	3,431	19%

Note: EBITDA = Earnings and dividends, before interest, tax, depre & amortization.  
EBITDA from Operations = Earnings before interest, tax, depre & 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.

## Financials

**Net Debt**  
Registered 147,511 MB in Q4/18, an increase of 2,477 MB from the end of Q4/17.

Net debt registered 147,511 MB in Q4/18, an increase of 2,477 MB from Q4/17. While FY2018 EBITDA registered at 86,641 MB. As a result, that has slightly increased the Net Debt / EBITDA ratio to 1.7 times (x) from 1.4 times (x) in Q4/17.

FY2018 EBITDA generation of 86,641 MB compares to the cash outflow of 89,909 MB (CAPEX & Investments of 45,817 MB, dividend payments of 30,225 MB, interest payment of 7,027 MB and corporate tax of 6,840 MB).

Net finance and interest cost in for FY2018 amounted to 6,836 MB, compared to 7,112 MB in FY2017. The average cost of interest of FY2018 amounted to 3.2%, compared to 3.5% of FY2017.

**CAPEX & Investment**  
45,817 MB in FY2018.

CAPEX & Investment in FY2018 amounted to 45,817 MB, of which 25% was from cement-building materials, 55% from chemicals, 17% from packaging, and 3% from others. The expected FY2019 CAPEX & Investment will increase upto +60,000 MB mainly from ongoing Petrochemicals Complex construction in Vietnam, brownfield expansions, and other efficiency and maintenance projects.

**Table 3 - SCG's Debt Profile (MB)**

	Q4/18	Q3/18	Q4/17
<b>Short Term</b>	<b>22,024</b>	<b>20,239</b>	<b>19,783</b>
Foreign	3,043	2,606	2,320
Baht	18,981	17,633	17,463
% of Total Loan	11%	10%	9%
<b>Long Term</b>	<b>183,424</b>	<b>184,122</b>	<b>189,380</b>
Foreign	1,450	2,010	2,699
Baht	181,974	182,112	186,681
% of Total Loan	89%	90%	91%
<b>Total Loan</b>	<b>205,448</b>	<b>204,361</b>	<b>209,163</b>
<b>Cash &amp; Cash Under Management</b>	<b>57,937</b>	<b>52,614</b>	<b>64,129</b>
Cash and cash equivalents	28,788	27,496	43,937
Short-term investments	21,593	17,624	12,971
Available-for-sale investments	7,556	7,494	7,221
<b>Total Net Debt</b>	<b>147,511</b>	<b>151,747</b>	<b>145,034</b>
<b>SCG's Financial Ratios</b>	<b>Q4/18</b>	<b>Q3/18</b>	<b>Q4/17</b>
EBITDA on Assets (%)	15%	15%	18%
Current Ratio (times)	1.6	1.6	1.5
Quick Ratio (times)	0.9	0.9	0.9
Interest Coverage (times)	12.0	10.2	15.0
Net Debt to EBITDA (times)	1.7	1.8	1.4
Net Debt to Equity (times)	0.5	0.5	0.5
Debt to Equity (times)	0.9	0.9	0.9
Return on Equity (%)	17%	17%	22%

*Note:*

- Net Debt = Total debt (interest bearing), less cash and cash under management
- EBITDA = Earnings before interest, tax, depreciation, and amortization, plus dividends.
- EBITDA on Assets = Annualized EBITDA, to Total Consolidated Assets
- Current Ratio = Current assets, to current liabilities
- Quick Ratio = Cash + short term investments + receivable, to current liabilities
- Interest Coverage = EBITDA, to interest expense
- Net Debt to EBITDA = Net debt, to annualized EBITDA
- Net Debt to Equity = Net Debt, to equity & non-controlling interest
- Debt to Equity = Total Liabilities, to equity & non-controlling interest
- Return on Equity = Annualized Net profit, to average total shareholders' equity (not including non-controlling interest)

**Table 4 - Statement of Financial Position (MB)**

	<b>Dec/18</b>	<b>Dec/17</b>	<b>Sep/18</b>
<b>Total Assets</b>	<b>589,787</b>	<b>573,412</b>	<b>592,399</b>
Current assets			
Cash, cash equivalent and short-term investment	50,381	56,908	45,120
Trade and other receivables	63,915	55,407	68,771
Inventory	60,817	57,650	66,479
Long-term investment	110,265	108,468	110,880
Property, plant and equipment	247,466	248,847	244,096
<b>Total Liabilities</b>	<b>271,918</b>	<b>271,587</b>	<b>284,266</b>
Trade and other payables	48,992	46,056	64,729
Loans	205,448	209,163	204,361
<b>Total Shareholders' equity</b>	<b>317,869</b>	<b>301,825</b>	<b>308,133</b>
Total equity attributable to owners of the parent	277,097	261,098	267,324
Non-controlling interests	40,772	40,727	40,809