



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q1/19**

Q1/19 earnings of 11,662 MB.

Consolidated Financial Performance

SCG reported Q1/19 Profit for the Period of 11,662 MB, an increase of 11% q-o-q, as all businesses performed better than the previous quarter. However, EBITDA dropped -3% q-o-q to 19,555 MB, as the previous quarter was noted by season dividend contribution from associated companies. Revenue from Sales decreased -4% q-o-q to 112,379 MB, largely from lower chemicals product prices.

On a y-o-y basis, Q1/19 Profit for the Period decreased -6% y-o-y and EBITDA dropped -12% y-o-y, mainly due to the decline in performance of the Chemicals business in light decreased product margins. Moreover, Revenue from Sales decreased -5% y-o-y, mainly from lower chemicals prices due to weak global demand.

Equity Income registered 3,604 MB, down -3% y-o-y.

Equity Income in Q1/19 registered 3,604 MB, representing a drop of 130 MB y-o-y or -3% y-o-y. The chemicals portion accounted for 61% of the total equity income, or 2,206 MB, which declined -18% y-o-y, while the non-chemicals portion was the remaining 39% or 1,398 MB, which gained +36% y-o-y.

Total dividends received in Q1/19 amounted to 1,437 MB, an increase of +5% y-o-y or 66 MB, with details as follows: a) 1,326 MB from "Associated" companies (20%-50% stake), and b) 111 MB from "Other" companies (less than 20% stake).

Table 1 - Consolidated financial summary

	Q1/19 MB	% Change Y-o-Y	% Change Q-o-Q	FY2018 MB
Revenue from Sales	112,379	-5%	-4%	478,438
Profit for the Period	11,662	-6%	11%	44,748
EBITDA	19,555	-12%	-3%	86,641
EBITDA from Operations	18,229	-13%	12%	75,452
Earnings per Share (Baht)	9.7	-6%	11%	37.3

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 62,184 MB.

Continued solid financials, with cash & cash under management of 62,184 MB, compared to the 57,937 MB in Q4/18.

Net Working Capital registered 77,081 MB, an increase of 1% q-o-q or 394 MB, while Inventory to Sales remained at 47 days, the same as in the previous quarter (Q4/18).

Table 2 - Segments

	Q1/19	Change	Change	FY2018
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB
Consolidated SCG	112,379	-5%	-4%	478,438
Cement-Building Materials Business	48,310	4%	6%	182,952
Chemicals Business	46,240	-13%	-14%	221,538
Packaging Business	21,127	-4%	-1%	87,255
Other	29	16%	16%	100
EBITDA	Q1/19	% Y-o-Y	% Q-o-Q	FY2018
Consolidated SCG	19,555	-12%	-3%	86,641
Cement-Building Materials Business	7,099	10%	33%	21,244
Chemicals Business	8,264	-25%	-9%	46,117
Packaging Business	3,841	8%	5%	14,866
Other	362	-70%	-82%	4,469
EBITDA from Operations	Q1/19	% Y-o-Y	% Q-o-Q	FY2018
Consolidated SCG	18,229	-13%	12%	75,452
Cement-Building Materials Business	6,788	10%	29%	20,853
Chemicals Business	7,267	-34%	33%	36,674
Packaging Business	3,839	8%	5%	14,850
Other	346	7%	-82%	3,130
EBITDA Margins (%)	Q1/19	Q1/18	Q4/18	FY2018
Consolidated SCG	16%	18%	14%	16%
Cement-Building Materials Business	14%	13%	11%	11%
Chemicals Business	16%	21%	10%	17%
Packaging Business	18%	16%	17%	17%
Profit for the Period	Q1/19	% Y-o-Y	% Q-o-Q	FY2018
Consolidated SCG	11,662	-6%	11%	44,748
Cement-Building Materials Business	3,040	22%	95%	5,984
Chemicals Business	6,106	-25%	13%	29,166
Packaging Business	1,681	11%	13%	6,319
Other	870	166%	-57%	3,431

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.

Business Segments

Cement-Building Materials Domestic volume growth of +2% y-o-y.

In Q1/19, Thailand's total domestic grey cement demand grew +2% y-o-y, as the government sector (approx. 40% of total demand volume) grew +6% y-o-y, while the non-government sector (approx. 60% of total demand volume) was flat y-o-y. The average grey cement price in Q1/19 increased both q-o-q and y-o-y to the range of 1,750-1,800 Baht/ton.

For the non-cement products in Q1/19, Thailand's demand of ceramic tiles increased +2% y-o-y while demand of housing products (applications for roof, ceiling & wall) were flat y-o-y.

Within all of ASEAN (Thailand, Vietnam, Indonesia, Philippines) the ceramics tiles business recorded Q1/19 total sales volume (floor and wall tiles) of 45 million sqm, which slightly decreased -2% y-o-y, due to weak demand in Indonesia. The total average price of ceramic tiles for all of SCG's ASEAN operations decreased by -4% y-o-y.

Revenue from sales of the Cement–Building Materials Business in Q1/19 registered 48,310 MB, which improved +4% y-o-y and +6% q-o-q, due to the contribution of the Thai grey cement sales. EBITDA increased +10% y-o-y and +33% q-o-q at 7,099 MB, due to increased Thai grey cement prices and other cost savings initiatives. Similarly, Profit for the Period registered 3,040 MB with growths of +22% y-o-y and +95% q-o-q.

Chemicals
***Better q-o-q earnings,
but down y-o-y on weak
global demand.***

In Q1/19, Brent crude oil prices declined by \$4/bbl or -6% q-o-q to \$64/bbl, and Naphtha prices fell by \$48/ton or -8% q-o-q to \$519/ton. Crude was pressured by concerns about global economic slowdown from deceleration in manufacturing, while Naphtha dropped following crude price.

Overall, product prices decreased q-o-q from slow demand due to ongoing trade conflicts. HDPE price dropped by \$114/ton or -9% q-o-q to \$1,093/ton, and PP price decreased by \$88/ton or -7% q-o-q to \$1,130/ton. Therefore, the spread of HDPE-naphtha narrowed by \$66/ton or -10% q-o-q to \$573/ton and PP-naphtha spread dropped by \$39/ton or -6% q-o-q to \$611/ton. In Q1/19, Chemicals Business sold 471,000 tons of polyolefin products (PE and PP), a slight decrease of 6,000 tons or -1% q-o-q. Additionally, 54% of the PE and PP produced were exported, or amounted to 253,000 tons of the total sales volume.

PVC spread (PVC-EDC/C2) remained stable at \$335/ton or +1% q-o-q. PVC sales in Q1/19 decreased by 17,000 tons or -8% q-o-q to 208,000 tons from soften demand in Southeast Asia and competition of import cargoes in Vietnam.

BD-Naphtha gap increased +6% q-o-q to \$582/ton as a result of improved demand mainly from ABS. While, MMA-Naphtha spread declined -16% q-o-q to \$1,613/ton affected from poor downstream demand in Asia despite limited production of major producers.

Revenue from sales in Q1/19 decreased -14% q-o-q and -13% y-o-y to 46,240 MB from lower product prices. EBITDA decreased -9% q-o-q and -25% y-o-y to 8,264 MB as there was lower dividend from Associates, while EBITDA from operations increased +33% q-o-q to 7,267 MB. Similar, Profit for the period increased +13% q-o-q to 6,106 MB as the previous quarter was impacted by inventory loss, but declined -25% y-o-y from lower product margins.

Packaging
***Continued earnings
performance***

In the Packaging Chain, the Q1/19 average price of recovered paper (AOCC) declined -\$35/ton q-o-q to \$165/ton due to weak demand for Paper & Board industry in China. The average regional prices of Packaging Paper dropped q-o-q from \$545/ton to \$510/ton due to weak demand as China's economic slowdown. The total sales volume of Packaging Paper in Q1/19 was 616,000 tons, an increase of +1% q-o-q due to higher domestic sales volume but dropped -4% y-o-y as a result of soft demand from global economic slowdown. In Thailand, the domestic sales volume of Packaging Paper registered 336,000 tons, an increase of +2% q-o-q, due to overall demand increased while decreased -6% y-o-y.

Revenue from Sales of the Packaging Chain in Q1/19 amounted to 16,179 MB, declined -3% q-o-q and -5% y-o-y. EBITDA generation of the Packaging Chain amounted to 3,209 MB, increased +7% q-o-q and +4% y-o-y from cost improvement.

In the Fibrous Chain, the regional price of P&W paper decreased -\$50/ton q-o-q to \$820/ton due to pulp costs down. The average prices of short-fiber and long-fiber pulp decreased q-o-q to \$685/ton and \$695/ton, respectively, due to Chinese demand slowdown. The domestic sales volume of P&W Paper amounted to 77,000 tons, increased +12% q-o-q mainly from seasonal demand, but dropped -6% y-o-y. Export sales volume of P&W Paper in Q1/19 was 31,000 tons or 29% of the total sales volume.

Revenue from Sales of the Fibrous Chain in Q1/19 registered 4,948 MB, up +8% q-o-q but flat y-o-y. EBITDA generation of the Fibrous Chain in Q1/19 amounted to 632 MB which dropped -2% q-o-q while increased +36% y-o-y as a result of cost improvement and stable operation.

Financially, the Q1/19 Revenue from Sales of the Packaging Business registered 21,127 MB, a decrease of -1% q-o-q and -4% y-o-y mainly due to lower sales in the Packaging chain. EBITDA amounted to 3,841 MB, grew +5% q-o-q and +8% y-o-y as a result of cost improvement from operation and maintenance efficiency improvement and cost saving initiatives. The Q1/19 EBITDA contributions from the Packaging Chain and the Fibrous Chain were 84% and 16%, respectively. Profit registered 1,681 MB, improved +13% q-o-q and +11% y-o-y.

Financials

Net Debt was 141,242 MB in Q1/19, a drop of 6,269 MB from the end of Q4/18.

Net debt registered 141,242 MB in Q1/19, a dropped of 6,269 MB from Q4/18. Relative to the Q1/19 EBITDA of 19,555 MB, the Net Debt / EBITDA ratio registered 1.9 times (x), compared to 1.7 times (x) in Q4/18. Net Debt / EBITDA (not including project CAPEX under construction) ratio was 1.6 times.

Net finance and interest cost in Q1/19 amounted to 1,614 MB, compared to 6,836 MB in FY2018. The average cost of interest in Q1/19 was 3.2%, which is similar to the 2018 average of 3.2%.

CAPEX & Investment of 8,653 MB in Q1/19.

CAPEX & Investment in Q1/19 amounted to 8,653 MB, of which 54% from chemicals, 22% was from cement-building materials, 21% from packaging, and 3% from others. The expected FY2019 CAPEX & Investment will increase to at least 60,000 MB, where most will be for the ongoing petrochemicals complex in Vietnam, other brownfield expansions, and the various efficiency and maintenance projects.

“Growth with Stability”

The Q1/19 EBITDA generation of 19,555 MB compares to the cash outflow of 11,830 MB (CAPEX & Investments of 8,653 MB, interest and front-end fee of 2,168 MB and corporate tax of 1,009 MB).

Table 3 - SCG's Debt Profile (MB)

	Q1/19	Q4/18	Q1/18
Short Term	16,438	22,024	16,493
Foreign	2,919	3,043	2,816
Baht	13,519	18,981	13,677
% of Total Loan	8%	11%	8%
Long Term	186,988	183,424	187,406
Foreign	1,321	1,450	2,391
Baht	185,667	181,974	185,015
% of Total Loan	92%	89%	92%
Total Loan	203,426	205,448	203,899
Cash & Cash Under Management	62,184	57,937	68,299
Cash and cash equivalents	33,735	28,788	27,464
Short-term investments	24,692	21,593	34,389
Available-for-sale investments	3,757	7,556	6,446
Total Net Debt	141,242	147,511	135,600

SCG's Financial Ratios	Q1/19	Q4/18	Q1/18
EBITDA on Assets (%)	12%	15%	14%
Current Ratio (times)	1.6	1.6	1.4
Quick Ratio (times)	0.9	0.9	0.9
Interest Coverage (times)	12.1	12.0	13.2
Net Debt to EBITDA (times)	1.9	1.7	1.6
Net Debt to EBITDA (times) (excluding projects under construction)	1.6	1.5	1.6
Net Debt to Equity (times)	0.4	0.5	0.4
Debt to Equity (times)	0.9	0.9	0.9
Return on Equity (%)	17%	17%	19%

Note: *Net Debt*

EBITDA

EBITDA on Assets

Current Ratio

Quick Ratio

Interest Coverage

Net Debt to EBITDA

Net Debt to Equity

Debt to Equity

Return on Equity

= *Total debt (interest bearing), less cash and cash under management*

= *Earnings before interest, tax, depreciation, and amortization, plus dividends.*

= *Annualized EBITDA, to Total Consolidated Assets*

= *Current assets, to current liabilities*

= *Cash + short term investments + receivable, to current liabilities*

= *EBITDA, to interest expense*

= *Net debt, to annualized EBITDA*

= *Net Debt, to equity & non-controlling interest*

= *Total Liabilities, to equity & non-controlling interest*

= *Annualized Net profit, to average total shareholders' equity
(not including non-controlling interest)*

Table 4 - Statement of Financial Position (MB)

	Mar/19	Dec/18	Mar/18
Total Assets	598,386	589,787	584,251
Current assets			
Cash, cash equivalent and short-term investment	58,427	50,381	61,853
Trade and other receivables	65,802	63,915	60,525
Inventory	58,964	60,817	56,946
Long-term investment	108,413	110,265	108,419
Property, plant and equipment	249,641	247,466	247,138
Total Liabilities	281,240	271,918	282,409
Trade and other payables	47,933	48,992	61,180
Loans	203,426	205,448	203,899
Total Shareholders' Equity	317,146	317,869	301,842
Total equity attributable to owners of the parent	275,599	277,097	257,359
Non-controlling interests	41,547	40,772	44,483