

ENGLISH TRANSLATION

SCCC 027/2019

31 July 2019

Subject: Management discussion and analysis of the operating result of change more than 20 percent of the Quarter 2/2019

Attention: Managing Director,
The Stock Exchange of Thailand

Attachment: A copy of the interim financial statements of SCCC for the three-month and six-month periods ended 30 June 2019

We hereby submit to you the separate financial statements and consolidated financial statements of Siam City Cement Public Company Limited and its subsidiaries for the three-month and six-month periods ended 30 June 2019 compared to the same period of 2018 with a summary of our operating result as mentioned below:

Construction activities in key domestic markets and expanded international trading business grew net sales while net profit softened from routine shut-down and maintenance timing as well as one-time provisions for legal severance payment in Thailand

- **Infrastructure and commercial construction projects in Bangkok metropolitan and vicinity, and Eastern Economic Corridor (EEC) underpinned the recovery of domestic cement demand**
- **International trading activities among Asia Pacific and Middle East countries rose and contributed to the Group net sales**
- **The benefit from downward trending of energy costs was outweighed by maintenance costs related to kiln shutdowns scheduled during the period**
- **The Group recorded a one-time provision for legal severance payment amounting to 249 million Baht addressing the change of the Labor Protection Laws in Thailand which became effective during the period**

Group Q2 (3-month)		2019	2018	Change %
Net Sales	million baht	11,901	11,115	7.1
Net Profit	million baht	637	1,021	-37.6
Earnings per share	baht	2.14	3.43	-37.6
Group YTD (6-month)		2019	2018	Change %
Net Sales	million baht	23,780	22,019	8.0
Net Profit	million baht	1,742	1,854	-6.0
Earnings per share	baht	5.85	6.22	-5.9

Remark: Excluding provision for legal severance payment, net profit for the period would be at 836 million Baht (EPS at 2.81 Baht/share) and YTD net profit at 1,941 million Baht (EPS at 6.51 Baht/share).

SCCC Group Performance

The positive momentum of cement demand recovery continued particularly for the existing infrastructure and commercial construction projects in Bangkok metropolitan and vicinity, and in EEC regions. This resulted in solid performance of cement, concrete and aggregate for domestic market. Coal and diesel prices trended downwards reduced overall group production and transportation costs. As planned, two cement kilns underwent scheduled maintenance and associated maintenance costs were booked in the period. In addition, as a result of a change in the Thailand Labor Protection Laws, the Group recorded a one-time provision amounting 249 million Baht.

Overseas markets performance was impacted by recent price hikes of imported clinker and raw materials leading to reduced profit margins.

Growing demand of trading for clinker, coal, gypsum and slag among countries in Asia Pacific and Middle East boosted net sales of international trading business. While waste management business was mildly unfavorably impacted by kilns shutdowns, industrial cleaning services in the petrochemical industry segment added revenues to the waste management business.

SEGMENTAL PERFORMANCE

CEMENT

	million baht	YTD (6-month)			Q2 (3-month)		
		2019	2018	Change %	2019	2018	Change %
Net Sales		15,311	15,304	0.1	7,622	7,407	2.9

Domestic cement market, on-going infrastructure and commercial construction projects in and around the Bangkok metropolitan area, as well as in the EEC area was the main contributor to cement demand for the period. Large infrastructure and EEC projects are expected to continue to have positive momentum on cement consumption.

Overseas cement markets: In southern Vietnam, the cement market demand remained strong and grew by around 4%. However, SCCC Vietnam reported slightly contracted sales volumes compared to prior year due to limits on cement availability arising from kiln scheduled maintenance and upgrade work in Q1. Intense market competition is expected for the second half of the year and will continue to put pressure on cement pricing. Additional to increases in imported clinker and materials costs, production costs were also adversely impacted by a recent government hike in electricity prices by +8%.

In **Sri Lanka**, the negative impact from terrorist attack during Easter has somewhat subsided, and cement market grew by around 4% from the lower base of last year. Additionally, cement price increases in late Q1 helped to partly alleviate adverse impacts from increases in imported clinker and raw materials costs.

In **Bangladesh**, the cement market grew by 10% from accelerated construction activities to deliver project milestones before Eid Al Adha holiday festival in August, although competition remained fierce with different promotional offers, discount and rebates. SCCC Bangladesh reported slightly contracted sales volume due to curtailed cement production arising from a cement mill breakdown in June.

Our **Cambodian Joint Venture** reported a solid sales volume growth of over 20% from prior year, and sales volumes exceeded its newly installed production capacity, thus drawing in higher cement imports from our facilities in Thailand.

READY-MIXED CONCRETE AND AGGREGATE

	million baht	YTD (6-month)			Q2 (3-month)		
		2019	2018	Change %	2019	2018	Change %
Net Sales		4,214	3,751	12.3	2,039	1,876	8.7

Ready-mixed concrete: Large infrastructure and commercial construction projects in Bangkok area and growing construction activities in the EEC area bolstered sales volume by 9%. The momentum is expected to continue in the second half of this year.

Aggregates: sales volume of rock and sand grew by 8% compared to prior year, consistently with the ready-mix concrete sales performance.

TRADING

	million baht	YTD (6-month)			Q2 (3-month)		
		2019	2018	Change %	2019	2018	Change %
Net Sales		2,730	1,611	69.5	1,517	1,151	31.8

Trading: The international trading business expanded through an increased trading of clinker, coal, gypsum and slag among countries in Asia Pacific and Middle East regions. 3rd party clinker sourcing increased to support demand growth in key markets as Australia, China and Bangladesh. Clinker export to China sentiment decelerated due to onset of rainy season in southern provinces of China.

FIBER CEMENT, AERATED CONCRETE, WASTE MANAGEMENT SERVICES AND OTHERS

	million baht	YTD (6-month)			Q2 (3-month)		
		2019	2018	Change %	2019	2018	Change %
Net Sales		1,525	1,353	12.7	723	681	6.2

Fiber Cement: YTD net sales of 662 million Baht were on the level of prior year amid sluggish demand from the residential segment.

Aerated Concrete Products: YTD net sales were 212 million Baht, an improvement of 30% from prior year, which mainly arose from increased sales volume of block and wall panel solutions.



Waste Management Services: Reported net sales of 637 million Baht, a solid growth of 26% from prior year, which was driven favorably by industrial cleaning services for customers in the petrochemical sector.

Yours sincerely,
On behalf of Siam City Cement Public Company Limited

(Aidan Lynam)
Group Chief Executive Officer