



**The Siam Cement Public Company Limited  
Management's Discussion and Analysis (MD&A)  
Consolidated Financial Results: Q2/19 and H1/19**

**Q2/19 earnings of 9,079 MB, without the severance pay adjustment (Labour Law).**

**Consolidated Financial Performance**

SCG reported Q2/19 Profit for the Period of 9,079 MB, without the severance pay adjustment (Labour Law) of 2,035 MB. This represents a -22% q-o-q drop in earnings, and is mainly attributed to the trade war concerns which affected the chemicals margins. Factoring in the severance pay adjustment (Labour Law), Q2/19 earnings dropped -40% q-o-q to 7,044 MB. Similarly, EBITDA from operations dropped -21% q-o-q to 14,456 MB, while EBITDA registered 19,805 MB or up +1% q-o-q as a result of the seasonal dividend contribution from associated companies. Revenue from Sales decreased -3% q-o-q to 109,094 MB with decreases from all core businesses.

On a y-o-y basis, Q2/19 Profit for the Period, without the severance pay adjustment (Labour Law) decreased -27% y-o-y, mainly due to lower chemicals earnings from the trade war concerns. Factoring in the severance pay adjustment (Labour Law), Q2/19 earnings dropped -43% y-o-y. Similarly, EBITDA from operations and EBITDA dropped -30% y-o-y and -25% y-o-y, respectively. Revenue from Sales decreased -9% y-o-y, mainly from lower chemicals product prices.

For the period of H1/19, Profit for the Period registered 20,741 MB, without the severance pay adjustment (Labour Law), a drop of -16% y-o-y, which is mainly attributed to the drop in chemicals margins on global trade war concerns. Factoring in the severance pay adjustment (Labour Law) of 2,035 MB in Q2/19, the H1/19 Profit for the Period dropped -25% y-o-y to 18,706 MB. Likewise, EBITDA decreased -19% y-o-y to 39,360 MB, while Revenue from Sales also dropped -7% y-o-y to 221,473 MB, following lower chemicals prices.

**Table 1 - Consolidated financial summary**

	<u>Q2/19</u>	<u>% Change</u>	<u>% Change</u>	<u>H1/19</u>	<u>% Change</u>
	<u>MB</u>	<u>Y-o-Y</u>	<u>Q-o-Q</u>	<u>MB</u>	<u>Y-o-Y</u>
Revenue from Sales	109,094	-9%	-3%	221,473	-7%
Profit for the Period (w/o severance pay adj)	9,079	-27%	-22%	20,741	-16%
Profit for the Period	7,044	-43%	-40%	18,706	-25%
EBITDA	19,805	-25%	1%	39,360	-19%
EBITDA from Operations	14,456	-30%	-21%	32,685	-21%
Earnings per Share (Baht)	5.9	-43%	-40%	15.6	-25%

**Dividend Summary**

	<u>H1/19</u>	<u>H1/18</u>	<u>FY2018</u>
Baht Per Share	7.0	8.5	18.0
Payout Ratio (% of Net Profit)	45%	41%	48%

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.

**Equity Income in H1/19 registered 6,765 MB, down -15% y-o-y.**

Equity Income in H1/19 registered 6,765 MB, representing a drop of 1,172 MB y-o-y or -15% y-o-y. The chemicals portion accounted for 64% of the total equity income, or 4,308 MB, which declined -27% y-o-y, while the non-chemicals portion was the remaining 36% or 2,457 MB, which gained +20% y-o-y.

Total dividends received in H1/19 amounted to 7,609 MB, an drop of -7% y-o-y or 539 MB, with details as follows: a) 6,675 MB from "Associated" companies (20%-50% stake), and b) 934 MB from "Other" companies (less than 20% stake).

**Cash & Cash Under Management of 42,573 MB.**

Continued solid financials, with cash & cash under management of 42,573 MB, compared to the 57,937 MB in Q4/18, while Net Working Capital was 77,972 MB, an increase of 1% q-o-q or 891 MB, while Inventory to Sales grew to 48 days, compared to 47 days in the previous quarter (Q1/19).

## 7.0 Bt/Sh Interim dividend

The Board of Directors of SCG has approved a H1/19 interim dividend payment of 7.0 Bt/Sh (8,400 MB), which is payable on Aug 23/19 (XD-date on Aug 8/19, and record date on Aug 9/19).

**Table 2 - Segments**

	Q2/19	Change	Change	H1/19	Change
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB	% Y-o-Y
Consolidated SCG	109,094	-9%	-3%	221,473	-7%
Cement-Building Materials Business	45,928	3%	-5%	94,238	3%
Chemicals Business	45,995	-19%	-1%	92,235	-16%
Packaging Business	20,402	-6%	-3%	41,529	-5%
Other	33	43%	14%	62	29%
EBITDA	Q2/19	% Y-o-Y	% Q-o-Q	H1/19	% Y-o-Y
Consolidated SCG	19,805	-25%	1%	39,360	-19%
Cement-Building Materials Business	5,591	4%	-21%	12,690	7%
Chemicals Business	8,209	-49%	-1%	16,473	-40%
Packaging Business	3,412	-10%	-11%	7,253	-1%
Other	2,602	126%	n.a.	2,964	25%
EBITDA from Operations	Q2/19	% Y-o-Y	% Q-o-Q	H1/19	% Y-o-Y
Consolidated SCG	14,456	-30%	-21%	32,685	-21%
Cement-Building Materials Business	5,464	2%	-20%	12,252	6%
Chemicals Business	4,368	-58%	-40%	11,635	-46%
Packaging Business	3,412	-10%	-11%	7,251	-1%
Other	1,221	35%	253%	1,567	28%
EBITDA Margins (%)	Q2/19	Q2/18	Q1/19	H1/19	H1/18
Consolidated SCG	13%	17%	16%	15%	17%
Cement-Building Materials Business	12%	12%	14%	13%	13%
Chemicals Business	9%	18%	16%	13%	20%
Packaging Business	17%	17%	18%	17%	17%
Profit for the Period (w/o severance pay adj)	Q2/19	% Y-o-Y	% Q-o-Q	H1/19	% Y-o-Y
Consolidated SCG	9,079	-27%	-22%	20,741	-16%
Cement-Building Materials Business	1,837	10%	-40%	4,877	17%
Chemicals Business	4,424	-46%	-28%	10,530	-35%
Packaging Business	1,375	-14%	-18%	3,056	-2%
Other	1,481	43%	70%	2,351	73%
Profit for the Period	Q2/19	% Y-o-Y	% Q-o-Q	H1/19	% Y-o-Y
Consolidated SCG	7,044	-43%	-40%	18,706	-25%
Cement-Building Materials Business	873	-48%	-71%	3,913	-6%
Chemicals Business	3,942	-52%	-35%	10,048	-38%
Packaging Business	1,037	-35%	-38%	2,718	-13%
Other	1,227	19%	41%	2,097	54%

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 cement demand grew +3% y-o-y.**

In Q2/19, Thailand's total domestic grey cement demand grew +3% y-o-y, as the government sector (approx. 40% of total demand volume) grew +7% y-o-y, while the non-government sector (approx. 60% of total demand volume) grew +1% y-o-y. The average grey cement prices in Q2/19 increased y-o-y to be within the range of 1,750 – 1,800 Baht/ton. For the non-cement products in Q2/19, Thailand's demand of ceramic tiles was flat y-o-y while demand of housing products (applications for roof, ceiling & wall) decreased -1% y-o-y.

In the ceramic tiles business (floor and wall tiles), the total sales volume in all markets (Thailand, Vietnam, Indonesia, Philippines) in Q2/19 amounted to 46 million sqm, or flat y-o-y, but was noted by the weak demand in Indonesia. The average price of ceramic tiles for all of SCG's ASEAN operations decreased by -7% y-o-y.

Q2/19 Revenue from sales in the Cement–Building Materials Business registered 45,928 MB, an improvement of +3% y-o-y but dropped -5% q-o-q due to seasonality. Similarly, EBITDA increased +4% y-o-y but dropped -21% q-o-q at 5,591 MB, due to seasonality. Profit for the Period registered 1,837 MB, without the severance pay adjustment (Labour Law) of 964 MB, a change of +10% y-o-y and -40% q-o-q. Factoring in the severance pay adjustment (Labour Law), Q2/19 Profit for the Period dropped -48% y-o-y and -71% q-o-q to 873 MB.

H1/19 Revenue from sales increased by +3% y-o-y to 94,238 MB, due to the continued growth contribution of the Thai grey cement sales. Similarly, EBITDA grew by +7% y-o-y to 12,690 MB, and resulting in the Profit for the Period of 4,877 MB, without the severance pay adjustment (Labour Law), increased +17% y-o-y. However, factoring in the severance pay adjustment, Profit for the period declined -6% y-o-y to 3,913 MB.

### **Chemicals Earning dropped q-o-q and y-o-y due to weak global demand.**

In Q2/19, Brent crude oil prices increased by \$4/bbl or +6% q-o-q to \$68/bbl, and Naphtha prices rose by \$22/ton or +4% q-o-q to \$541/ton. The rise in crude oil prices is attributed to the escalation of tension in the Middle East, while naphtha prices followed this trend.

HDPE prices dropped by \$13/ton or -1% q-o-q to \$1,080/ton, due to subdued demand amidst US-China trade disputes and the seasonal Ramadan holiday. PP prices increased by \$10/ton or +1% q-o-q to \$1,140/ton, thanks to several PP plants outages in Asia. As a result, the HDPE-naphtha spread narrowed by \$34/ton or -6% q-o-q to \$539/ton, while the PP-naphtha spread dropped by \$12/ton or -2% q-o-q to \$599/ton. In Q2/19, Chemicals Business sold 474,000 tons of polyolefin products (PE and PP), a slight increase of 3,000 tons or +1% q-o-q. Additionally, 56% of the PE and PP product sold were exported globally, or 266,000 tons.

PVC spread (PVC-EDC/C2) was stable q-o-q at \$335/ton. PVC sales in Q2/19 increased by 10,000 tons or +5% q-o-q to 218,000 tons from strong demand in pipe and fitting and tight supply in China due to strictly environmental inspection.

BD-Naphtha gap decreased -20% q-o-q to \$463/ton, and MMA-Naphtha declined -14% q-o-q to \$1,389/ton as a result of weak demand in Asia supported by U.S.-China trade disputes.

Q2/19 Revenue from sales decreased -1% q-o-q and -19% y-o-y to 45,995 MB from lower product prices. EBITDA registered at 8,209 MB, slightly decreased q-o-q, as there was support from the seasonal dividend income from associated companies, but decreased -49% y-o-y following the decline in product margins and inventory loss. Similarly, Profit for the period decreased to 4,424 MB, without the severance pay adjustment (Labour Law) of 482 MB, or down -28% q-o-q and -46% y-o-y, due to lower product margins and inventory loss. Factoring in the severance pay adjustment (Labour Law), Q2/19 earnings dropped -35% q-o-q and -52% y-o-y to 3,942 MB.

H1/19 Revenue from sales decreased -16% y-o-y to 92,235 MB on lower product prices. Following concerns over the US-China trade war, and the resulting drop in product margins, EBITDA decreased -40% y-o-y to 16,473 MB, while Profit for the Period was down by -35% y-o-y to 10,530 MB, without the severance pay adjustment (Labour Law). However, factoring in the severance pay adjustment

**Packaging**  
**Quarterly softness.**

(Labour Law), Profit for the Period decreased -38% y-o-y to 10,048 MB.

In Q2/19, the average price of recovered paper (AOCC) dropped -\$30/ton q-o-q to \$135/ton mainly from high supply and sluggish demand of paper and board industry. The average regional prices of Packaging Paper decreased from \$510/ton to \$450/ton due to regional demand softness. The total sales volume of "Packaging Paper" in Q2/19 was 637,000 tons, an increase of +3% q-o-q owing to higher export sales volume, while flat y-o-y. In Thailand, the domestic sales volume of Packaging Paper registered 322,000 tons, a decrease -4% q-o-q and -4% y-o-y due to less working day and less promotional campaign. For the recently acquired PT. Fajar Surya Wisesa Tbk., the financial performance will be consolidated beginning Q3/19.

The total sales volume of "Paper-based packaging" in Q2/19 was 199,000 tons, a decrease of -5% q-o-q due to soften domestic demand, and -2% y-o-y. In Thailand, the domestic sales volume of Paper-based packaging registered 168,000 tons, a decrease of -5% q-o-q but flat y-o-y.

The total sales volume of "Advanced materials and polymer packaging" in Q2/19 was 8,556 tons, an increase of +8% q-o-q and +9% y-o-y thanks to higher sales volume from ASEAN operations. In Thailand, the domestic sales volume of Advanced materials and polymer packaging registered 4,314 tons, an increase of +1% q-o-q and +6% y-o-y.

Q2/19 Revenue from sales registered 20,402 MB, a decrease of -3% q-o-q and -6% y-o-y as a result of demand softness in both Packaging and Others paper (Fibrous). EBITDA amounted to 3,412 MB, dropped -11% q-o-q and -10% y-o-y because of lower sales volume and higher maintenance cost. Profit for the Period registered 1,375 MB, without the severance pay adjustment (Labour Law) of 338 MB and represents a drop of -18% q-o-q and -14% y-o-y. But with the severance pay adjustment (Labour Law), Profit for the Period was 1,037 MB, or a decrease of -38% q-o-q and -35% y-o-y.

H1/19 Revenue from sales decreased -5% y-o-y to 41,529 MB, mainly due to demand softness in both Packaging and Others paper (Fibrous). As a result, EBITDA dropped -1% y-o-y to 7,253 MB, while Profit for the period was dropped -2% y-o-y to 3,056 MB, without the severance pay adjustment (Labour Law). With the severance pay adjustment (Labour Law), Profit for the Period was down -13% y-o-y at 2,718 MB.

**Financials**

**Net Debt was 174,252 MB in Q2/19, attributed to the consolidation of Fajar's net debt.**

Net debt registered 174,252 MB at the end of Q2/19, an increase of 26,741 MB from Q4/18, attributed mainly to the consolidation of Fajar's statement of financial position. Relative to the H1/19 EBITDA of 39,360 MB, the Net Debt / EBITDA ratio registered 2.0 times (x), without the inclusion of Fajar's net debt, since Fajar's EBITDA will be consolidated in Q3/19. Furthermore, Net Debt / EBITDA ratio (not including project CAPEX under construction and Fajar's net debt) was 1.6 times.

Net finance and interest cost in H1/19 amounted to 3,202 MB, compared to 6,836 MB in FY2018. The average cost of interest in H1/19 was 3.1%, compared with the 2018 average of 3.2%.

**CAPEX & Investment of 39,768 MB in H1/19.**

CAPEX & Investment in H1/19 amounted to 39,768 MB, of which 60% was from Packaging, 28% was from Chemicals, 10% was from Cement-Building Materials, and 2% from others. The expected FY2019 CAPEX & Investment is forecasted at approximately +70,000 MB, where most will be for the chemicals and packaging businesses, and other various efficiency and maintenance projects.

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

	<b>Q2/19</b>	<b>Q1/19</b>	<b>Q4/18</b>	<b>Q2/18</b>
<b>Short Term</b>	<b>22,116</b>	<b>16,438</b>	<b>22,024</b>	<b>19,314</b>
Foreign	6,113	2,919	3,043	3,019
Baht	16,003	13,519	18,981	16,295
% of Total Loan	10%	8%	11%	9%
<b>Long Term</b>	<b>194,709</b>	<b>186,988</b>	<b>183,424</b>	<b>187,230</b>
Foreign	7,782	1,321	1,450	2,356
Baht	186,927	185,667	181,974	184,874
% of Total Loan	90%	92%	89%	91%
<b>Total Loan</b>	<b>216,825</b>	<b>203,426</b>	<b>205,448</b>	<b>206,544</b>
<b>Cash &amp; Cash Under Management</b>	<b>42,573</b>	<b>62,184</b>	<b>57,937</b>	<b>68,947</b>
Cash and cash equivalents	25,487	33,735	28,788	33,904
Short-term investments	14,361	24,692	21,593	28,228
Available-for-sale investments	2,725	3,757	7,556	6,815
<b>Total Net Debt</b>	<b>174,252</b>	<b>141,242</b>	<b>147,511</b>	<b>137,597</b>
<b>SCG's Financial Ratios</b>	<b>Q2/19</b>	<b>Q1/19</b>	<b>Q4/18</b>	<b>Q2/18</b>
EBITDA on Assets (%)	11%	12%	15%	15%
EBITDA on Assets (%) (excluding Fajar's assets)	12%	12%	15%	15%
EBITDA on Assets (%) (excluding projects under construction and Fajar's assets)	13%	13%	15%	15%
Current Ratio (times)	1.4	1.6	1.6	1.8
Quick Ratio (times)	0.7	0.9	0.9	1.1
Interest Coverage (times)	12.5	12.1	12.0	15.4
Net Debt to EBITDA (times)	2.5	1.9	1.7	1.5
Net Debt to EBITDA (times) (excluding Fajar's net debt)	2.0	1.9	1.7	1.5
Net Debt to EBITDA (times) (excluding projects under construction and Fajar's net debt)	1.6	1.6	1.5	1.5
Net Debt to Equity (times)	0.5	0.4	0.5	0.4
Debt to Equity (times)	0.9	0.9	0.9	0.9
Return on Equity (%)	13%	17%	17%	19%
Note:	<i>Net Debt</i>	= Total debt (interest bearing), less cash and cash under management		
	<i>EBITDA</i>	= Earnings before interest, tax, depre & amortization, plus dividends.		
	<i>EBITDA on Assets</i>	= Annualized H1/19 EBITDA, to 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 annualized H1/19 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>	= Annualized H1/19 Net profit, to average total shareholders' equity (not including non-controlling interest)		

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

	<b>Jun/19</b>	<b>Dec/18</b>	<b>Jun/18</b>
<b>Total Assets</b>	<b>618,591</b>	<b>589,787</b>	<b>590,719</b>
Current assets			
Cash, cash equivalent and short-term investment	39,848	50,381	62,132
Trade and other receivables	67,835	63,915	62,015
Inventory	60,604	60,817	60,772
Long-term investment	104,402	110,265	103,966
Property, plant and equipment	274,612	247,466	247,294
<b>Total Liabilities</b>	<b>293,698</b>	<b>271,918</b>	<b>277,289</b>
Trade and other payables	54,060	48,992	54,321
Loans	216,825	205,448	206,544
<b>Total Shareholders' Equity</b>	<b>324,893</b>	<b>317,869</b>	<b>313,430</b>
Total equity attributable to owners of the parent	278,466	277,097	271,758
Non-controlling interests	46,427	40,772	41,672