



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q3/19 and 9M/19**

Q3/19 earnings of 6,204 MB, on decreased y-o-y chemicals earnings from Deferred Tax Assets reversal and low HDPE margins that were affected by soft global demand.

Consolidated Financial Performance

SCG reported Q3/19 Profit for the Period of 6,204 MB, a drop of -12% q-o-q. This is mainly attributed to lower performance in the Chemicals Business, arising from the Deferred Tax Assets Reversal of 1,063 MB, decreased equity income 983 MB, and the ongoing trade war which continued to soften demand of HDPE products. Moreover, there was an assets impairment of 762 MB, of which 640 MB impairment in Cement-Building Materials Business was mainly from the regional non-Thai Ceramics Business. Similarly, EBITDA registered 14,842 MB, representing a drop of -25% q-o-q. Revenue from Sales increased slightly by +1% q-o-q to 110,330 MB.

On a y-o-y basis, Q3/19 Profit for the Period -35% y-o-y, mainly on decreased contribution from the Chemicals Business, arising from the 2,022 MB drop in equity income, and lower product margins. Similarly, EBITDA dropped -17% y-o-y, while Revenue from Sales decreased -10% y-o-y, mainly from lower chemicals product prices.

For the period of 9M/19, Profit for the Period registered 24,910 MB, a drop of -27% y-o-y or 9,371 MB, The key items that had affected to dropped profit were Q2/19 Severance Pay Adjustment (Labour Law) of 2,035 MB, the Q3/19 Deferred Tax Assets Reversal of 1,063 MB, Q3/19 assets impairment of 762 MB mainly from the regional non-Thai ceramics business and the global trade war concerns which continues to affect the chemicals margins of both subsidiaries and associated companies. Likewise, EBITDA decreased -19% y-o-y to 54,202 MB, while Revenue from Sales also dropped -8% y-o-y to 331,803 MB, following lower chemicals prices.

Table 1 - Consolidated financial summary

	<u>Q3/19</u>	<u>% Change</u>	<u>% Change</u>	<u>9M/19</u>	<u>% Change</u>
	MB	Y-o-Y	Q-o-Q	MB	Y-o-Y
Revenue from Sales	110,330	-10%	1%	331,803	-8%
Profit for the Period	6,204	-35%	-12%	24,910	-27%
EBITDA	14,842	-17%	-25%	54,202	-19%
EBITDA from Operations	14,747	-17%	2%	47,432	-20%
Earnings per Share (Baht)	5.2	-35%	-12%	20.8	-27%

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 9M/19 registered 8,796 MB, down -26% y-o-y.

Equity Income in 9M/19 registered 8,796 MB, representing a drop of 3,094 MB y-o-y or -26% y-o-y. The chemicals portion accounted for 62% of the total equity income, or 5,427 MB, which declined -40% y-o-y as a result of major turnaround of an associated company, while the non-chemicals portion was the remaining 38% or 3,369 MB, which gained +18% y-o-y.

Total dividends received in 9M/19 amounted to 7,704 MB, a drop of -7% y-o-y or 585 MB, with details as follows: a) 6,770 MB from "Associated" companies (20%-50% stake), and b) 934 MB from "Other" companies (less than 20% stake).

Cash & Cash Under Management of 30,764 MB.

Continued solid financials, with cash & cash under management of 30,764 MB, compared to 57,937 MB in Q4/18 while Net Working Capital was 75,097 MB, a decrease of -4% q-o-q or 2,875 MB, while Inventory to Sales was maintained at 48 days.

Table 2 - Segments

	Q3/19	Change	Change	9M/19	Change
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB	% Y-o-Y
Consolidated SCG	110,330	-10%	1%	331,803	-8%
Cement-Building Materials Business	45,317	-2%	-1%	139,555	2%
Chemicals Business	44,048	-24%	-4%	136,283	-19%
Packaging Business	24,445	10%	20%	65,974	0%
Other	26	-4%	-21%	88	17%
EBITDA	Q3/19	% Y-o-Y	% Q-o-Q	9M/19	% Y-o-Y
Consolidated SCG	14,842	-17%	-25%	54,202	-19%
Cement-Building Materials Business	4,507	10%	-19%	17,197	8%
Chemicals Business	5,798	-41%	-29%	22,271	-40%
Packaging Business	4,251	10%	25%	11,504	3%
Other	293	n.a.	-89%	3,257	35%
EBITDA from Operations	Q3/19	% Y-o-Y	% Q-o-Q	9M/19	% Y-o-Y
Consolidated SCG	14,747	-17%	2%	47,432	-20%
Cement-Building Materials Business	4,496	10%	-18%	16,748	7%
Chemicals Business	5,724	-41%	31%	17,359	-44%
Packaging Business	4,241	10%	24%	11,492	3%
Other	293	n.a.	-76%	1,860	48%
EBITDA Margins (%)	Q3/19	Q3/18	Q2/19	9M/19	9M/18
Consolidated SCG	13%	14%	13%	14%	16%
Cement-Building Materials Business	10%	9%	12%	12%	11%
Chemicals Business	13%	17%	9%	13%	19%
Packaging Business	17%	17%	17%	17%	17%
Profit for the Period	Q3/19	% Y-o-Y	% Q-o-Q	9M/19	% Y-o-Y
Consolidated SCG	6,204	-35%	-12%	24,910	-27%
Cement-Building Materials Business	888	235%	2%	4,801	8%
Chemicals Business	3,247	-57%	-18%	13,295	-44%
Packaging Business	1,527	-11%	47%	4,245	-12%
Other	580	n.a.	-53%	2,677	92%

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
dropped -1% y-o-y, while
prices increased y-o-y.

In Q3/19, Thailand's total domestic grey cement demand dropped -1% y-o-y, as the result of the floods in northeast of Thailand, the government sector (approx. 40% of total demand volume) was flat y-o-y, while the non-government sector (approx. 60% of total demand volume) declined -1% y-o-y. The average grey cement price in Q3/19 increased 3-4% y-o-y in the range of 1,750 – 1,800 Bt/ton.

For the non-cement products in Q3/19, Thailand's ceramic tiles demand dropped -1% y-o-y while housing products demand (applications for roof, ceiling & wall) were flat y-o-y.

In the ceramic tiles business (floor and wall tiles), the total sales volume in all markets (Thailand, Vietnam, Indonesia, Philippines) in Q3/19 amounted to 45 million sqm, or flat y-o-y, but was noted by the weak demand in Vietnam and Indonesia. The average price of ceramic tiles for all of SCG's ASEAN operations decreased by -7% y-o-y.

Q3/19 Revenue from sales in the Cement-Building Materials Business registered 45,317 MB, a drop of -2% y-o-y due to weak demand in Indonesia and Vietnam and -1% q-o-q. However, EBITDA increased +10% y-o-y to 4,507 MB, as there was the 1,315 MB assets impairment in Q3/18 of the previous year, while the 640 MB assets impairment in Q3/19 resulted in the -19% q-o-q dropped. Similarly, Profit for the Period registered 888 MB, with a growth of +235% y-o-y, while the effects of the 964

MB in severance pay adjustment in Q2/19 resulted in the +2% q-o-q gained.

On the 9M/19 basis, Revenue from Sales increased by +2% y-o-y to 139,555 MB, due to the growth of the distribution and retail businesses. EBITDA growth of +8% y-o-y to 17,197 MB. Similarly, Profit for the period increased +8% y-o-y to 4,801 MB.

Chemicals
Earning dropped q-o-q and y-o-y from lower margins and the Deferred Tax Assets reversal.

In Q3/19, Brent crude oil prices declined by \$6/bbl or -9% q-o-q to \$62/bbl, and Naphtha price fell by \$47/ton or -9% q-o-q to \$494/ton. Crude price was pressured by concerns about global economic slowdown, while Naphtha price dropped following crude prices.

Overall, product prices decreased q-o-q from slow demand due to ongoing trade conflicts. HDPE price dropped by \$129/ton or -12% q-o-q to \$951/ton, and PP price decreased by \$56/ton or -5% q-o-q to \$1,084/ton. Therefore, the spread of HDPE-naphtha narrowed by \$82/ton or -15% q-o-q to \$457/ton and PP-naphtha spread dropped by \$9/ton or -2% q-o-q to \$590/ton. In Q3/19, Chemicals Business sold 475,000 tons of polyolefin products (PE and PP), a slight increase of 1,000 tons q-o-q. Additionally, the export sales volume PE and PP was 56%, or amounted to 265,000 tons of the total sales volume.

PVC spread (PVC-EDC/C2) significantly increased by \$110/ton or +33% q-o-q to \$445/ton due to the increase in regional demand of product and the decrease of main raw material price caused by the increase in supply from The United States and Northeast Asia. PVC sales in Q3/19 decreased by 8,000 tons or -4% q-o-q to 210,000 tons from turnaround activities in production plants.

BD-Naphtha spread increased +49% q-o-q to \$689/ton as a result of limited supply from regional producers' outages. While, MMA-Naphtha spread declined -17% q-o-q to \$1,156/ton caused by continuous poor downstream demand in Asia from economy slowdown despite limited production of major producers.

Revenue from sales in Q3/19 decreased to 44,048 MB, -4% q-o-q and -24% y-o-y, from lower product prices. EBITDA decreased -29% q-o-q due to lower dividend from Associates and -41% y-o-y to 5,798 MB due to the decline in product spreads, while EBITDA from operations increased +31% q-o-q to 5,724 MB. Profit for the period decreased -18% q-o-q and -57% y-o-y to 3,247 MB from lower product margins and lower equity income which was mainly from the major turnaround of an associated company. Also affecting the Q3/19 earnings was the Deferred Tax Assets reversal for 1,063 MB, while there was an inventory gain of 150 MB compared to the inventory loss of 1,150 MB in Q2/19.

For the period of 9M/19, revenue from sales decreased -19% y-o-y to 136,283 MB from lower products prices. EBITDA decreased -40% y-o-y to 22,271 MB, and profit for the period declined -44% y-o-y to 13,295 MB as a result of lower price margins.

Packaging
EBITDA increased from consolidated performance of the newly acquired companies.

In Q3/19, the average price of recovered paper (AOCC) increased +\$15/ton q-o-q to \$150/ton as a result of Chinese buyers using their import quotas. The average regional prices of Packaging Paper dropped from \$450/ton to \$430/ton due to an intense price competition. Total sales volume of "Packaging Paper" in Q3/19 was 977,000 tons, an increase of +53% q-o-q and +52% y-o-y from the consolidation of the Indonesian packaging paper company (PT Fajar Surya Wisesa Tbk., "Fajar"). In Thailand, the domestic sales volume of Packaging Paper registered at 327,000 tons, an increase of +1% q-o-q thanks to promotional campaigns in consumer segment, but dropped -4% y-o-y.

Total sales volume of "Paper-based packaging" in Q3/19 was 202,000 tons, an increase of +1% q-o-q, mainly from the improved domestic demand condition, but was flat y-o-y. In Thailand, the domestic sales volume of Paper-based packaging registered at 169,000 tons, an increase of +1% q-o-q and +2% y-o-y.

Total sales volume of "Performance and polymer packaging" in Q3/19 was 9,427 tons, an increase of +10% q-o-q and +21% y-o-y. In Thailand, the domestic sales

volume of Performance and polymer packaging registered at 5,195 tons, an increase of +20% q-o-q and +23% y-o-y, as a result of the consolidation of the rigid plastic packaging company (Visy Packaging (Thailand) Limited, "Visy Thailand").

Q3/19 revenue from sales registered at 24,445 MB, an increase of +20% q-o-q and +10% y-o-y, mainly from the consolidated performance of the newly acquired companies (Fajar and Visy Thailand). EBITDA amounted to 4,251 MB, increased by +25% q-o-q and +10% y-o-y, respectively. Profit for the period registered at 1,527 MB, an increase of +47% q-o-q but dropped -11% y-o-y as a result of higher financial cost.

9M/19 revenue from sales was flat y-o-y at 65,974 MB, while EBITDA increased by +3% y-o-y to 11,504 MB attributed to the consolidated performance of the newly acquired companies (Fajar and Visy Thailand). Profit for the period dropped by -12% y-o-y to 4,245 MB.

Financials

Net Debt was 184,946 MB in Q3/19.

Net debt registered 184,946 MB at the end of Q3/19, an increase of 37,435 MB from Q4/18, while the annualized Net Debt/EBITDA ratio slightly rose at 2.7 times (x) from 2.5 times (x) in Q2/19. However, if excluding projects CAPEX under construction, Net Debt/EBITDA will be at 2.1 times (x).

The 9M/19 EBITDA of 54,202 MB is compared to the cash outflow of 91,469 MB (CAPEX & Investments of 59,394 MB, dividend payout of 20,573 MB, interest payment of 5,597 MB and corporate tax of 5,905 MB).

Net finance and interest cost in 9M/19 amounted to 4,921 MB, compared to 6,836 MB in FY2018. The average cost of interest in 9M/19 was 3.1%, compared with the 2018 average of 3.2%.

CAPEX & Investment of 59,394 MB in 9M/19.

CAPEX & Investment in 9M/19 amounted to 59,394 MB, of which 51% was from Packaging, 34% was from Chemicals, 13% was from Cement-Building Materials, and 2% from others. The expected FY2019 CAPEX & Investment is forecasted at approximately +70,000 MB, contributed mainly to Chemicals and Packaging Business in part of Investment, Greenfield and Expansion and efficiency projects.

Table 3 - SCG's Debt Profile (MB)

	Q3/19	Q2/19	Q4/18	Q3/18
Short Term	19,738	22,116	22,024	20,239
Foreign	6,128	6,113	3,043	2,606
Baht	13,610	16,003	18,981	17,633
% of Total Loan	9%	10%	11%	10%
Long Term	195,972	194,709	183,424	184,122
Foreign	7,692	7,782	1,450	2,010
Baht	188,280	186,927	181,974	182,112
% of Total Loan	91%	90%	89%	90%
Total Loan	215,710	216,825	205,448	204,361
Cash & Cash Under Management	30,764	42,573	57,937	52,614
Cash and cash equivalents	20,722	25,487	28,788	27,496
Short-term investments	10,042	14,361	21,593	17,624
Available-for-sale investments	0	2,725	7,556	7,494
Total Net Debt	184,946	174,252	147,511	151,747
SCG's Financial Ratios	Q3/19	Q2/19	Q4/18	Q3/18
EBITDA on Assets (%)	11%	11%	15%	15%
EBITDA on Assets (%) (excluding projects under construction)	12%	12%	15%	15%
Current Ratio (times)	1.3	1.4	1.6	1.6
Quick Ratio (times)	0.7	0.7	0.9	0.9
Interest Coverage (times)	8.6	12.5	12.0	10.2
Net Debt to EBITDA (times)	2.7	2.5	1.7	1.8
Net Debt to EBITDA (times) (excluding projects under construction)	2.1	2.0	1.5	1.6
Net Debt to Equity (times)	0.6	0.5	0.5	0.5
Debt to Equity (times)	0.9	0.9	0.9	0.9
Return on Equity (%)	12%	13%	17%	17%
<i>Note:</i>	<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 9m/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 9m/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 9m/19 Net profit, to average total shareholders' equity (not including non-controlling interest)			

Table 4 - Statement of Financial Position (MB)

	Sep/19	Dec/18	Sep/18
Total Assets	611,503	589,787	592,399
Current assets			
Cash, cash equivalent and short-term investment	30,764	50,381	45,120
Trade and other receivables	62,444	63,915	68,771
Inventory	58,370	60,817	66,479
Long-term investment	103,686	110,265	110,880
Property, plant and equipment	284,561	247,466	244,096
Total Liabilities	289,775	271,918	284,266
Trade and other payables	52,230	48,992	64,729
Loans	215,710	205,448	204,361
Total Shareholders' Equity	321,728	317,869	308,133
Total equity attributable to owners of the parent	275,175	277,097	267,324
Non-controlling interests	46,553	40,772	40,809