



**The Siam Cement Public Company Limited  
Management's Discussion and Analysis (MD&A)  
Consolidated Financial Results: Q4/19 and FY2019**

**Q4/19 earnings of 7,104 MB, +15% q-o-q mainly from seasonal dividends**

**FY2019 Profit before recognition of severance pay adjustment of 34,049 MB, -24% y-o-y**

**Equity Income registered 11,632 MB in FY2019, down 3,415 MB y-o-y.**

**Cash & Cash Under Management of 45,729 MB.**

**7.0 Bt/sh year-end dividend, totaling 14.0 Bt/sh for FY2019.**

**Consolidated Financial Performance**

SCG reported Q4/19 Profit for the Period of 7,104 MB, an increase of +15% q-o-q. EBITDA grew +40% q-o-q mainly from seasonal dividend contributions from the Chemicals and the investment businesses. Meanwhile, Revenue from Sales decreased -4% q-o-q to 106,177 MB, largely from lower chemicals and packaging paper prices.

On a y-o-y basis, Q4/19 Profit for the Period decreased -32% y-o-y, mainly due to the decline in performance from the Chemicals business in light of continued trade war concerns and market volatility which resulted in decreased margins. EBITDA rose slightly by +3% y-o-y on higher dividend contribution from chemical associates vs. last year. Similar to Profit, Revenue from Sales dropped -9% y-o-y, mainly from decreased chemicals prices. There was an inventory loss of 1,060 MB in Q4/19.

For the period of FY2019, Profit before recognition of severance pay adjustment registered at 34,049 MB, a drop of 24% y-o-y. Profit for the year registered at 32,014 MB, a decrease of -28% y-o-y, while EBITDA declined -13% y-o-y to 74,960 MB, attributed to the lower chemicals earnings which outweighed EBITDA improvements seen at both, the Cement-Building Materials and Packaging businesses. Meanwhile, Revenue from Sales decreased -8% y-o-y to 437,980 MB due to the aforementioned drop in Chemical prices.

Equity Income in FY2019 registered 11,632 MB, representing a drop of 3,415 MB y-o-y, whereby the chemicals portion accounted for 62% of the total or 7,225 MB, which represents a decline of 3,958 MB y-o-y, while the non-chemicals portion was the remaining 38% or 4,407 MB, which represents a gain of 543 MB y-o-y.

Total dividends received in FY2019 amounted to 16,208 MB, an increase of +19% y-o-y or 2,540 MB, with details as follows: a) 14,318 MB from "Associated" companies (20%-50% stake), and b) 1,890 MB from "Other" companies (less than 20% stake).

**Table 1 - Consolidated financial summary**

	<u>Q4/19</u>	<u>% Change</u>	<u>% Change</u>	<u>FY2019</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	106,177	-9%	-4%	437,980	-8%
Profit for the Period	7,104	-32%	15%	32,014	-28%
EBITDA	20,758	3%	40%	74,960	-13%
EBITDA from Operations	13,210	-19%	-10%	60,642	-20%
Earnings per Share (Baht)	5.9	-32%	15%	26.7	-28%

**Dividend Summary**

	<u>H1/19</u>	<u>H2/19</u>	<u>FY2019</u>	<u>FY2018</u>
Baht Per Share	7.0	7.0	14.0	18.0
Payout Ratio (% of Net Profit)	45%	63%	52%	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.

Continued solid financials, with cash & cash under management of 45,729 MB, compared to the 57,937 MB in Q4/18. CAPEX and Investments registered 77,475 MB.

Net Working Capital registered 70,626 MB, a decrease of -6% q-o-q or 4,471 MB, while Inventory to Sales was 48 days same to the previous quarter (Q3/19).

The Board of Directors of SCC has approved a year-end 2019 dividend of 7.0 Bt/sh (63% of H2/19 earnings) that is payable on Apr 27, 2020. The total FY2019 dividend paid amounts to 14.0 Bt/sh (16,800 MB), which is comprised of the H1/19 interim of 7.0 Bt/sh, and the year-end of 7.0 Bt/sh. This compares to the FY2018 dividend of 18.0 Bt/sh.

**Table 2 - Segments**

	Q4/19	Change	Change	FY2019	Change
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB	% Y-o-Y
Consolidated SCG	106,177	-9%	-4%	437,980	-8%
Cement-Building Materials Business	45,135	-1%	0%	184,690	1%
Chemicals Business	41,351	-23%	-6%	177,634	-20%
Packaging Business	23,096	9%	-6%	89,070	2%
Other	29	16%	12%	117	17%
<b>EBITDA</b>	<b>Q4/19</b>	<b>% Y-o-Y</b>	<b>% Q-o-Q</b>	<b>FY2019</b>	<b>% Y-o-Y</b>
Consolidated SCG	20,758	3%	40%	74,960	-13%
Cement-Building Materials Business	4,576	-11%	7%	20,991	3%
Chemicals Business	10,711	21%	92%	32,258	-29%
Packaging Business	3,738	4%	-11%	15,036	3%
Other	1,742	-32%	110%	6,711	3%
<b>EBITDA from Operations</b>	<b>Q4/19</b>	<b>% Y-o-Y</b>	<b>% Q-o-Q</b>	<b>FY2019</b>	<b>% Y-o-Y</b>
Consolidated SCG	13,210	-19%	-10%	60,642	-20%
Cement-Building Materials Business	4,487	-11%	6%	20,453	2%
Chemicals Business	3,414	-35%	-38%	20,049	-44%
Packaging Business	3,738	4%	-10%	15,024	3%
Other	1,580	-33%	90%	5,152	0%
<b>EBITDA Margins (%)</b>	<b>Q4/19</b>	<b>Q4/18</b>	<b>Q3/19</b>	<b>FY2019</b>	<b>FY18</b>
Consolidated SCG	12%	14%	13%	14%	16%
Cement-Building Materials Business	10%	11%	9%	11%	11%
Chemicals Business	8%	10%	12%	11%	16%
Packaging Business	16%	17%	17%	17%	17%
<b>Profit for the Period</b>	<b>Q4/19</b>	<b>% Y-o-Y</b>	<b>% Q-o-Q</b>	<b>FY2019</b>	<b>% Y-o-Y</b>
Consolidated SCG	7,104	-32%	15%	32,014	-28%
Cement-Building Materials Business	1,305	-6%	90%	5,455	3%
Chemicals Business	2,801	-46%	-8%	15,480	-46%
Packaging Business	1,196	-16%	-19%	5,268	-13%
Other	1,814	-25%	80%	5,861	16%

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 Business** **Profit for the period increased +3% y-o-y.**

In Q4/19, Thailand's total domestic grey cement demand grew +1% y-o-y, the government sector (approx. 40% of total demand volume) grew +2% y-o-y, while the non-government sector (approx. 60% of total demand volume) grew +1% y-o-y. The average grey cement price in Q4/19 rose 3 - 4% y-o-y to be in the range of 1,750 – 1,800 Bt/ton.

For the non-cement products in Q4/19, Thailand's demand of ceramic tiles dropped -1% y-o-y and demand of housing products (applications for roof, ceiling & wall) dropped -4% y-o-y.

In the ceramic tiles business (floor and wall tiles), the total sales volume in all markets (Thailand, Vietnam, Indonesia, Philippines) in Q4/19 amounted to 44 million sqm, decreased -4% y-o-y. The average price of ceramic tiles for all of SCG's ASEAN operations declined by -5% y-o-y. This is due to weak demand in all markets.

Q4/19 Revenue from sales in the Cement-Building Materials Business registered 45,135 MB, decreased -1% y-o-y due to lower sales in non-ASEAN market and was flat q-o-q. Similarly, EBITDA decreased -11% y-o-y from slow demand for ceramic tiles in all markets, but increased +7% q-o-q to 4,576 MB. Profit for the Period registered 1,305 MB, decreased -6% y-o-y but increased +90% q-o-q.

FY2019 Revenue from sales increased +1% y-o-y to 184,690 MB, mostly driven by the growth of distribution and retail businesses. Similarly, EBITDA grew by +3% y-o-y to 20,991 MB. Profit for the year increased +3% y-o-y to 5,455 MB. However, if we were to exclude severance pay adjustment and ceramic business restructuring expenses, EBITDA would register 21,461 MB (+5% YoY) and Profit would register

6,809 MB (+29% YoY).

**Chemicals Business**  
**Overall performance**  
**decreased from weak**  
**chemicals margins.**

In Q4/19, Brent crude oil price increased +1% q-o-q by \$1/bbl to \$63/bbl, and Naphtha price increased by \$46/ton or +9% q-o-q to \$540/ton. Crude price was supported by OPEC's deepen production cuts, while Naphtha price increased on refinery production cut following refinery attack in the Middle East.

Overall, product prices decreased q-o-q from soft demand due to U.S. and China trade tensions and new downstream capacities. HDPE price decreased by \$110/ton or -12% q-o-q to \$841/ton, while PP price dropped by \$28/ton or -3% q-o-q to \$1,056/ton. Consequently, the market spread of HDPE-Naphtha decreased by \$156/ton or -34% q-o-q to \$301/ton and market PP-naphtha spread dropped by \$74/ton or -13% q-o-q to \$516/ton. In Q4/19, Chemicals Business sold 457,000 tons of polyolefin products (PE and PP), decreasing slightly by -4% q-o-q due to year-end demand slow down and uncertainties from trade tensions. The export sales volume of PE and PP was 268,000 tons or 59% of the total sales volume.

PVC spread (PVC-EDC/C2) increased slightly by \$4/ton or +1% q-o-q to \$449/ton from stable demand and softening feedstock price. In Q4/19, PVC sales volume increased by +1% q-o-q to 211,000 tons.

BD-Naphtha spread dropped -37% q-o-q to \$437/ton due to soft demand toward year-end and new capacities. Meanwhile, MMA-Naphtha spread decreased -12% q-o-q to \$1,019/ton from ongoing poor demand and additional capacity in Asia.

In Q4/19, revenue from sales was 41,351 MB, decreasing -6% q-o-q and -23% y-o-y, from lower product prices and FX appreciation. EBITDA increased +92% q-o-q and +21% y-o-y to 10,711 MB due to higher dividend from Associates. Profit for the period was 2,801 MB, a drop -46% y-o-y and -8% q-o-q from lower product margins. There was inventory loss of 1,060 MB in Q4/19.

For 2019, revenues from sales of Chemicals Business was 177,634 MB or decreased -20% y-o-y due to lower product prices. EBITDA decreased -29% y-o-y to 32,258 MB, and profit for the year declined -46% y-o-y to 15,480 MB as a result of lower product margins as well as lower equity income from Associates.

**Packaging Business**  
**Revenue from Integrated**  
**Packaging chain grew +5%**  
**y-o-y.**

In Q4/19, total sales volume of "Performance and Polymer Packaging" was 11,281 tons, an increase of +20% q-o-q and +41% y-o-y. In Thailand, the domestic sales volume of Performance and Polymer Packaging registered at 6,752 tons, an increase of +30% q-o-q and +58% y-o-y, mainly due to the consolidation of the rigid plastic packaging company (Visy Packaging (Thailand) Limited or "Visy Thailand").

Total sales volume of "Paper-based Packaging" in Q4/19 was 202,000 tons, flat q-o-q and y-o-y. In Thailand, the domestic sales volume of Paper-based Packaging registered at 170,000 tons, an increase of +1% q-o-q and +1% y-o-y as a result of growing demand of Food and Beverage segment during year-end.

Total sales volume of "Packaging Paper" in Q4/19 was 982,000 tons, flat q-o-q but increased +61% y-o-y mainly from the consolidation of the packaging paper company (PT Fajar Surya Wisesa Tbk. or "Fajar"). In Thailand, the domestic sales volume of Packaging Paper registered at 314,000 tons, a decrease of -4% q-o-q due to lower export by Electronic & Electrical Appliance segment, and -5% y-o-y.

Total sales volume of "Fibrous Chain" in Q4/19 was 159,000 tons, dropped -4% q-o-q and -5% y-o-y mainly due to soft pulp demand. In Thailand, the domestic sales volume of Fibrous chain registered at 94,000 tons, a decrease of -12% q-o-q and -17% y-o-y.

As a result, Q4/19 revenue from sales registered at 23,096 MB, a decrease of -6% q-o-q but an increase of +9% y-o-y, which was driven mainly from the consolidation of the performance of the newly acquired companies (Fajar and Visy Thailand). EBITDA amounted to 3,738 MB, a decrease of -11% q-o-q due to lower margin but increased +4% y-o-y. Profit for the period registered at 1,196 MB, a decrease of -19% q-o-q and -16% y-o-y.

FY2019 revenue from sales increased by +2% y-o-y to 89,070 MB while revenue from Integrated packaging chain grew +5% y-o-y. EBITDA increased by +3% y-o-y to 15,036 MB. Profit for the year dropped by -13% y-o-y to 5,268 MB due to lower margin of Fibrous chain, higher financial cost, and higher depreciation expense.

## Financials

**Net Debt**  
Registered 181,684 MB in Q4/19, an increase of 34,173 MB from the end of Q4/18.

Net debt registered 181,684 MB in Q4/19, an increase of 34,173 MB from Q4/18. While FY2019 EBITDA registered at 74,960 MB. As a result, that has increased the Net Debt / EBITDA ratio to 2.4 times (x) from 1.7 times (x) in Q4/18 from project constructions and acquisitions in 2019.

FY2019 EBITDA generation of 74,960 MB compares to the cash outflow of 111,734 MB (CAPEX & Investments of 77,475 MB, dividend payments of 20,772 MB, interest payment of 7,366 MB and corporate tax of 6,121 MB).

Net finance and interest cost in for FY2019 amounted to 6,442 MB, compared to 6,836 MB in FY2018. The average cost of interest of FY2019 amounted to 3.1%, compared to 3.2% of FY2018.

**CAPEX & Investment**  
77,475 MB in FY2019.

CAPEX & Investment in FY2019 amounted to 77,475 MB, of which 43% from packaging, 42% from chemicals, 13% was from cement-building materials and 2% from others. FY2020 CAPEX & Investment are expected to be 60,000 – 70,000 MB, consisting mainly of committed Petrochemicals Complex construction in Vietnam, brownfield expansions, and other efficiency and maintenance projects.

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

	Q4/19	Q3/19	Q4/18
<b>Short Term</b>	<b>19,267</b>	<b>19,738</b>	<b>22,024</b>
Foreign	6,341	6,128	3,043
Baht	12,926	13,610	18,981
% of Total Loan	8%	9%	11%
<b>Long Term</b>	<b>208,146</b>	<b>195,972</b>	<b>183,424</b>
Foreign	11,881	7,692	1,450
Baht	196,265	188,280	181,974
% of Total Loan	92%	91%	89%
<b>Total Loan</b>	<b>227,413</b>	<b>215,710</b>	<b>205,448</b>
<b>Cash &amp; Cash Under Management</b>	<b>45,729</b>	<b>30,764</b>	<b>57,937</b>
Cash and cash equivalents	27,627	20,722	28,788
Short-term investments	16,595	10,042	21,593
Available-for-sale investments	1,507	0	7,556
<b>Total Net Debt</b>	<b>181,684</b>	<b>184,946</b>	<b>147,511</b>

<b>SCG's Financial Ratios</b>	Q4/19	Q3/19	Q4/18
EBITDA on Assets (%)	12%	11%	15%
EBITDA on Assets (%) (excluding projects under construction)	13%	12%	15%
Current Ratio (times)	1.3	1.3	1.6
Quick Ratio (times)	0.7	0.7	0.9
Interest Coverage (times)	13.6	8.6	12.0
Net Debt to EBITDA (times)	2.4	2.7	1.7
Net Debt to EBITDA (times) (excluding projects under construction)	1.8	2.1	1.5
Net Debt to Equity (times)	0.6	0.6	0.5
Debt to Equity (times)	0.9	0.9	0.9
Return on Equity (%)	11%	12%	17%

Note: Net Debt = Total debt (interest bearing), less cash and cash under management  
EBITDA = Earnings before interest, tax, depre & 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/19</b>	<b>Dec/18</b>	<b>Sep/19</b>
<b>Total Assets</b>	<b>634,733</b>	<b>589,787</b>	<b>611,503</b>
Current assets			
Cash, cash equivalent and short-term investment	44,222	50,381	30,764
Trade and other receivables	62,166	63,915	62,444
Inventory	56,411	60,817	58,370
Long-term investment	100,033	110,265	103,686
Property, plant and equipment	305,986	247,466	284,561
<b>Total Liabilities</b>	<b>306,990</b>	<b>271,918</b>	<b>289,775</b>
Trade and other payables	55,887	48,992	52,230
Loans	227,413	205,448	215,710
<b>Total Shareholders' Equity</b>	<b>327,743</b>	<b>317,869</b>	<b>321,728</b>
Total equity attributable to owners of the parent	280,215	277,097	275,175
Non-controlling interests	47,528	40,772	46,553