



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q1/20**

Q1/20 earnings of 6,971 MB.

Consolidated Financial Performance

SCG reported Q1/20 Profit for the Period of 6,971 MB, a decrease of -2% q-o-q, mainly resulting from decreased contribution from chemicals business. Similarly, EBITDA dropped -26% q-o-q to 15,424 MB, as the previous quarter was noted by seasonal dividend contribution from associated companies. Revenue from Sales held steady q-o-q at 105,741 MB, with increased revenues from cement-building materials and packaging businesses offsetting decreased revenues from chemicals business.

On a y-o-y basis, Q1/20 Profit for the Period decreased -40% y-o-y and EBITDA dropped -21% y-o-y, mainly due to the decline in performance of the Chemicals business in light of decreased product margins. Moreover, Revenue from Sales decreased -6% y-o-y, mainly from lower chemicals prices due to weak global demand.

Equity Income registered 1,245 MB, down -65% y-o-y.

Equity Income in Q1/20 registered 1,245 MB, representing a drop of 2,359 MB y-o-y or -65% y-o-y. The chemicals portion accounted for 20% of the total equity income, or 248 MB, which declined -89% y-o-y, while the non-chemicals portion was the remaining 80% or 997 MB, which dropped -29% y-o-y.

Total dividends received in Q1/20 amounted to 284 MB, a decrease of -80% y-o-y or 1,153 MB, with details as follows: a) 173 MB from "Associated" companies (20%-50% stake), and b) 111 MB from "Other" companies (less than 20% stake).

Table 1 - Consolidated financial summary

	<u>Q1/20</u>	<u>% Change</u>	<u>% Change</u>	<u>FY2019</u>
	MB	Y-o-Y	Q-o-Q	MB
Revenue from Sales	105,741	-6%	0%	437,980
Profit for the Period	6,971	-40%	-2%	32,014
EBITDA	15,424	-21%	-26%	74,960
EBITDA from Operations	15,251	-16%	15%	60,642
Earnings per Share (Baht)	5.8	-40%	-2%	26.7

*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 84,333 MB.

Continued solid financials, with cash & cash under management of 84,333 MB, compared to the 46,002 MB in Q4/19.

Net Working Capital registered 70,898 MB, flat q-o-q, while Inventory to Sales dropped slightly to 46 days, compared to 48 days in the previous quarter (Q4/19).

Table 2 - Segments

	Q1/20	Change	Change	FY2019
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB
Consolidated SCG	105,741	-6%	0%	437,980
Cement-Building Materials Business	46,245	-4%	2%	184,690
Chemicals Business	38,329	-17%	-7%	177,634
Packaging Business	24,267	15%	5%	89,070
Other	28	-3%	-3%	117
EBITDA	Q1/20	% Y-o-Y	% Q-o-Q	FY2019
Consolidated SCG	15,424	-21%	-26%	74,960
Cement-Building Materials Business	6,736	-2%	47%	20,991
Chemicals Business	2,913	-64%	-73%	32,258
Packaging Business	5,031	33%	35%	15,036
Other	831	-9%	-52%	6,711
EBITDA from Operations	Q1/20	% Y-o-Y	% Q-o-Q	FY2019
Consolidated SCG	15,251	-16%	15%	60,642
Cement-Building Materials Business	6,659	2%	48%	20,453
Chemicals Business	2,822	-60%	-17%	20,049
Packaging Business	5,026	33%	34%	15,024
Other	831	-7%	-47%	5,152
EBITDA Margins (%)	Q1/20	Q1/19	Q4/19	FY2019
Consolidated SCG	14%	16%	12%	14%
Cement-Building Materials Business	14%	14%	10%	11%
Chemicals Business	7%	15%	8%	11%
Packaging Business	21%	18%	16%	17%
Profit for the Period	Q1/20	% Y-o-Y	% Q-o-Q	FY2019
Consolidated SCG	6,971	-40%	-2%	32,014
Cement-Building Materials Business	2,778	-2%	113%	5,455
Chemicals Business	1,778	-70%	-37%	15,480
Packaging Business	1,732	7%	45%	5,268
Other	700	-47%	-61%	5,861

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 -5% y-o-y.

In Q1/20, Thailand's total domestic grey cement demand dropped -5% y-o-y, with the government sector (approx. 40% of total demand volume) dropping -7% y-o-y and the non-government sector (approx. 60% of total demand volume) dropping -4% y-o-y. The average grey cement price in Q1/20 rose approximately +2% y-o-y to be in the range of 1,800 – 1,850 Bt/ton as a result of customized solutions.

For the non-cement products in Q1/20, Thailand's demand of ceramic tiles dropped -11% y-o-y and demand of housing products (applications for roof, ceiling & wall) dropped -13% y-o-y.

In the ceramic tiles business (floor and wall tiles), the total sales volume in all markets (Thailand, Vietnam, Indonesia, Philippines) in Q1/20 amounted to 38 million sqm, decreasing -15% y-o-y because of weak demand in all markets and the temporary closure of operation in the Philippines due to the COVID-19 pandemic. The average price of ceramic tiles for all of SCG's ASEAN operations rose slightly by +1% y-o-y.

Q1/20 Revenue from sales in the Cement–Building Materials Business registered 46,245 MB, decreasing -4% y-o-y due to lower sales in domestic market but increasing +2% q-o-q on seasonality. Similarly, EBITDA decreased -2% y-o-y, but increased +47% q-o-q to 6,736 MB. Profit for the Period registered 2,778 MB, decreasing -2% y-o-y but increasing +113% q-o-q.

Chemicals
Decreased Profit q-o-q and y-o-y from lower equity income from Associates

In Q1/20, Brent crude oil price decreased by \$12/bbl to \$51/bbl, and Naphtha prices decreased by \$100/ton or -19% q-o-q to \$440/ton. Crude price was impacted by lower demand due to measures to control the global spread of COVID-19, and by increased supply due to oil price war among oil-producing countries. Naphtha price dropped in March with crude oil price amidst weak gasoline market.

Overall, product prices slightly decreased q-o-q due to soft demand from measures to control COVID-19 amidst limited supply due to plant maintenances in the Middle East and Southeast Asia, and regional production turndowns. HDPE price slightly decreased by \$2/ton q-o-q to \$839/ton, while PP price dropped by \$65/ton or -6% q-o-q to \$991/ton. However, significantly decreased naphtha price resulted in HDPE-Naphtha spread rising by \$97/ton or +32% q-o-q to \$398/ton and PP-naphtha spread rising by \$35/ton or +7% q-o-q to \$551/ton. In Q1/20, Chemicals Business sold 421,000 tons of polyolefin products (PE and PP), decreased by 36,000 tons q-o-q, mainly from inventory built up in anticipation of planned cracker turnaround. The export sales volume of PE and PP was 231,000 tons or 55% of the total sales volume.

PVC spread (PVC-EDC/C2) slightly declined by \$13/ton or -3% q-o-q to \$436/ton from the increase in main raw material price due to limited supply. In Q1/20, PVC sales volume dropped by 4,000 tons or -2% q-o-q to 207,000 tons from unplanned shutdown at VCM plant.

BD-Naphtha spread dropped -17% q-o-q to \$364/ton due to contracted demand and arbitrage from other regions. Meanwhile, MMA-Naphtha spread increased +7% q-o-q to \$1,092/ton as the drop of naphtha price was larger than that of product price.

In Q1/20, revenue from sales was 38,329 MB, decreasing -7% q-o-q and -17% y-o-y, from lower product prices and sales volume. EBITDA dropped -73% q-o-q and -64% y-o-y to 2,913 MB due to lower dividend from associates, while EBITDA from operations declined to 2,822 MB or -17% q-o-q due to lower sales volume and -60% y-o-y as a result of lower product margins. Profit for the period was 1,778 MB or decreased -37% q-o-q from lower equity income from associates and -70% y-o-y from lower equity income from associates and lower product margins. Chemicals Business realized inventory loss of 1,100 MB in Q1/20, an increase of 40 MB q-o-q and 1,530 MB y-o-y.

Packaging
Strong performance amidst the COVID-19 pandemic

In the “Integrated Packaging Chain”, the Q1/20 Revenue from sales (before inter-segment elimination) amounted to 20,224 MB, a growth of 5% q-o-q and 24% y-o-y, while representing 83% of the total Consolidated Revenue from Sales of the Packaging Business. Similarly, EBITDA increased +25% q-o-q and +46% y-o-y to 4,538 MB, while achieving an EBITDA margin of 22%, with details as follow:

“Performance and Polymer Packaging” Revenue from sales increased +33% y-o-y from the consolidation of Visy Thailand (Thai rigid plastic packaging), higher sales of flexible packaging for frozen food and rigid packaging for fruits, both for domestic and export markets.

“Fiber-Based Packaging” Revenue from sales slightly decreased by -1% y-o-y as a result of high volatility and supply chain interruption in Electronic & Electrical Appliance, Auto Parts and Garments industries resulting from COVID-19 pandemic.

“Packaging Paper” Revenue from sales increased +32% y-o-y mainly from the consolidation of Fajar (Indonesian upstream packaging paper) and higher demand in Consumer Products, Food & Non-Alcoholic Beverages amidst the COVID-19 pandemic in Thailand, Vietnam and Indonesia.

In the “Fibrous Chain” Q1/20, Revenue from sales (before inter-segment elimination)

registered 4,540 MB, representing a growth of 11% q-o-q mainly due to higher demand for Paper and pulp, but dropped -15% y-o-y due to lower price of pulp and paper comparing to the same period of last year. Similarly, EBITDA increased +355% q-o-q but decreased -24% y-o-y to 468 MB.

In Q1/20, total Consolidated Revenue from Sales of Packaging Business registered 24,267 MB, an increase of +5% q-o-q and +15% y-o-y, attributable to the consolidation of Fajar and Visy Thailand, and the internal efforts to proactively engage and serve customers to meet market challenges brought about by the Covid-19 pandemic. Similarly, Consolidated EBITDA increased +35% q-o-q and +33% y-o-y to 5,031 MB, achieving EBITDA margin of 21%, while Consolidated Profit for the period increased +45% q-o-q and +7% y-o-y to 1,732 MB.

Financials

Net Debt was 190,406 MB in Q1/20, an increase of 8,995 MB from the end of Q4/19.

Net debt registered 190,406 MB in Q1/20, an increase of 8,995 MB from Q4/19. Relative to the 12-month trailing EBITDA, the Net Debt / EBITDA ratio registered 2.7 times (x) in Q1/20, compared to 2.4 times (x) at the end of Q4/19. Net Debt / EBITDA (not including project CAPEX under construction) ratio was 1.9 times.

Net finance and interest cost in Q1/20 amounted to 3,113 MB. This consisted of Interest cost of 1,810 MB, and FX loss of 1,303 MB. Comparing to FY2019, Net finance and interest cost totaled 6,442 MB. However, the average cost of interest in Q1/20 was 3.0%, which was lower to the 2019 average of 3.1%.

CAPEX & Investment of 12,261 MB in Q1/20.

CAPEX & Investment in Q1/20 amounted to 12,261 MB, of which 55% was from Chemicals, 21% was from Cement-Building Materials, 20% was from Packaging, and 4% was from others. The expected FY2020 CAPEX & Investment will be in the range of 55,000 - 65,000 MB, taking into consideration current economic environment, greenfield and brownfield expansion, as well as the efficiency projects.

“Strong EBITDA generation”

The Q1/20 EBITDA generation of 15,424 MB compares to the cash outflow of 15,479 MB (CAPEX & Investments of 12,261 MB, interest payment of 1,940 MB and corporate tax of 1,278 MB).

Table 3 - SCG's Debt Profile (MB)

	Q1/20	Q4/19	Q1/19
Short Term	41,799	19,267	16,438
Foreign	8,081	6,341	2,919
Baht	33,718	12,926	13,519
% of Total Loan	15%	8%	8%
Long Term	232,940	208,146	186,988
Foreign	20,971	11,881	1,321
Baht	211,969	196,265	185,667
% of Total Loan	85%	92%	92%
Total Loan	274,739	227,413	203,426
Cash & Cash Under Management	84,333	46,002	62,162
Cash and cash equivalents	52,657	27,627	33,735
Investment in short-term debt securities	30,513	16,595	24,692
Investment in debt securities (Private funds) and fixed deposit more than 12 months	1,163	1,780	3,735
Total Net Debt	190,406	181,411	141,264
<u>SCG's Financial Ratios</u>	<u>Q1/20</u>	<u>Q4/19</u>	<u>Q1/19</u>
EBITDA on Assets (%)	10%	12%	14%
EBITDA on Assets (%) (excluding projects under construction)	11%	13%	15%
Current Ratio (times)	1.2	1.3	1.6
Quick Ratio (times)	0.7	0.7	0.9
Interest Coverage (times)	8.5	13.6	12.1
Net Debt to EBITDA (times)	2.7	2.4	1.7
Net Debt to EBITDA (times) (excluding projects under construction)	1.9	1.8	1.4
Net Debt to Equity (times)	0.6	0.6	0.4
Debt to Equity (times)	1.1	0.9	0.9
Return on Equity (%)	10%	12%	16%
<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>		= Trailing-12-month 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 Trailing-12-month 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>		= Trailing-12-month Net profit, to average total shareholders' equity (not including non-controlling interest)	

Table 4 - Statement of Financial Position (MB)

	Mar/20	Dec/19	Mar/19
Total Assets	708,931	634,733	598,386
Current assets			
Cash, cash equivalent and			
Investments in short-term debt securities	83,170	44,222	58,427
Trade and other receivables	63,482	62,166	65,802
Inventory	54,367	56,411	58,964
Long-term investment	109,594	100,033	108,413
Property, plant and equipment	335,223	305,986	249,641
Total Liabilities	371,901	306,990	281,240
Trade and other payables	71,384	55,887	47,933
Loans	274,739	227,413	203,426
Total Shareholders' Equity	337,030	327,743	317,146
Total equity attributable to owners of the parent	291,706	280,215	275,599
Non-controlling interests	45,324	47,528	41,547