



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q2/20 and H1/20**

Q2/20 earnings of 9,384 MB, +35% q-o-q on improved chemicals business performance

Consolidated Financial Performance

SCG reported Q2/20 Profit for the Period of 9,384 MB. This represents a +35% q-o-q increase in earnings, and is mainly attributed to improved chemicals business performance. Similarly, EBITDA from operations increased +17% q-o-q to 17,774 MB, while EBITDA registered 21,964 MB or up +42% q-o-q as a result of the seasonal dividend contribution from associated companies. Revenue from Sales decreased -9% q-o-q to 96,010 MB with decreases from all core businesses.

On a y-o-y basis, Q2/20 Profit for the Period, increased +33% y-o-y due to improved performance at all three of SCG's key business units due to cost optimization efforts and business continuity. Similarly, EBITDA from operations and EBITDA rose +23% y-o-y and +11% y-o-y, respectively. Revenue from Sales decreased -12% y-o-y, mainly from lower chemicals product prices.

For the period of H1/20, Profit for the Period registered 16,355 MB, a drop of -13% y-o-y, which is mainly attributed to decreased chemicals spreads during Q1/20. Likewise, EBITDA decreased -5% y-o-y to 37,388 MB, while Revenue from Sales also dropped -9% y-o-y to 201,751 MB, following lower chemicals product prices.

Table 1 - Consolidated financial summary

	<u>Q2/20</u>	% Change	% Change	<u>H1/20</u>	% Change
	MB	Y-o-Y	Q-o-Q	MB	Y-o-Y
Revenue from Sales	96,010	-12%	-9%	201,751	-9%
Profit for the Period	9,384	33%	35%	16,355	-13%
EBITDA	21,964	11%	42%	37,388	-5%
EBITDA from Operations	17,774	23%	17%	33,025	1%
Earnings per Share (Baht)	7.8	33%	35%	13.6	-13%

Dividend Summary

	<u>H1/20</u>	<u>H1/19</u>	<u>FY2019</u>
Baht Per Share	5.5	7.0	14.0
Payout Ratio (% of Net Profit)	40%	45%	52%
Payout Ratio (% of Net Profit before recognition of severance pay adjustment)		40%	49%

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 H1/20 registered 2,950 MB, down -56% y-o-y.

Equity Income in H1/20 registered 2,950 MB, representing a drop of 3,815 MB y-o-y or -56% y-o-y. The chemicals portion accounted for 39% of the total equity income, or 1,160 MB, which declined -73% y-o-y, while the non-chemicals portion was the remaining 61% or 1,790 MB, which dropped -27% y-o-y.

Total dividends received in H1/20 amounted to 4,921 MB, an drop of -35% y-o-y or 2,688 MB, with details as follows: a) 4,363 MB from "Associated" companies (20%-50% stake), and b) 558 MB from "Other" companies (less than 20% stake).

Cash & Cash Under Management of 88,628 MB.

Continued solid financials, with cash & cash under management of 88,628 MB, compared to the 84,333 MB in Q1/20, while Net Working Capital was 68,595 MB, a decrease of 3% q-o-q or 2,303 MB. Inventory to Sales increased to 48 days, compared to 46 days in the previous quarter (Q1/20).

5.5 Bt/Sh Interim dividend

The Board of Directors of SCG has approved a H1/20 interim dividend payment of 5.5 Bt/Sh (6,600 MB), which is payable on Aug 28/20 (XD-date on Aug 13/20, and record date on Aug 14/20).

Table 2 - Segments

	Q2/20	Change	Change	H1/20	Change
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB	% Y-o-Y
Consolidated SCG	96,010	-12%	-9%	201,751	-9%
Cement-Building Materials Business	42,506	-7%	-8%	88,751	-6%
Chemicals Business	34,758	-24%	-9%	73,087	-21%
Packaging Business	21,636	6%	-11%	45,903	11%
Other	27	-18%	-4%	55	-11%
EBITDA	Q2/20	% Y-o-Y	% Q-o-Q	H1/20	% Y-o-Y
Consolidated SCG	21,964	11%	42%	37,388	-5%
Cement-Building Materials Business	6,001	13%	-11%	12,737	5%
Chemicals Business	9,820	24%	237%	12,733	-20%
Packaging Business	3,963	19%	-21%	8,994	26%
Other	2,240	-31%	170%	3,071	-26%
EBITDA from Operations	Q2/20	% Y-o-Y	% Q-o-Q	H1/20	% Y-o-Y
Consolidated SCG	17,774	23%	17%	33,025	1%
Cement-Building Materials Business	5,723	11%	-14%	12,382	6%
Chemicals Business	6,840	67%	142%	9,662	-13%
Packaging Business	3,963	19%	-21%	8,989	26%
Other	1,308	-29%	57%	2,139	-22%
EBITDA Margins (%)	Q2/20	Q2/19	Q1/20	H1/20	H1/19
Consolidated SCG	19%	13%	14%	16%	15%
Cement-Building Materials Business	13%	11%	14%	14%	12%
Chemicals Business	20%	9%	7%	13%	12%
Packaging Business	18%	16%	21%	20%	17%
Profit for the Period	Q2/20	% Y-o-Y	% Q-o-Q	H1/20	% Y-o-Y
Consolidated SCG	9,384	33%	35%	16,355	-13%
Cement-Building Materials Business	1,944	211%	-30%	4,722	36%
Chemicals Business	4,564	23%	157%	6,342	-34%
Packaging Business	1,904	94%	10%	3,636	40%
Other	983	-43%	40%	1,683	-45%

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 +4% y-o-y on cancellation of Songkran Holiday, while EBITDA increased y-o-y from continuous efficiency effort.

In Q2/20, Thailand's total domestic grey cement demand increased +4% y-o-y as the cancellation of Songkran Holiday in efforts to contain the spread of COVID-19 added more working days to the quarter. Cement demand from the government sector (approx. 40% of total demand volume) increased +7% y-o-y, while the non-government sector (approx. 60% of total demand volume) increased +2% y-o-y. The average grey cement price in Q2/20 declined to be in the range of 1,750 – 1,800 Bt/ton.

For the non-cement products in Q2/20, Thailand's demand of ceramic tiles dropped -12% y-o-y while demand of housing products (applications for roof, ceiling & wall) slightly increased +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 Q2/20 amounted to 37 million sqm, decreased -20% y-o-y, because of weak demand stemming from COVID-19 lockdown measures. The average price of ceramic tiles for all of SCG's ASEAN operations slightly declined by -1% y-o-y.

Q2/20 Revenue from sales in the Cement-Building Materials Business registered 42,506 MB, decreased -7% y-o-y and -8% q-o-q due to weak demand from COVID-19

lockdown measures. EBITDA registered 6,001 MB, increased +13% y-o-y as a result of continuous efficiency improvement and lower energy price, but decreased -11% q-o-q on seasonality and the assets impairment of 699 MB in Q2/20. Profit for the Period registered 1,944 MB, increased +211% y-o-y, from the aforementioned cost optimizations and severance pay adjustment in Q2/19 of 964 MB but decreased -30% q-o-q on seasonality and assets impairment in Q2/20.

H1/20 Revenue from sales in the Cement–Building Materials Business registered 88,751 MB, decreased -6% y-o-y due to weak demand from COVID-19 lockdown measures. EBITDA registered 12,737 MB, increased +5% y-o-y as a result of continuous efficiency improvement and lower energy price. Similarly, Profit for the Period registered 4,722 MB, increased +36% y-o-y from the aforementioned cost optimizations and last year's severance pay adjustment. However, without the non-recurring items of assets impairment in Q2/20, EBITDA in H1/20 would register at 13,436 MB or +11% increased and without including severance pay adjustment in Q2/19 and assets impairment in Q2/20, Profit for the period would register 5,421 MB or +22% increased.

Chemicals

Profit increased q-o-q from higher sales volume and key products spreads.

In Q2/20, Brent crude oil price decreased by \$18/bbl or -35% to \$33/bbl, and Naphtha prices decreased by \$166/ton or -38% q-o-q to \$274/ton. Crude oil price was impacted by lower demand due to measures to control the global spread of COVID-19. Naphtha price dropped in line with crude oil price amidst weak gasoline market.

Overall, product prices decreased q-o-q due to soft demand from measures to control COVID-19 even though demand recovery from China's reopening was seen in May. HDPE price decreased by \$79/ton or -9% q-o-q to \$760/ton, while PP price dropped by \$116/ton or -12% q-o-q to \$875/ton. However, significantly decreased naphtha price resulted in HDPE-Naphtha spread rising by \$88/ton or +22% q-o-q to \$486/ton and PP-naphtha spread rising by \$50/ton or +9% q-o-q to \$601/ton. In Q2/20, Chemicals Business sold 491,000 tons of polyolefin products (PE and PP), increased by 70,000 tons q-o-q, from active portfolio and destination management amid lockdowns, the shifting of MOC turnaround and ability to maintain uninterrupted operations. The export sales volume of PE and PP was 315,000 tons or 64% of the total sales volume.

In Q2/20, PVC spread (PVC-EDC/C2) declined by \$39/ton or -9% q-o-q to \$398/ton, and PVC sales volume dropped by 4,000 tons or -2% q-o-q to 203,000 tons due to weak downstream demand during prolonged lockdown in India. Export volume to other markets such as China and Vietnam was increased in order to lessen the impact.

BD-Naphtha spread dropped -82% q-o-q to \$64/ton due to weak demand and surplus supply from Europe and U.S. Meanwhile, MMA-Naphtha spread was stable q-o-q at \$1,095/ton.

In Q2/20, revenue from sales was 34,758 MB, decreasing -9% q-o-q and -24% y-o-y, from lower product prices. EBITDA from operations increased to 6,840 MB or +142% q-o-q and +67% y-o-y, similar to EBITDA which increased to 9,820 MB or +237% q-o-q due to higher sales volume as well as improved product spreads and +24% y-o-y from lower feedstock cost. Profit for the period was 4,564 MB or increased +157% q-o-q from higher sales volume and key products spreads, and +23% y-o-y from lower feedstock cost. Chemicals Business realized inventory loss of 590 MB in Q2/20.

In H1/20, revenue from sales was 73,087 MB, decreasing -21% y-o-y from lower product prices. EBITDA from operations was 9,662 MB or decreased -13% y-o-y, similar to EBITDA decreased -20% y-o-y to 12,733 MB due to lower product spreads and dividend from associates. Profit for the period for H1/20 was 6,342 MB or decreased -34% y-o-y from lower product spread and lower equity income from associates.

Packaging
Q2/20's solid EBITDA margin at 18%, while integrated Packaging chain's EBITDA margin remained firm at 21%.

Q2/20 total Consolidated Revenue from Sales of "Packaging Business" registered at 21,636 MB, decreased -11% q-o-q due to decreased demand from the for Electronics and Electrical Appliance (E&E) and Auto parts segments, but increased +6% y-o-y following consolidation growths. Similarly, EBITDA decreased -21% q-o-q and increased +19% y-o-y to 3,963 MB while EBITDA margin registered a solid 18% despite the lockdown when demonstrates the resiliency, compared to 16% in Q2/19. Consolidated Profit for the period increased +10% q-o-q and +94% y-o-y to 1,904 MB. Packaging Business recognized 482 MB Fx gain from Fajar's USD loan in Q2/20 compared to 563 MB Fx loss in Q1/20.

In the "Integrated Packaging Chain", the Q2/20 Revenue from sales (before inter-segment elimination) amounted to 18,346 MB, a decline of -9% q-o-q mainly came from lower demand for durable goods and the alcohol beverages ban in Thailand during April to May 2020, following the COVID-19 lockdown measure in many ASEAN countries, while increased +14% y-o-y driven mainly by higher demand for Frozen and canned food, fruit exports and health and hygiene products. Similarly, EBITDA decreased -15% q-o-q, but improved +28% y-o-y to 3,848 MB, while remaining a solid EBITDA margin of 21% in this segment.

- "Performance and Polymer Packaging" Revenue from sales increased +21% q-o-q and +56% y-o-y, mainly driven by the export growth of frozen food, along with SCGP's continual new product roll outs in response to producers and customers' needs, such as crack-resistant fruit bowls to avoid product's damage during transportation, stand up pouch with child-resistant zipper.

- "Fiber-Based Packaging" Revenue from sales decreased -13% q-o-q and -11% y-o-y, attributed to the drop in demand for E&E, Garments and Footwear, alcohol beverages, decreased panic buying of Food and Beverages and Auto parts which resulted in reduction of utilization rate in automobile industry.

- "Packaging Paper" Revenue from sales decreased -13% q-o-q mainly driven by the similar reasons to Fiber-Based Packaging while increased +17% y-o-y mainly from the consolidation of Fajar (Indonesian packaging paper).

The "Fibrous Chain" in Q2/20, Revenue from sales (before inter-segment elimination) registered at 3,741 MB, a decreased of -18% q-o-q and -23% y-o-y, due to lower demand of printing and writing paper from schools and offices closure. Similarly, EBITDA decreased -67% q-o-q and -51% y-o-y to 155 MB with EBITDA margin of 4% compared to 7% in Q2/19.

H1/20 Revenue from sales of "the Packaging Business" increased +11% y-o-y to 45,903 MB. Similarly, EBITDA increased +26% y-o-y to 8,994 MB with resilient EBITDA margin of 20%, compared to 17% in H1/19 as a result of consistently profitable Integrated Packaging Chain. Profit for the Period increased +40% y-o-y to 3,636 MB with net profit margin of 8%, compared to 6% in H1/19.

Financials

Net Debt was 186,066 MB and Net Debt/EBITDA registered 2.5x in Q2/20.

Net debt registered 186,066 MB in Q2/20, a decrease of 4,655 MB from Q4/19. Net Debt / EBITDA ratio registered 2.5 times (x) in Q2/20, compared to 2.7 times (x) at Q1/20. Net Debt / EBITDA (not including project CAPEX under construction) ratio was 1.7 times.

The H1/20 EBITDA generation of 37,388 MB compares to the cash outflow of 36,963 MB (CAPEX & Investments of 22,193 MB, dividend payment of 9,512 MB, interest payment of 3,858 MB and corporate tax of 1,400 MB).

Net finance and interest cost in H1/20 amounted to 3,759 MB. Comparing to FY2019, Net finance and interest cost totaled 6,442 MB. However, the average cost of interest in H1/20 was 2.9%, which was lower to the 2019 average of 3.1%.

CAPEX & Investment of 22,193 MB in H1/20.

CAPEX & Investment in H1/20 amounted to 22,193 MB, of which 59% was from Chemicals, 19% was from Packaging, 17% was from Cement-Building Materials, and 5% was from others. The expected FY2020 CAPEX & Investment will be in the range of +55,000 to +65,000 MB with LSP project accounts for approximately half.

Table 3 - SCG's Debt Profile (MB)

	Q2/20	Q1/20	Q4/19	Q2/19
Short Term	40,951	41,799	19,267	22,116
Foreign	7,470	8,081	6,341	6,113
Baht	33,481	33,718	12,926	16,003
% of Total Loan	15%	15%	8%	10%
Long Term	233,743	232,940	208,146	194,709
Foreign	20,677	20,971	11,881	7,782
Baht	213,066	211,969	196,265	186,927
% of Total Loan	85%	85%	92%	90%
Total Loan	274,694	274,739	227,413	216,825
Cash & Cash Under Management	88,628	84,333	46,002	42,678
Cash and cash equivalents	61,190	52,657	27,627	25,487
Investment in short-term debt securities	26,178	30,513	16,595	14,361
Investment in debt securities (Private funds) and fixed deposit more than 12 months	1,260	1,163	1,780	2,830
Total Net Debt	186,066	190,406	181,411	174,147

SCG's Financial Ratios	Q2/20	Q1/20	Q4/19	Q2/19
EBITDA on Assets (%)	10%	10%	12%	12%
EBITDA on Assets (%) (excluding projects under construction)	12%	11%	13%	13%
Current Ratio (times)	1.1	1.2	1.3	1.4
Quick Ratio (times)	0.7	0.7	0.7	0.7
Interest Coverage (times)	12.4	8.5	13.6	12.5
Net Debt to EBITDA (times)	2.5	2.7	2.4	2.3
Net Debt to EBITDA (times) (excluding projects under construction)	1.7	1.9	1.8	1.9
Net Debt to Equity (times)	0.5	0.6	0.6	0.5
Debt to Equity (times)	1.1	1.1	0.9	0.9
Return on Equity (%)	10%	10%	12%	14%

<i>Note:</i> Net Debt	= Total debt (interest bearing), less cash and cash under management
EBITDA	= Earnings before interest, tax, depre & amortization, plus dividends.
EBITDA on Assets	= Trailing-12-month 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 Trailing-12-month 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	= Trailing-12-month Net profit, to average total shareholders' equity (not including non-controlling interest)

Table 4 - Statement of Financial Position (MB)

	Jun/20	Dec/19	Jun/19
Total Assets	706,652	634,733	618,591
Current assets			
Cash, cash equivalent and			
Investments in short-term debt securities	87,368	44,222	39,848
Trade and other receivables	59,512	62,166	67,835
Inventory	50,926	56,411	60,604
Long-term investment	106,584	100,033	104,402
Property, plant and equipment	341,360	305,986	274,612
Total Liabilities	362,701	306,990	293,698
Trade and other payables	60,584	55,887	54,060
Loans	274,694	227,413	216,825
Total Shareholders' Equity	343,951	327,743	324,893
Total equity attributable to owners of the parent	296,485	280,215	278,466
Non-controlling interests	47,466	47,528	46,427