



**The Siam Cement Public Company Limited  
Management's Discussion and Analysis (MD&A)  
Consolidated Financial Results: Q3/20 and 9M/20**

**Q3/20 earnings of 9,741 MB, increased +4% y-o-y from better chemicals and cement-building materials performances.**

**Consolidated Financial Performance**

SCG reported Q3/20 Profit for the Period of 9,741 MB, an increase of +4% q-o-q while Revenue from Sales registered 100,938 MB, an increase of +5% q-o-q. Earnings improvement is attributed to better Chemicals Business on the back of improving demand in China and Asia in general. However, EBITDA registered 19,334 MB, a decrease of -12% q-o-q as the previous quarter was noted by seasonal dividend contribution from associated companies.

On a y-o-y basis, despite a -9% drop in revenues, Q3/20 Profit for the Period increased by +57% while EBITDA increased by +30%. This is a result of better Chemicals performance and efficiency improvement seen in Cement-Building Materials business.

Key items in Q3/20 include the assets impairment of 461 MB mainly from Cement and Building materials business. Nevertheless, when taking into consideration the key items in Q3/19 consisting of Deferred tax reversal in Chemicals business of 1,063 MB and asset impairment of 762 MB, profit excluding key items would still grows y-o-y.

For the period of 9M/20, profit for period registered 26,096 MB, an increase of +5% y-o-y or 1,186 MB mainly as a result of increased contributions from Cement-Building Materials and Packaging businesses. EBITDA increased +5% to 56,722 MB for the same reason. Revenue from Sales, meanwhile, dropped -9% y-o-y to 302,689 MB due to decreased chemicals selling prices in-line with the drop in oil prices.

Packaging business reported 9M/20 profit of 4,971 MB, an increase of +22% y-o-y. Revenue from Sales registered 69,190 MB, increase +5% y-o-y, while EBITDA registered 13,118 MB, increase +16% y-o-y. EBITDA margin improved to 19% for 9M/20 compared to 17% for 9M/19.

**Table 1 - Consolidated financial summary**

	<u>Q3/20</u>	% Change	% Change	<u>9M/20</u>	% Change
	MB	Y-o-Y	Q-o-Q	MB	Y-o-Y
Revenue from Sales	100,938	-9%	5%	302,689	-9%
Profit for the Period	9,741	57%	4%	26,096	5%
EBITDA	19,334	30%	-12%	56,722	5%
EBITDA from Operations	18,746	27%	5%	51,771	9%
Earnings per Share (Baht)	8.1	57%	4%	21.7	5%

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/20 registered 5,991 MB, down -32% y-o-y.**

Equity Income in 9M/20 registered 5,991 MB, representing a drop of 2,805 MB y-o-y or -32% y-o-y, mainly due to the COVID-19 pandemic. The chemicals portion accounted for 47% of the total equity income, or 2,803 MB, which declined -48% y-o-y as a result of decreased demand in automotive sector in H1/20. Note, however, that automotive sector improved significantly in Q3/20. Non-chemicals portion was the remaining 53% of equity income or 3,188 MB, a drop of 181 MB or -5% y-o-y.

Total dividends received in 9M/20 amounted to 5,563 MB, a drop of -28% y-o-y or 2,141 MB, with details as follows: a) 4,951 MB from "Associated" companies (20%-50% stake), and b) 612 MB from "Other" companies (less than 20% stake).

**Cash & Cash Under Management of 87,352 MB.**

Continued solid financials, with cash & cash under management of 87,352 MB, compared to 46,002 MB in Q4/19 while Net Working Capital was 68,045 MB,

a decrease of -1% q-o-q or 550 MB, while Inventory to Sales was decreased to 47 days.

	Q3/20	Change	Change	9M/20	Change
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB	% Y-o-Y
Consolidated SCG	100,938	-9%	5%	302,689	-9%
Cement-Building Materials Business	42,685	-6%	0%	131,436	-6%
Chemicals Business	37,748	-14%	9%	110,835	-19%
Packaging Business	23,287	-5%	8%	69,190	5%
Other	30	15%	11%	85	-3%
<b>EBITDA</b>	<b>Q3/20</b>	<b>% Y-o-Y</b>	<b>% Q-o-Q</b>	<b>9M/20</b>	<b>% Y-o-Y</b>
Consolidated SCG	19,334	30%	-12%	56,722	5%
Cement-Building Materials Business	5,157	21%	-14%	17,894	9%
Chemicals Business	8,782	58%	-11%	21,515	0%
Packaging Business	4,124	-1%	4%	13,118	16%
Other	1,355	63%	-40%	4,426	-11%
<b>EBITDA from Operations</b>	<b>Q3/20</b>	<b>% Y-o-Y</b>	<b>% Q-o-Q</b>	<b>9M/20</b>	<b>% Y-o-Y</b>
Consolidated SCG	18,746	27%	5%	51,771	9%
Cement-Building Materials Business	5,152	21%	-10%	17,534	10%
Chemicals Business	8,721	59%	28%	18,383	11%
Packaging Business	4,121	-1%	4%	13,110	16%
Other	836	0%	-36%	2,975	-17%
<b>EBITDA Margins (%)</b>	<b>Q3/20</b>	<b>Q3/19</b>	<b>Q2/20</b>	<b>9M/20</b>	<b>9M/19</b>
Consolidated SCG	19%	13%	19%	17%	14%
Cement-Building Materials Business	12%	9%	13%	13%	11%
Chemicals Business	23%	12%	20%	17%	12%
Packaging Business	18%	17%	18%	19%	17%
<b>Profit for the Period</b>	<b>Q3/20</b>	<b>% Y-o-Y</b>	<b>% Q-o-Q</b>	<b>9M/20</b>	<b>% Y-o-Y</b>
Consolidated SCG	9,741	57%	4%	26,096	5%
Cement-Building Materials Business	1,894	176%	-3%	6,616	59%
Chemicals Business	5,488	80%	20%	11,830	-7%
Packaging Business	1,335	-9%	-30%	4,971	22%
Other	1,029	2%	5%	2,712	-33%

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 raised +1% y-o-y, driven by residential and infrastructure segments.**

In Q3/20, Thailand's total domestic grey cement demand increased +1% y-o-y. Cement demand from the government sector (approx. 40% of total demand volume) increased +1% y-o-y, and the non-government sector (approx. 60% of total demand volume) increased +1% y-o-y. The average grey cement price in Q3/20 maintained in the range of 1,750 – 1,800 Baht/ton.

For the non-cement products in Q3/20, Thailand's demand of ceramic tiles dropped -1% y-o-y while demand of housing products (applications for roof, ceiling & wall) dropped -8% y-o-y.

In the ceramic tiles business (floor and wall tiles), the total sales volume in all markets (Thailand, Vietnam, Indonesia, Philippines) in Q3/20 amounted to 41 million sqm, decreased -7% y-o-y, because of weak demand stemming from COVID-19 lockdown measures. Nevertheless, total sales volume improved +12% q-o-q from the easing of lockdown measures in The Philippines and Thailand in Q3/20. The average price of ceramic tiles for all of SCG's ASEAN operations slightly increased +2% y-o-y.

Q3/20 Revenue from sales in the Cement-Building Materials Business registered 42,685 MB, decreased -6% y-o-y due to weak demand from COVID-19 lockdown

measures and was flat q-o-q. EBITDA registered 5,157 MB, increased +21% y-o-y as a result of continuous efficiency improvement and lower energy cost, but decreased -14% q-o-q on seasonality. Profit for the Period registered 1,894 MB, increased +176% y-o-y, from the aforementioned efficiency improvement, but decreased -3% q-o-q on seasonality.

9M/20 Revenue from sales in the Cement–Building Materials Business registered 131,436 MB, decreased -6% y-o-y due to weak demand from COVID-19 lockdown measures. EBITDA registered 17,894 MB, an increase of +9% y-o-y and Profit for the Period registered 6,616 MB, an increase of +59% y-o-y as a result of continuous efficiency improvement and lower energy cost. However, without the assets impairment, EBITDA would increase +13% y-o-y to 19,258 MB and without severance pay adjustment in year 2019 and assets impairment, profit for the period would increase +33% y-o-y to 7,671 MB.

**Chemicals**  
**Profit for the period grew**  
**q-o-q and y-o-y, EBITDA**  
**from operations increased**  
**+28% q-o-q**

In Q3/20, Brent crude oil price increased by \$10/bbl to \$43/bbl, and Naphtha prices increased by \$123/ton or +45% q-o-q to \$397/ton. Crude oil price increased as COVID19-related lockdown measures eased and as supply and demand rebalanced on the back production cut by OPEC+. Naphtha price increased following crude oil price and from firm demand for gasoline blending as well as lower refinery run rates.

Overall, product prices increased q-o-q due to demand recovery from the easing of lockdowns. HDPE price rose by \$159/ton or +21% q-o-q to \$919/ton. PP price increased by \$99/ton or +11% q-o-q to \$974/ton. However, as feedstock cost also rose, HDPE-Naphtha spread slightly increased by \$36/ton or +7% q-o-q to \$522/ton and PP-naphtha spread dropped by \$24/ton or -4% q-o-q to \$577/ton.

In Q3/20, Chemicals Business sold 442,000 tons of polyolefin products (PE and PP), decreased by 49,000 tons q-o-q. Sales volume drop q-o-q was driven by the company's decision to push the scheduled turnaround of MOC cracker to Q4/20 from Q2/20. As the timing of MOC Turnaround was pushed to Q4/20, the company sold in Q2/20 the polyolefin inventory it previously built for the turnaround, causing Q2/20 sales volume to be abnormally high. Export sales volume of PE and PP was 252,000 tons or 57% of the total sales volume.

In Q3/20, PVC-EDC/C2 spread increased by \$57/ton or +14% q-o-q to \$455/ton, and PVC sales volume grew by 9,000 tons or +4% q-o-q to 212,000 tons due to the recovery of demand in domestic market and India.

BD-Naphtha spread rose by +161% q-o-q to \$167/ton due to limited supply from Europe and U.S amid improved demand. Meanwhile, MMA-Naphtha spread dropped q-o-q to \$995/ton.

In Q3/20, revenue from sales was 37,748 MB, increasing +9% q-o-q from increased product prices but dropped -14% y-o-y as products prices were lower than prices in Q3/19. EBITDA decreased -11% q-o-q from lower dividends but increased +58% y-o-y to 8,782 MB from lower feedstock cost. EBITDA from operations increase to 8,721 MB or +28% q-o-q due to higher products spreads and inventory gain, and +59% y-o-y due to lower feedstock cost. Profit for the period was 5,488 MB or increased +20% q-o-q mainly from higher equity income from associate, higher PVC spread, and inventory gain, and grew +80% y-o-y from lower feedstock cost. Chemicals Business realized inventory gain of 820 MB in Q3/20 compared to a loss of 590 MB in Q2/20, and a gain of 150 MB in Q3/19.

For the period of 9M/20, revenue from sales decreased -19% y-o-y to 110,835 MB from lower products prices. Profit for the period dropped -7% y-o-y to 11,830 MB mainly from dropped in equity income. EBITDA amounted 21,515 MB maintained at the same level as last year.

## Financials

**Net Debt was 190,155 MB in Q3/20.**

Net debt registered 190,155 MB at the end of Q3/20, an increase of 8,744 MB from Q4/19. Relative to the 12-month trailing EBITDA, the Net Debt/EBITDA ratio stood at 2.5 times (x) same as in Q2/20. However, if excluding projects CAPEX under construction, Net Debt/EBITDA will be at 1.5 times (x).

The 9M/20 EBITDA generation of 56,722 MB is compared to the cash outflow of 64,494 MB (CAPEX & Investments of 37,298 MB, dividend payout of 16,206 MB, interest payment of 5,815 MB and corporate tax of 5,175 MB).

Net finance and interest cost in 9M/20 amounted to 5,784 MB, compared to 6,442 MB in FY2019. This consisted of the interest cost of 5,361 MB and FX loss of 423 MB. The average cost of interest in 9M/20 was 2.9%, compared with the 2019 average of 3.1%.

**CAPEX & Investment of 37,298 MB in 9M/20.**

CAPEX & Investment in 9M/20 amounted to 37,298 MB, of which 65% was from Chemicals, 17% was from Packaging, 14% was from Cement-Building Materials, and 4% from others. The expected FY2020 CAPEX & Investment is forecasted at approximately 60,000 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)**

	Q3/20	Q2/20	Q4/19	Q3/19
<b>Short Term</b>	<b>37,114</b>	<b>40,951</b>	<b>19,267</b>	<b>19,738</b>
Foreign	6,807	7,470	6,341	6,128
Baht	30,307	33,481	12,926	13,610
% of Total Loan	13%	15%	8%	9%
<b>Long Term</b>	<b>240,393</b>	<b>233,743</b>	<b>208,146</b>	<b>195,972</b>
Foreign	22,234	20,677	11,881	7,692
Baht	218,159	213,066	196,265	188,280
% of Total Loan	87%	85%	92%	91%
<b>Total Loan</b>	<b>277,507</b>	<b>274,694</b>	<b>227,413</b>	<b>215,710</b>
<b>Cash &amp; Cash Under Management</b>	<b>87,352</b>	<b>88,628</b>	<b>46,002</b>	<b>30,974</b>
Cash and cash equivalents	44,931	61,190	27,627	20,722
Investment in short-term debt securities	39,207	26,178	16,595	10,042
Investment in debt securities (Private funds) and fixed deposit more than 12 months	3,214	1,260	1,780	210
<b>Total Net Debt</b>	<b>190,155</b>	<b>186,066</b>	<b>181,411</b>	<b>184,736</b>
<b>SCG's Financial Ratios</b>	<b>Q3/20</b>	<b>Q2/20</b>	<b>Q4/19</b>	<b>Q3/19</b>
EBITDA on Assets (%)	11%	10%	12%	12%
EBITDA on Assets (%) (excluding projects under construction)	12%	12%	13%	13%
Current Ratio (times)	1.1	1.1	1.3	1.3
Quick Ratio (times)	0.7	0.7	0.7	0.7
Interest Coverage (times)	10.9	12.4	13.6	8.6
Net Debt to EBITDA (times)	2.5	2.5	2.4	2.5
Net Debt to EBITDA (times) (excluding projects under construction)	1.5	1.7	1.8	2.0
Net Debt to Equity (times)	0.5	0.5	0.6	0.6
Debt to Equity (times)	1.1	1.1	0.9	0.9
Return on Equity (%)	11%	10%	12%	13%
<i>Note:</i>	<ul style="list-style-type: none"> <li><i>Net Debt</i> = Total debt (interest bearing), less cash and cash under management</li> <li><i>EBITDA</i> = Earnings before interest, tax, depre &amp; amortization, plus dividends.</li> <li><i>EBITDA on Assets</i> = Trailing-12-month EBITDA, to Total Consolidated Assets</li> <li><i>Current Ratio</i> = Current assets, to current liabilities</li> <li><i>Quick Ratio</i> = Cash + short term investments + receivable, to current liabilities</li> <li><i>Interest Coverage</i> = EBITDA, to interest expense</li> <li><i>Net Debt to EBITDA</i> = Net debt, to Trailing-12-month EBITDA</li> <li><i>Net Debt to Equity</i> = Net Debt, to equity &amp; non-controlling interest</li> <li><i>Debt to Equity</i> = Total Liabilities, to equity &amp; non-controlling interest</li> <li><i>Return on Equity</i> = Trailing-12-month Net profit, to average total shareholders equity (not including non-controlling interest)</li> </ul>			

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

	<b>Sep/20</b>	<b>Dec/19</b>	<b>Sep/19</b>
<b>Total Assets</b>	<b>723,147</b>	<b>634,733</b>	<b>611,503</b>
Current assets			
Cash, cash equivalent and			
Investments in short-term debt securities	84,138	44,222	30,764
Trade and other receivables	61,365	62,166	62,444
Inventory	52,278	56,411	58,370
Long-term investment	111,472	100,033	103,686
Property, plant and equipment	354,104	305,986	284,561
<b>Total Liabilities</b>	<b>372,017</b>	<b>306,990</b>	<b>289,775</b>
Trade and other payables	69,129	55,887	52,230
Loans	277,507	227,413	215,710
<b>Total Shareholders' Equity</b>	<b>351,130</b>	<b>327,743</b>	<b>321,728</b>
Total equity attributable to owners of the parent	302,749	280,215	275,175
Non-controlling interests	48,381	47,528	46,553