

ENGLISH TRANSLATION

SCCC 045/2020

3 November 2020

Subject: Management discussion and analysis Quarter 3/2020

Attention: Managing Director,
The Stock Exchange of Thailand

Attachment: A copy of the interim financial statements of SCCC for the three-month and nine-month periods ended 30 September 2020

We hereby submit to you the separate financial statements and consolidated financial statements of Siam City Cement Public Company Limited and its subsidiaries for the three-month and nine-month periods ended 30 September 2020 compared to the same period of 2019 with a summary of our operating result as mentioned below:

Signs of cement demand rebound in places in Q3 but constrained by adverse weather conditions in most of the countries

- **Topline remained under pressure due to sluggish demand, recovery is expected to be gradual and uneven across countries in the region.**
- **Improved operational efficiency combined with benefit from lower energy cost brought down operating expenses and sustained profitability.**
- **Easing of some country's lockdown measures indicates an uptick in international trading activities, going forward.**

Group Q3 (3-month)		2020	2019	Change %
Net Sales	million baht	10,380	11,953	-13.2
EBITDA	million baht	2,558 *	2,439	4.9
Net Profit	million baht	898	936	-4.1
Earnings per share	Baht	3.01	3.14	-4.1

Group YTD (9-month)		2020	2019	Change %
Net Sales	million baht	31,561	35,733	-11.7
EBITDA	million baht	7,485 *	6,600	13.4
Net Profit	million baht	2,748	2,678	2.6
Earnings per share	Baht	9.22	8.99	2.6

* **Remark:** EBITDA for FY 2020 were according to the new accounting standard (TFRS 16). The EBITDA pre-TFRS 16 for FY 2020 for Q3 (3-month) and YTD (9-month) were 2,421 million Baht and 7,085 million Baht respectively.

SCCC Group Performance Q3

Group net sales continued to suffer from reduced sales and lower average selling price compared to prior year. Overall construction activities concentrated in government infrastructure projects and key existing commercial and industrial projects. Amidst lockdown easing measures in various countries, sluggish demand in cement and other construction materials was mainly caused by subdued investment of private sectors and adverse weather condition as major markets entered rainy season.

Increased operational efficiency from improved plant operation, optimized thermal energy consumption coupled with benefit from lower energy and fixed cost reduction continued to underpin and sustain Group's profitability. Group EBITDA for Q3 adjusted to pre-IFRS 16 was 2,421 million Baht (post IFRS was 2,558 million Baht) which slightly declined from prior year mainly due to the timing issue of higher maintenance cost from regular schedule maintenance shutdown for 2 kilns in Thailand.

As liquidity became one of critical concerns during pandemic in the first half of the year, the Group decided to retain cash and enter into committed facilities to support operations if required and ensure the ability to meet the Group's obligations during a vulnerable economic condition.

SEGMENTAL PERFORMANCE

CEMENT

		YTD (9-month)			Q3 (3-month)		
		2020	2019	Change %	2020	2019	Change %
Net Sales	million baht	19,940	21,985	-9.3	6,741	7,100	-5.1
EBITDA	million baht	6,340	5,498	15.3	2,199	2,127	3.4

Thailand domestic cement market: Net sales declined under intense market competition. Cement demand concentrated in government infrastructure projects and ongoing commercial and industrial projects. Cement prices slightly increased from previous quarter as a result of industry-wide price changes during July-August. While optimized cost efficiency driven by lower energy costs and reduced distribution and operating expenses continued to improve profit margin, the incremental maintenance expenses from regular scheduled maintenance of 2 kilns partially offset the improved profit for the period.

In southern Vietnam, resurgence in new COVID-19 cases led to tightening lockdown measures in key cities. The construction industry remained suppressed because of government's construction permit freeze in Ho Chi Minh City and adverse weather conditions. Profitability improved from prior year mainly driven by optimized thermal energy cost, better plant operational efficiency and fixed cost reduction amidst net sales declined affected by unfavorable market conditions.

Sri Lanka displayed demand inflection as the parliamentary election in August further strengthening political stability which enabled the government to move forward with key infrastructure projects. Declining housing interest rates further encouraged investment in properties in the retail consumer sector. Our plant in Sri Lanka reached its highest production volume on record and reported a solid growth compared to the same period of prior year. Combining with positive momentum from continued cost reduction initiatives, profitability grew significantly.

In Bangladesh, despite extended partial lockdown measures in certain areas, cement demand suggesting signs of bottoming out and started to rebound to pre-COVID-19 levels. Cement price remained stall under intense market competition. Profitability continued to suffer from government imposed advance income tax on imported materials which outweighed benefits from energy and raw materials cost reduction.

Despite improving COVID-19 situation, a long public holiday and intense rains in **Cambodia** negatively affected cement demand during the period. The benefit of the downward trend on energy cost combined with fixed cost reduction initiatives largely offset the declining sales trend.

READY-MIXED CONCRETE AND AGGREGATE

		YTD (9-month)			Q3 (3-month)		
		2020	2019	Change %	2020	2019	Change %
Net Sales	million baht	5,003	6,416	-22.0	1,548	2,202	-29.7
EBITDA	million baht	517	278	86.0	158	110	43.6

Ready-mixed concrete and Aggregates: Subdued demand in residential construction activities on the back of rainy season and Songkran substituted holiday in September adversely affected demand for the period. Aggressive pricing to gain share of volume during this period intensified market competition. Amidst declining sales, robust production cost reduction compounded by benefits from lowering raw materials cost and diesel price underpinned profitability growth.

TRADING

		YTD (9-month)			Q3 (3-month)		
		2020	2019	Change %	2020	2019	Change %
Net Sales	million baht	3,909	4,400	-11.2	1,126	1,670	-32.6
EBITDA	million baht	169	266	-36.5	37	46	-19.6

Trading: Resumption of international trade continue to improve trading activities for the period, yet trading transactions remained below the pre-pandemic levels. In the Asia-Pacific region, China led the international trade recovery, and clinker imports were back to the same level as 2019. However, clinker demand in most of the countries remained low, except for Australia where clinker imports significantly increased, while clinker price gradually improved from prior quarter. Increasing coal and cementitious materials volume to Cambodia and Middle East countries softened the impact from bleak international trading activities.

LIGHT BUILDING MATERIALS

		YTD (9-month)			Q3 (3-month)		
		2020	2019	Change %	2020	2019	Change %
Net Sales	million baht	1,781	1,968	-9.5	612	667	-8.2
EBITDA	million baht	189	180	5.0	80	68	17.6

Contraction of the residential construction sector compounded with rainy season adversely affected demand and intensified market competition of light building materials segment. **Mortar** net sales declined and led to softened profitability for the period. Economic slowdown spoiled household income and had a negative impact on consumer spending.

Decorative materials under the **Fiber Cement** segment were under pressure of consumer price conscious decision. Aggressive fixed cost reduction actions helped to offset the contracted net sales and improved profit for the period.

Penetration in retail customer and geographical focus strategy rose net sales of **Aerated Concrete Products**, combining with improved operational efficiency increased profitability.

WASTE MANAGEMENT SERVICES AND OTHERS

		YTD (9-month)			Q3 (3-month)		
		2020	2019	Change %	2020	2019	Change %
Net Sales	million baht	928	964	-3.7	353	314	12.4
EBITDA	million baht	270	378	-28.6	84	88	-4.5

Waste Management Services: Net sales bounced back as customer projects resumed at an accelerated pace. Profitability declined mainly due to lower prevailing waste management fees in the market, and higher costs of industrial cleaning services.

Yours sincerely,

On behalf of Siam City Cement Public Company Limited

(Mr. Aidan John Lynam)
Group Chief Executive Officer

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(Unit: million baht)

<u>Financial Position</u>	Sep2020	Dec2019	Sep2019
Current Assets	17,010	15,424	14,635
Non-current Assets	63,819	62,782	62,972
Total Assets	80,829	78,206	77,607
Current Liabilities	11,290	15,414	15,847
Non-current Liabilities	34,217	30,121	28,739
Total Liabilities	45,507	45,535	44,586
Equity attributable to owners of the Company	33,932	31,394	31,799
Non-controlling interests of the subsidiaries	1,390	1,277	1,222
Total Shareholders' Equity	35,322	32,671	33,021
<u>Debt Profile</u>			
Short-term Loans	3,809	6,238	6,948
Long-term Loans	27,612	23,446	23,471
Total Loans	31,421	29,684	30,419
Cash & Cash Equivalents	7,766	4,821	3,221
Total Net Debt	23,655	24,863	27,198
<u>Key Ratio</u>			
RONOA (%)	11.2%	11.1%	10.1%
ROE (%)	11.2%	9.8%	11.0%
Total Net Debt/EBITDA (times)	2.41	2.78	3.22
Total Net Debt/Shareholders' Equity (times)	0.67	0.76	0.82