



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q1/21**

Consolidated Financial Performance

**Q1/21 earnings of
14,914 MB, +85% q-o-q**

SCG reported Q1/21 Profit for the Period of 14,914 MB, an increase of +85% q-o-q from all businesses, driven by the contribution of Cement-Building Materials Business from seasonality and Chemicals Business in light of higher sales volume from the completion of Map Ta Phut Olefins turnaround in Q4/20 and MOC Debottleneck project, healthy global demand and higher equity income. EBITDA increased +29% q-o-q to 23,665 MB despite lower dividend income in Q1/21. Lastly, Revenue from Sales registered a +26% increase q-o-q to 122,066 MB from better performances in all businesses despite the resurgence of COVID-19 cases during the quarter.

On a y-o-y basis, Q1/21 Profit for the Period increased +114% y-o-y largely attributable to Chemicals product spreads and higher equity income while EBITDA rose +68% y-o-y from increased chemicals product spreads. Revenue from Sales increased +15% y-o-y, mainly from higher chemicals selling prices.

Packaging business reported Q1/21 profit of 2,135 MB, an increase of +23% y-o-y. Revenue from Sales registered 27,253 MB, increase +12% y-o-y, while EBITDA registered 5,273 MB, increase +42% y-o-y. EBITDA margin rose to 19% for Q1/21 compared to 15% in Q1/20.

Table 1 - Consolidated financial summary

	<u>Q1/21</u>	<u>% Change</u>	<u>% Change</u>	<u>FY2020</u>
	MB	Y-o-Y	Q-o-Q	MB
Revenue from Sales	122,066	15%	26%	399,939
Profit for the Period	14,914	114%	85%	34,144
EBITDA	23,665	68%	29%	74,600
EBITDA from Operations	23,454	68%	40%	68,112
Earnings per Share (Baht)	12.4	114%	85%	28.5

Note : EBITDA = Earnings and dividends, before interest, tax, depreciation & amortization.
EBITDA from Operations = Earnings before interest, tax, depreciation & amortization.
Profit for the Period = Profit for the period attributable to owners of the parent.

**Equity Income
registered 5,698 MB in
Q1/21, increased 4,453
MB y-o-y.**

Equity Income in Q1/21 registered 5,698 MB, representing an increase of 4,453 MB y-o-y or +358% y-o-y. The chemicals portion accounted for 63% of the total equity income, or 3,587 MB, increased 3,339 MB y-o-y, while the non-chemicals portion accounted for the remaining 37% or 2,111 MB, increased 1,114 MB.

Total dividends received in Q1/21 amounted to 311 MB, an increase of +10% y-o-y or 27 MB, with details as follows: a) 211 MB from "Associated" companies (20%-50% stake), and b) 100 MB from "Other" companies (less than 20% stake).

**Cash & Cash Under
Management of 111,704
MB.**

Continued solid financials, with cash & cash under management of 111,704 MB, compared to 107,150 MB in Q4/20.

Net Working Capital registered 79,361 MB, an increase of +19% q-o-q, while Inventory turnover period dropped to 56 days, compared to 67 days in the previous quarter (Q4/20).

Table 2 - Segments

	Q1/21	Change	Change	FY2020
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB
Consolidated SCG	122,066	15%	26%	399,939
Cement-Building Materials Business	46,185	0%	15%	171,720
Chemicals Business	51,607	35%	43%	146,870
Packaging Business	27,253	12%	15%	92,786
Other	37	32%	0%	122
EBITDA	Q1/21	% Y-o-Y	% Q-o-Q	FY2020
Consolidated SCG	23,665	68%	29%	74,600
Cement-Building Materials Business	6,579	-3%	79%	21,591
Chemicals Business	10,949	276%	16%	30,965
Packaging Business	5,273	42%	25%	16,884
Other	959	15%	-7%	5,462
EBITDA from Operations	Q1/21	% Y-o-Y	% Q-o-Q	FY2020
Consolidated SCG	23,454	68%	40%	68,112
Cement-Building Materials Business	6,507	-3%	85%	21,068
Chemicals Business	10,858	285%	33%	26,532
Packaging Business	5,267	42%	25%	16,876
Other	917	10%	-5%	3,938
EBITDA Margins (%)	Q1/21	Q1/20	Q4/20	FY2020
Consolidated SCG	19%	13%	17%	17%
Cement-Building Materials Business	14%	14%	9%	12%
Chemicals Business	21%	7%	23%	18%
Packaging Business	19%	15%	18%	18%
Profit (Loss) for the Period	Q1/21	% Y-o-Y	% Q-o-Q	FY2020
Consolidated SCG	14,914	114%	85%	34,144
Cement-Building Materials Business	2,809	1%	N/A	6,422
Chemicals Business	8,829	397%	51%	17,667
Packaging Business	2,135	23%	44%	6,457
Other	1,736	148%	51%	3,862

Note: EBITDA = Earnings and dividends, before interest, tax, depreciation & amortization.
EBITDA from Operations = Earnings before interest, tax, depreciation & 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

Domestic demand recovery offset weak ASEAN sales

In Q1/21, Thailand's total domestic grey cement demand increased +3% y-o-y. Cement demand from the government sector (approx. for 40% of total demand volume) increased +6% y-o-y and demand from commercial and residential sectors (approx. for 60% of total demand volume) increased +2% y-o-y. The average grey cement price in Q1/21 was in the range of 1,700 – 1,750 Bt/ton.

For non-cement products in Q1/21, Thailand's ceramic tiles demand was flat y-o-y while demand for housing products (applications for roof, ceiling & wall) increased +8% y-o-y thanks to increased demand from renovation projects.

For SCG ceramic tiles business (floor and wall tiles), total sales volume in all markets (Thailand, Vietnam, Indonesia, Philippines) in Q1/21 amounted to 41 million sqm, increased +8% y-o-y, thanks to higher demand in most countries. The average price of ceramic tiles for all of SCG's ASEAN operations decreased -4% y-o-y due to competition in the marketplace.

For Q1/21, revenue from sales of the Cement-Building Materials Business registered 46,185 MB, increased +15% q-o-q and held steadily y-o-y thanks to improving domestic business sentiment supported by higher demand in building material products which offset lower sales in ASEAN from economic slowdown decreased consumer spending in light of COVID-19 resurgence, and a month-long planned maintenance of a kiln at the company's cement plant in Cambodia. EBITDA increased

+79% q-o-q mainly from seasonality but decreased slightly -3% y-o-y to 6,579 MB due to the aforementioned factors. Profit for the period registered 2,809 MB, increased y-o-y and q-o-q.

Chemicals Business

Strong earnings driven by higher sales volume and product spreads. MOC Debottleneck project started up a quarter ahead of schedule

In Q1/21, Brent crude oil price increased by \$16/bbl to \$61/bbl, and Naphtha price increased by \$149/ton or +37% q-o-q to \$557/ton. Crude oil price increased from supply restraint from large voluntary production cut by Saudi Arabia, winter freeze in the U.S., and improved demand after COVID-19 vaccine rollout in several countries. Naphtha price increased from reduced refineries operations due to severe winter in the U.S. as well.

Overall, product prices increased q-o-q due to supply tightness as large number of the U.S. producers shut down operations from winter freeze in February 2021. HDPE price rose by \$145/ton or +15% q-o-q to \$1,145/ton. PP price increased by \$217/ton or +19% q-o-q to \$1,348/ton. HDPE-Naphtha spread held steady q-o-q to \$588/ton, and PP-naphtha spread increased by \$68/ton or +9% q-o-q to \$791/ton. In Q1/21, Chemicals Business sold 488,000 tons of polyolefin products (PE and PP), increased by 104,000 tons q-o-q as there was MOC turnaround in the previous quarter and the start-up of MOC Debottleneck project a quarter ahead of schedule added around 20,000 ton in Q1/21.

In Q1/21, PVC-EDC/C2 spread increased by \$10/ton or +2% q-o-q to \$534/ton, and PVC sales volume increased by 2,000 tons or +1% q-o-q to 211,000 tons due to higher construction demand across all regions.

BD-Naphtha spread dropped by -51% q-o-q to \$352/ton due to resumed operations of regional producers that had unplanned shutdowns in Q4/20. Meanwhile, MMA-Naphtha spread increased +8% q-o-q to \$1,300/ton from supply shortage due to the U.S. severe winter.

In Q1/21, revenue from sales was 51,607 MB, increased +43% q-o-q from increased sales volume as there was MOC turnaround in Q4/20 and MOC Debottleneck started up in Q1/21, and increased +35% y-o-y due to higher selling prices. EBITDA increased +16% q-o-q to 10,949 MB from higher sales volume and +276% y-o-y from higher product spreads. EBITDA from operations increased to 10,858 MB, +33% q-o-q and increased +285% y-o-y, due to aforementioned reasons of EBITDA. Profit for the period was 8,829 MB or increased +51% q-o-q mainly from higher sales volume and equity income from associates, and grew +397% y-o-y from higher product spreads and equity income from associates. Chemicals Business realized inventory gain of 1,140 MB, increased 80 MB q-o-q and 2,240 MB y-o-y.

Financials

Net Debt

Registered 161,621 MB in Q1/21, an increase of 7,407 MB from the end of Q4/20.

Net debt registered 161,621 MB in Q1/21, an increase of 7,407 MB from Q4/20. Relative to the 12-month trailing EBITDA, the Net Debt / EBITDA ratio registered 1.9 times (x) in Q1/21, compared to 2.1 times (x) at the end of Q4/20. Net Debt / EBITDA (not including project CAPEX under construction) ratio was 0.8 times.

Net finance and interest cost in Q1/21 amounted to 1,691 MB compared to 1,811 MB in Q1/20 and 1,720 MB in Q4/20. However, the average cost of interest in Q1/21 was 2.8%, which was lower to than 3.0% in Q1/20 but similar to 2.8% in Q4/20.

CAPEX & Investment **17,525 MB in Q1/21.**

CAPEX & Investment in Q1/21 amounted to 17,525 MB, of which 67% was from Chemicals, 23% was from Packaging, 8% was from Cement-Building Materials, and 2% was from others. The expected FY2021 CAPEX & Investment will be in the range of 75,000 – 80,000 MB, taking into consideration current economic environment, greenfield and brownfield expansion, as well as the efficiency projects.

The Q1/21 EBITDA generation of 23,665 MB compares to the cash outflow of 20,384 MB (CAPEX & Investments of 17,525 MB, interest payment of 1,952 MB and corporate tax of 907 MB).

Table 3 - SCG's Debt Profile (MB)

	Q1/21	Q4/20	Q1/20
Short Term	26,681	22,020	41,799
Foreign	8,631	6,657	8,081
Baht	18,050	15,363	33,718
% of Total Loan	10%	8%	15%
Long Term	246,644	239,344	232,940
Foreign	28,502	20,534	20,971
Baht	218,142	218,810	211,969
% of Total Loan	90%	92%	85%
Total Loan	273,325	261,364	274,739
Cash & Cash Under Management	111,704	107,150	84,333
Cash and cash equivalents	53,198	64,399	52,657
Investment in short-term debt securities	53,332	38,582	30,513
Investment in debt securities (Private funds) and fixed deposit more than 12 months	5,174	4,169	1,163
Total Net Debt	161,621	154,214	190,406
SCG's Financial Ratios	Q1/21	Q4/20	Q1/20
EBITDA on Assets (%)	11%	11%	11%
EBITDA on Assets (%) (excluding projects under construction)	13%	13%	12%
Current Ratio (times)	1.2	1.3	1.2
Quick Ratio (times)	0.9	0.9	0.7
Interest Coverage (times)	14.0	10.6	7.8
Net Debt to EBITDA (times)	1.9	2.1	2.7
Net Debt to EBITDA (times) (excluding projects under construction)	0.8	1.0	1.9
Net Debt to Equity (times)	0.4	0.4	0.6
Debt to Equity (times)	0.9	0.9	1.1
Return on Equity (%)	13%	11%	10%
Note:	<ul style="list-style-type: none"> <i>Net Debt</i> = Total debt (interest bearing), less cash and cash under management <i>EBITDA</i> = Earnings before interest, tax, depreciation & amortization, plus dividends <i>EBITDA on Assets</i> = Trailing-12-month EBITDA, to average 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/21	Dec/20	Mar/20
Total Assets	800,932	749,381	708,931
Current assets			
Cash, cash equivalent and			
Investments in short-term debt securities	106,530	102,981	83,170
Trade and other receivables	68,788	54,842	63,482
Inventory	58,721	54,654	54,367
Long-term investment	123,076	114,808	109,594
Property, plant and equipment	377,251	363,425	335,223
Total Liabilities	389,367	353,255	371,901
Trade and other payables	83,637	65,273	71,384
Loans	273,325	261,364	274,739
Total Shareholders' Equity	411,565	396,126	337,030
Total equity attributable to owners of the parent	332,406	320,972	291,706
Non-controlling interests	79,159	75,154	45,324

SCG Sustainability - Building Resilience for Sustainable Leadership

SCG's goal is to become a regional business leader focusing on innovation, sustainability, and good corporate governance.

SCG recognizes the importance of environmental and climate management as a key driver of our business' sustainability. To ensure that **Sustainable Development Goals (SDGs) are put into action in-line with our vision**, sustainability and ESG principles have been incorporated in company's medium term business strategies. **SCG's goal is to become a regional business leader focusing on innovation, sustainability, and good corporate governance.**



I. Environment:

Key Performance data FY2020

FY2020: 10.90% GHG Emissions Reduction

- **Greenhouse Gas Emissions (GHG) - Driving towards Net zero in 2050**

FY2020: **10.90%** GHG Emissions Reduction or **2.86 million tons CO₂** compared with BAU at base year of 2007

Highlights:

SCG continues to explore new ways to reduce energy use, improve production process, and produce products, services and solutions with lower carbon footprints. An example is "**Low Carbon Cement**". In 2020, SCG delivered over 2 million tons of hydraulic cement to customers, resulting in CO₂ emissions reduction of **100,000** tons compared with the use of Type 1 Portland cement.

FY2020: 15% of water withdrawal reduction

- **Water Management - Reduction in water withdrawal**

FY2020: **15%** of water withdrawal reduction or **16.61 million Cubic Meters** compare with BAU at base year of 2014

Highlights:

SCG has been enhancing the efficiency of water use in the production processes as well as increasing the portion of recycle water. Improved water filtration system (SAVEALL/PETAX) allows recycled water to be used while water-saving machine cleaning equipment requires less water. These efforts resulted in water withdrawal reduction of 3.5 million cubic meters per year.

FY2020: 32.6% of SCG Green Choice products, services and solutions of total revenue from sales

- **SCG Green Choice products, services and solutions** - Using less resource, energy and water in production processes, reducing Greenhouse gas and waste generated in the processes.

FY2020: **32.6%** of total revenues from sales were SCG Green Choice products, services and solutions **worth 130,389 million Baht**

Highlights:

For more than a decade, SCG has developed, registered more than 90 products, services and solutions, and made efforts to increase revenues from sales of this product category.

Examples of SCG Green Choice products, services and solutions include "**SCG Hybrid Cement**" which reduces GHG emissions in the production process by at least 50 kilograms per ton of cement, energy-saving products, services and solutions such as **emisspro® R Series**, an advanced ceramic coating for refractories helping reduce fuel use by at least 2%.

Embedded Climate resilience and Circular Economy principles in each business strategy

Climate resilience and Circular Economy

Cement-Building Material business has revealed its **Green Construction solution strategy** which is in line with ESG principles under the concept of "**increase value-decrease time & loss**". Sustainable construction involves leveraging digital technology to create innovation and environmental friendliness in every stage of construction. This includes use of renewable resources and visualization of preconstructed project using BIM technology to minimize time and waste with the aim of moving the construction industry in Thailand towards sustainable development.

Chemicals business recently announced its **chemical recycling technology** that can turn post-consumer plastics into renewable feedstock for petrochemicals production. This sustainable solution helps tackle Thailand's plastic waste problem and is aligned with SCG's Circular Economy roadmap. **Chemicals business targets 200,000 tons of Green Polymer sales volume by 2025.** This advanced technology utilizes catalyst to promote energy saving and environmental friendliness in plastic recycling process by lowering process temperature

Packaging business (SCGP) has announced its business strategies emphasizing **Circular Economy solutions**, following sustainable development paths. The Circular Economy concept is incorporated in design and development process with a focus on resource efficiency **using a model of "make-use-return"**. Additionally, **roughly 95% of raw materials used to produce packaging paper are made from recovered/recycled paper.**

Continue to support in distributing innovative equipment and supplies in fight against the pandemic

II. Social: Innovation in fight against the new wave of Covid-19 pandemic

Amid the rapid surge in Covid-19 infection cases in Thailand in 2021, **SCG Foundation, SCG and SCGP continue our support in distributing innovative medical equipment and supplies** to 255 hospitals, field hospitals and Covid-19 related support units in 77 provinces. The equipment included SCGP Paper bed, produced from recycled paper for the Field Hospitals, Bathroom Mobile Unit and Positive Pressure Chambers to support the medical workforce, and other medical equipment including N95 masks, medical gloves, and PPE suits.

With regards to Human rights, in 2020, there was 0 reported case of human rights violation.

Become a leader in corporate governance

III. Governance:

Striving to become a leader in corporate governance, SCG continues to conduct its business with integrity and responsibility towards the society and all stakeholders alike. SCG Code of Conduct obliges all SCG employees and Directors to serve as role models in ethical conduct. Underpinned by this business philosophy, **SCG is recognized and has been certified by Thailand's Private Sector Collective Action against Corruption (CAC)** since 2013. The company has since passed all subsequent recertifications with the most recent certification issued on February 4, 2019, covering a 3 year period to 2022.

For additional information

SCG Sustainability

<http://www.scgsustainability.com/en/>

Corporate governance

<https://scg.listedcompany.com/cg.html>