

ENGLISH TRANSLATION

SCCC 034/2020

29 July 2020

Subject: Management discussion and analysis of the operating result of change more than 20 percent of the Quarter 2/2020

Attention: Managing Director,
The Stock Exchange of Thailand

Attachment: A copy of the interim financial statements of SCCC for the three-month and six-month periods ended 30 June 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 six-month periods ended 30 June 2020 compared to the same period of 2019 with a summary of our operating result as mentioned below:

Amidst adverse impacts from COVID-19, cost reductions and internal efficiency gains offset revenue pressure leading to improved bottom line profitability

- Business disruption caused by COVID-19 suppressed construction activities and cement demand in the region, and as a result, Group net sales declined.
- Cost optimization initiatives implemented across the Group, improved plant operations and lower thermal energy cost brought down operating expenses.
- The Group secured additional long-term financing as well as committed credit facilities to set up robust liquidity assurance.

Group Q2 (3-month)		2020	2019	Change %
Net Sales	million baht	10,165	11,901	-14.6
EBITDA	million baht	2,615 *	1,848	41.5
Net Profit	million baht	1,024	637	60.8
Earnings per share	Baht	3.44	2.14	60.7

Group YTD (6-month)		2020	2019	Change %
Net Sales	million baht	21,181	23,780	-10.9
EBITDA	million baht	4,927 *	4,161	18.4
Net Profit	million baht	1,850	1,742	6.2
Earnings per share	Baht	6.21	5.85	6.2

* **Remark:** EBITDA for FY 2020 were according to the new accounting standard (TFRS 16). The EBITDA pre-TFRS 16 for FY 2020 for Q2 (3-month) and YTD (6-month) were 2,482 million Baht and 4,664 million Baht respectively.

SCCC Group Performance Q2

Curfew measures imposed in each country to varying degrees, adversely affected demand for cement and other construction materials. Although restrictions on business operations have been gradually eased during the period, the recovery of construction demand for cement and cementitious material remains weak.

The Group has implemented several cost reduction initiatives including optimizing operations to assure profitability during the much-disrupted economic environment. Plant reliability has been improved to reduce breakdowns and effectively reduce maintenance cost. Additionally, a downward trend in energy prices has benefitted the Group in lowering production costs as well as distribution costs. Fixed operating costs have also been rationalized and brought down commensurate with the prevailing business climate. Furthermore, the Group decided to mothball one cement kiln at the Saraburi plant in May to optimize resources and capacities corresponding to demand contraction across the region.

The adverse impact from COVID-19 is expected to continue. The Group has secured 3 billion Baht of long-term financing and 6 billion Baht of committed credit facilities in order to strengthen its liquidity assurance in an unpredictable economic environment.

SEGMENTAL PERFORMANCE

CEMENT

		YTD (6-month)			Q2 (3-month)		
		2020	2019	Change %	2020	2019	Change %
Net Sales	million baht	13,199	14,885	-11.3	6,500	7,421	-12.4

Thailand domestic cement market: Government infrastructure projects remain key drivers for domestic cement demand amid decelerated construction in residential and commercial sectors. Cancellation of the Songkran festive holiday in April helped regain volumes somewhat as construction activities continued. Cement prices slightly declined under intense market competition. Lower thermal and electrical energy costs and reduced fixed production and maintenance costs improved profit margin.

In southern Vietnam, the construction industry slowed down affected by COVID-19 on the back of the prolonged government's construction permit freeze in Ho Chi Minh City and onset of rainy season. Despite revenue pressure from the adverse market environment, profitability significantly improved due to steady efficient plant operation, lowered energy and raw material costs, and optimized procurement actions.

Sri Lanka saw a strict curfew imposed during March and April by the government which hampered construction activity greatly and adversely impacted cement demand. However, production cost reductions driven by lowered fuel and raw material costs together with rigorous fixed cost management and improved maintenance cost control, offset the revenue shortfall.

In Bangladesh, cement demand suffered from an extensive COVID-19 curfew during April and May. The government's income tax regime imposed on imported materials continued to weigh on the operational profitability.

The **Cambodian** Joint Venture's financial performance remained solid despite revenue impacts from COVID-19 pandemic and rainy season. Operations efficiency measures and cost optimizations more than offset the topline reduction.

READY-MIXED CONCRETE AND AGGREGATE (Thailand)

		YTD (6-month)			Q2 (3-month)		
		2020	2019	Change %	2020	2019	Change %
Net Sales	million baht	3,455	4,214	-18.0	1,550	2,039	-24.0

Ready-mixed concrete and Aggregates: Construction activities in infrastructure, large scale commercial projects and industrial construction projects in Eastern Seaboard area remained key volume drivers for the period. Sluggish demand led to net sales decreases. However, profitability improved contributed by higher concrete and aggregate pricing over the prior year, as well as fixed cost reduction and benefits from lowered raw materials cost and diesel price.

TRADING

		YTD (6-month)			Q2 (3-month)		
		2020	2019	Change %	2020	2019	Change %
Net Sales	million baht	2,783	2,730	1.9	1,345	1,517	-11.3

Trading: While the restrictions over international trading movements due to countries lockdown measures have subsided somewhat, FOB prices for exported clinker and cementitious materials softened compared to prior year. The prospects for an international trade rebound remains challenging under the economic disruptions brought by the COVID-19 pandemic.

LIGHT BUILDING MATERIALS

		YTD (6-month)			Q2 (3-month)		
		2020	2019	Change %	2020	2019	Change %
Net Sales	million baht	1,169	1,301	-10.1	522	592	-11.8

Whilst sales of **Mortar** declined due to poor residential segment demand, improved internal production efficiencies and costs control allowed profitability to improve. On the other hand, for **Fiber Cement**, the COVID-19 related temporary closedown of the modern trade channel in Thailand during March-April coupled with a strict curfew in Indonesia and Ramadan holidays in May, led to reduced profitability. **Aerated Concrete Products** profitability was improved, however, due to cancellation of the Songkran holidays and increased penetration in the retail customer segment.

WASTE MANAGEMENT SERVICES AND OTHERS

		YTD (6-month)			Q2 (3-month)		
		2020	2019	Change %	2020	2019	Change %
Net Sales	million baht	575	650	-11.5	248	332	-25.3

Waste Management Services: COVID-19 pandemic interrupted business operation and causing delays in industrial cleaning projects. Net sales for waste management and industrial cleaning services therefore declined compared to prior year.

Yours sincerely,

On behalf of Siam City Cement Public Company Limited

(Aidan John Lynam)
Group Chief Executive Officer