

**SCG Announces Operating Results for Q2/2019 and H1/2019,  
Promotes HVA, Circular Economy and Total Solutions While Speeding up Investment Projects to  
Meet Planned Target, Building Long-Term Growth and Stability Amidst Challenging Economy**

*BANGKOK: 26 July 2019 – SCG announced its operating results for Q2/2019 and H1/2019 with shrinking profits spawned by trade war tensions, pledging to push forward development of innovative and high value added products and services and achieving a circular economy complemented with delivering total solutions for customers and accelerating major investment projects to meet the planned target. A series of measures taken to ensure long-term growth and maintain stability.*

Mr. Roongrote Rangsiyopash, President and CEO of SCG, disclosed the Company's unreviewed Operating Results for Q2/2019 with registering Revenue from Sales of 109,094 MB, a decrease of 9% y-o-y, mainly from lower chemicals product prices and a 3% drop q-o-q with decreases from all core businesses. Profit for the Period, without the severance pay adjustment, fell to 9,079 MB or down 27% y-o-y and 22% q-o-q in light of the trade war concerns which affected the chemicals margin and inventory loss of 1,150 MB. Factoring in the severance pay adjustment of 2,035 MB, SCG's Profit for the Period will stand at 7,044 MB.

SCG's Revenue from Sales for the first half of 2019 lessened by 7% y-o-y to 221,473 MB, predominantly due to lower chemicals prices. Profit for the Period, without the severance pay adjustment, dipped 16% y-o-y to 20,741 MB, owing to the drop in chemicals margins on global trade war concerns. However, Cement-Building Materials Business recorded higher revenues thanks to regional construction sector recovery. Factoring in the severance pay adjustment, SCG's Profit for the Period will stand at 18,706 MB.

SCG's Revenue from Sales of High Value Added Products & Services (HVA) for Q2/2019 reached 47,164 MB or 43% of total Revenue from Sales, representing an increase of 4% y-o-y and 4% q-o-q. As a result, the Revenue from Sales of HVA products for the first half of 2019 amounted to 92,628 MB or 42% of total Revenue from Sales, increasing 2% y-o-y.

Besides, SCG's Revenue from performance businesses outside of Thailand including with export sales from Thailand for H1/2019 registered 88,825 MB or 40% of total Revenue from Sales, a dip of 11% y-o-y.

The total assets of SCG, as of June 30, 2019, amounted to 618,591 MB, while 33% represented assets in ASEAN.

The Q2 and first half of 2019 operating results by business units are as follows:

**Chemicals Business** was affected by lower product margins caused by the trade war concerns and Thai Baht appreciation combined with inventory loss. Q2/2019 Revenue from Sales amounted to 45,995 MB, a decrease of 19% y-o-y and 1% q-o-q. Profit for the Period, without the severance pay adjustment, dropped by 46% y-o-y and 28% q-o-q to 4,424 MB. Factoring in the severance pay adjustment of 482 MB, Chemicals Business' Profit for the Period will stand at 3,942 MB.

As a result, H1/2019's Revenue from Sales fell to 92,235 MB or dropped 16% y-o-y, primarily because of lower product prices. Profit for the Period, without the severance pay adjustment, dropped by 35% y-o-y to 10,530 MB. Factoring in the severance pay adjustment, Chemicals Business' Profit for the Period will stand at 10,048 MB.

**Cement-Building Materials Business** recorded Q2/2019 Revenue from Sales of 45,928 MB, a rise of 3% y-o-y but declined 5% q-o-q from the stagnation of cement-building products on the market during the rainy season. Profit for the Period, without the severance pay adjustment, amounted to 1,837 MB with a rise of 10% y-o-y but declined 40% q-o-q. Factoring in the severance pay adjustment of 964 MB, Cement-Building Materials Business' Profit for the Period will stand at 873 MB.

As a result, Revenue from Sales for H1/2019 would increase by 3% y-o-y to 94,238 MB, attributed to the continued growth contribution of the Thai grey cement sales. Profit for the Period, without the severance pay adjustment, rise of 17% y-o-y to 4,877 MB. Factoring in the severance pay adjustment, Cement-Building Materials Business' Profit for the Period will stand at 3,913 MB.

**Packaging Business** recorded Q2/2019 Revenue from Sales of 20,402 MB, a decrease of 6% y-o-y and 3% q-o-q, mainly due to demand softness in both Packaging and others paper (Fibrous). Profit for the Period, without the severance pay adjustment, amounted to 1,375 MB, down 14% y-o-y and 18% q-o-q. Factoring in the severance pay adjustment of 338 MB, Packaging Business' Profit for the Period will stand at 1,037 MB.

As a result, Revenue from Sales for H1/2019 would dip by 5% y-o-y to 41,529 MB, attributed to demand softness in both Packaging and others paper (Fibrous). Profit for the Period, without the severance pay adjustment, decrease of 2% y-o-y to 3,056 MB. Factoring in the severance pay adjustment, Packaging Business' Profit for the Period will stand at 2,718 MB.

Mr. Roongrote said, "Despite a series of hurdles ranging from trade war, global economic slowdown, severance pay adjustment in Q2/2019 and inventory loss affecting SCG's operating performance for the second quarter and the first half of 2019 -- especially in the chemicals business, SCG continues to broaden innovative and HVA product and service range along with striving to integrating the circular economy concept into its operations while delivering holistic solutions for customers. The Company is also steering major investment projects with the aim to help generate business values to meet the planned goals. With implementing two key strategies, SCG is competent

to strengthen resilience against global economic fluctuations with a management approach that focuses on long-term growth and stability.

To pursue the strategy of **Long-term Growth Management**, Chemicals Business put a spotlight on increasing its competitive advantage by leveraging SCG's strength on HVA product and service development especially Sustainable Chemicals products and services that achieving a circular economy. Examples include the development of special-grade polyethylene compounds with SMX Technology™ for converters and brand owners who look for higher quality plastic resins with reduced material consumption while maintaining mechanical properties, and the development of Specialty Additives for fully recyclable packaging. Besides, SCG has recently launched SCG Advanced Materials Laboratory, an R&D center in Oxford, the United Kingdom with a mission to develop prototypes of Functional Materials.

Cement-Building Materials Business demonstrated robust growth, particularly in continuous investment in Thailand's government construction projects along with the positive economic output of all countries in the region except Indonesia that faces domestic demand weakening. Hence, SCG actively focuses on tapping potential and fast-growing markets like retail Business. For example, launching "SCG Home Boonthavorn" to serve as a center offering kitchen and bathroom decorative materials in Nakhon Ratchasima, Krabi and Nakhon Si Thammarat. Furthermore, Logistics Business has expanded temperature-controlled warehouse capacity. What's more, SCG has delivered total solutions for customers such as roofing solution that saving energy, prevents leaks with improved color durability and provides comfort living.

Packaging Business showed outstanding growth with good scalability potential in line with the domestic and regional economic growth, particularly in ASEAN. This also includes other factors stemming from the e-commerce boom and growth in the fast food industry. SCG focuses on accelerating business growth by expanding production capacity in the Philippines's UPPC factory and Vietnam's BATICO factory on top of acquiring shares of Fajar, a major Indonesian packaging paper manufacturer.

To ensure **Stability**, SCG lays stress on business's proper liquidity management by maintaining working capital at an appropriate level. By the end of the second quarter of 2019, SCG has cash & cash under management totaled 42,573 MB, in line with the investment plans and uncertain business environment. This includes the reviewing the investment projects where SCG focusing on projects that can rapidly generate values. Examples include the acquisition of Fajar shares in which its operating performance will be combined with SCG's Packaging Business in the third quarter of 2019. The ongoing investment projects such as Vietnam Long Son Petrochemical (LSP) are pulled ahead to meet the planned schedule.

Besides, the Company has increased energy efficiency by promoting a series of renewable energy usage in the plants. Initiatives include onsite solar panel installation, which can generate 77 megawatts of electricity, reducing the use of external sources, and saving approximately 350 MB per year. Another scheme is the waste-to-energy approach, such as power generation from waste in paper manufacturing. The measure can produce 9.6 megawatts of electricity. Also, SCG has sought enhancements of manufacturing effectiveness and cost reduction initiatives with the help of technology. On top of that, SCG has embraced collaborations to develop digital technologies. Alongside startup venture, SCG has encouraged in-house startups and forged more collaborations to develop deep technologies to streamline operations of all SCG core business units.

SCG also underlines increasing export opportunities following the global market. Examples include Packaging Business exporting to China and ASEAN countries, Cement-Building Materials Business exporting ceiling and walls to South Korea with an expansion plan to Europe in sight,” Mr. Roongrote concluded.

In addition, The Board of Directors of SCG has approved a H1/2019 interim dividend payment of 7.00 Baht per share (8,400 MB), which is payable on August 23, 2019, XD-date on August 8, 2019 and record date on August 9, 2019.

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