



Analyst Conference Q2/14
Wednesday, July 30, 2014

I. Consolidated Results

- Q2/14 Consolidated Results

- H1/14 Summary

- Financial Updates

II. SCG Cement - Building Materials

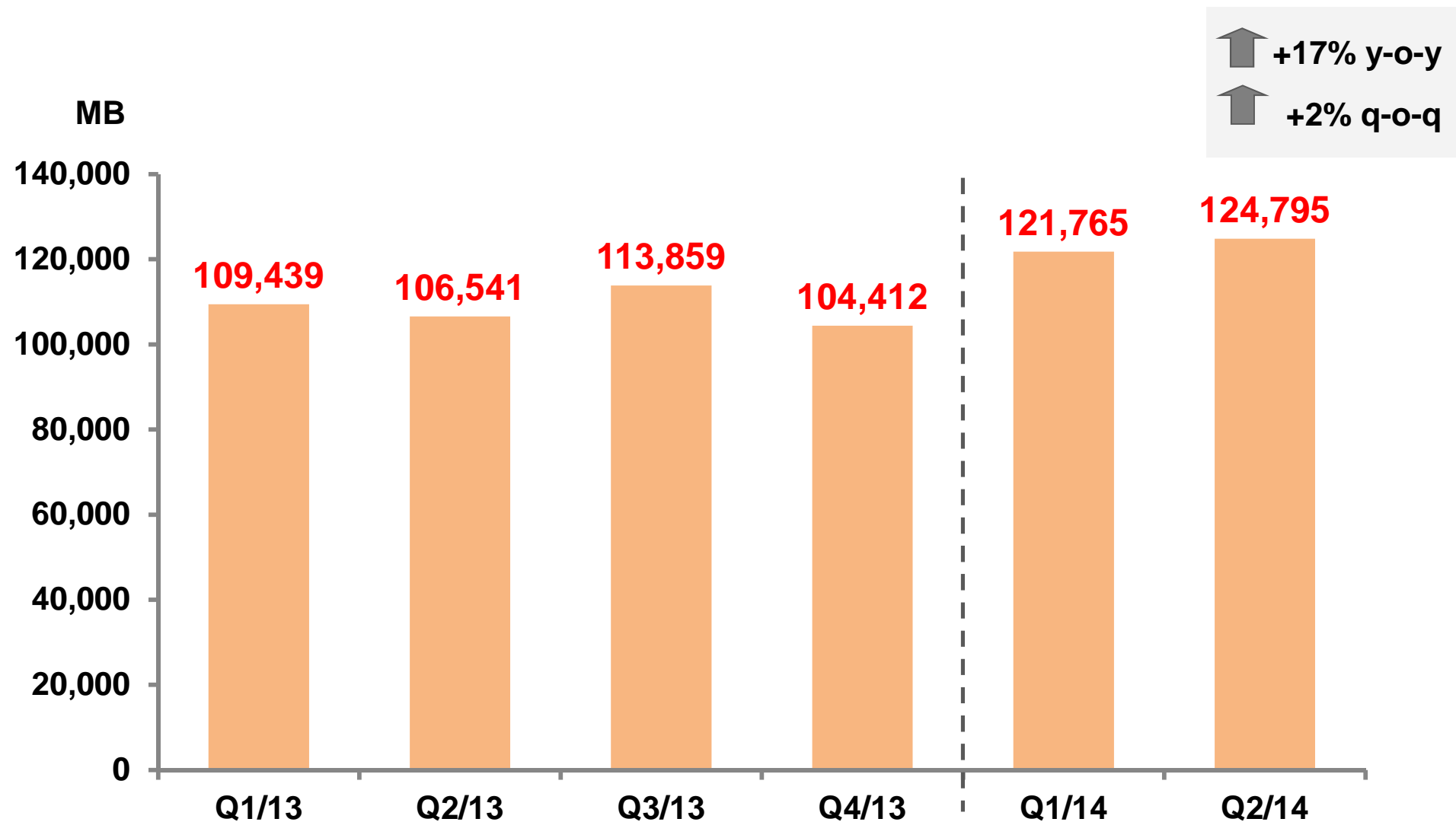
III. SCG Chemicals

IV. SCG Paper

V. Summary

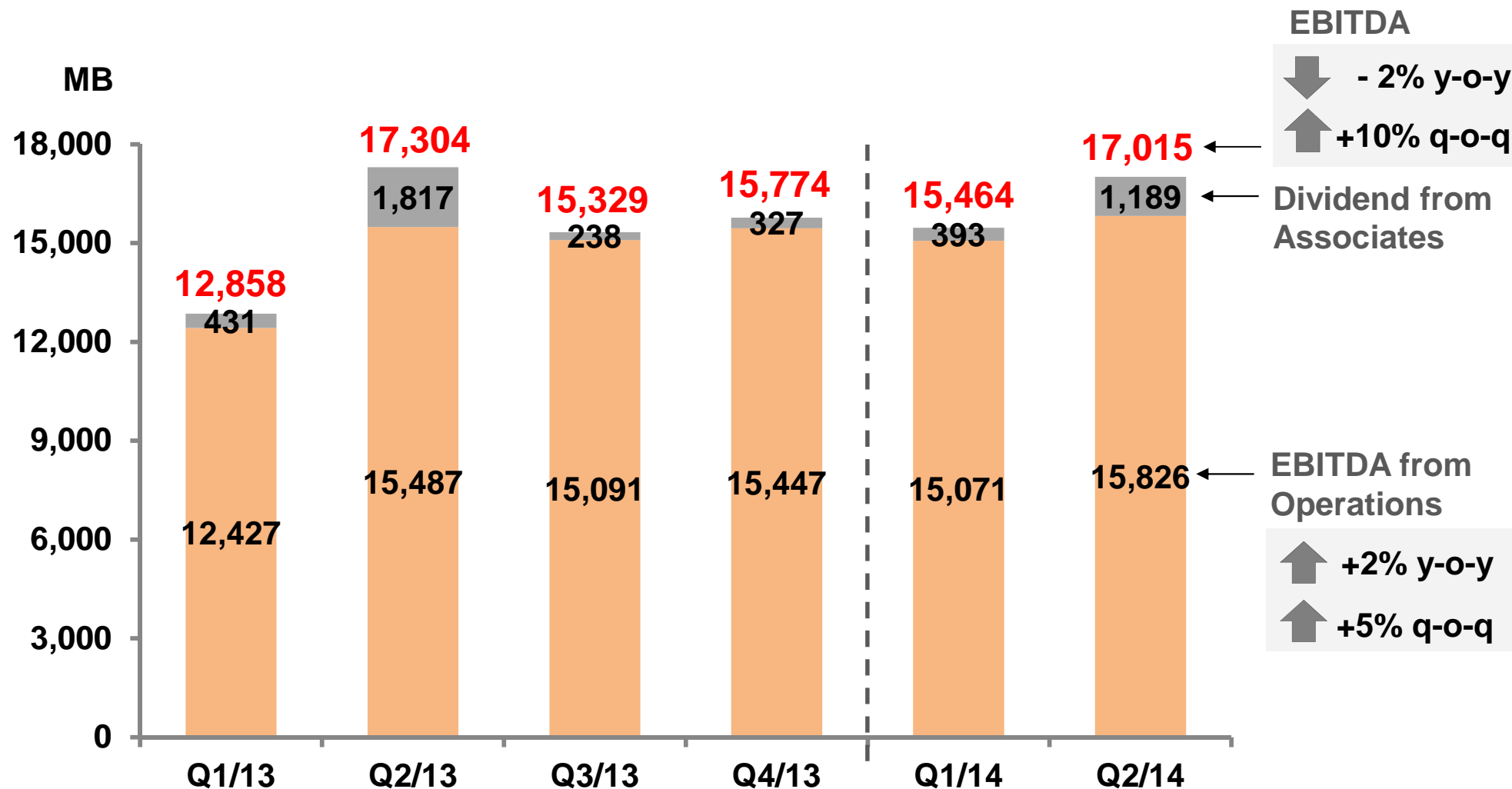
Revenue from Sales

Gained 17% y-o-y largely due to increased chemicals prices.



EBITDA

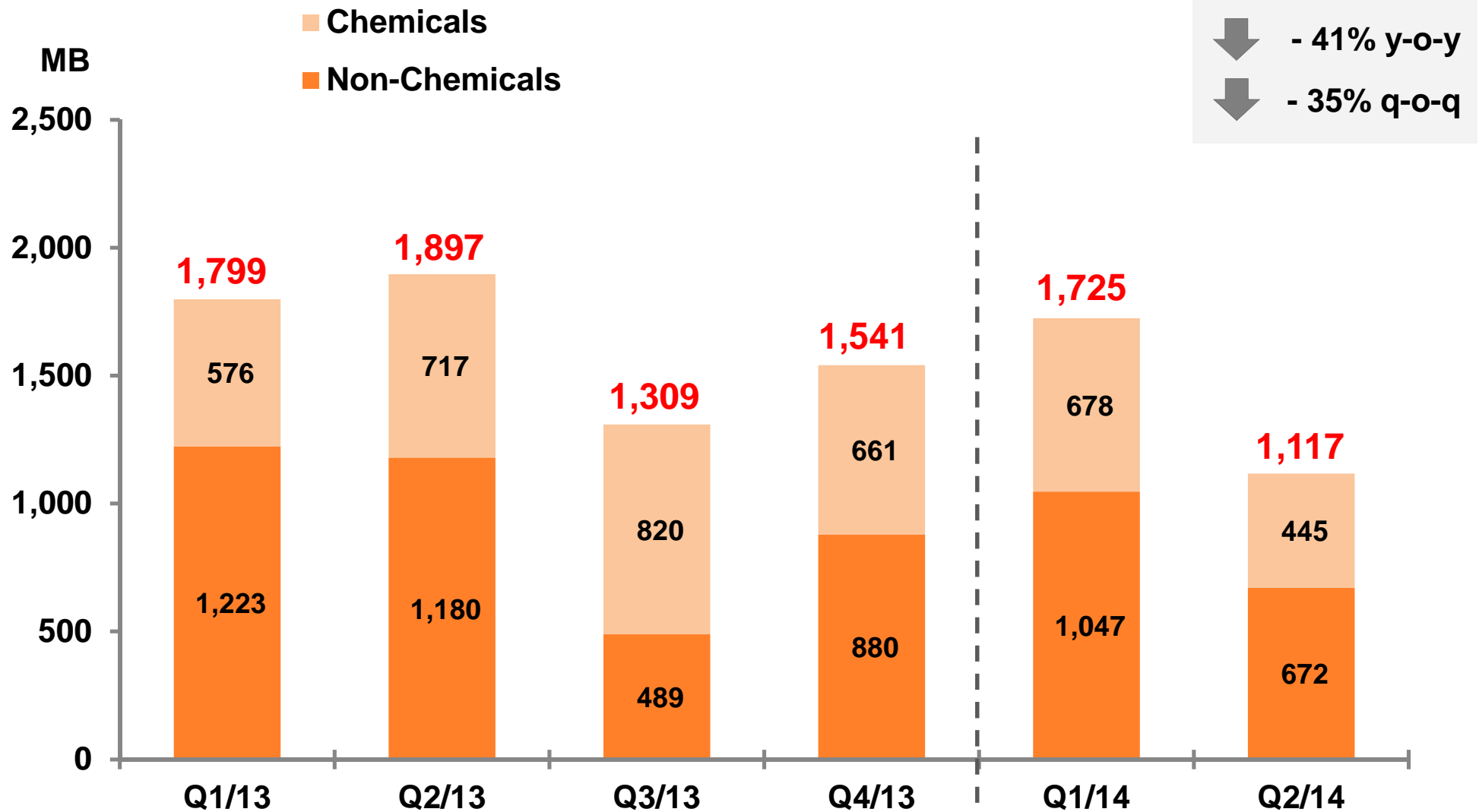
Increased 10% q-o-q as a result of the seasonal dividend income from SCG Investments and the chemicals business, but dropped 2% y-o-y due to the decrease in level of dividend income.



NOTE: EBITDA = EBITDA from Operations + Dividend from Associates

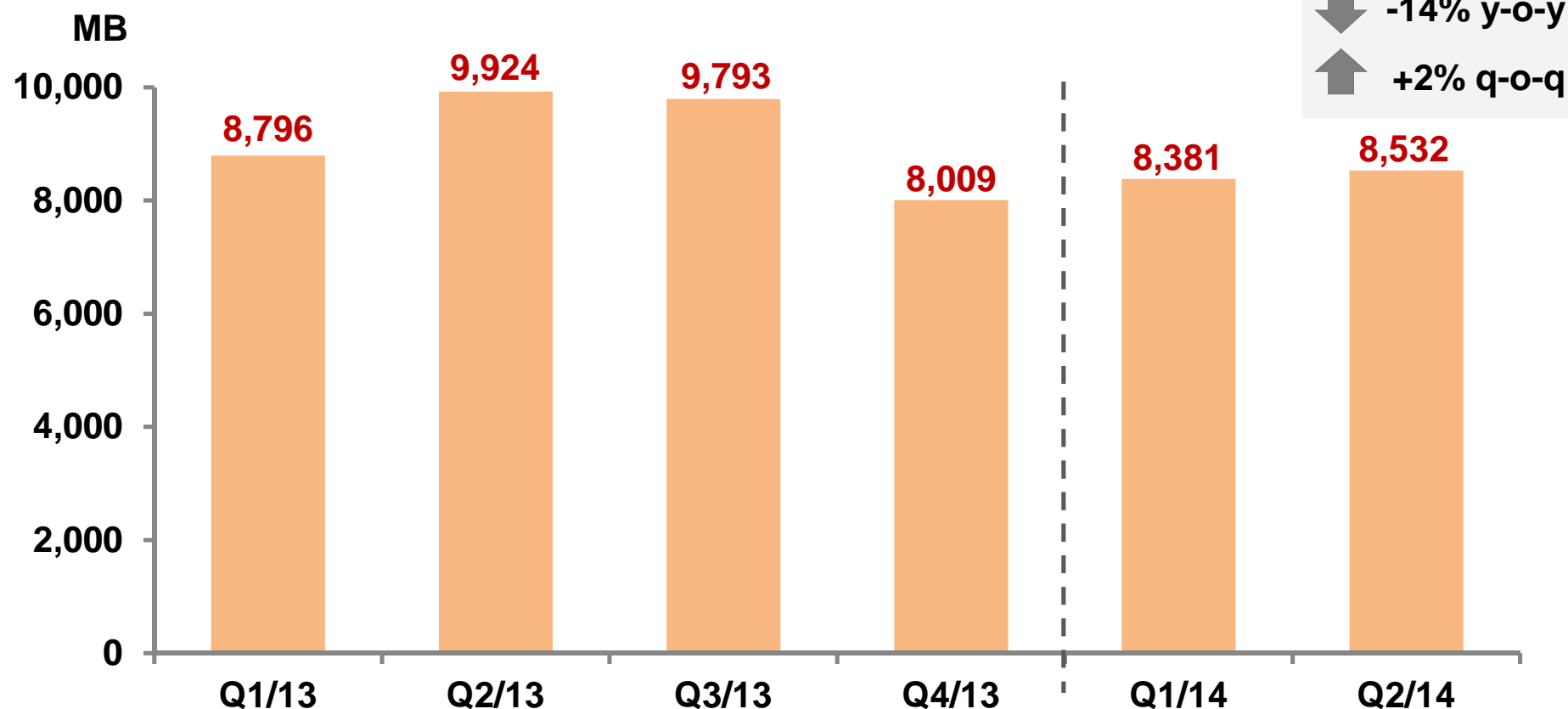
Equity Income

Decreased -41% y-o-y and -35% q-o-q, with continued challenges for both the chemicals and non-chemicals associates.



Profit for the Period

Earnings declined -14% y-o-y on decreased chemicals earnings (FX gain in H1/13, low PVC margins, and higher minority interest) and lower contributions from SCG investment, but grew 2% q-o-q as a result of the seasonal dividend from SCG Investment.



	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
Total Non-recurring	1,490	(580)	680	640	460	(30)
1) Insurance Claim (Sub + Asso.)	200	580	0	470	450	50
2) FX Gain (Loss)	1,030	(320)	(160)	(1,240)	(170)	0
3) Inventory Gain (Loss)*	260	(840)	840	810	180	(80)
4) Sales of Investment	0	0	0	600	0	0

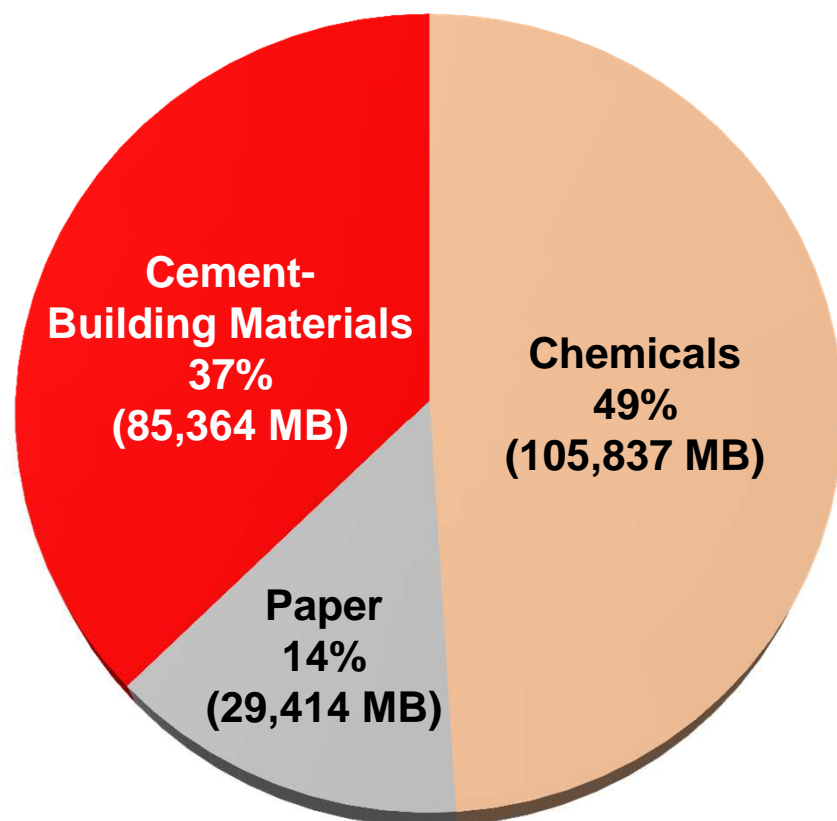
*Note: SCG Chemicals (Sub + Asso.)

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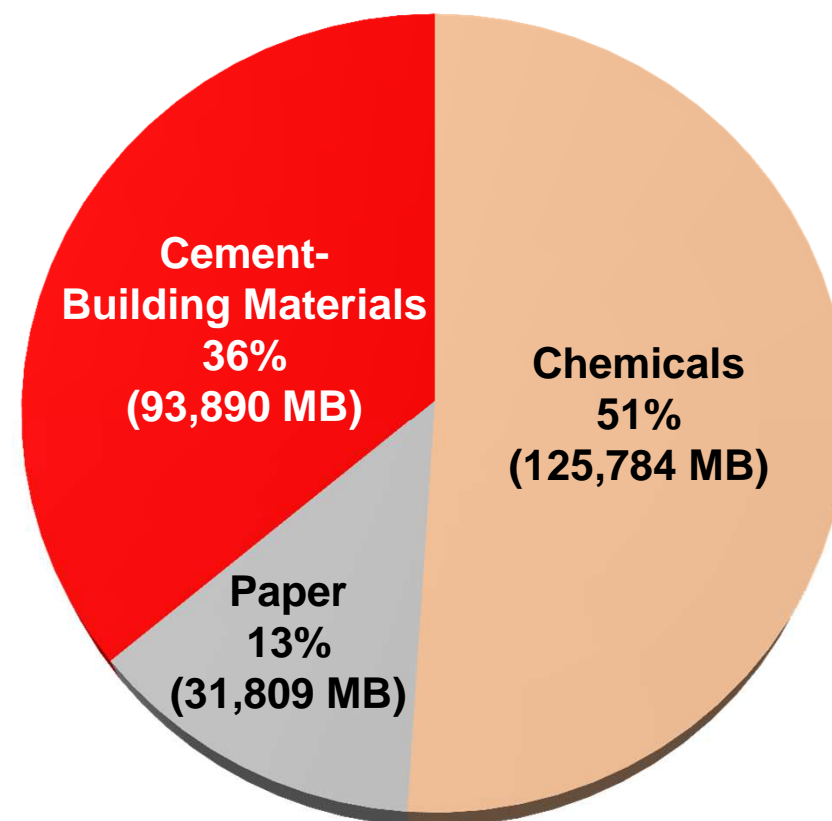
Segmented Revenue from Sales

The chemicals business continue to account for the majority of the sales, amounting to 51% in H1/14.

H1/13
215,980 MB



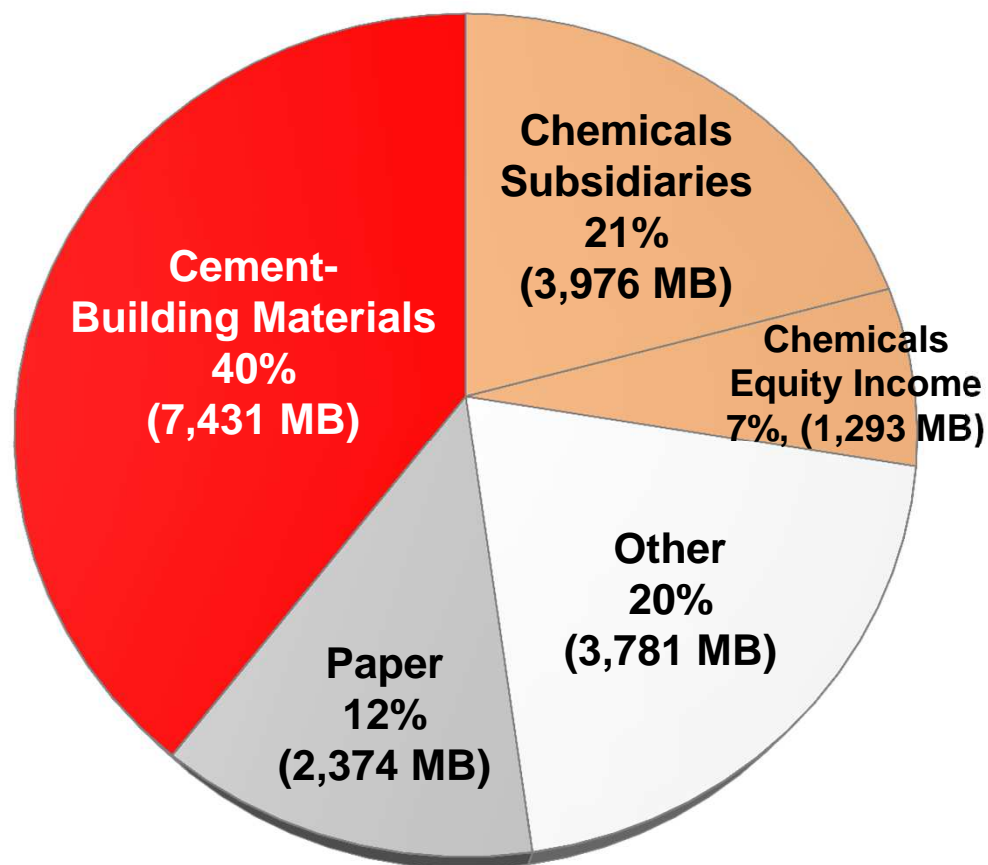
H1/14
246,560 MB (+14% y-o-y)



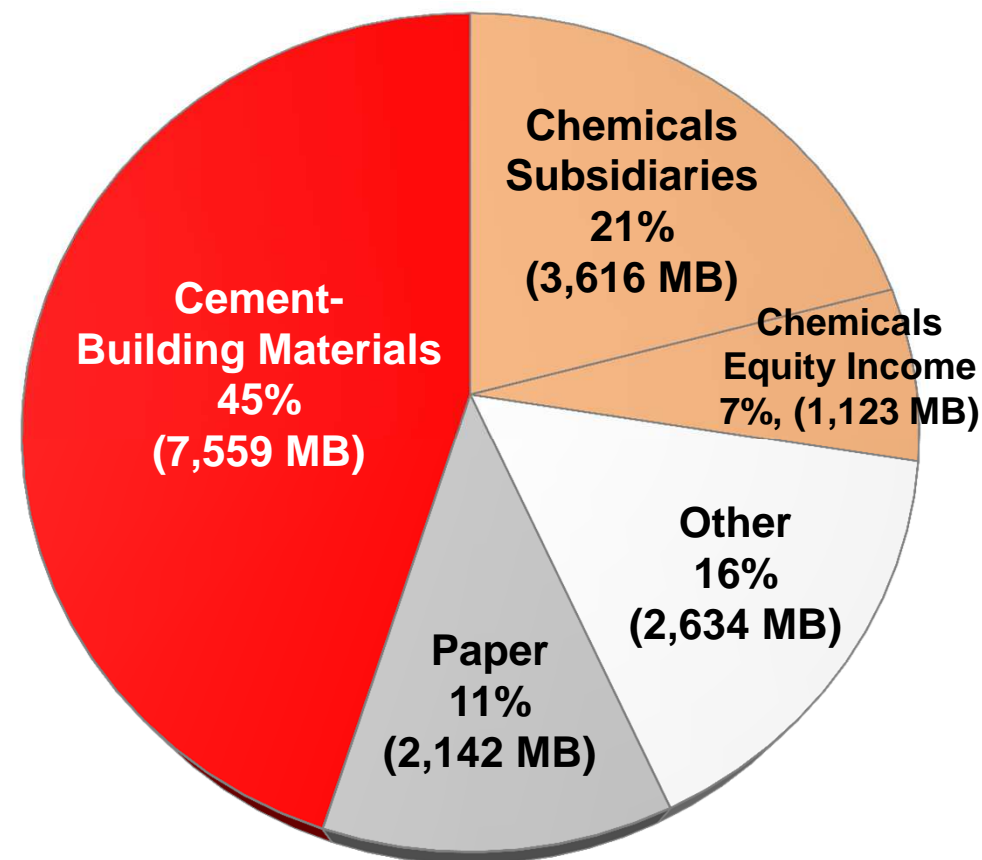
Segmented Profit for the Period

The cement – building materials business accounted for 45% of the H1/14 earnings, an increase from the 40% in H1/13.

H1/13
18,720 MB



H1/14
16,913 MB (-10% y-o-y)

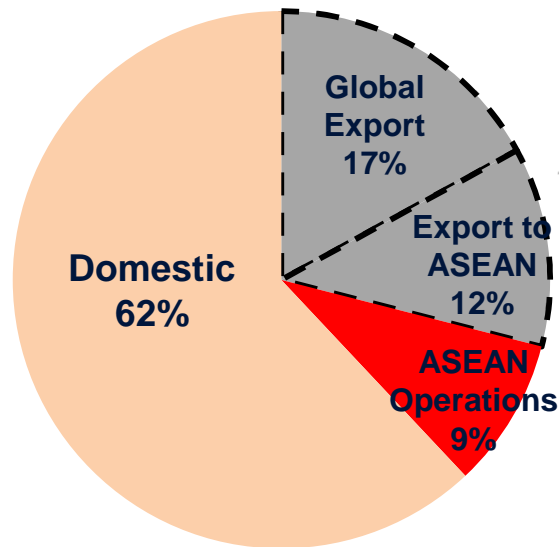


Other = Mainly SCG Investment and Corporate

Segments: Export Destinations in H1/14

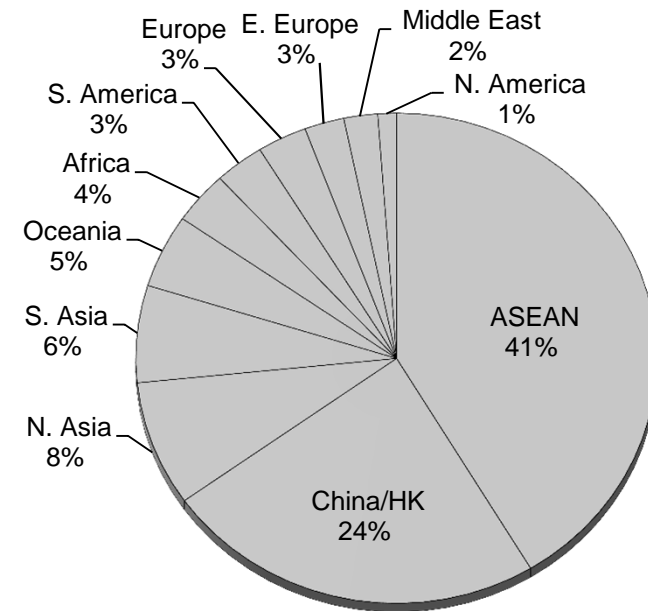
ASEAN exports and ASEAN operations accounted for 20% of total sales at 49,846 MB, representing an increase of 16% y-o-y.

Consolidated Sales



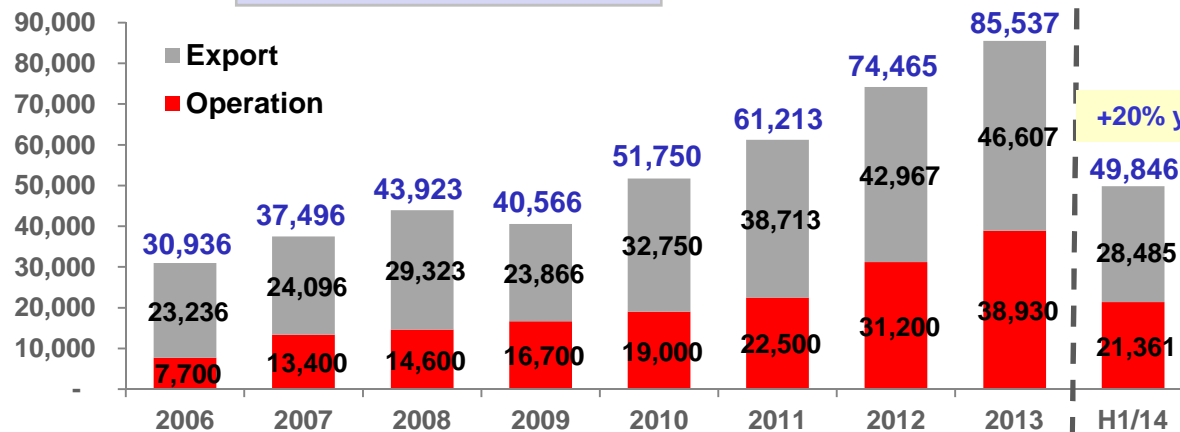
Total Exports
29%

Export Destinations



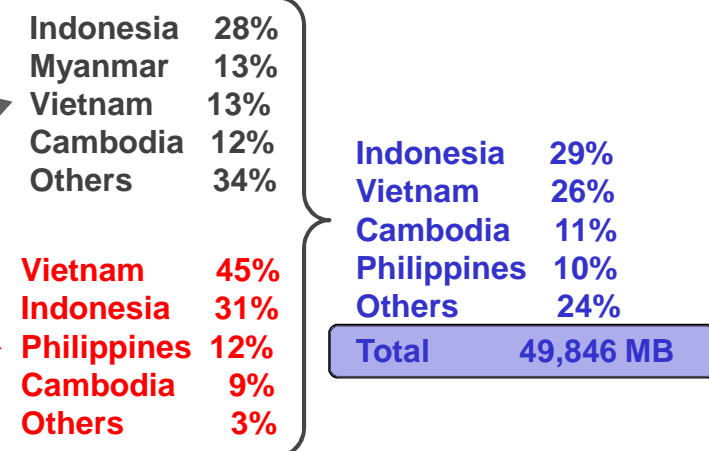
MB

ASEAN Sales



Percentage of total sales from ASEAN Operations:

3% 5% 5% 7% 7% 7% 8% 9% 9%



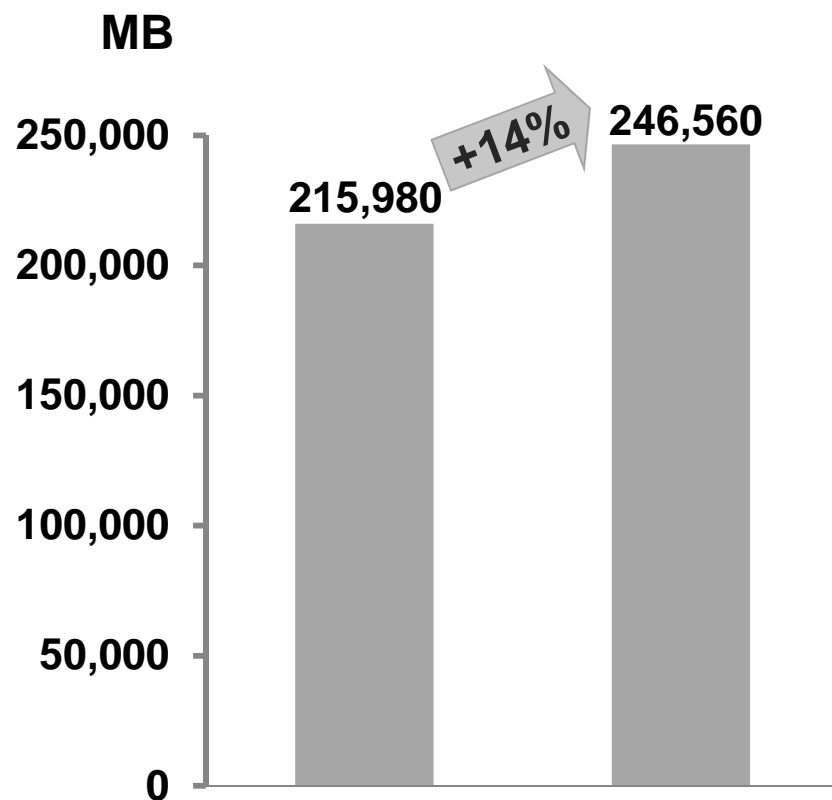
H1/14 Revenue from Sales & EBITDA

Sales increased 14% y-o-y from growths in all businesses, while EBITDA gained 8% y-o-y as a result of the chemicals recovery.

Revenue from sales

H1/13

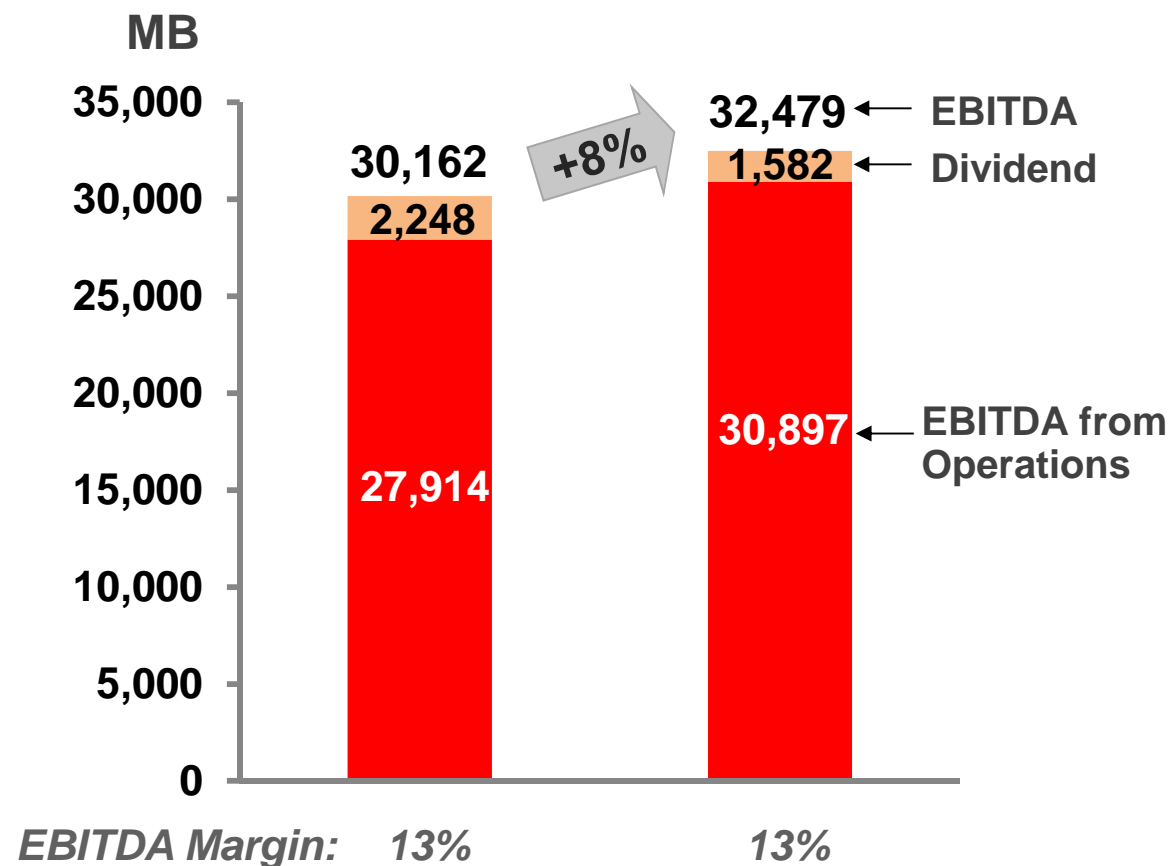
H1/14



EBITDA

H1/13

H1/14

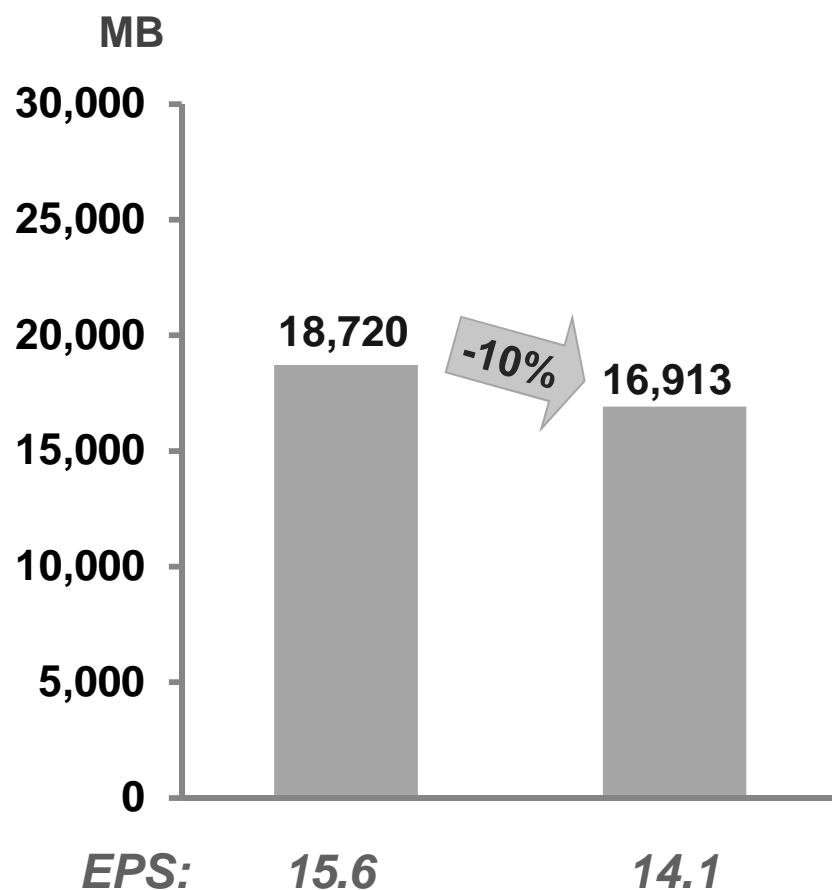


H1/14 Profitability & CAPEX

Earnings decrease of 10% y-o-y, following increased non-controlling interest, FX gain in H1/13, and lower equity income from associated companies.

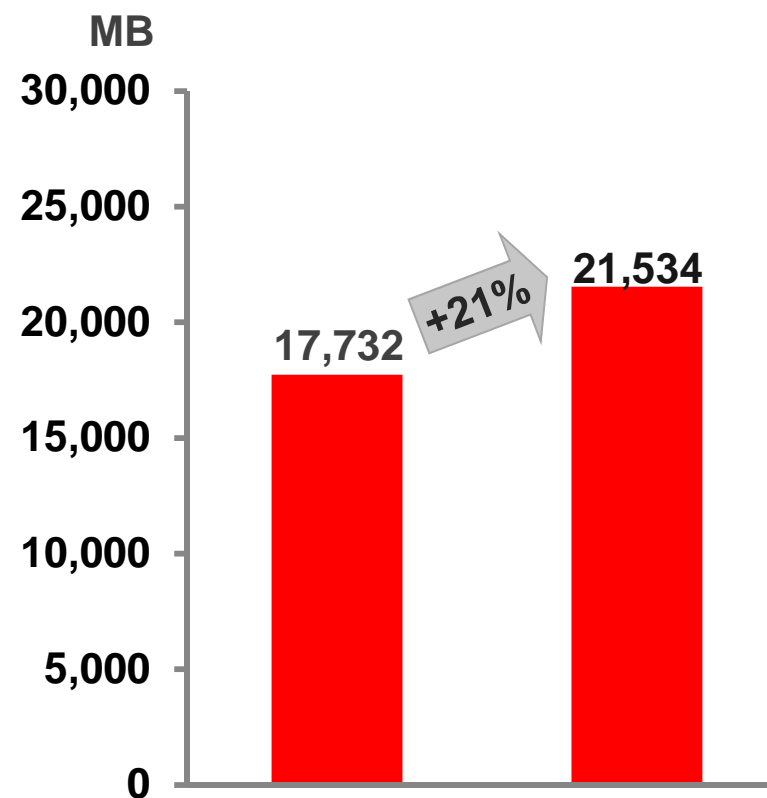
Profit for the Period

<u>H1/13</u>	<u>H1/14</u>
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CAPEX & Investments

<u>H1/13</u>	<u>H1/14</u>
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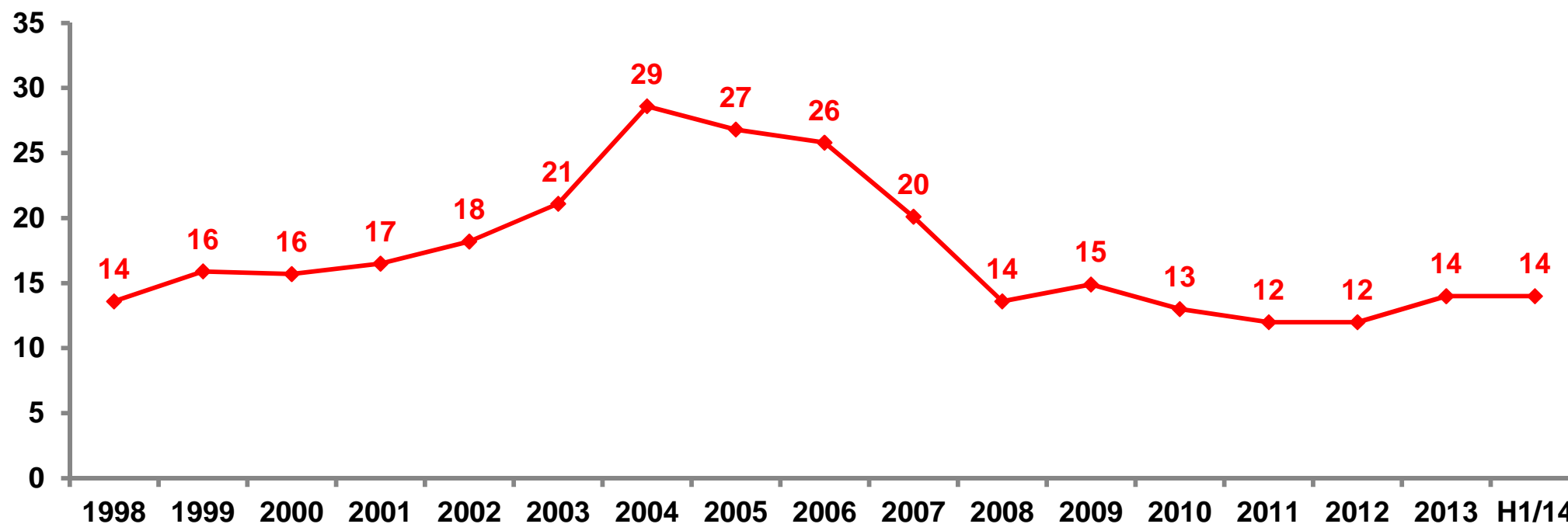


Note:

- CAPEX includes debottlenecking, expansions, and major turnaround.
- Investments are acquisitions and purchase of shares.

EBITDA on Assets

Percent (%)



EBITDA Margin (%):

23	27	23	22	22	23	26	22	19	16	14	18	14	11	10	13	13
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EBITDA on Assets = *EBITDA / Consolidated Assets*

EBITDA margin = *EBITDA from Operations / Consolidated Sales*

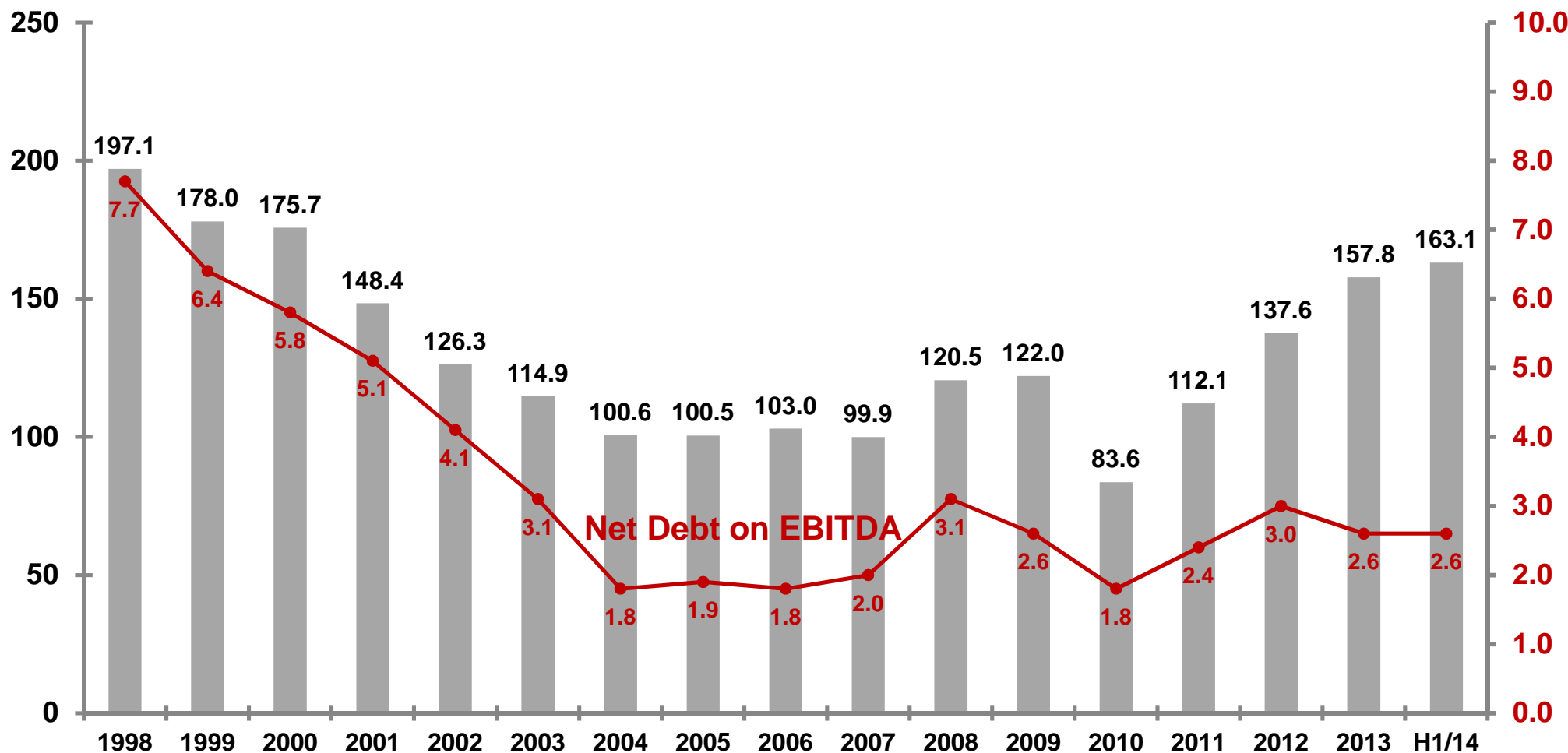
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Net Debt

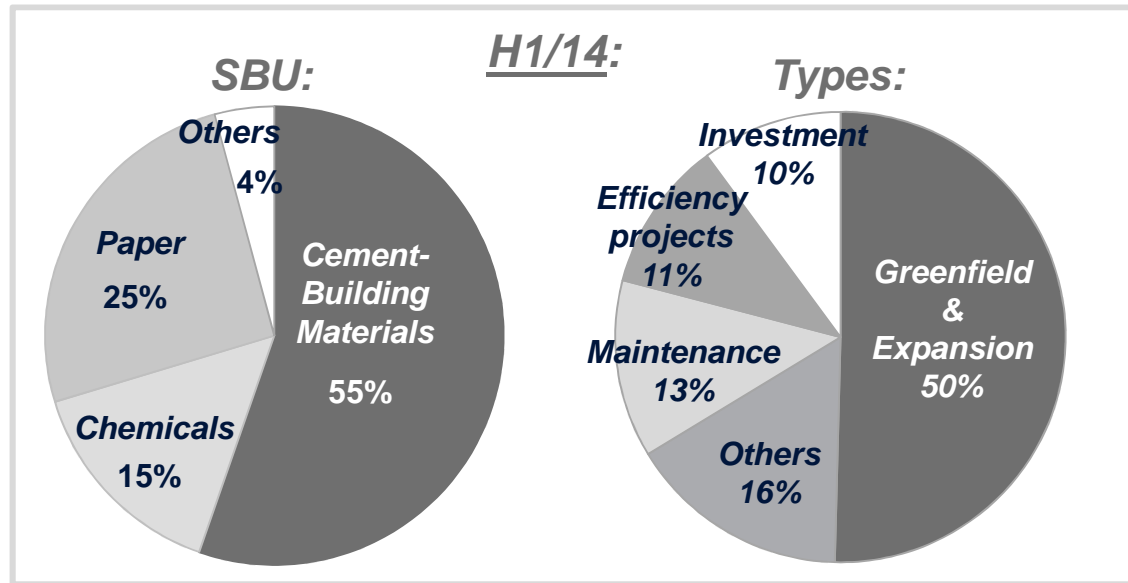
Increased by 5.3 Billion Baht from the end of Q4/13, while leverage remains manageable at 2.6 times (x).

Billion Baht
(Net Debt)

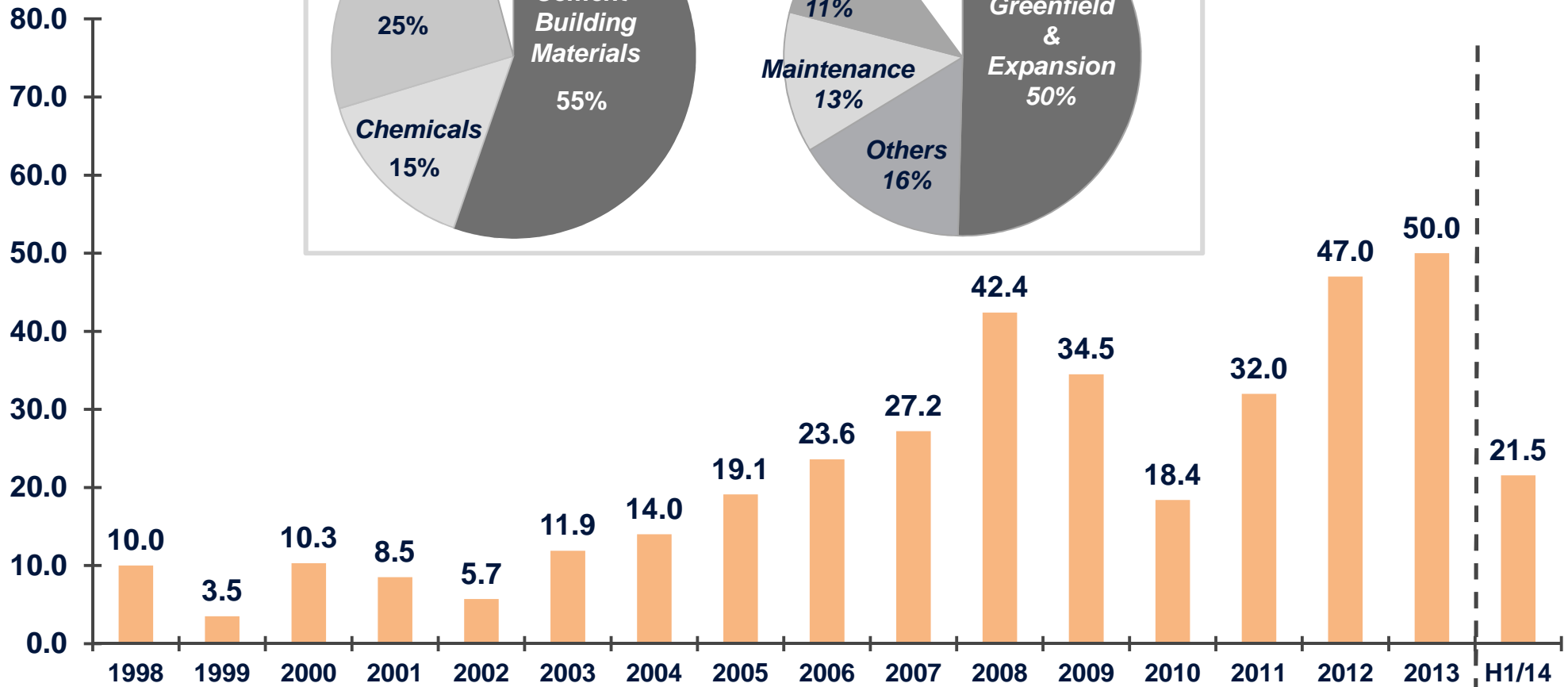
Times (x)
(Leverage)



Net Debt to Equity = 0.8X



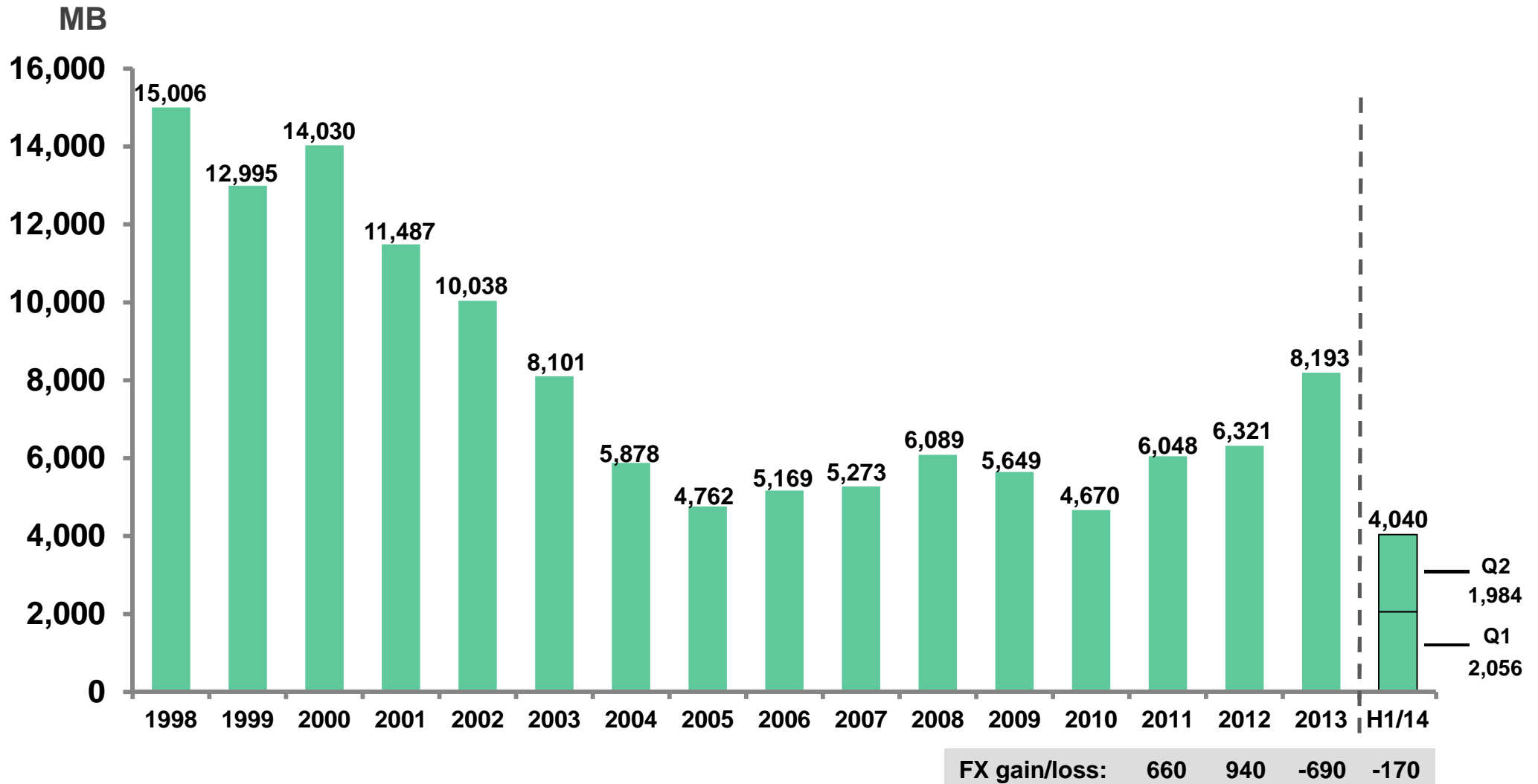
Billion Baht



- CAPEX includes debottlenecking, expansion projects, and major turnaround.
 - Investments are acquisitions and purchase of shares.

Interest and Finance Costs

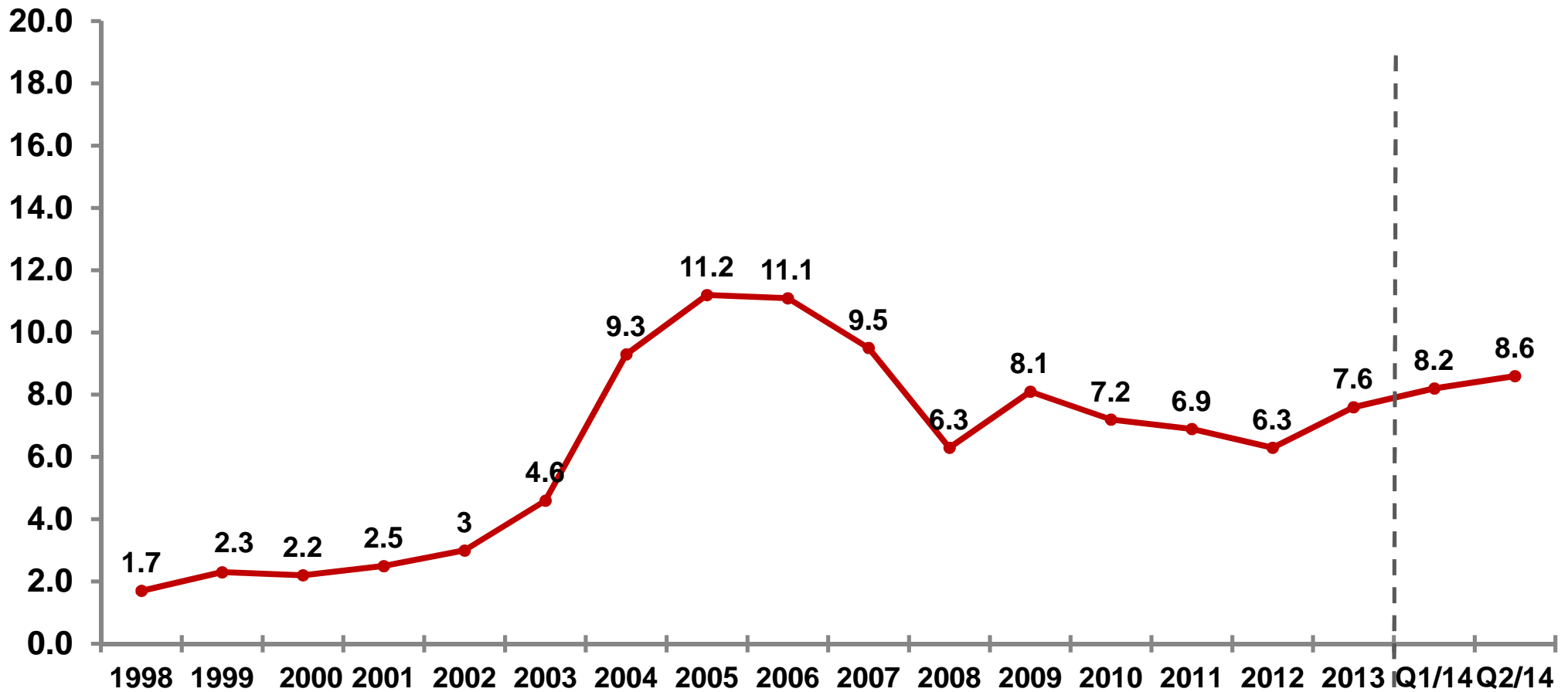
The Q2/14 interest and financing charges registered 1,984 MB, with an interest cost of 4.0%. FX gain was minimal at 4 MB.



NOTE: Interest & financial charges include FX gain/loss transactions.

Interest Coverage Ratio

Times (x)



Note: -Interest Coverage Ratio = EBITDA / Interest Expense

-Interest Coverage Ratio excludes the effect of FX gain/loss.

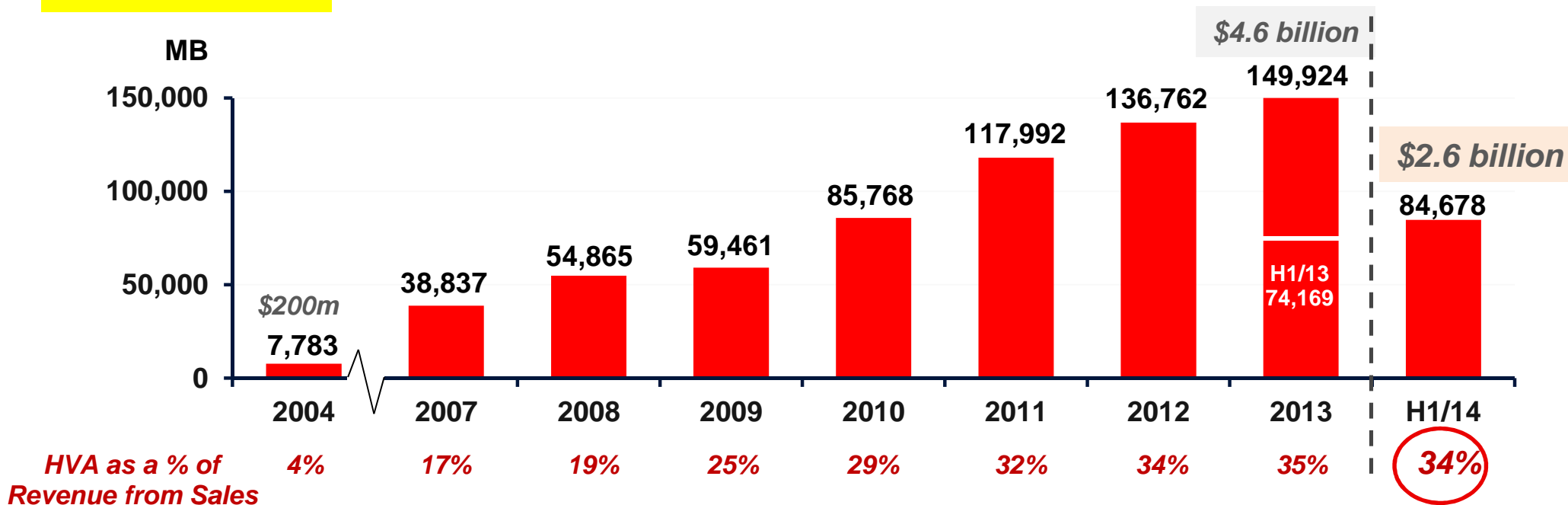
Highlights:

- H1/14 dividend of 5.5 Bt/sh (6,600 MB), which is payable on Aug 28/14 (XD date is Aug 7/14).
- Net Working Capital decreased 2,556 MB to 63,307 MB (from 65,863 MB in Q1/14), while Inventory to Net Sales registered 40 days (from 43 days).
- Cash & cash under management of 33,400 MB at the end of H1/14.

Outlook:

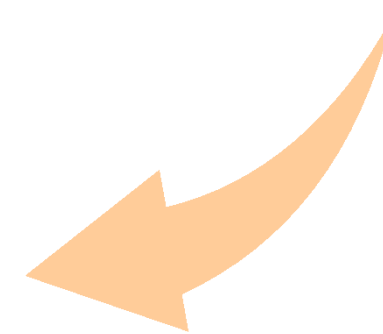
- Solid financial position, with manageable leverage.
- Oct/14 debenture issuance of 10 Billion Baht (coupon to be determined at a later date) to replaced the 5 Billion Baht matured debenture (4-year, 3.85%).
- FY2014 CAPEX & Investments of about 50,000 MB.

Consolidated:



SBU:

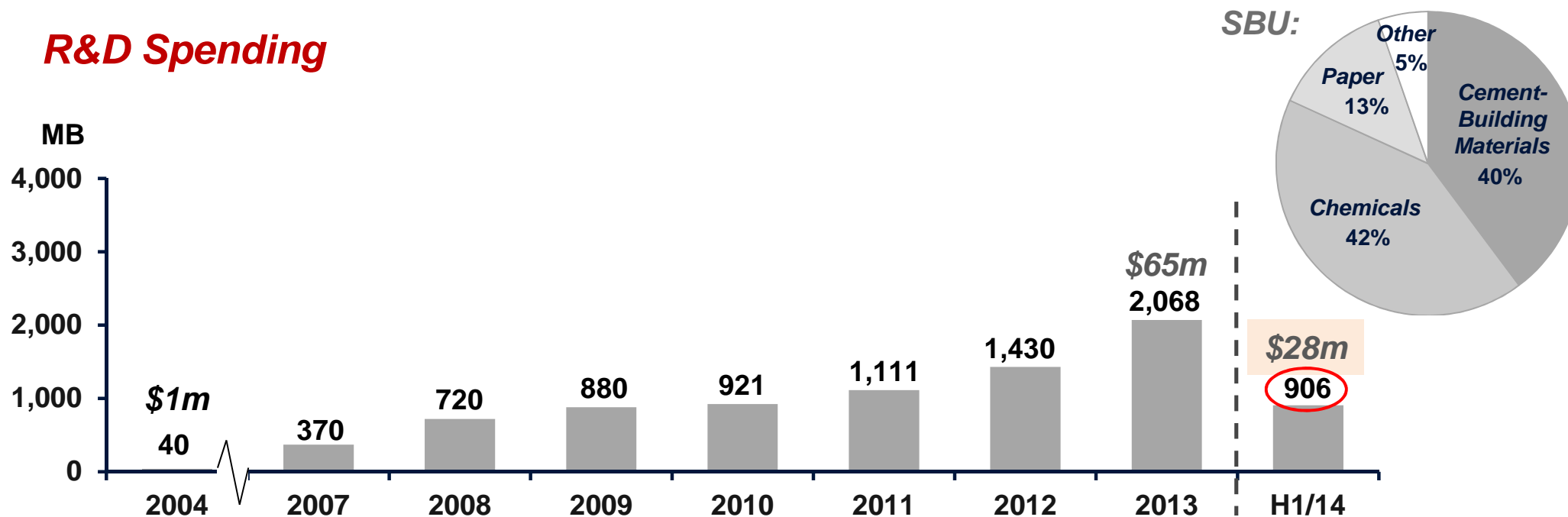
	2013	H1/14
Cement-Building Materials	41%	42%
Chemicals	27%	26%
Chemicals (Includes associates)	50%	50%
Paper	38%	40%



R&D and Product Design Team

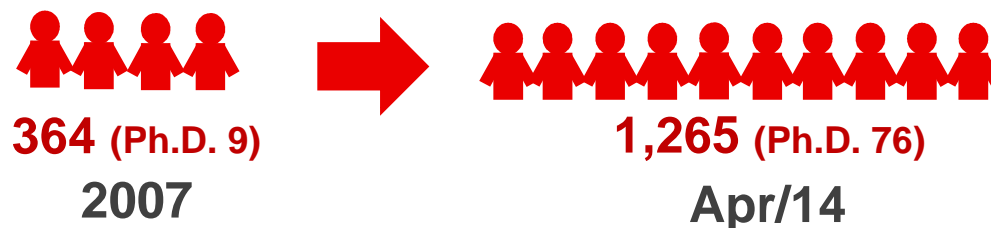
Budgeted R&D spending of 4,000 MB for FY2014.

R&D Spending



R&D and Product Design Team

(staffs / Apr/14)



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Domestic:

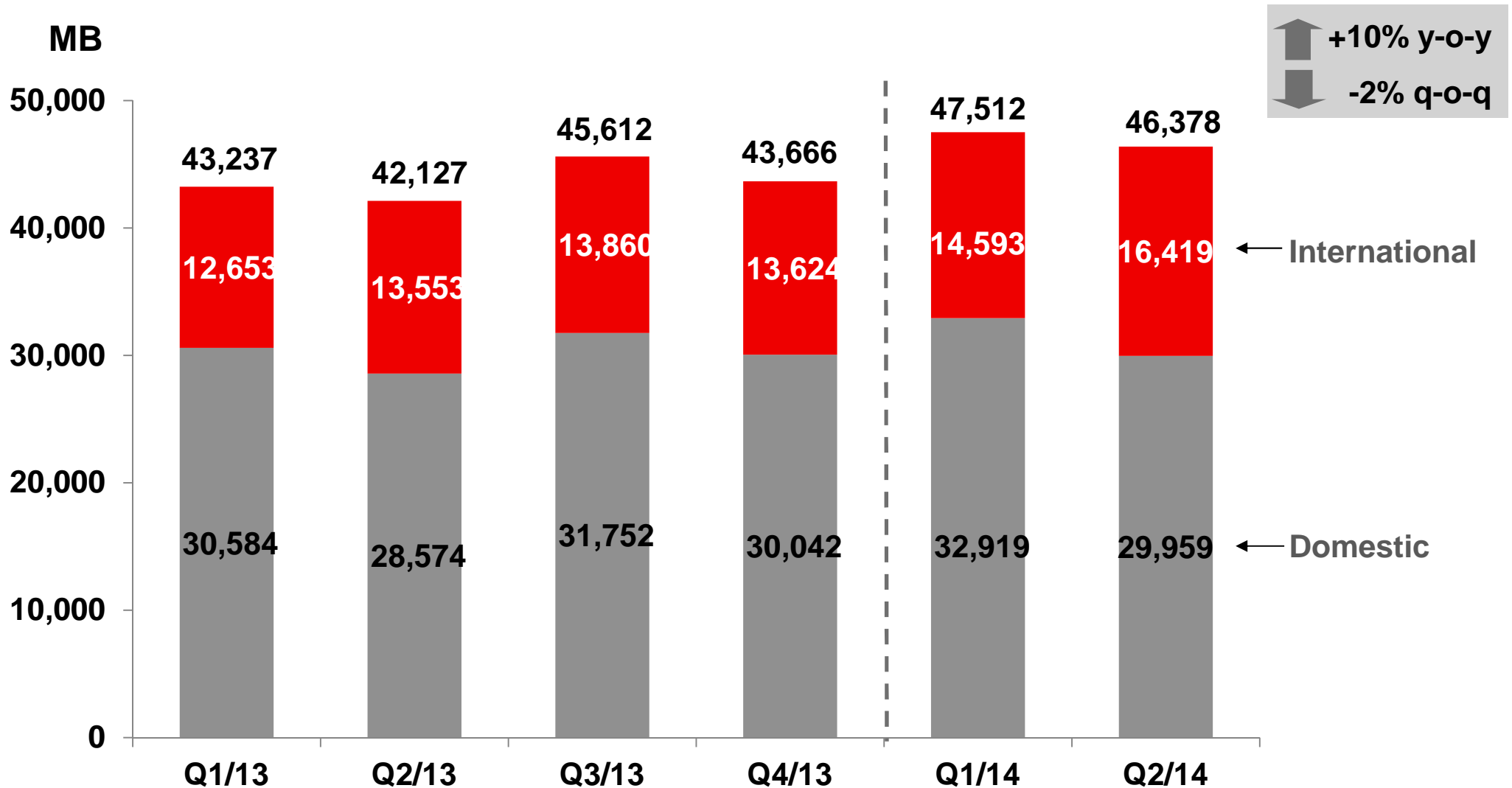
- Cement demand was flat y-o-y and dropped 9% q-o-q.
- Ready-mixed concrete (RMC) demand grew +1% y-o-y, with stable prices averaging 1,800-1,850 baht per cubic meter.
- With economic concerns, lower agricultural prices, and labour shortage, demand for housing products dropped 6% y-o-y, while demand for ceramic tiles dropped 7% y-o-y.

International:

- Indonesian cement demand grew 4% y-o-y, despite the slow down in infrastructure segment from general election
- Cambodian cement demand grew 3% y-o-y, driven by growths in the commercial and residential segments.
- Myanmar cement demand grew 11% y-o-y, driven by infrastructure and residential projects in the main cities.

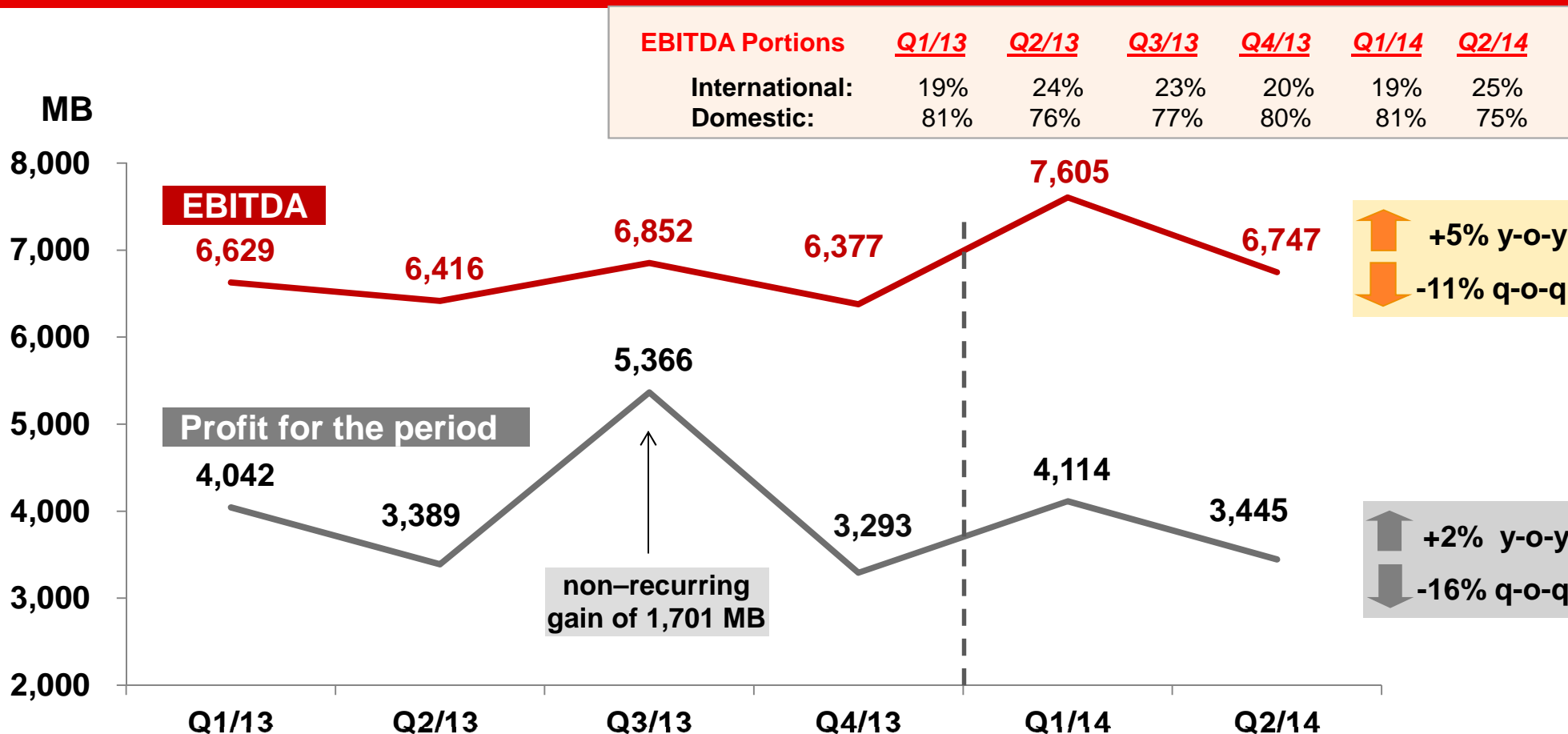
Revenue from Sales

Increased 10% y-o-y as a result of improvement in Vietnam operation, and consolidation of the sanitary ware and fittings businesses.



EBITDA and Profit for the Period

Q2/14 EBITDA and profit for the Period increased 5% y-o-y and 2% y-o-y, respectively.

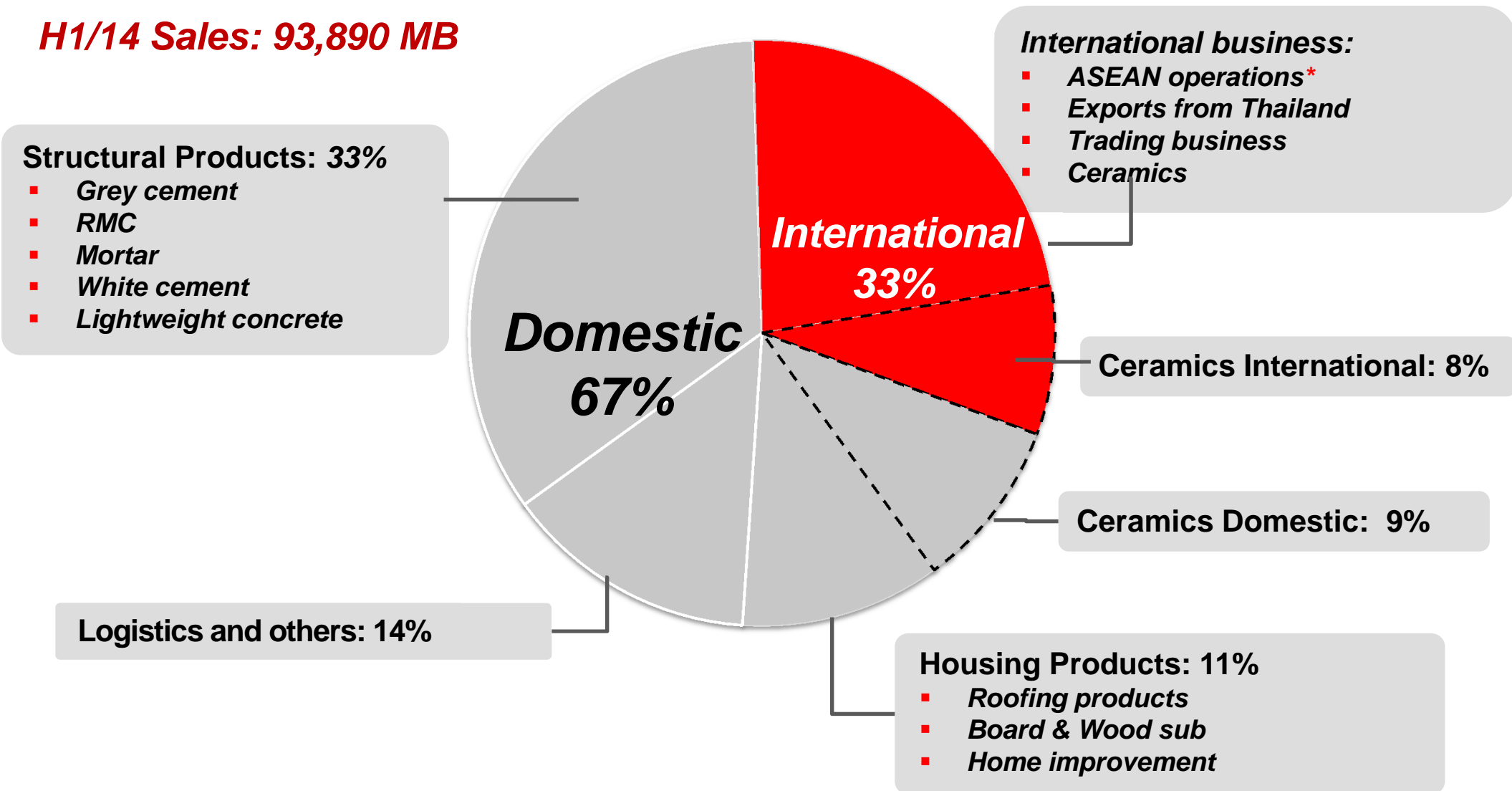


EBITDA Margin*:

Total	15%	15%	15%	14%	16%	15%
International:	9%	9%	9%	7%	9%	9%
Domestic:	17%	17%	18%	16%	18%	16%
Domestic Structural Pro	28%	27%	28%	25%	28%	26%

* EBITDA margin = EBITDA from Operations / Consolidated Sales

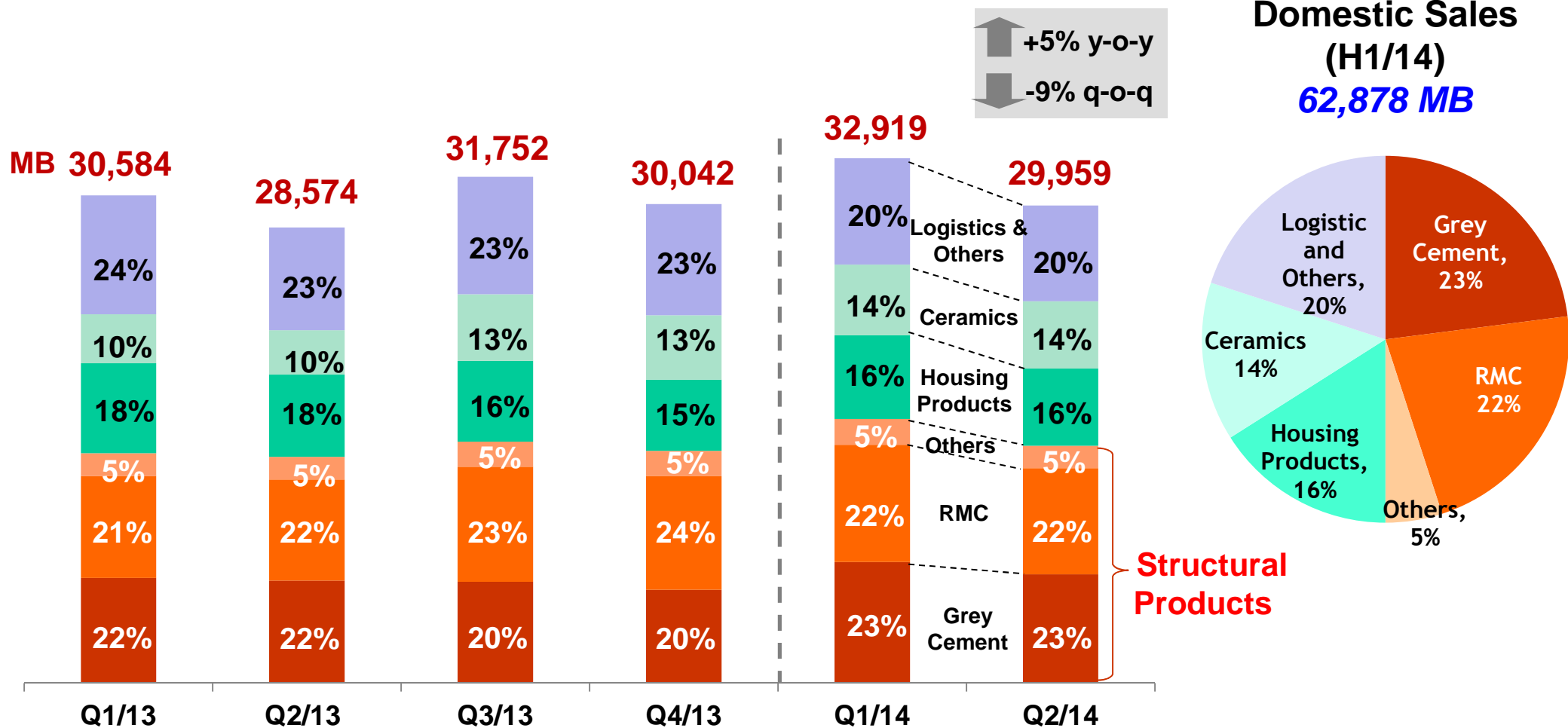
H1/14 Sales: 93,890 MB



Notes: Ceramics includes Sanitary Ware & Fittings

Domestic sales segmentation

Sales grew 5% y-o-y, driven by structural products, and the consolidation of the sanitary ware & fittings business.



Note: Domestic business: domestic sales from Thai operations

Structural Products: Grey cement, RMC, Others (mortar, white cement, and lightweight concrete blocks).

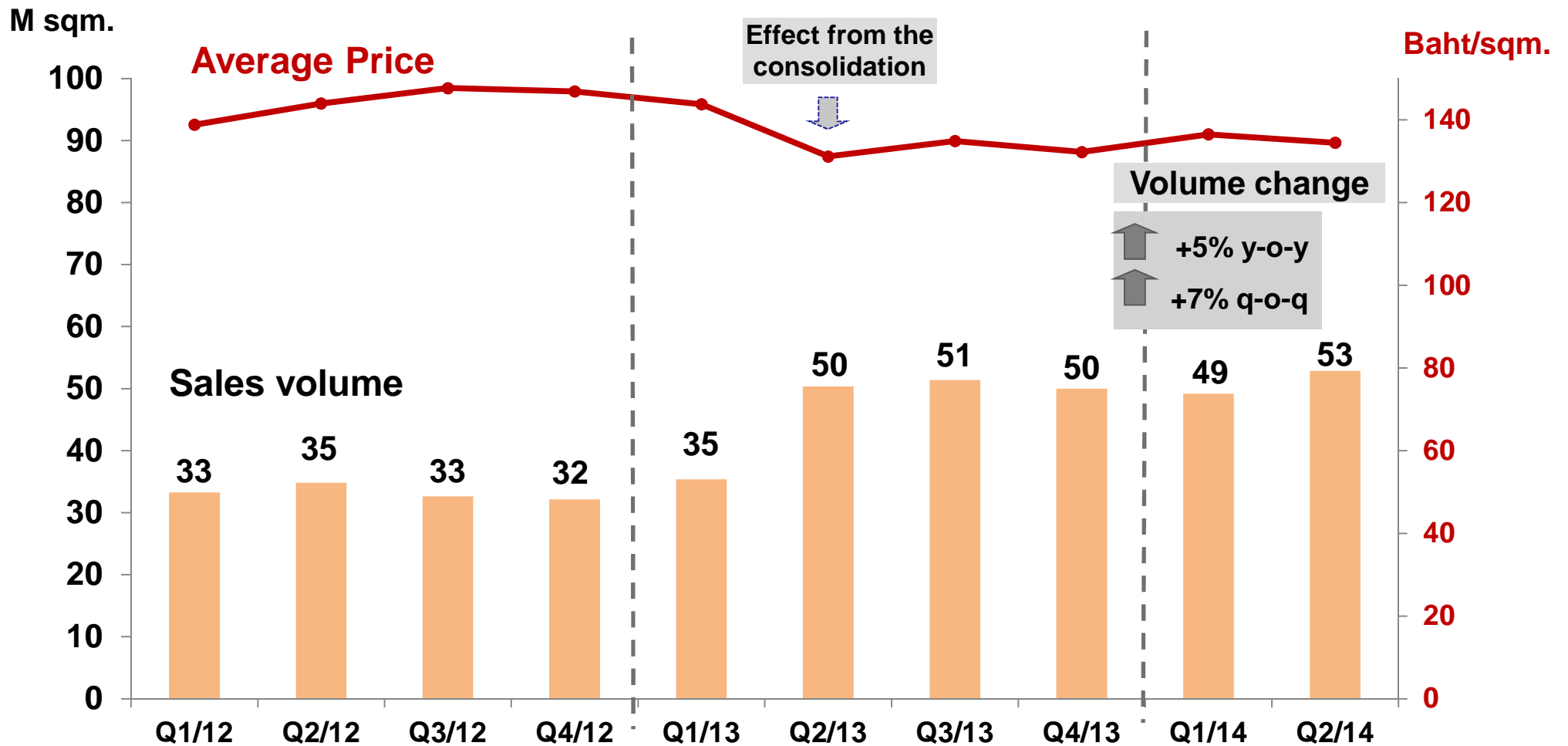
Housing Products: Roofing products, Board & Wood sub, and Home improvement.

Ceramics: includes Sanitary ware and Fittings.

Ceramic Tiles

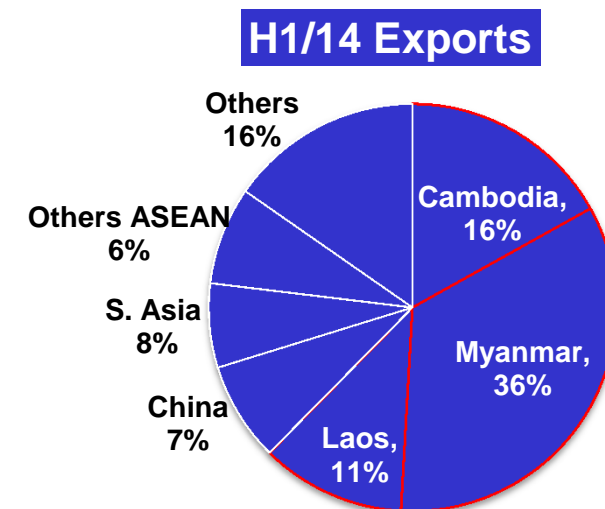
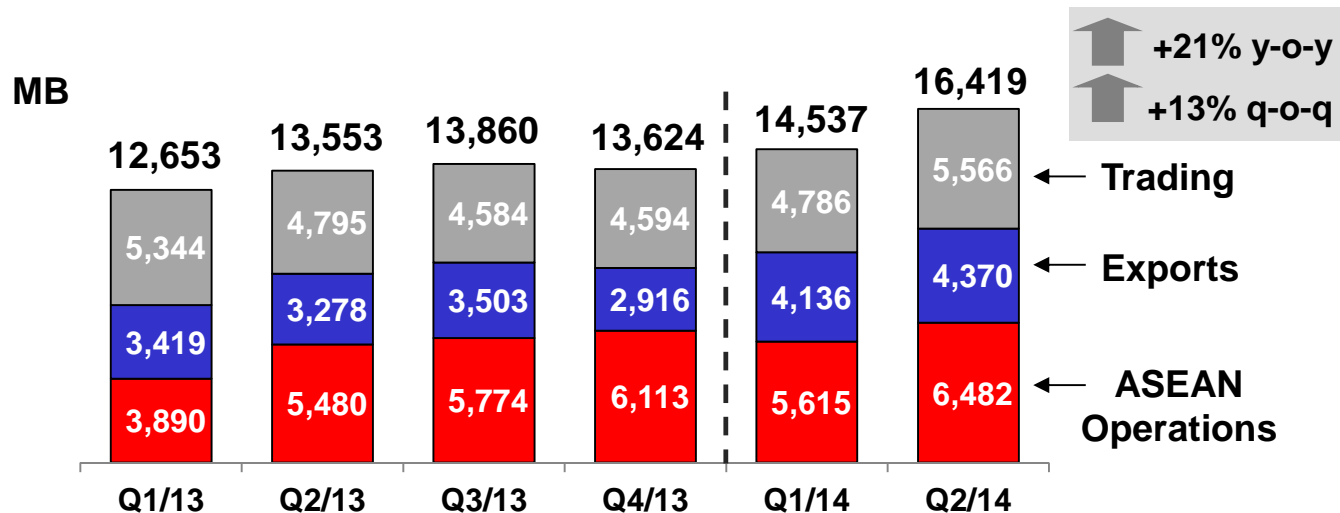
Volume grew 5% y-o-y as a result of improvement in Vietnam operation.

Sales volume & prices for all ASEAN subsidiaries

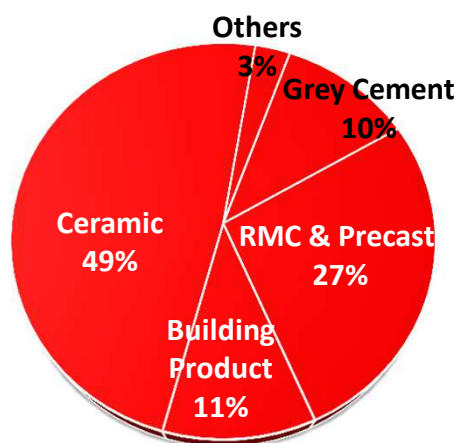


International sales segmentation

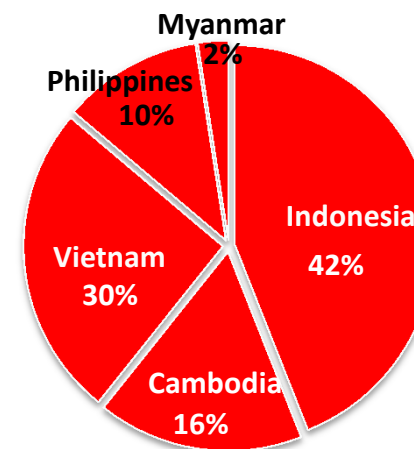
Sales increased 21% y-o-y, mainly from increased export sales.



H1/14 ASEAN Operations (Products)



H1/14 ASEAN Operations (Country)

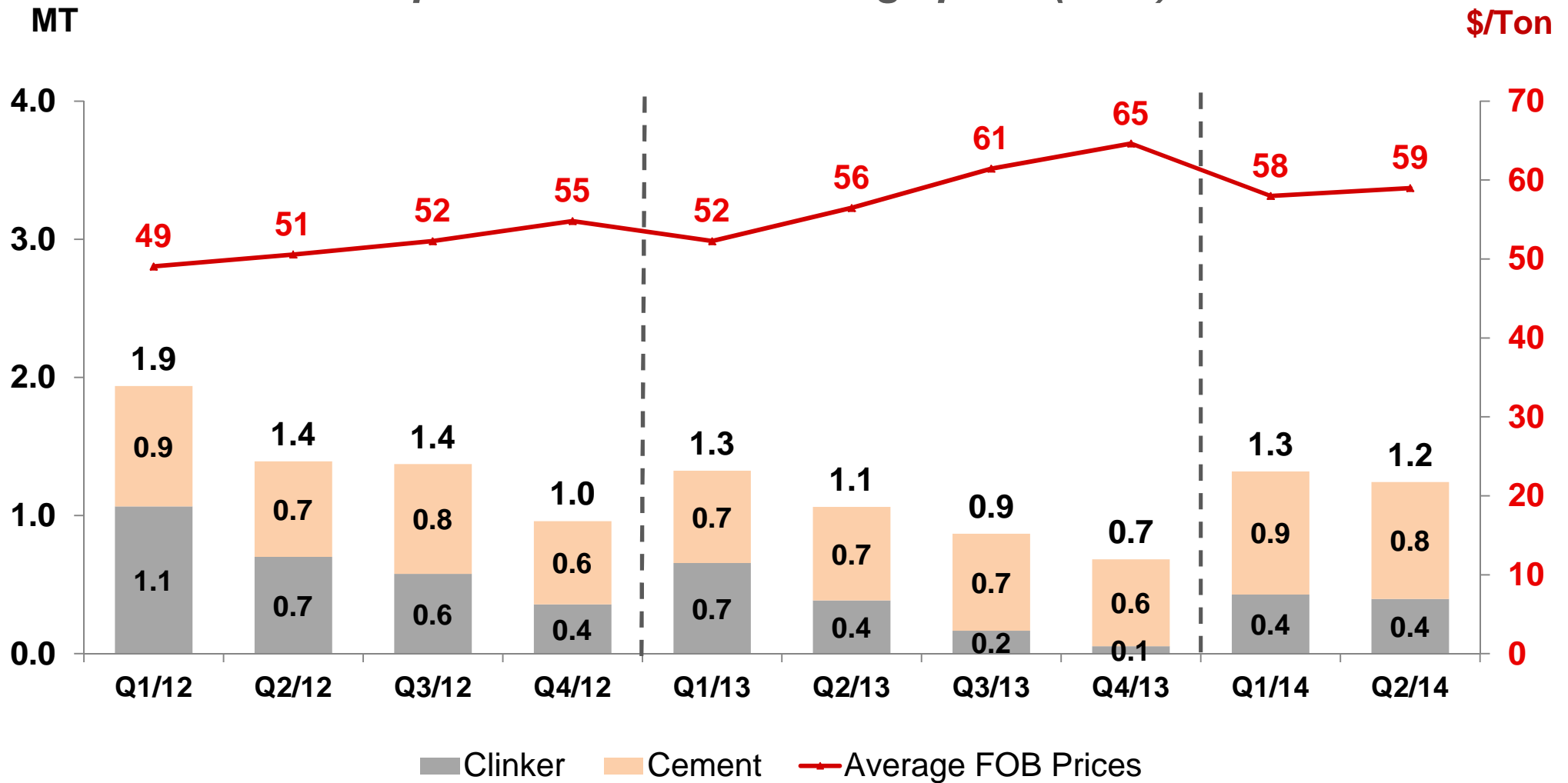


Note: International business = ASEAN Operations, exports from Thailand, and Trading business
Housing - Roofing products, Board & Wood sub, and Home improvement.
Ceramics - includes Sanitary ware and Fittings.
Trading - are mainly trading of non-SCG products

Cement exports

Exports registered 1.2 MT, while pricing increased \$2/ton y-o-y as a result of the change in product mix.

Export volume and Average price (FOB)



Outlook:

- Domestic cement demand is expected to decelerate to -3% y-o-y in Q3/14, as the existing projects are completed, while new projects have yet to start.
- Domestic demand growth of housing products is forecasted to be negative y-o-y in light of the economic slowdown.
- ASEAN cement demand growth outside of Thailand is expected to remain healthy y-o-y but will have seasonal down trend.

Investment updates:

- **Woodchip cement board joint venture:** 550 MB (55% stake) investment, with a capacity of 4.8 million square meters by the end of 2014.



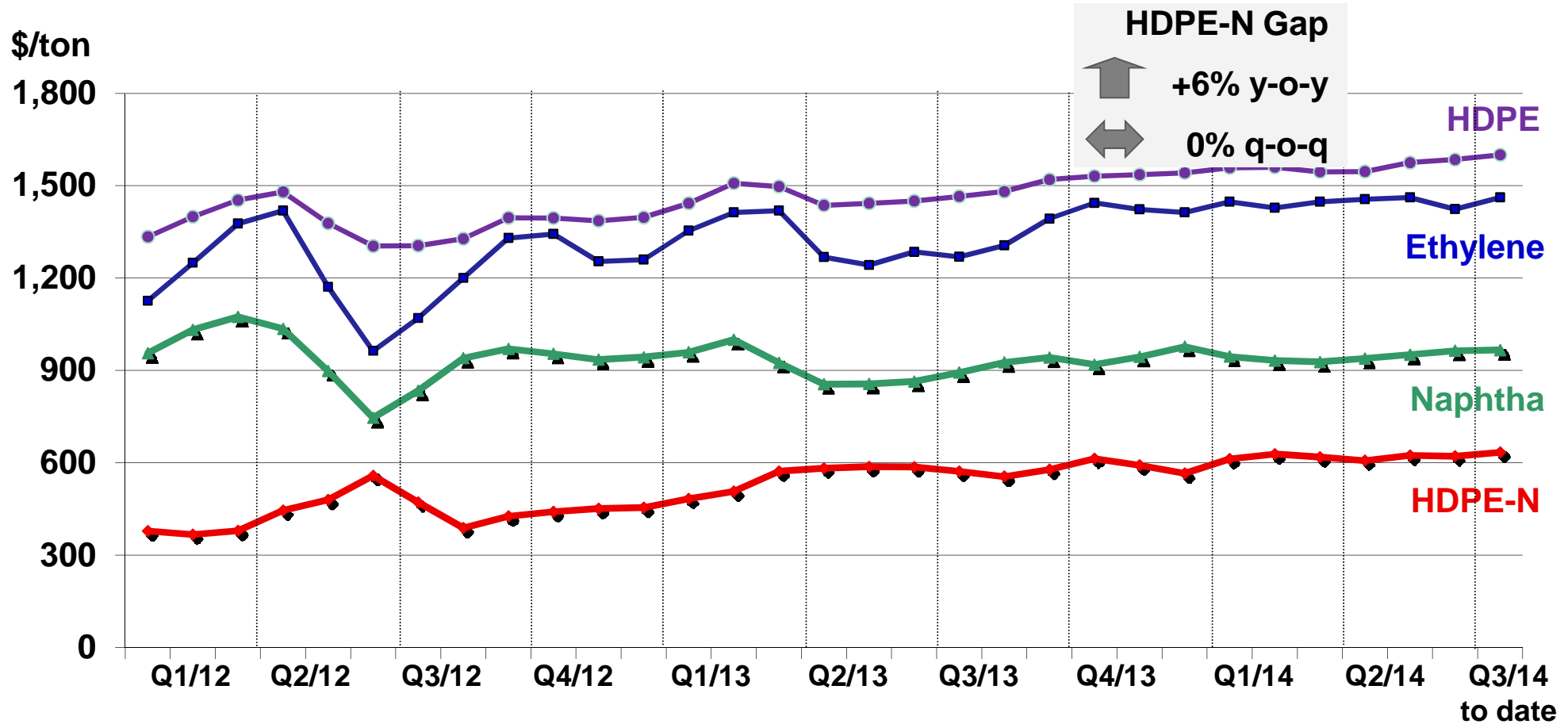
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Market Insight:

- **Crude** –remained high and increased another \$2/bbl q-o-q to \$110/bbl on geopolitical tensions in Eastern Europe and the Middle East.
- **Naphtha** – increased 2% q-o-q to \$951/ton on account of crude price trends and strong demand of Naphtha.
- **Polyolefins**
 - The market prices of Ethylene remained firm at \$1,447/ton, while HDPE prices increased 1% q-o-q to \$1,569/ton. The rising naphtha prices continue to put pressure on HDPE-Naphtha margins to \$618/ton.
 - Propylene prices decreased 7% q-o-q to \$1,279/ton due to regional PP plant outage, however PP prices increased 1% q-o-q to \$1,584/ton, partially offset the effect of increasing naphtha prices.
- **PVC** – EDC prices increased 2% q-o-q to \$471/ton, pressured by continuing tight supply and ethylene cost push. PVC prices decreased 2% q-o-q to \$1,026/ton. PVC-EDC/C2 margins decreased 9% q-o-q to \$307/ton.
- **Other** – BD-Naphtha margins decreased by 27% q-o-q to \$329/ton. MMA-Naphtha margin increased 1% q-o-q to \$1,131/ton. PTA-PX margin decreased 7% q-o-q to \$63/ton

HDPE – Naphtha Price Gaps

HDPE-Naphtha margins remained stable at \$618/ton. Stable HDPE prices were supported by demand in Asia.

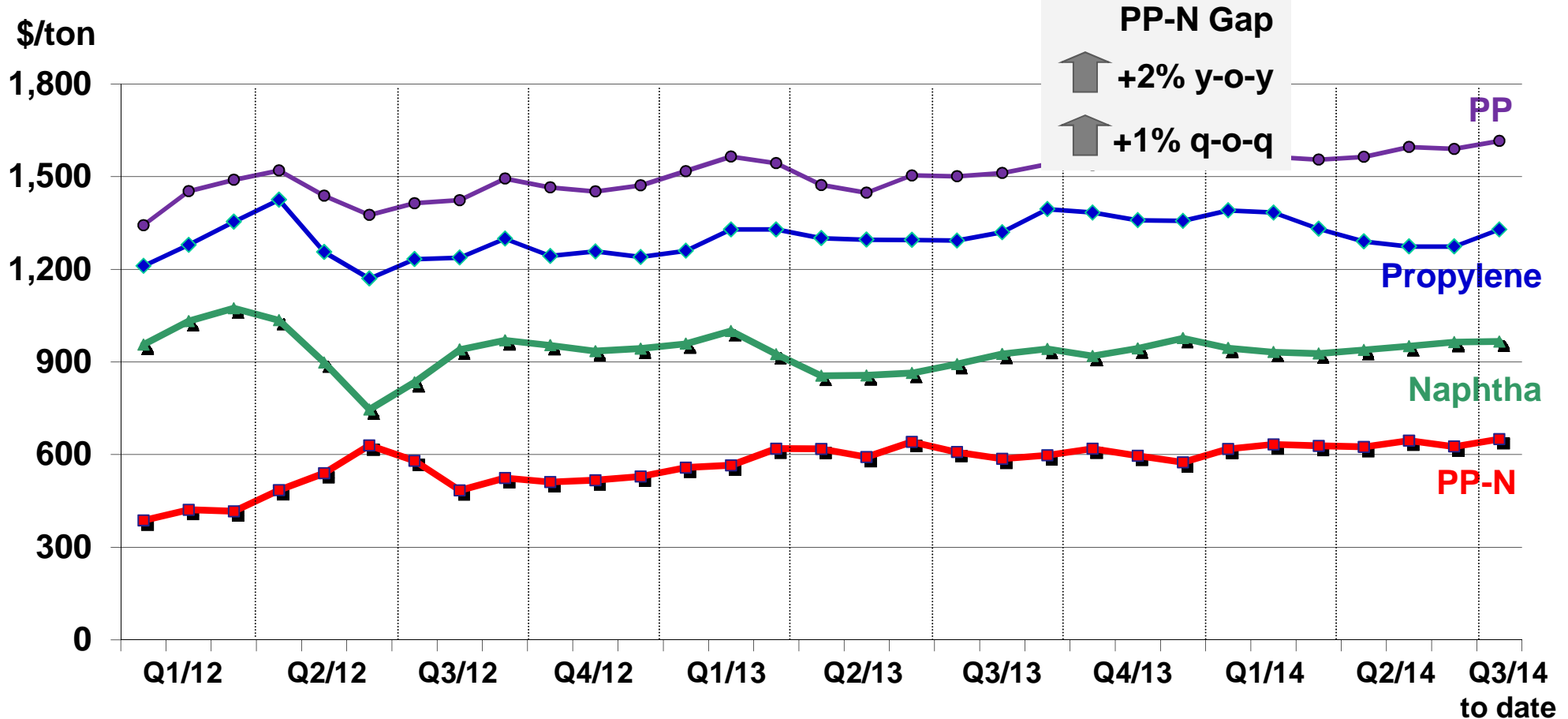


HDPE-Naphtha	374	494	428	449	521	585	568	590	620	618	634
Spread (\$/ton)	← 437 →		← 566 →								
HDPE-C2	144	203	143	107	87	178	166	110	113	121	138
C2-Naphtha	230	291	285	342	434	407	402	480	507	496	496

Note: Prices refer to SEA regional prices

PP – Naphtha Price Gaps

PP-Naphtha margins increased by 1% q-o-q to \$632/ton. PP prices remained stable on consistent buying sentiment in Asia.

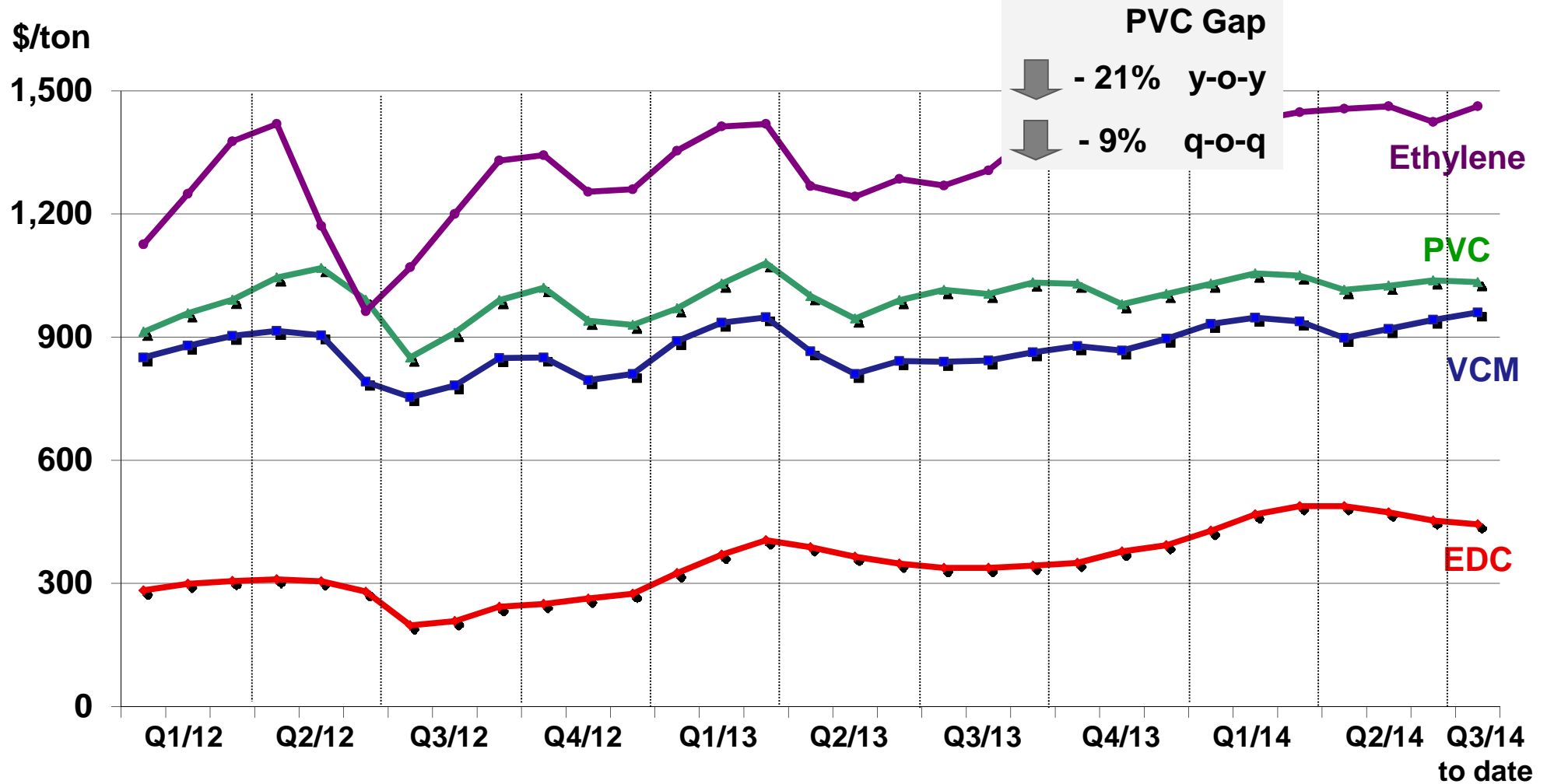


PP-Naphtha	408	551	529	519	581	617	597	597	626	632	650
Spread (\$/ton)	← 502		→		← 598		→				
PP - C3	147	160	187	216	236	178	182	177	192	304	287
C3 – Naphtha	261	391	342	303	345	439	415	420	434	328	363

Note: Prices refer to SEA regional prices

PVC

PVC margins declined 9% q-o-q to \$307/ton. In the beginning of Q2/14, PVC margins dropped to \$274/ton, lowest since 2010, and rebound to \$339/ton at the end of Q2/14.



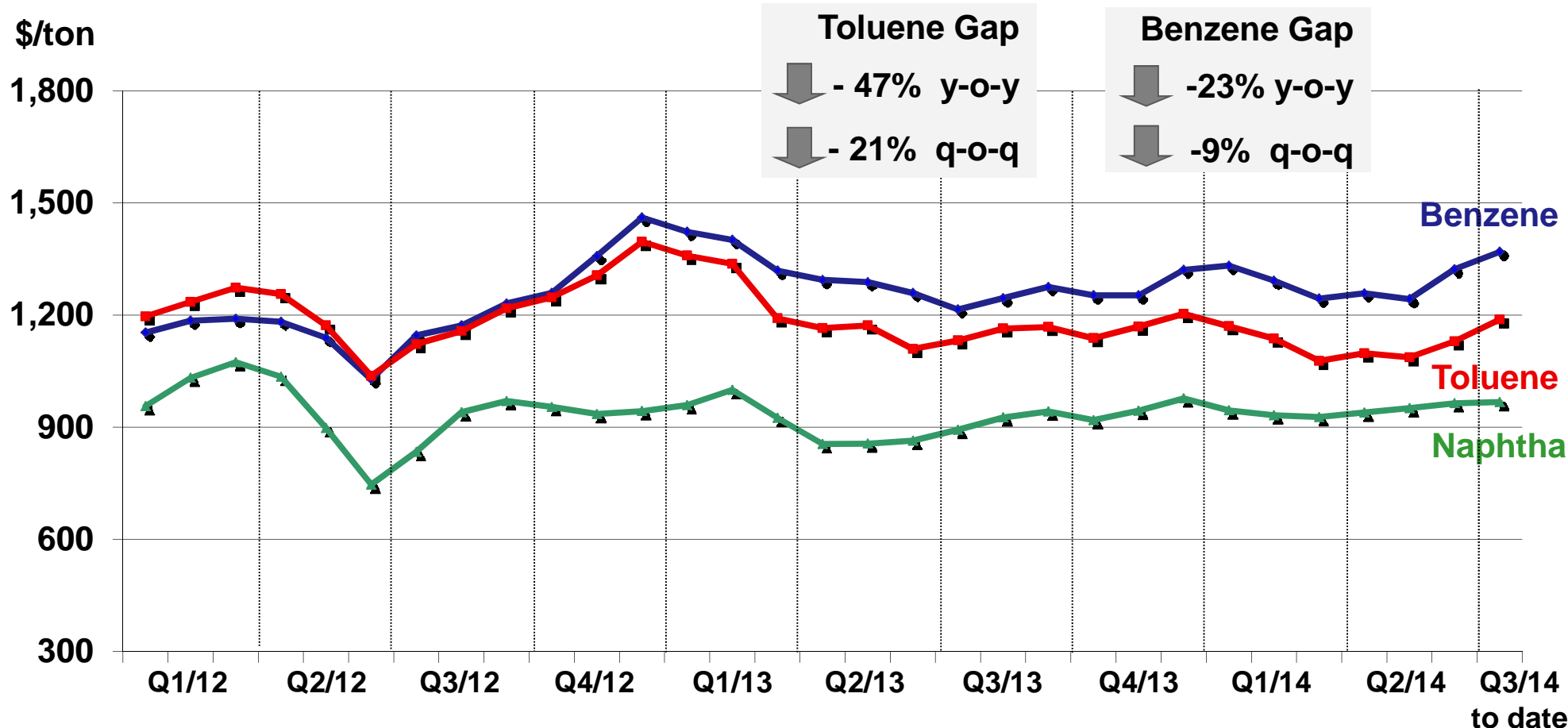
PVC-EDC/C2	424	518	463	452	405	386	435	370	336	307	334
Spread (\$/ton)	← 464 →		← 399 →								

Prices refer to FE regional prices

Benzene & Toluene - decreased by-product credits

BZ-Naphtha margins dropped 9% q-o-q, attributed to seasonal SM plants turnaround that reduced demand.

TL-Naphtha margins decreased by 21% q-o-q, pressured by lack of demand from on-purpose PX producers.



BZ-Naphtha	155	223	268	415	420	422	325	329	355	323	402
TL-Naphtha	214	262	251	372	333	290	234	223	193	153	221
BZ-Spread	← 265 →		← 374 →								
TL Spread	← 275 →		← 270 →								

Note: Prices refer to SEA regional prices

Price Gaps of Associates – challenges continued

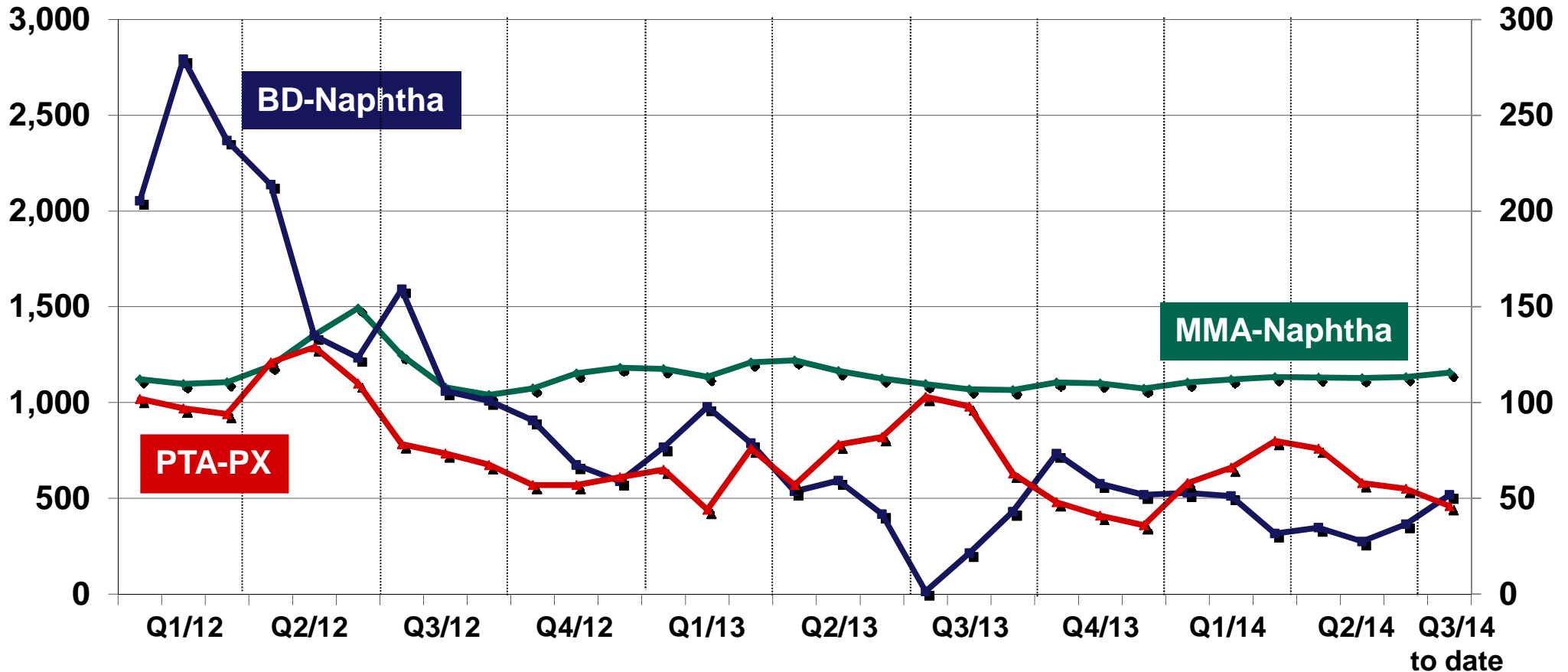


MMA-Naphtha – up 1% q-o-q, due to tight supply from turnaround of Asian producers.
 BD-Naphtha – down 27% q-o-q, attributed to continuing weak demand in China.
 PTA-PX – down 7% q-o-q, due to higher PX prices (delay of new PX capacities and maintenance shutdown)

BD-Naphtha \$/ton

MMA-Naphtha \$/ton,

PTA-PX \$/ton

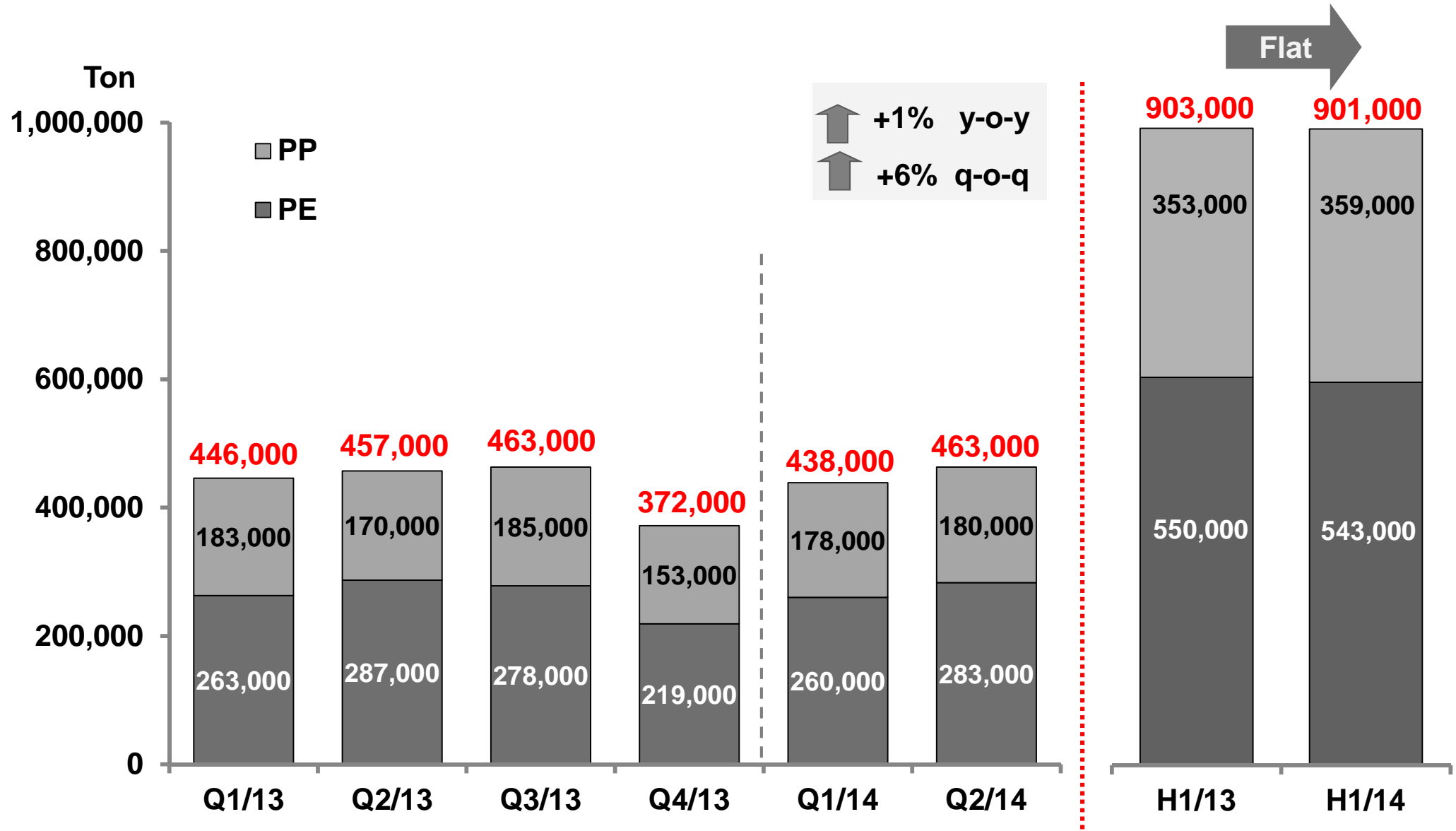


BD-N	2,405	1,574	1,221	723	844	516	220	609	452	329	519
PTA-PX	98	120	73	58	62	72	88	42	68	63	46
MMA-N	1,104	1,346	1,122	1,136	1,174	1,170	1,077	1,093	1,120	1,131	1,156

Note: BD and MMA prices refer to SEA regional prices , PTA prices refer to Asian regional prices

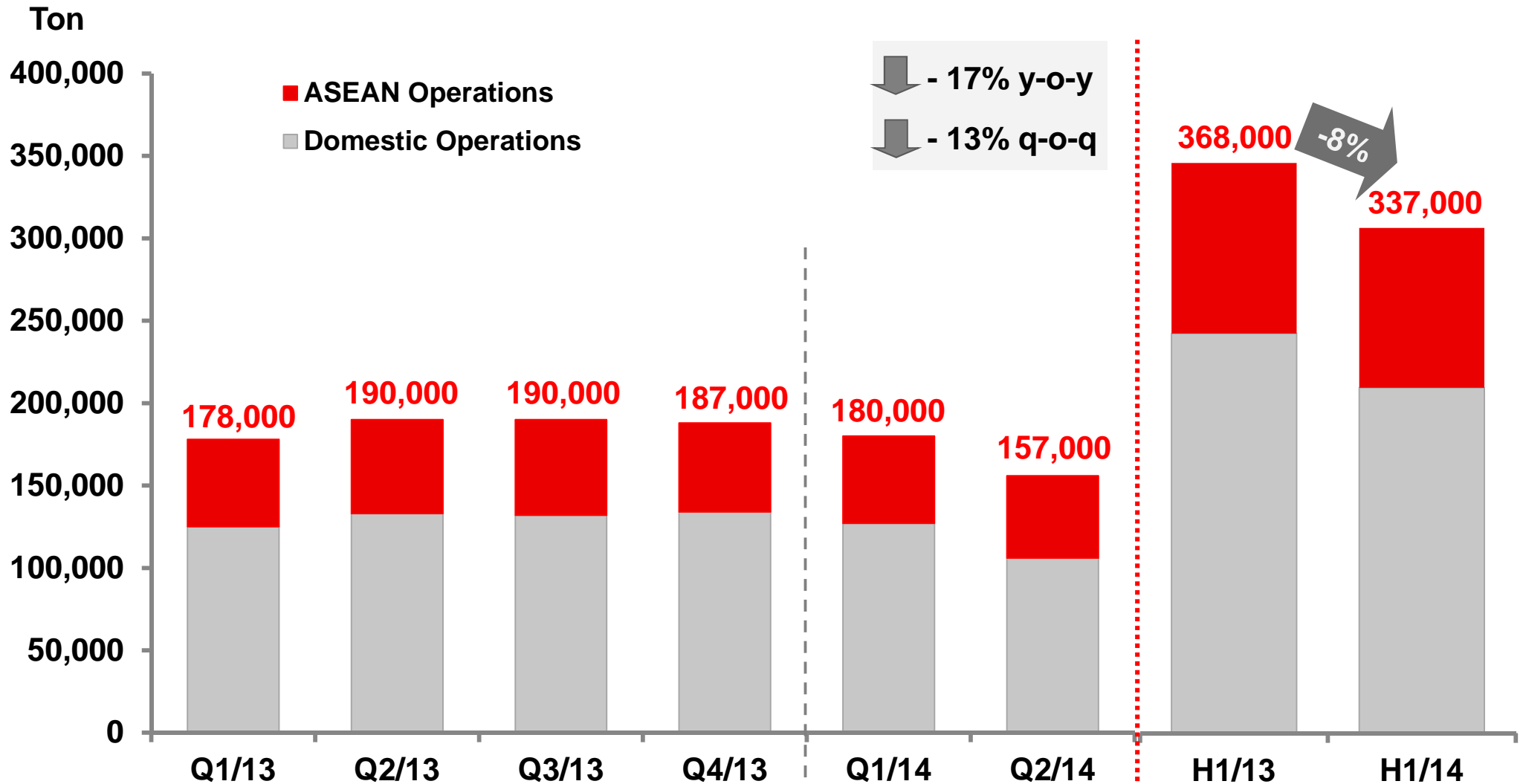
Polyolefins Sales Volume

Polyolefins sales volume increased 6% q-o-q, attributed to the accomplished ramp-up capacity.



PVC Sales Volume

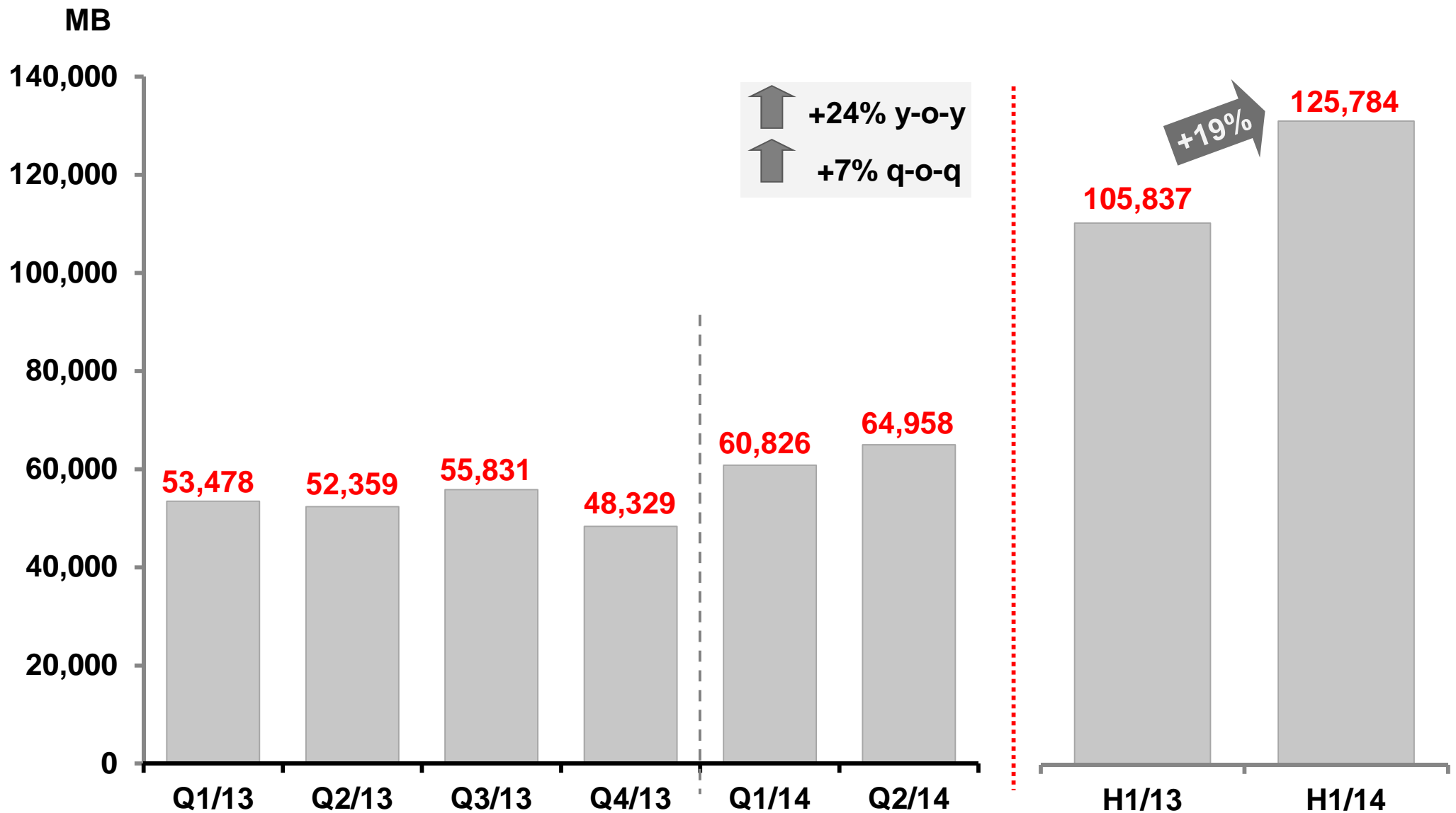
PVC Sales volume decreased by 13% q-o-q from VCM plants turnaround.



*Note: *ASEAN Operations = Sales volume from PVC operations in Vietnam and Indonesia*

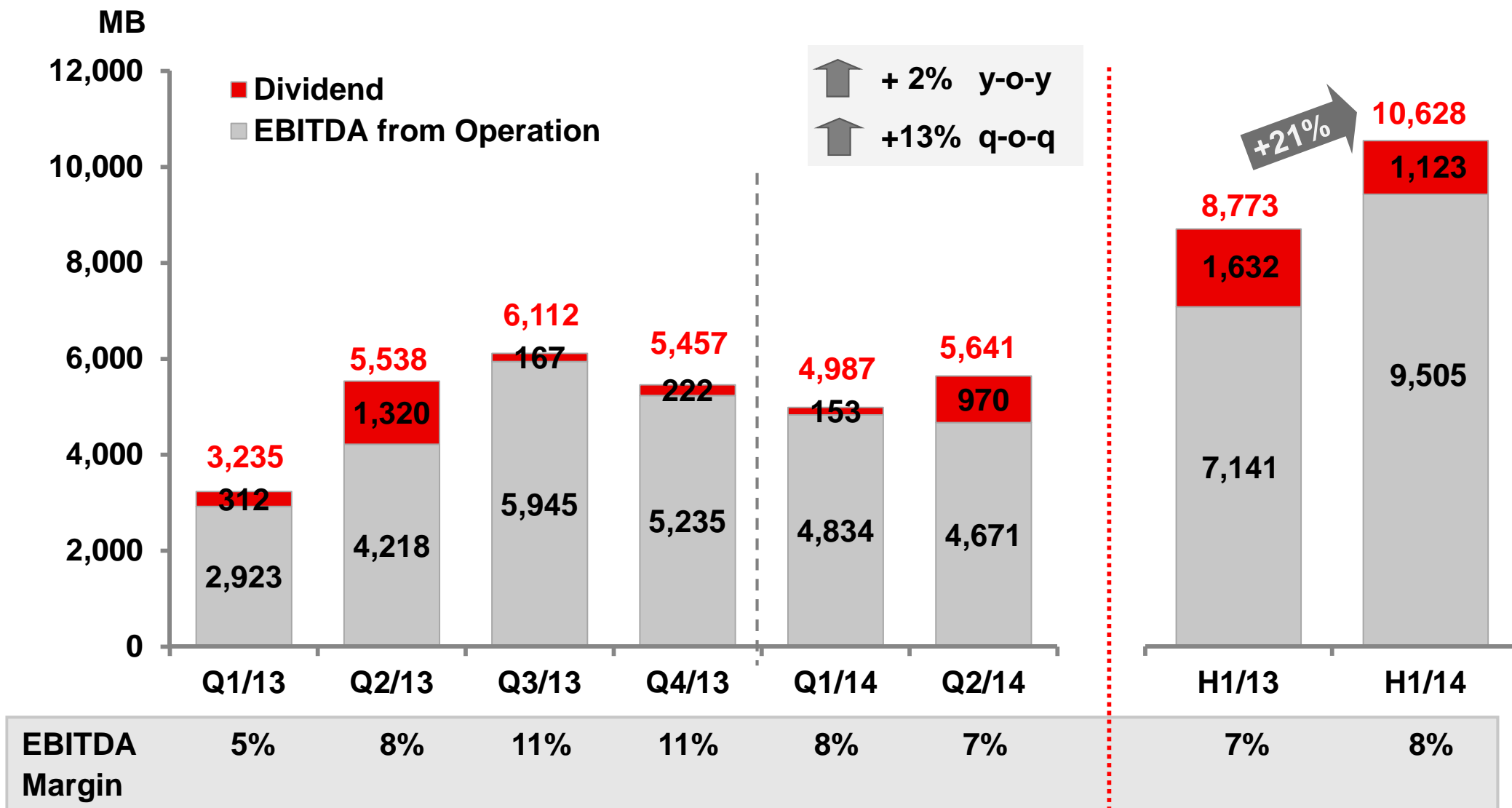
Revenue from Sales

Revenue increased 7% q-o-q, supported by higher sales volume from polyolefins.



EBITDA

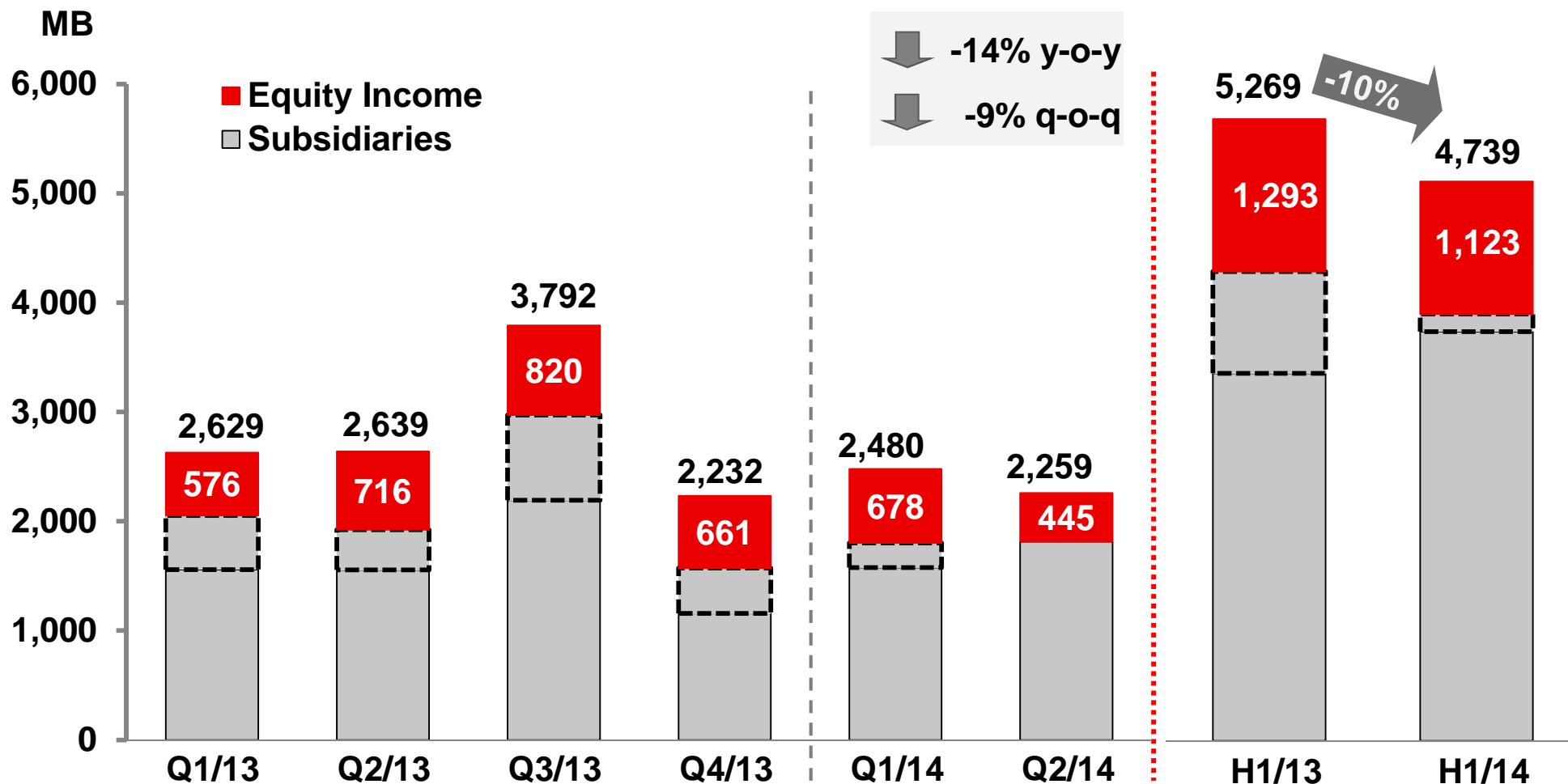
With the 970 MB in dividend from associated companies, EBITDA increased 13% q-o-q to 5,641 MB.



Note: EBITDA = EBITDA from Operations + Dividend from Associated Companies

Profit for the Period

Profit for the Period decreased 9% q-o-q to 2,259 MB as challenges from associated company performances, PVC margins decline and VCM plants turnaround.



Non-Controlling Interest	630	110	(310)	(340)	(330)	(240)	740	(570)
Inventory Gain(Loss)*	260	(840)	840	810	180	(80)	(580)	100

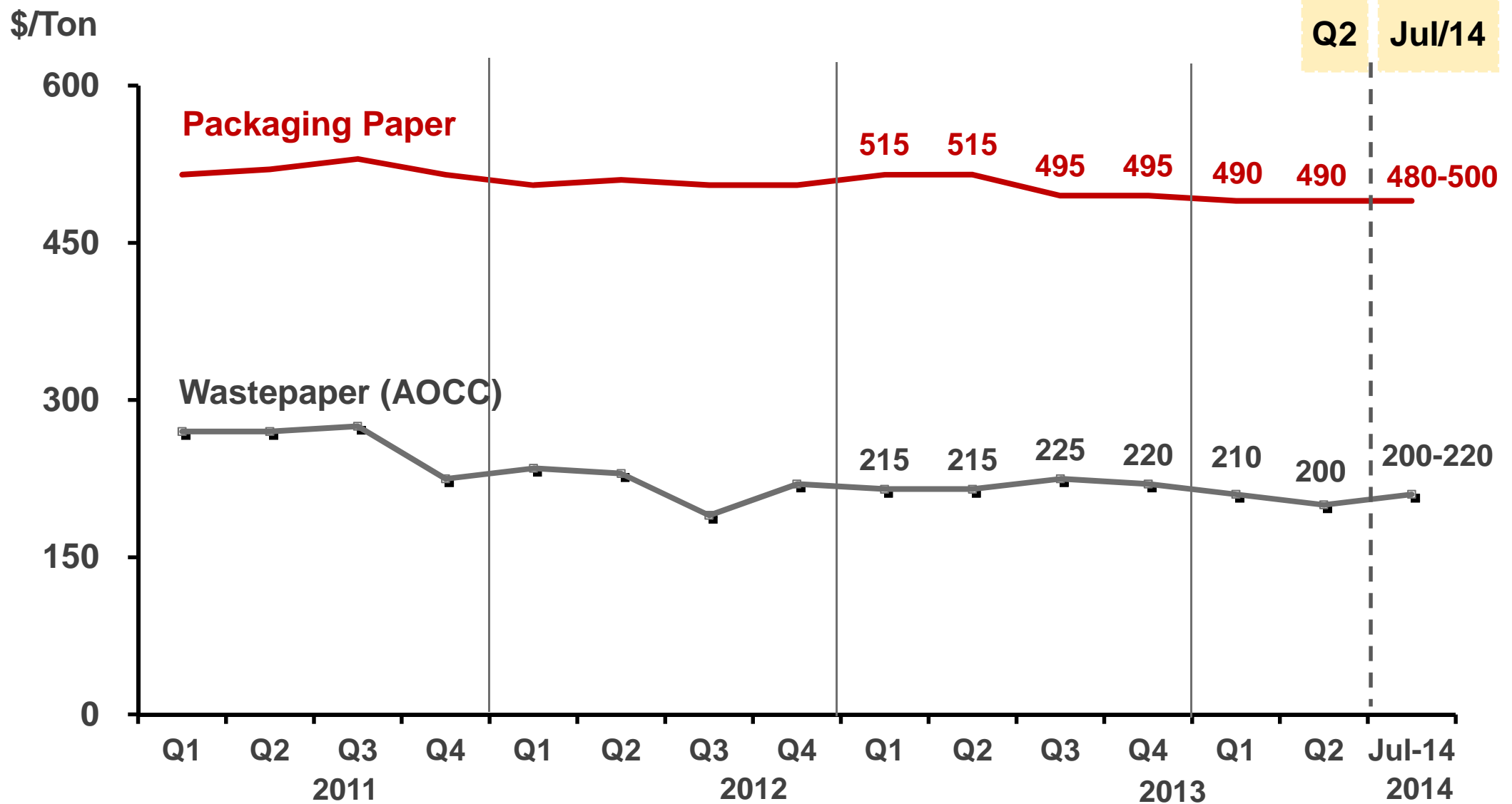
*Note: SCG Chemicals (Sub + Asso.)

- **Crude** – Escalation of geopolitical risk in Eastern Europe and Middle East will affect global oil prices.
- **Naphtha** – As Asian naphtha crackers commence operations after their turnarounds, this will have an upward pressure on naphtha prices, in addition to the global crude oil price volatility.
- **Polyolefins** – Downstream demand remains stable with buying sentiments from Asia markets. However, the challenging feedstock cost might put pressure on the margins to move sideways.
- **PVC** – Stable feedstock cost and challenging PVC margins still continue.

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Packaging Paper

AOCC prices softened slightly due to maintenance downtime of major Chinese paper producers, while packaging paper prices remained stable.

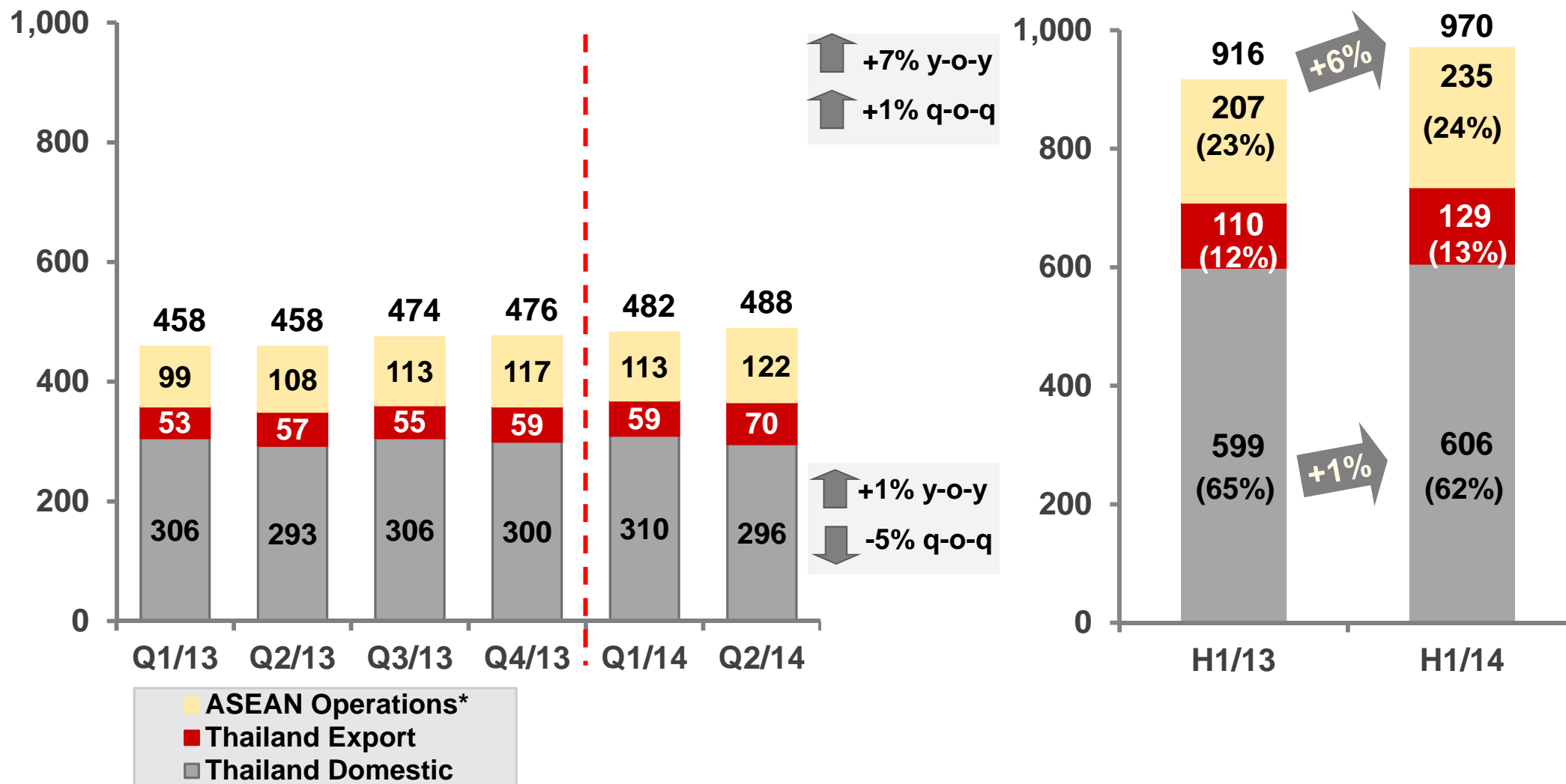


Note: regional prices

Packaging Paper:

Total sales volume increased 7% y-o-y owing to higher export sales and ASEAN operations.

'000 tons



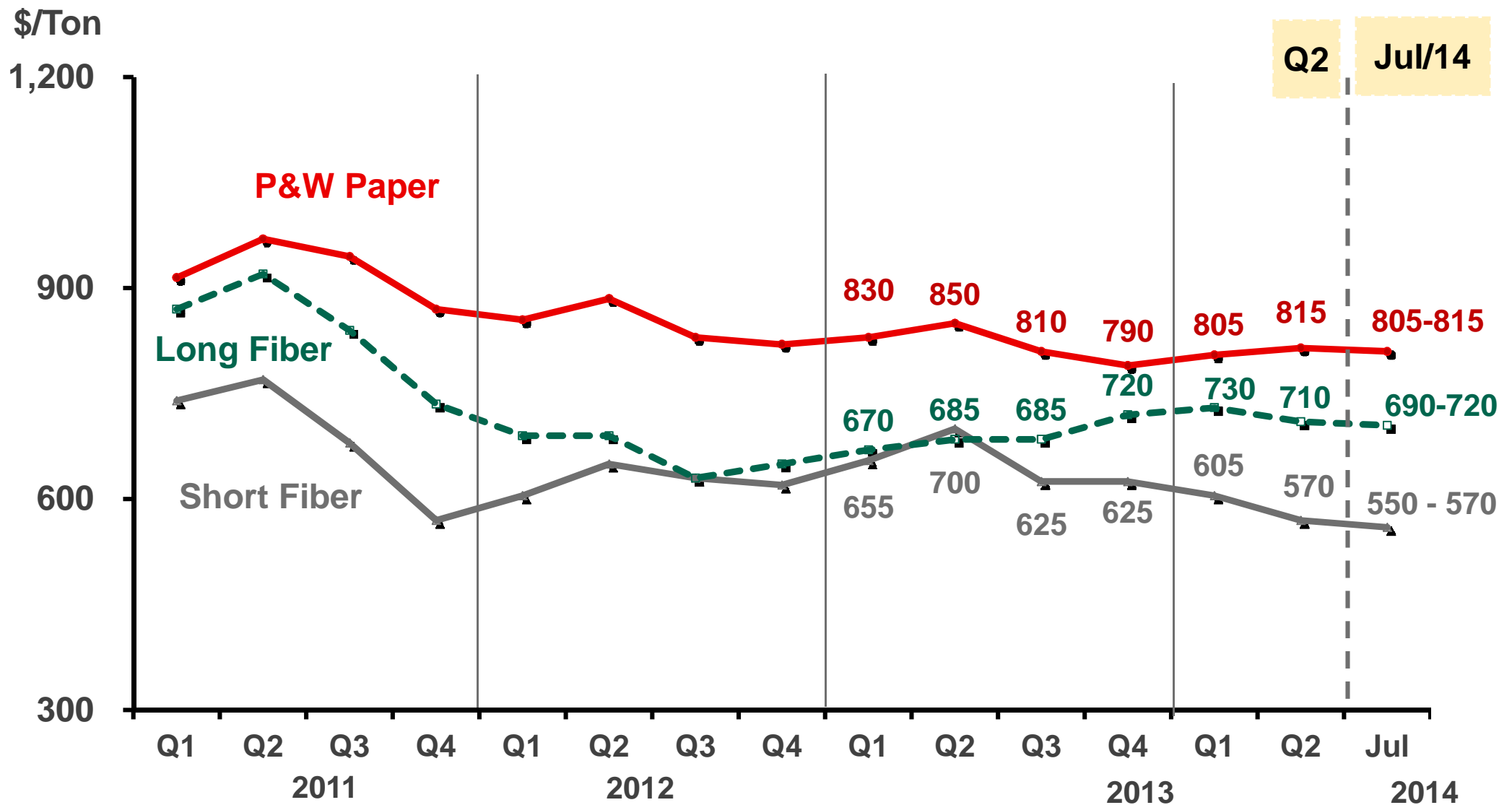
Note: *Sales Volume from Philippines and Vietnam

Fibrous (Printing & Writing Paper)

Long and Short-fiber pulp prices decreased from weakened demand in China. Dissolving pulp prices followed suit, dropping to \$840/ton range



slide 49



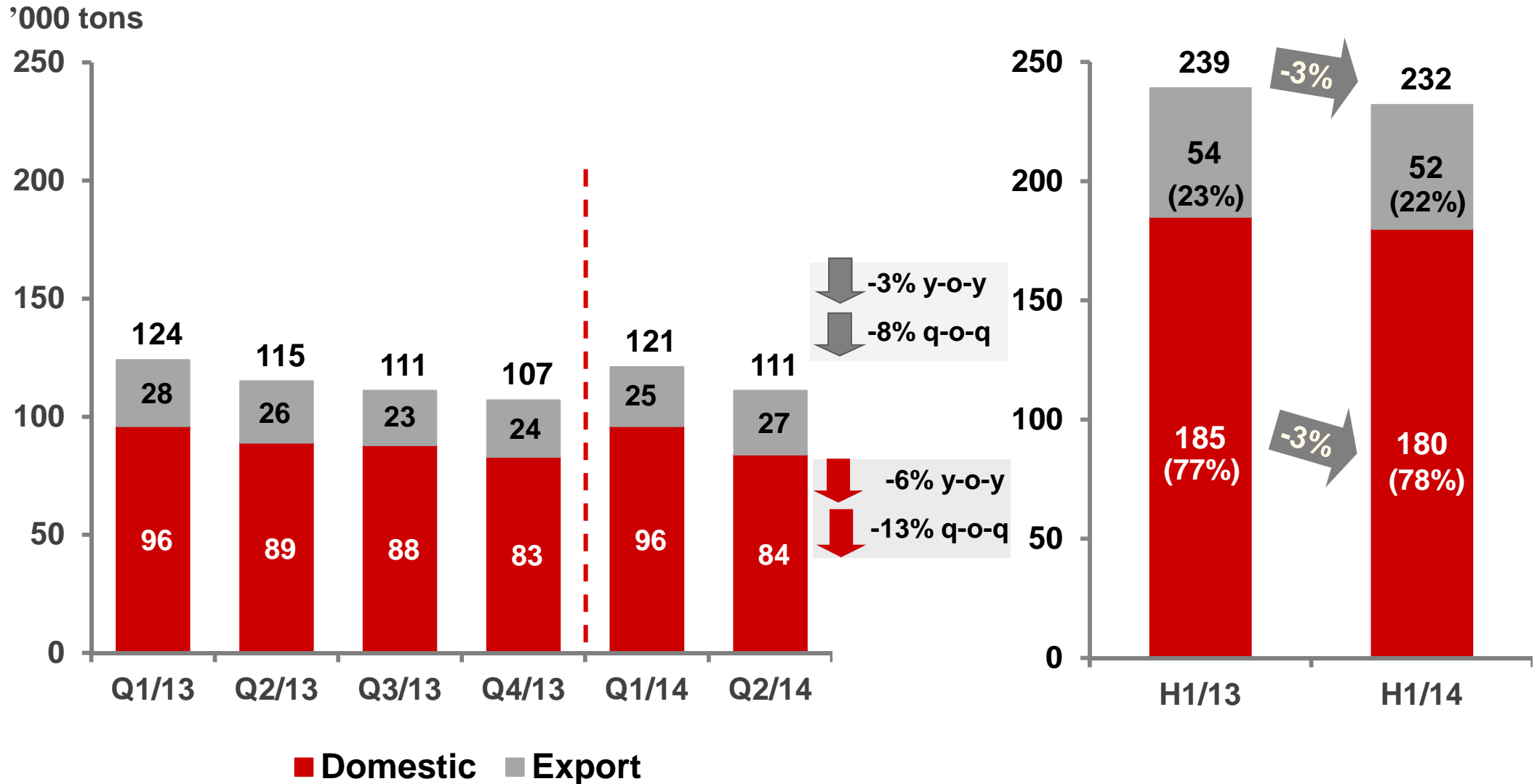
Note: regional prices

Fibrous (Printing & Writing Paper)

Domestic sales volume decreased 13% q-o-q, and total sales volume dropped 8% q-o-q mainly due to demand softness.



slide 50

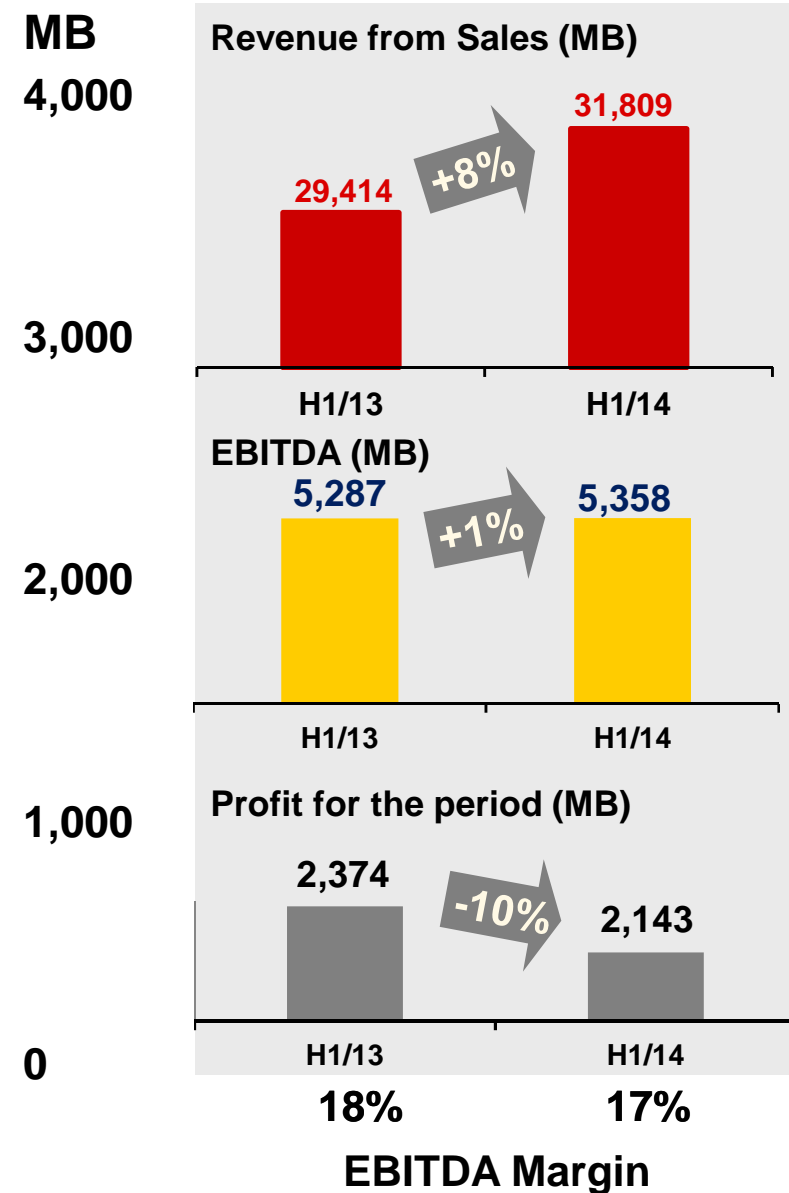
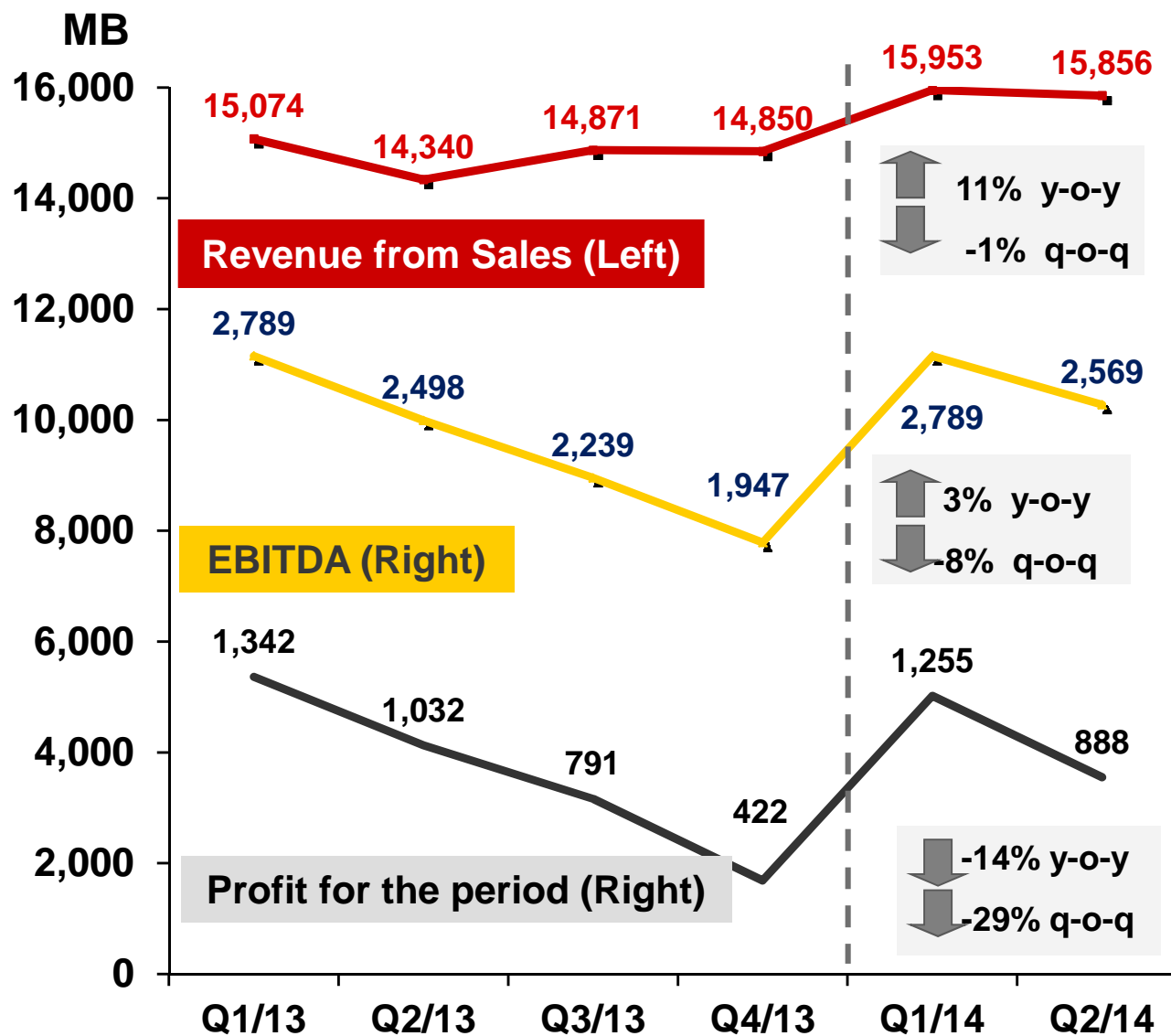


Financials

Results q-o-q declined mainly due to demand softness in Fibrous Chain while results H1/2014 improved slightly as compensated by higher sales volume from Packaging Chain.



slide 51

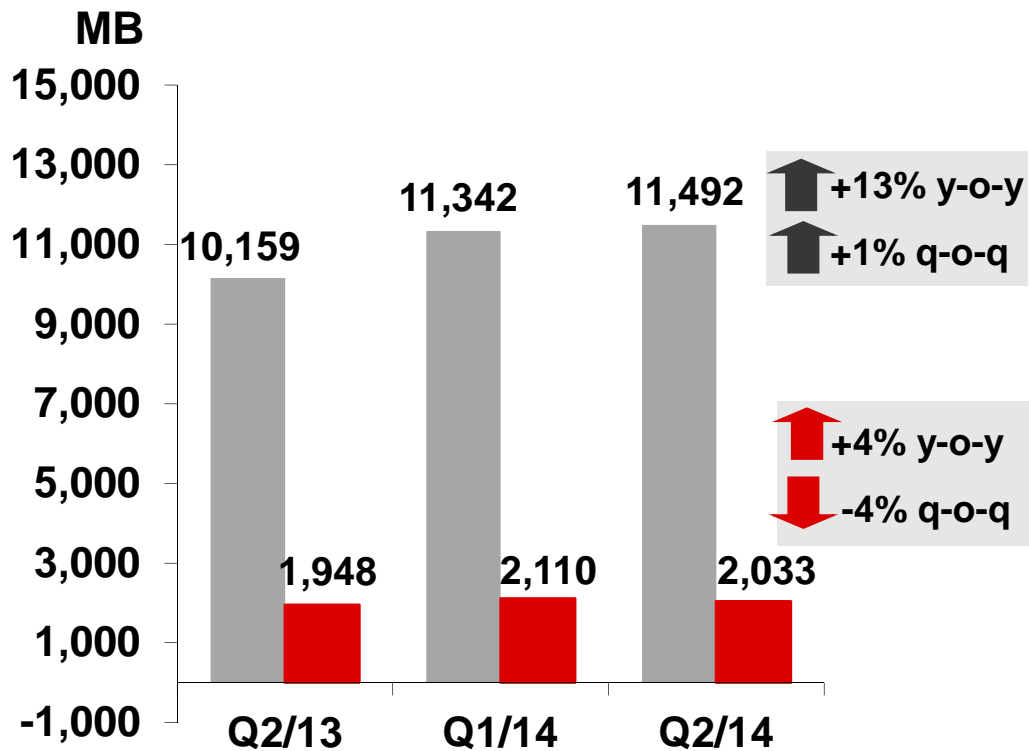


Business Segments

Improved financial performance in Packaging Chain y-o-y with higher sales volume. Fibrous Chain saw decreased performance q-o-q as a result of lower sales volume.

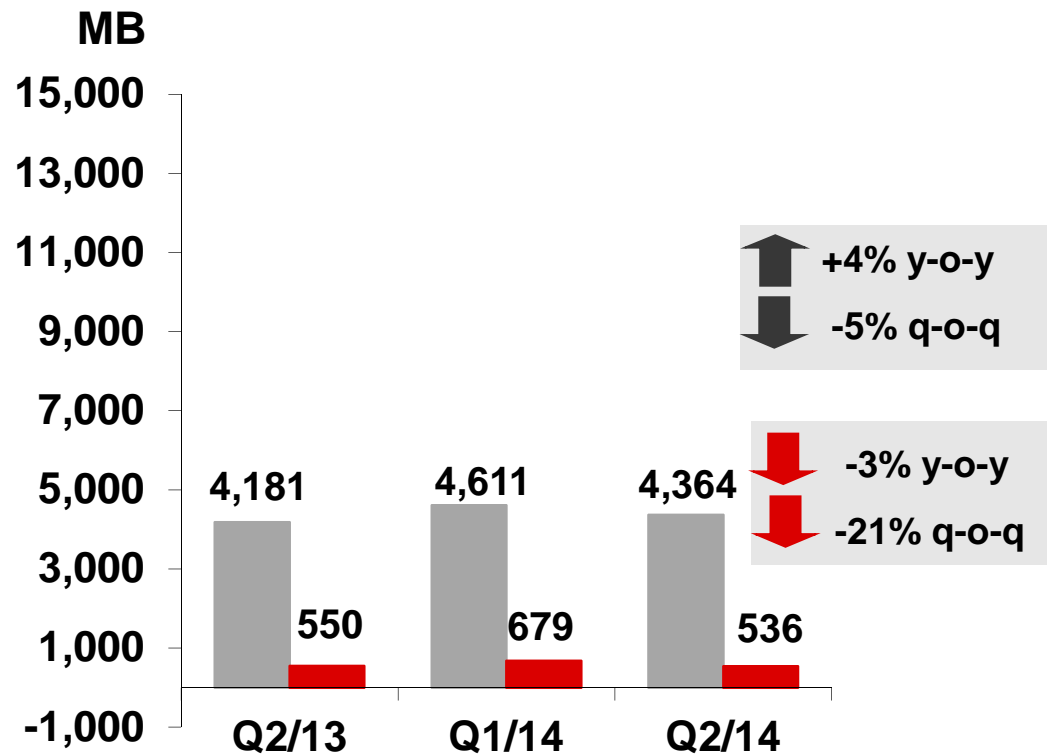
slide 52

Packaging Chain



EBITDA Margin
19% 19% 18%

Fibrous Chain



EBITDA Margin
13% 15% 12%

Revenue from Sales EBITDA

Packaging Chain

- Regional prices of wastepaper to increase due to stock replenishment by Chinese paper producers.
- Paper prices to be flat due to demand softness in the region.
- Domestic demand in beverage segment to be slightly soften due to low consumption in rainy season, while other segments' demand to be stable.

Fibrous Chain

- P&W paper prices to decline slightly due to seasonal demand softness.
- Long-fiber pulp prices to be flat, while short-fiber pulp prices will likely decline due to oversupply situation from new capacity coming in the market.

Updates:

- Packaging Chain's 340 MB investment for a 22% stake in Prepack Thailand Company Limited, a producer of flexible packaging products (14,000 tons/year) in Samut Songkram and Rayong, as the first step into the flexible packaging business.
- Startup of packaging paper machine (350,000 tons/yr) in Banpong on schedule (Q4/2014).
- Expect higher maintenance cost in Q3 due to plant maintenance shutdown and turnaround of utility units

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Thank You

For further details, please contact invest@scg.co.th