



Analyst Conference Q2/15
Wednesday, July 29, 2015

I. Consolidated Results

- Q2/15 Consolidated Results

- H1/15 Summary

- Financial Updates

II. SCG Cement - Building Materials

III. SCG Chemicals

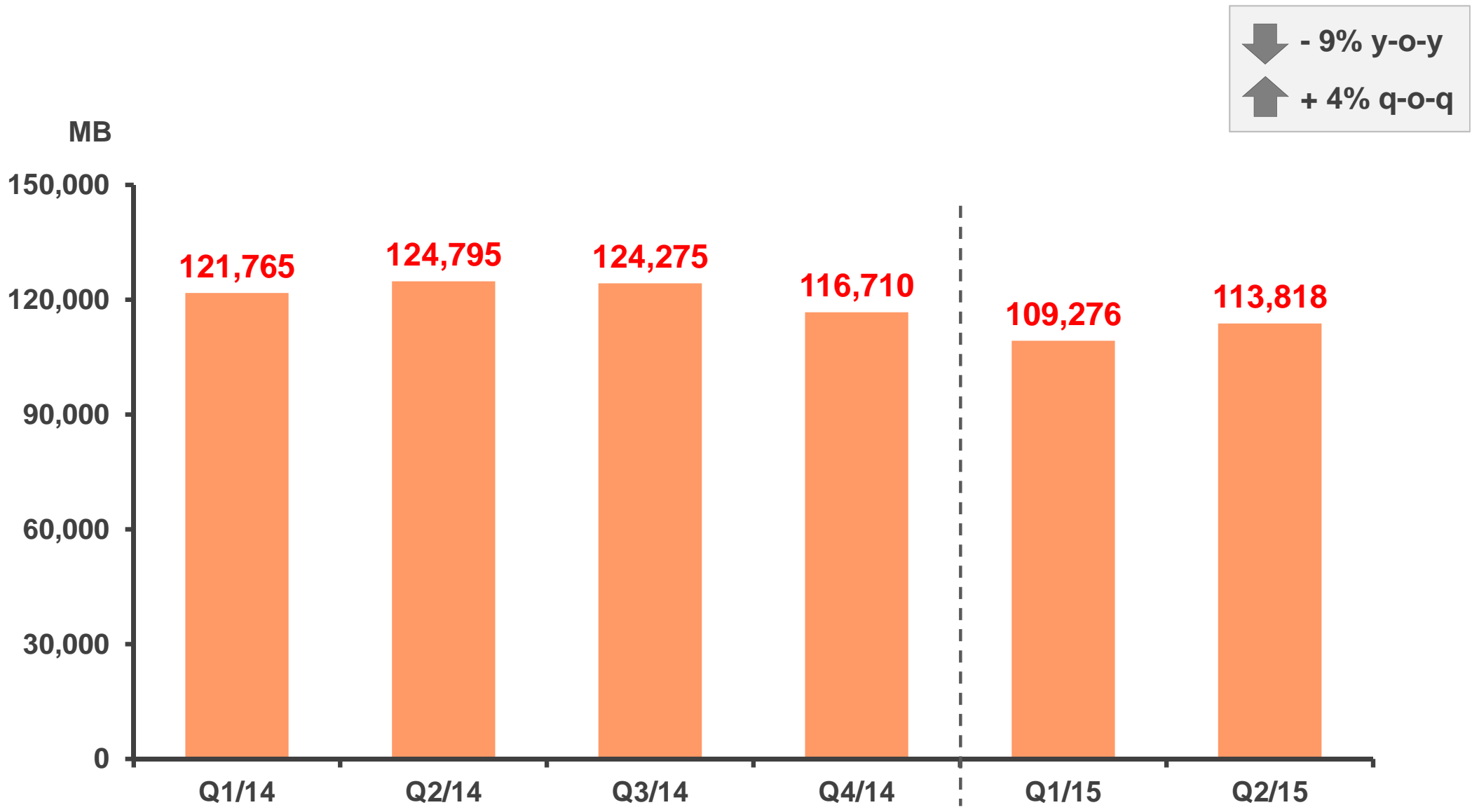
IV. SCG Packaging

V. Summary

Revenue from Sales

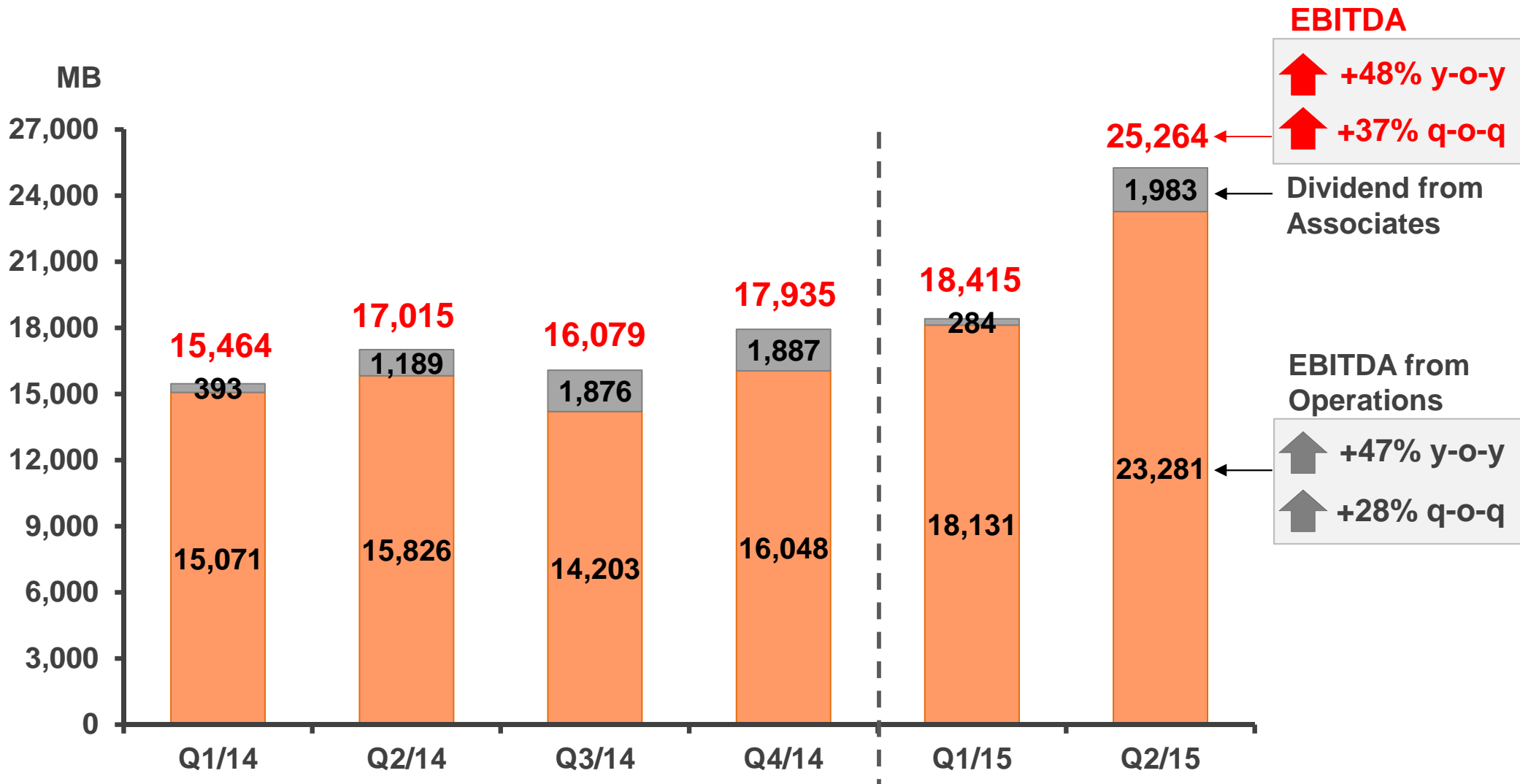


Q2/15 revenue changes of -9% y-o-y and +4% q-o-q were attributed to the y-o-y drop and the q-o-q gain in chemicals prices which are linked to oil prices.



EBITDA

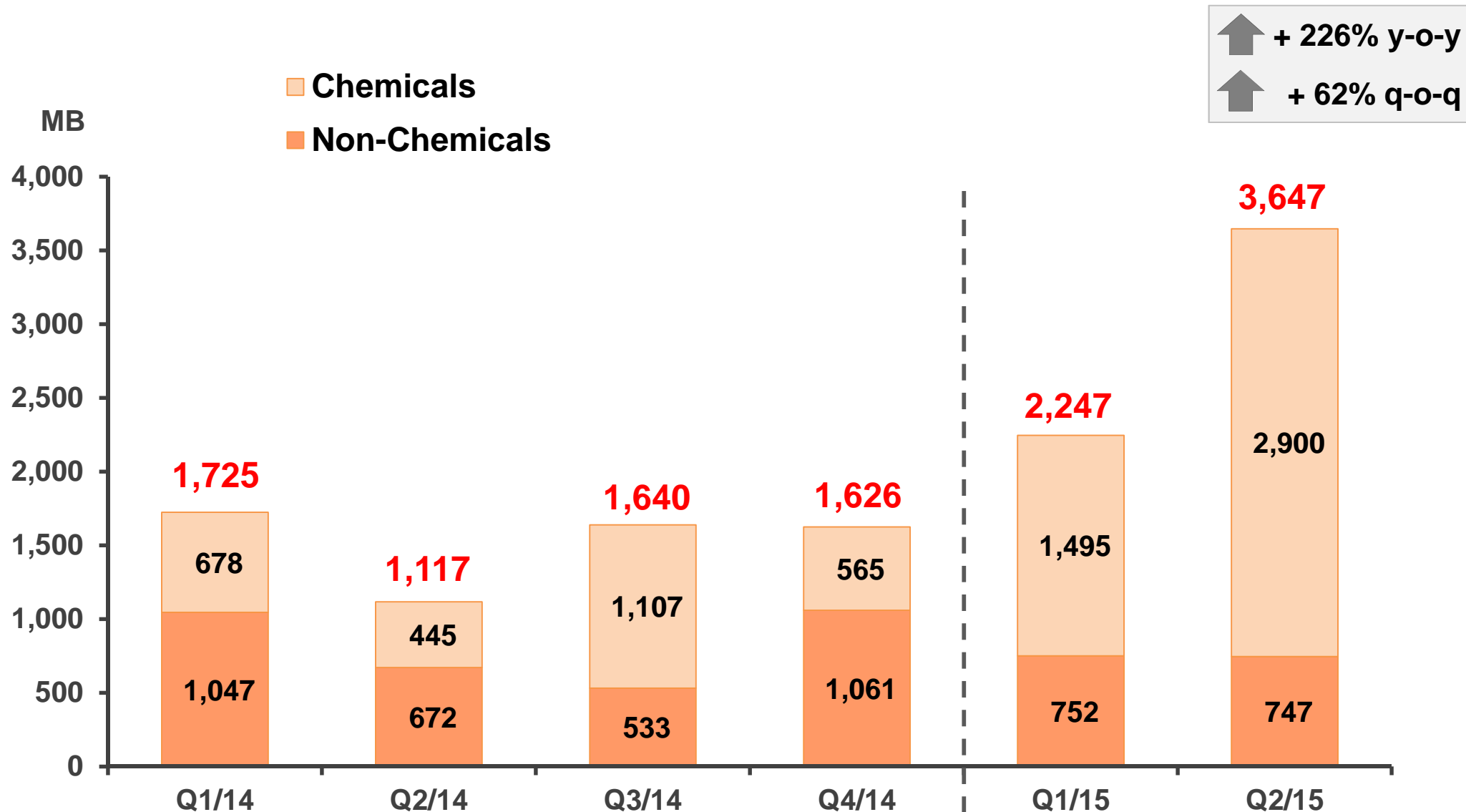
Q2/15 EBITDA grew +48% y-o-y and +37% q-o-q from the better performance of the chemicals business, while the other businesses were muted.



NOTE: EBITDA = EBITDA from Operations + Dividend from Associates

Equity Income

Q2/15 contribution from associates was driven by the recovery of the chemicals associates.

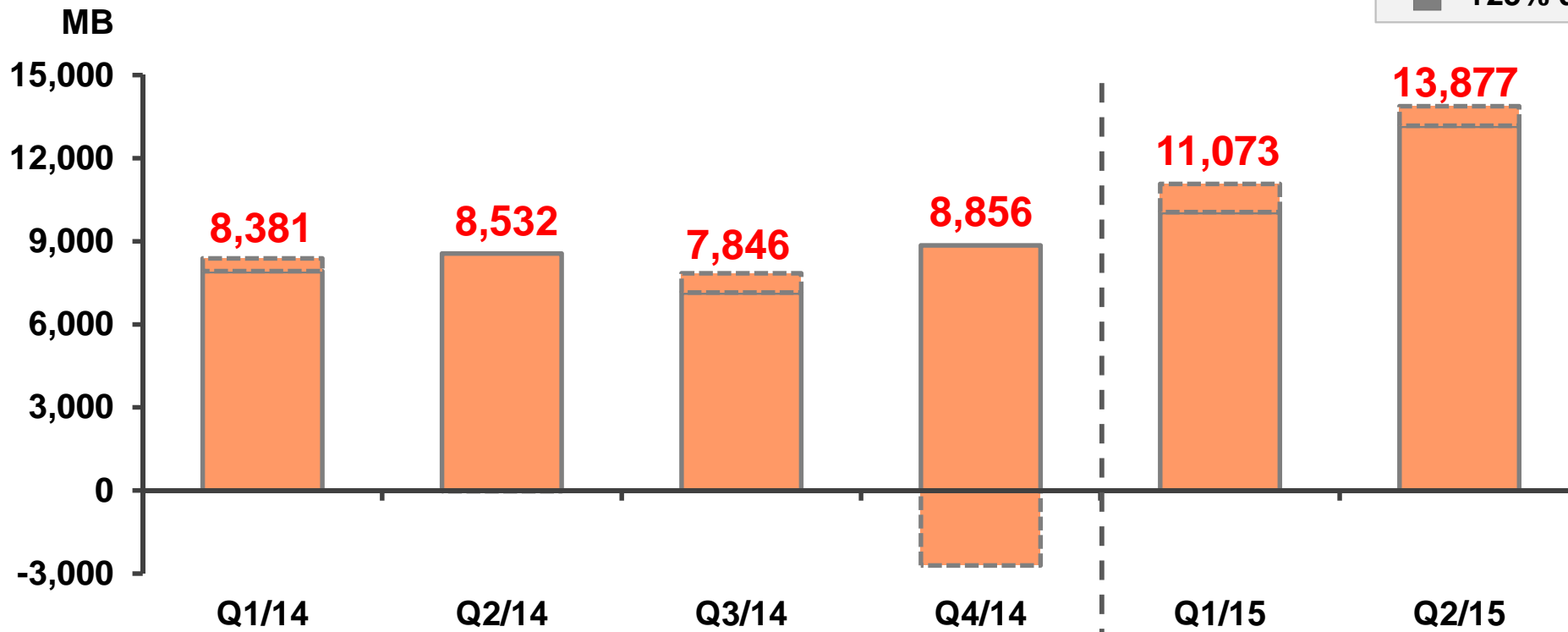


Profit for the Period



Q2/15 profitability grew +63% y-o-y and +25% q-o-q, driven by chemicals business.

+63% y-o-y
 +25% q-o-q



	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15
Total Non-recurring	460	(30)	700	(2,710)	1,020	700
1) Insurance Claim (Sub + Asso.)	450	50	150	120	0	0
2) FX Gain (Loss)	(170)	0	680	130	460	(270)
3) Inventory Gain (Loss)*	180	(80)	(130)	(2,960)	(930)	970
4) Sales of Investment	0	0	0	0	1,490	0

*Note: SCG Chemicals (Sub + Asso.)

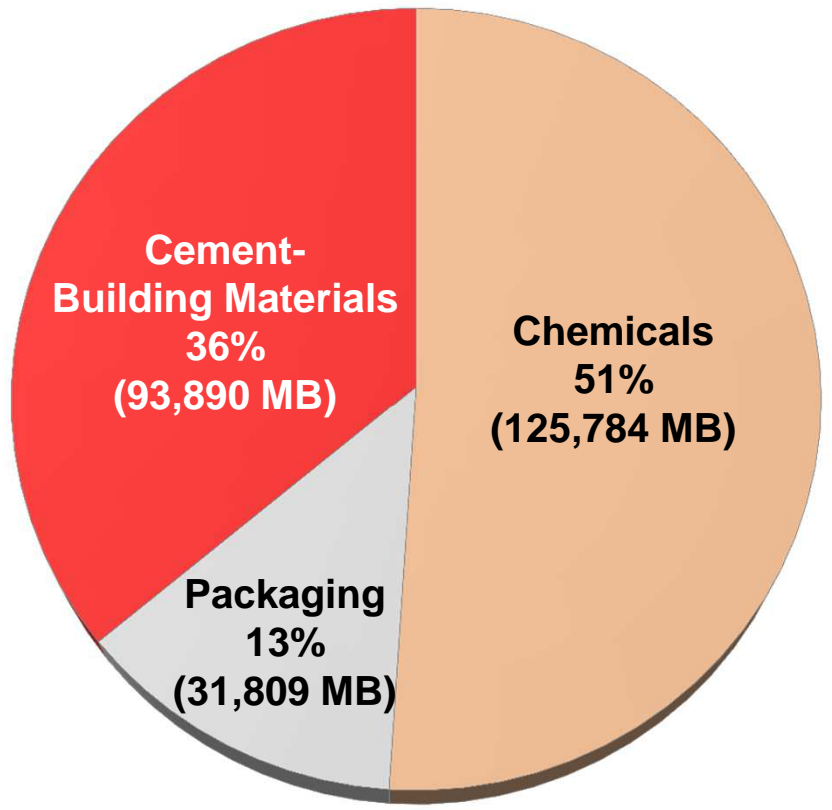
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Segmented Revenue from Sales

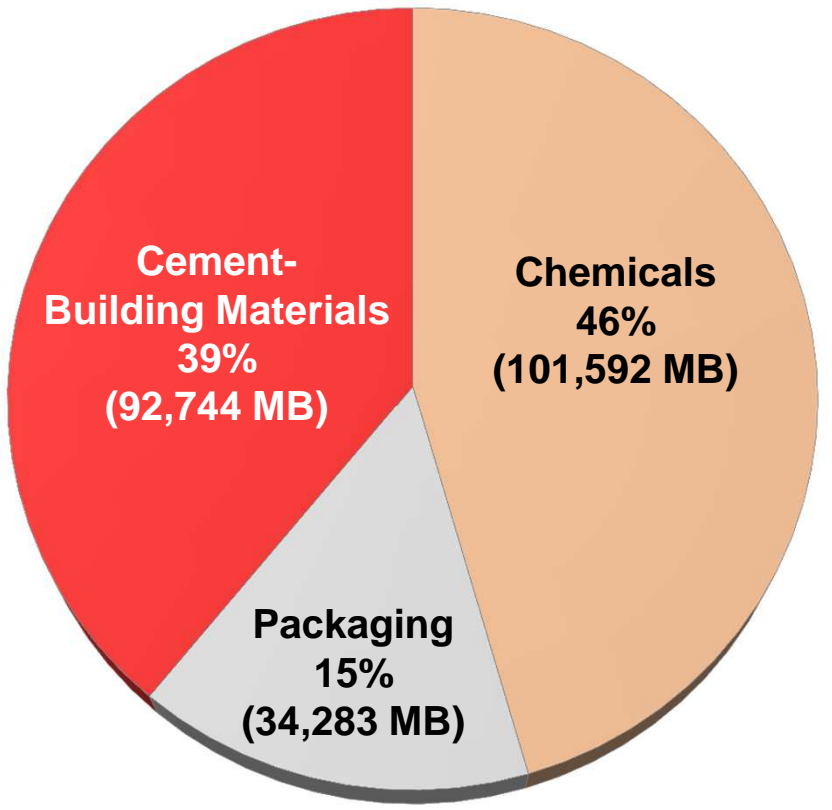


The chemicals business accounted for the majority of the sales, amounting to 46% in H1/15.

H1/14
246,560 MB



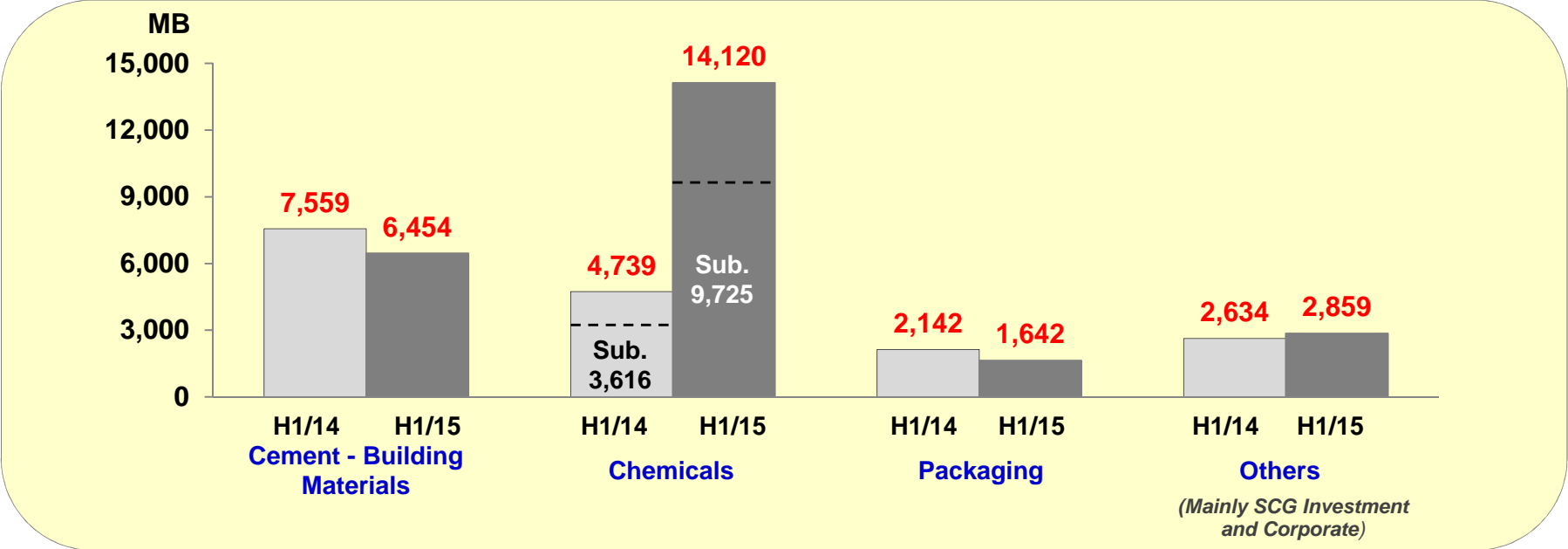
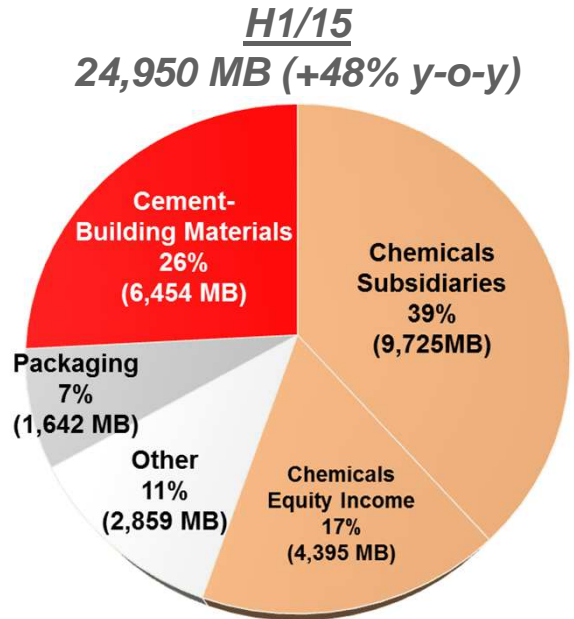
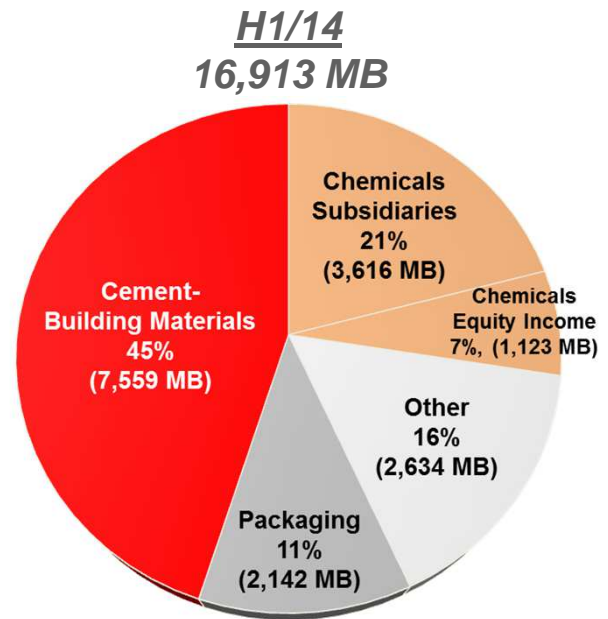
H1/15
223,094 MB (-10% y-o-y)



Segmented Profit for the Period



The chemicals business accounted for the majority of the H1/15 earnings at 56%.



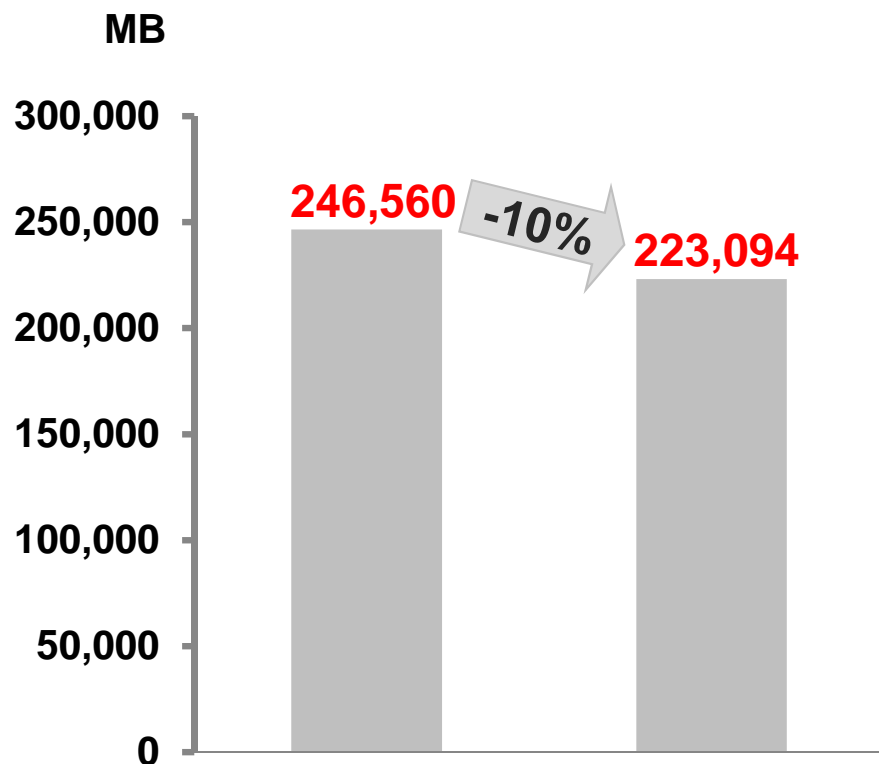
H1/15 Revenue from Sales & EBITDA

Sales decreased -10% y-o-y on lower chemicals prices, while EBITDA gained +34% y-o-y on increased chemicals margins.

Revenue from Sales

H1/14

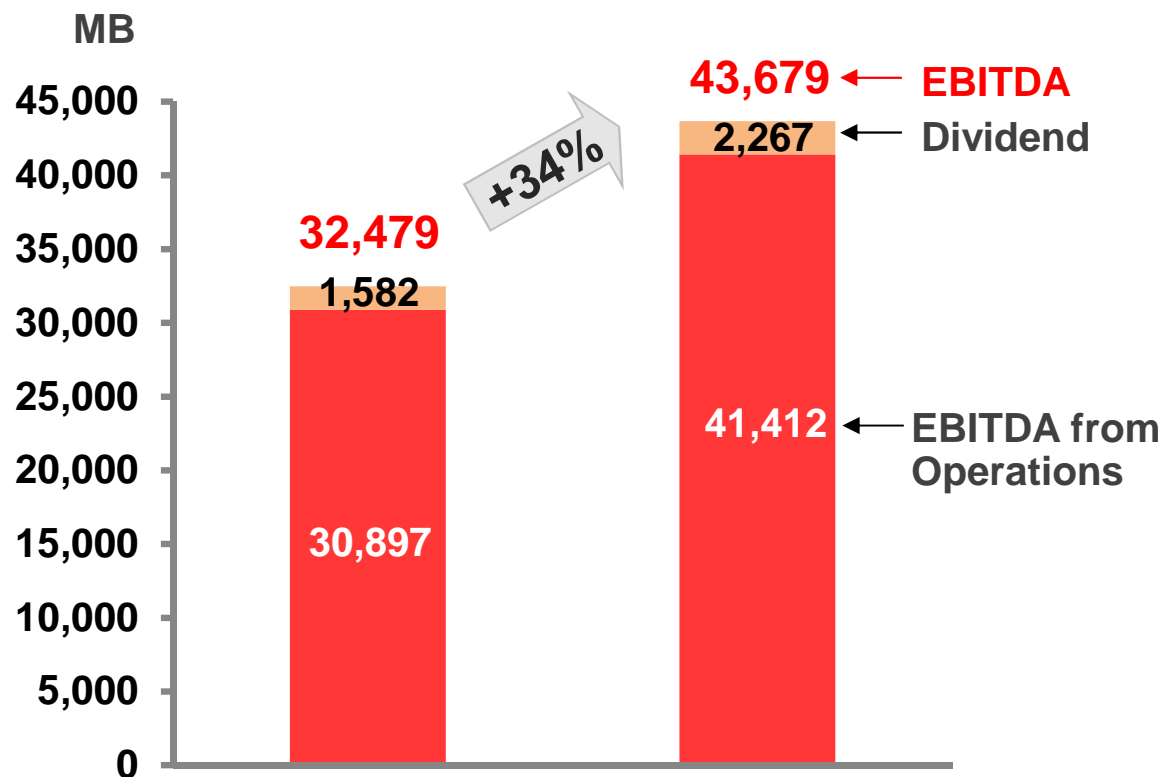
H1/15



EBITDA

H1/14

H1/15



EBITDA Margin: 13%

19%

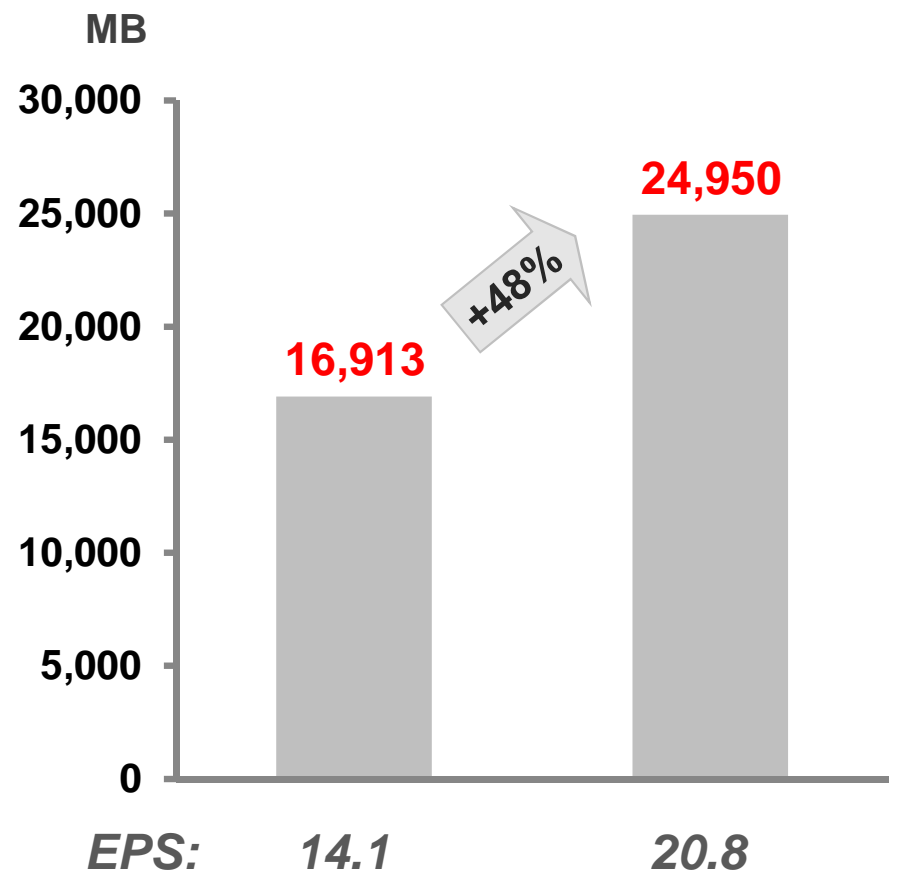
H1/15 Profitability and CAPEX & Investments



Earnings increase by +48% y-o-y, driven by chemicals margins and equity income, while the ASEAN opportunities to drove the CAPEX & Investments.

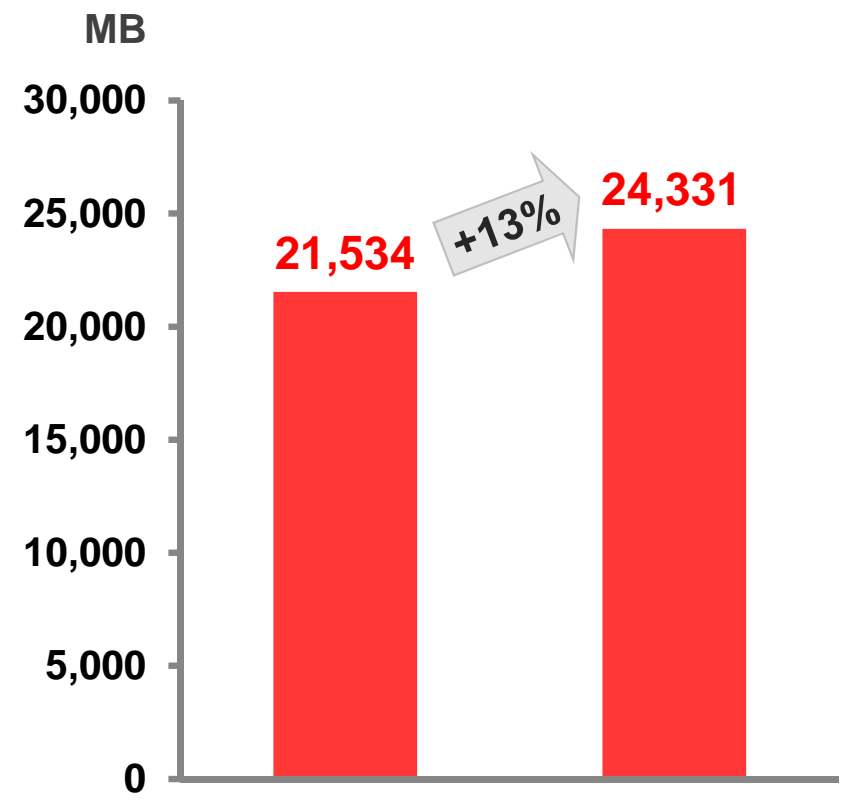
Profit for the Period

H1/14 H1/15



CAPEX & Investments

H1/14 H1/15



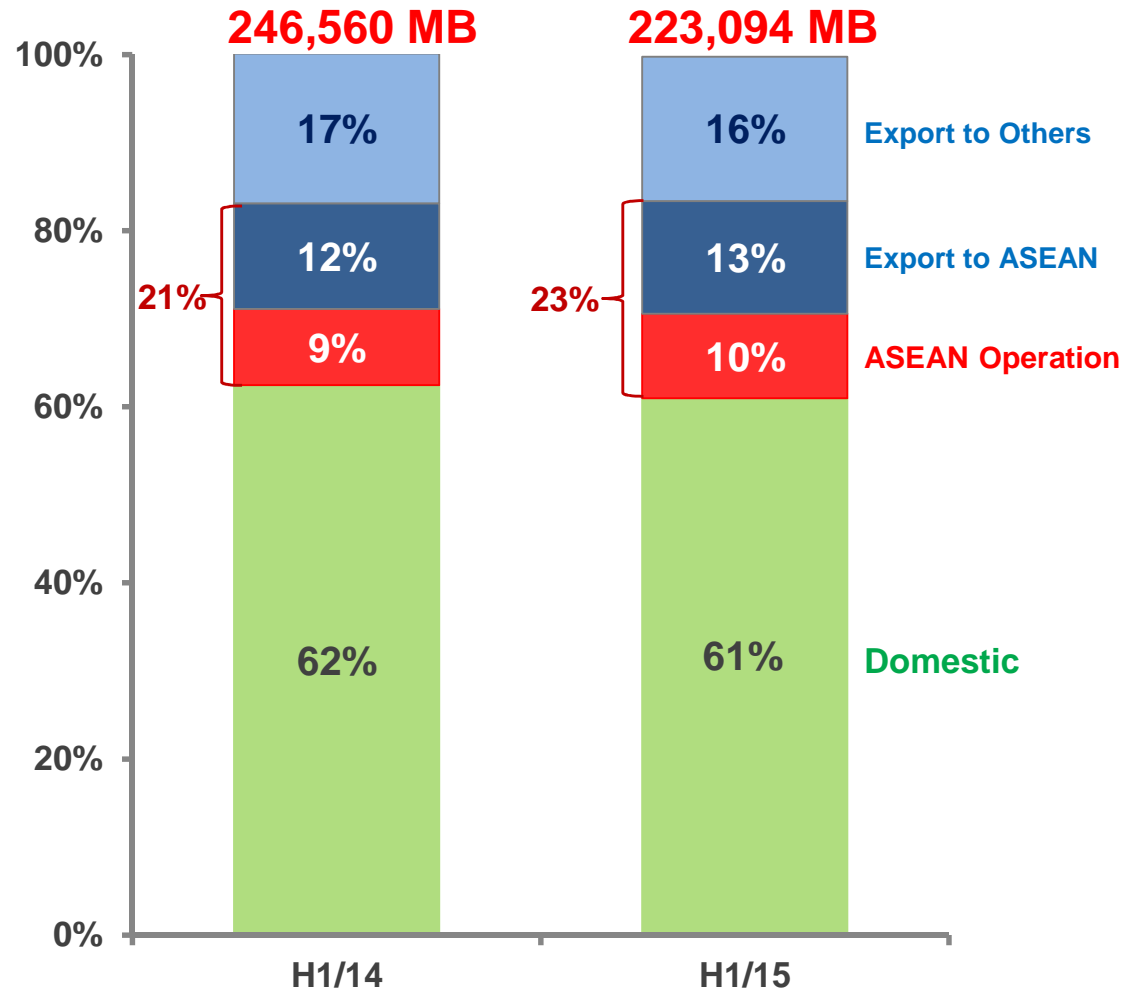
Note:
- CAPEX includes debottlenecking, expansions, and major turnaround.
- Investments are acquisitions and purchase of shares.

Segments: Export Sales and ASEAN Operation

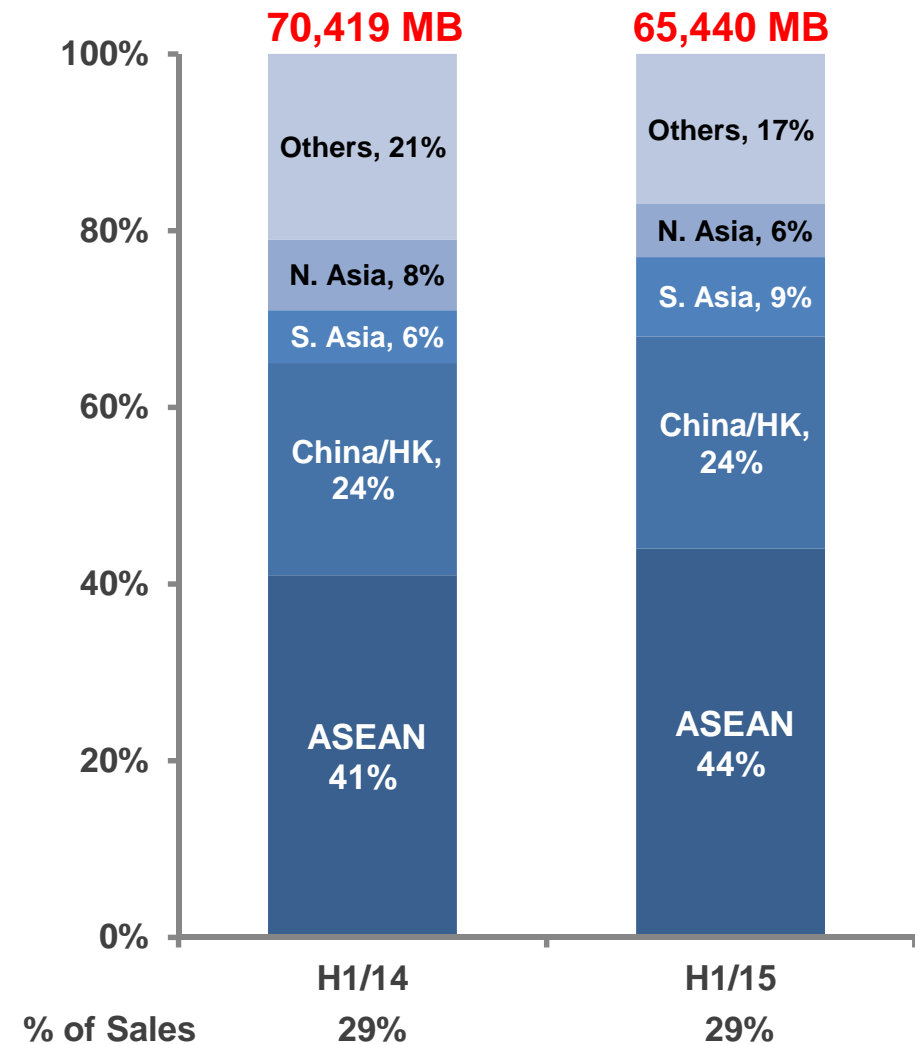


ASEAN exports and ASEAN operations accounted for 23% in H1/15, compared to 21% in H1/14.

Sales Destinations



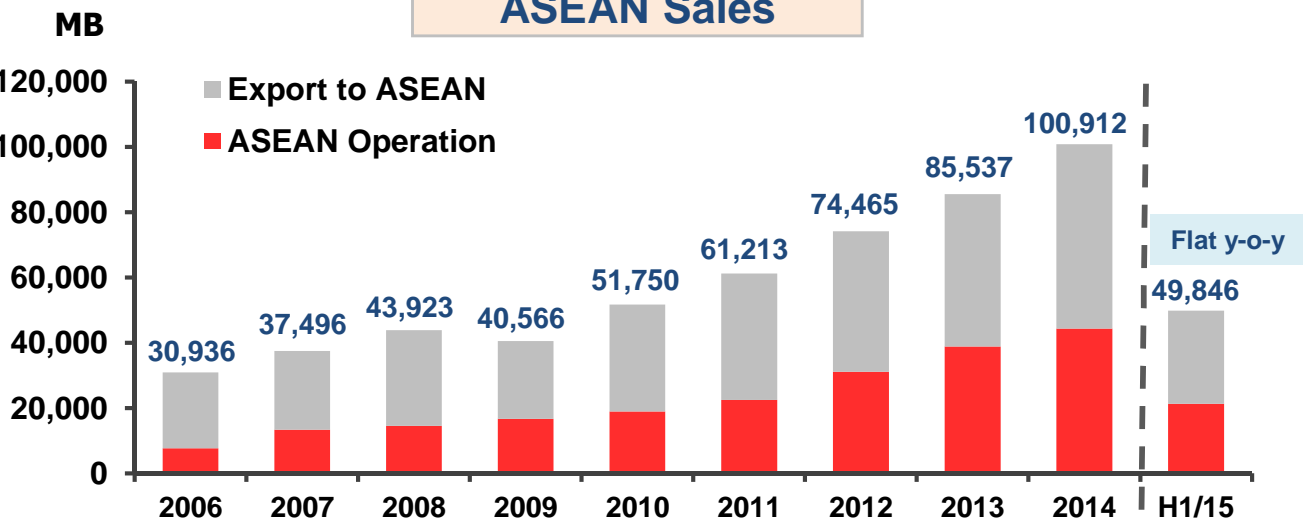
Export Destinations



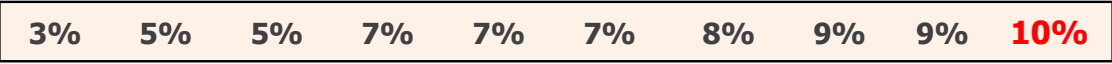
Segments: Export Sale and ASEAN Operation

Sales to ASEAN (exports and localized operations) reached 49,846 MB in H1/15 (Thai Baht term).

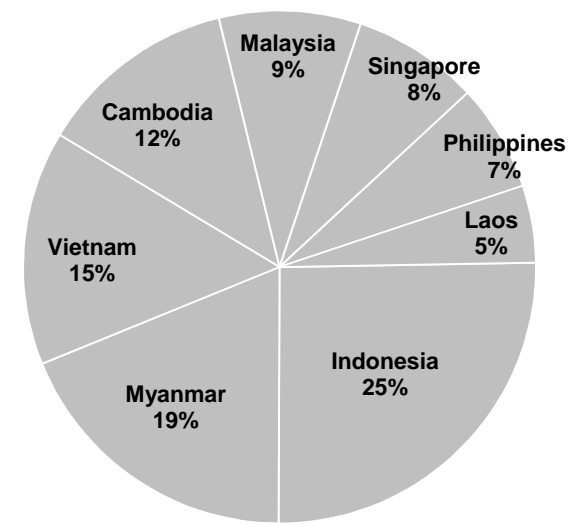
ASEAN Sales



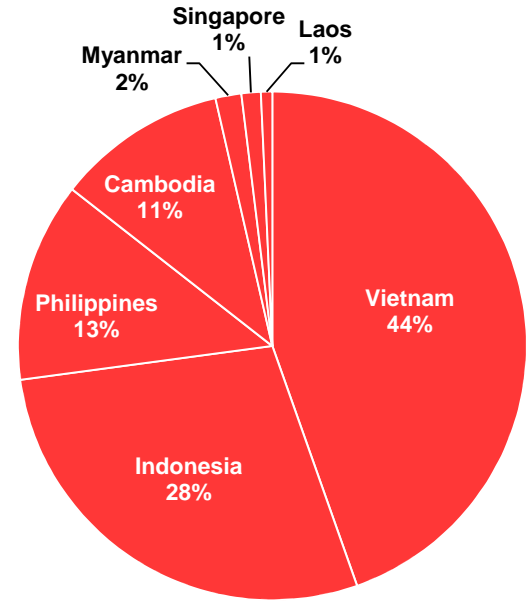
Percentage of total sales from ASEAN Operations:



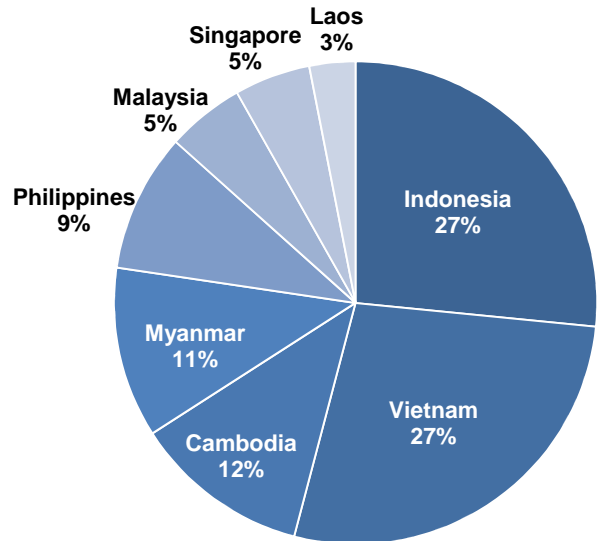
Export to ASEAN by countries



ASEAN Operation by countries



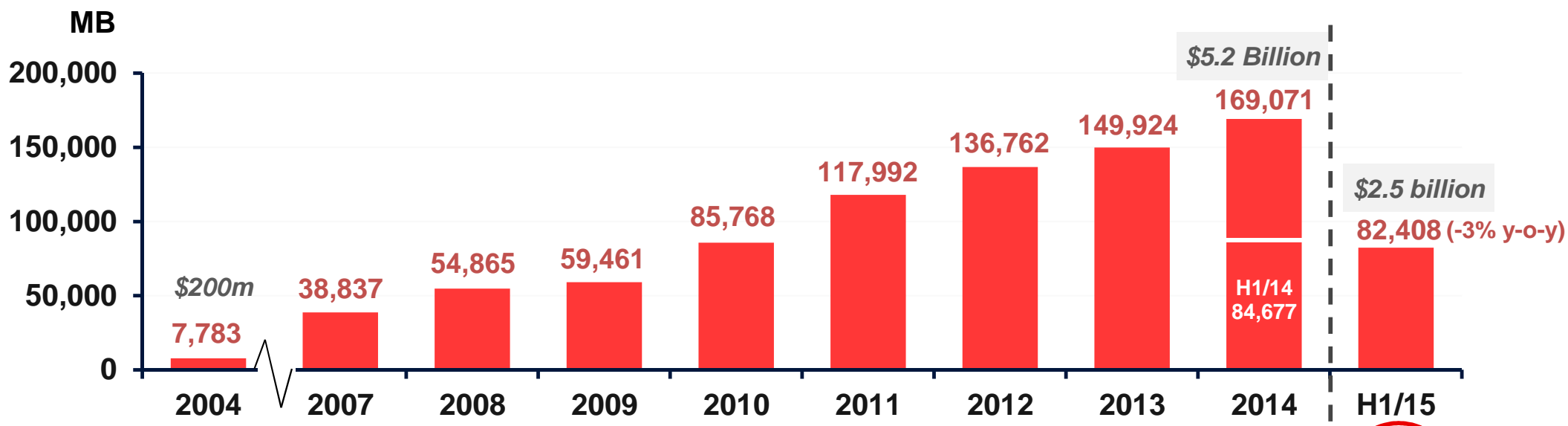
ASEAN Sales by countries



HVA's Revenue from Sales



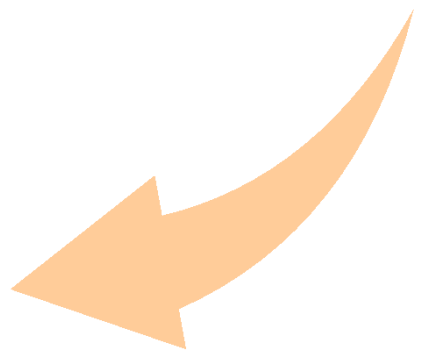
Consolidated:



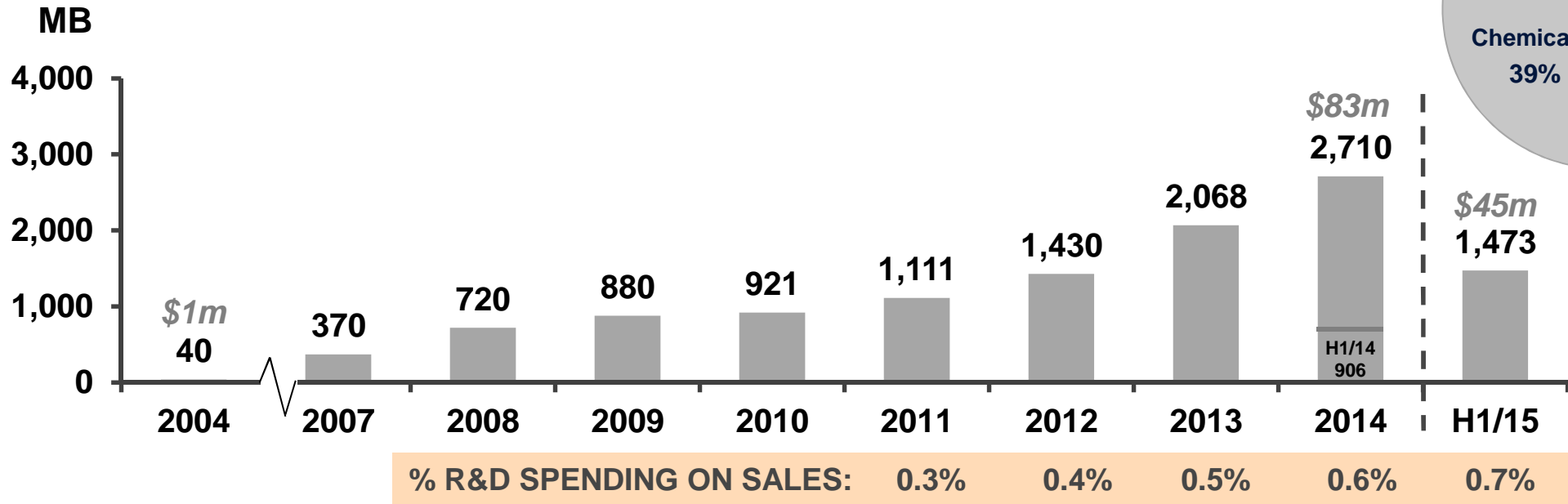
HVA as a % of Revenue from Sales



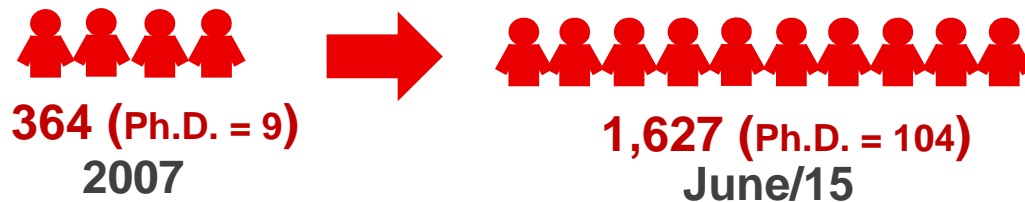
Business	2013	2014	H1/15
Cement-Building Materials	41%	42%	42%
Chemicals	27%	27%	30%
Chemicals (Includes associates)	50%	50%	51%
Packaging	38%	39%	39%



R&D Spending



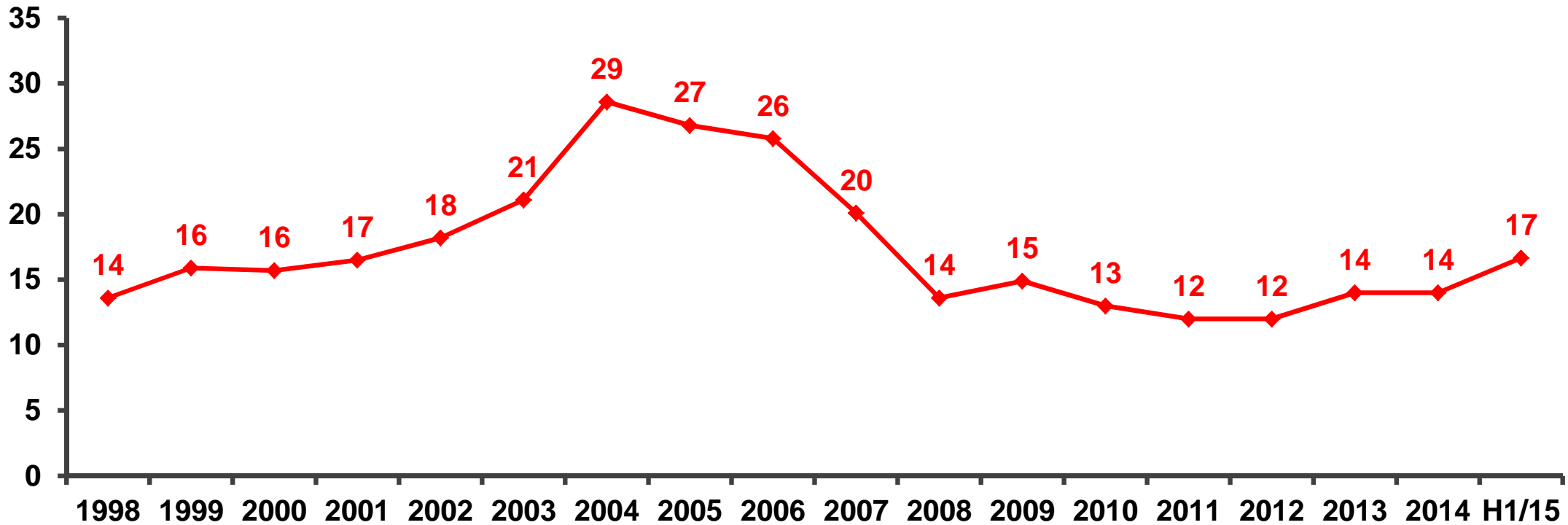
R&D and Product Design Team



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EBITDA on Total Assets

Percent (%)



EBITDA Margin (%):

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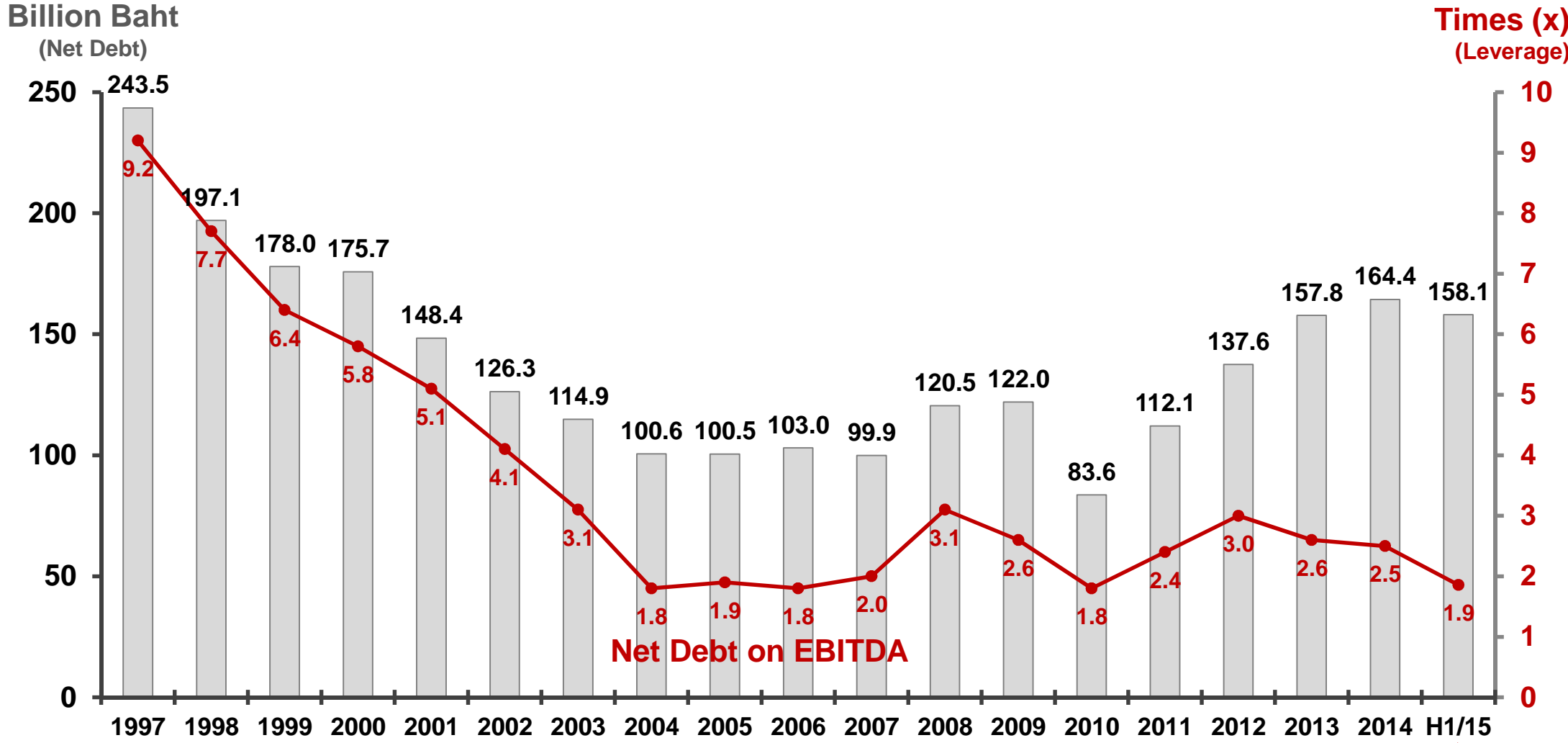
EBITDA on Assets = EBITDA / Consolidated Assets

EBITDA margin = EBITDA from Operations / Consolidated Sales

Net Debt



Leverage dropped to 1.9 times (x), on healthy EBITDA and lower net debt.

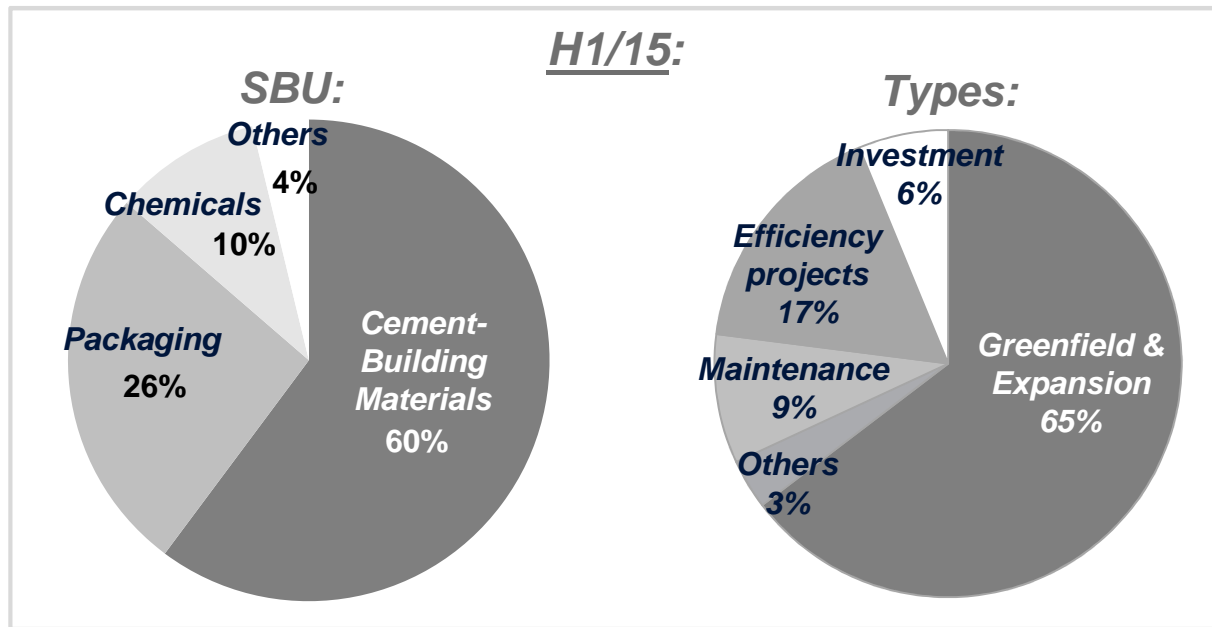


Net Debt on EBITDA

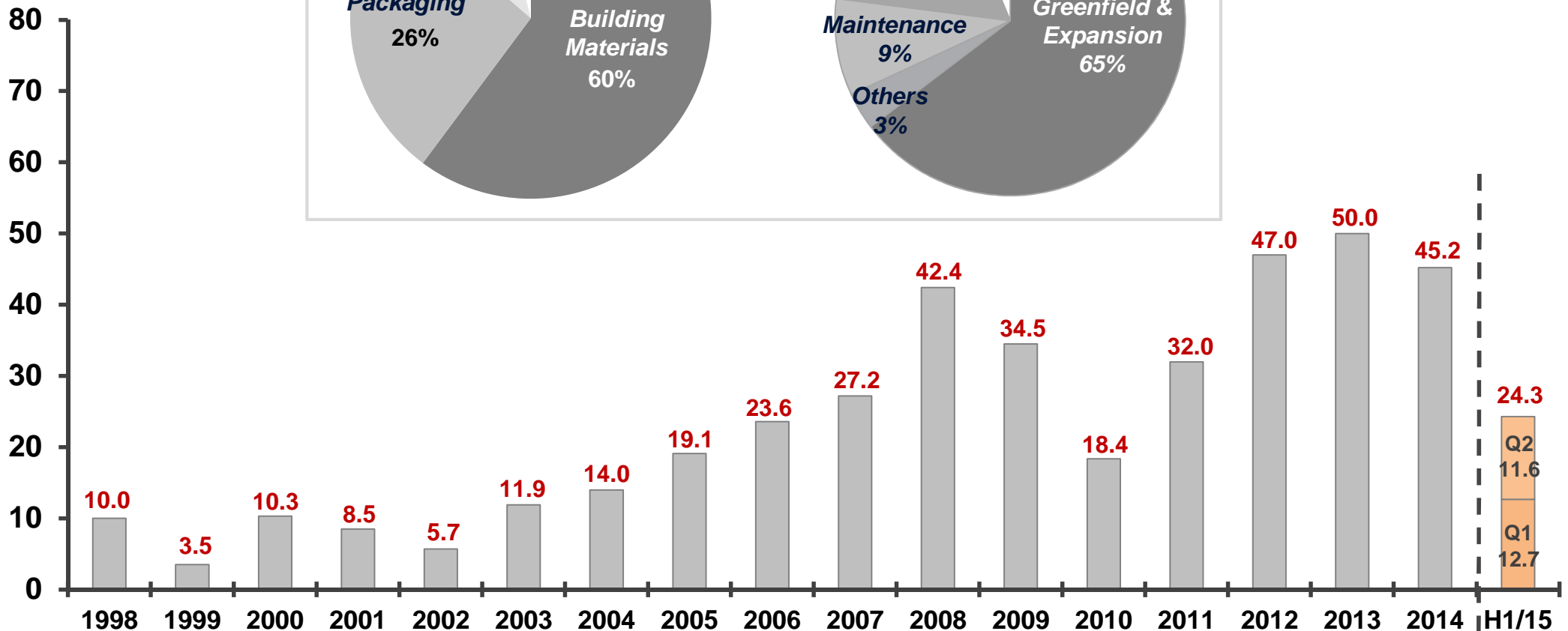
Net Debt to Equity = 0.7X

CAPEX & Investments

Amounted to 24,331 MB in H1/15, which was mainly the greenfield & expansion in the cement-building materials business.



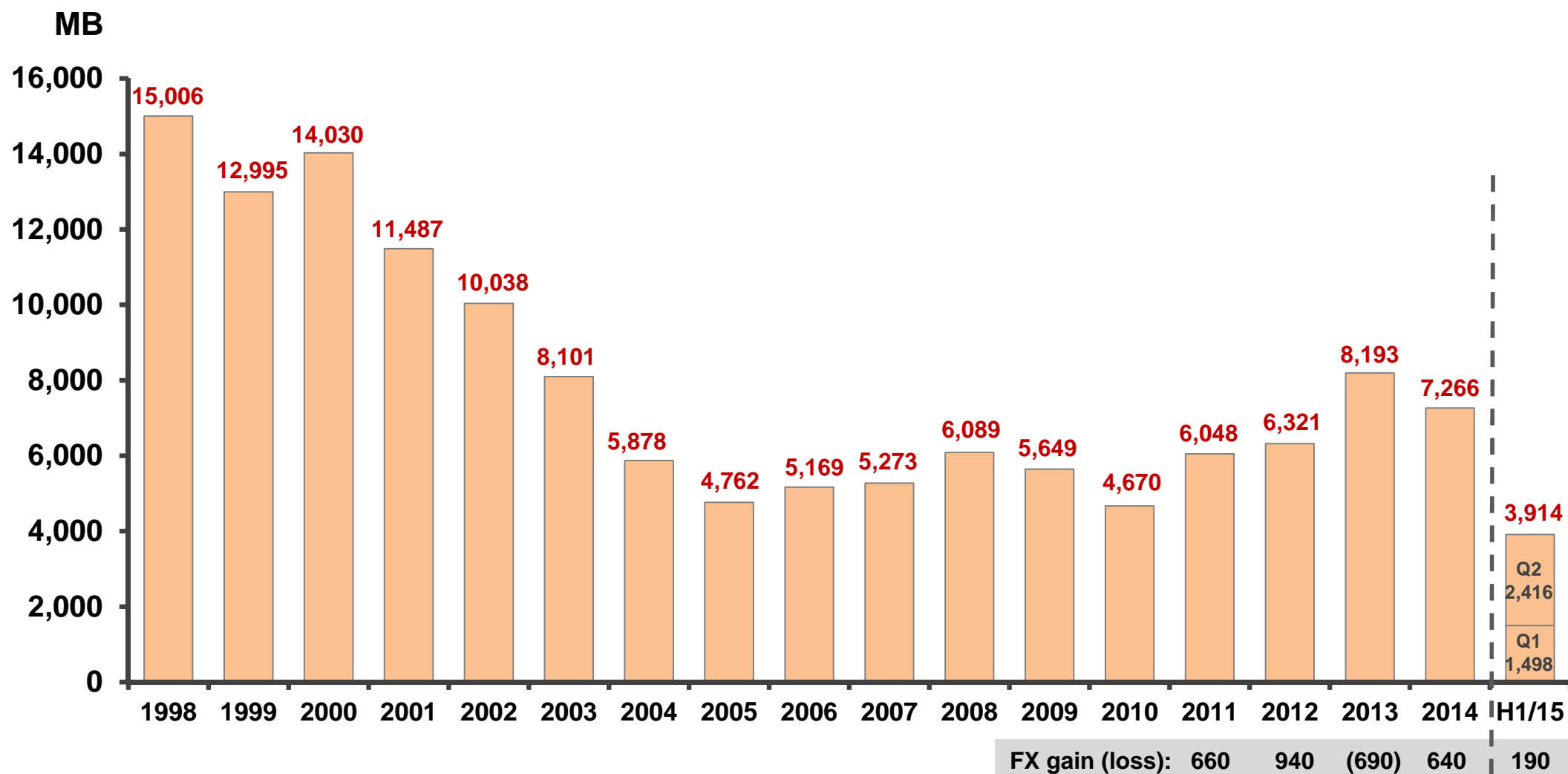
Billion Baht



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

Interest and Finance Costs

The H1/15 total of 3,914 MB included a cumulative FX gain of 190 MB, while interest cost was 4.1%.

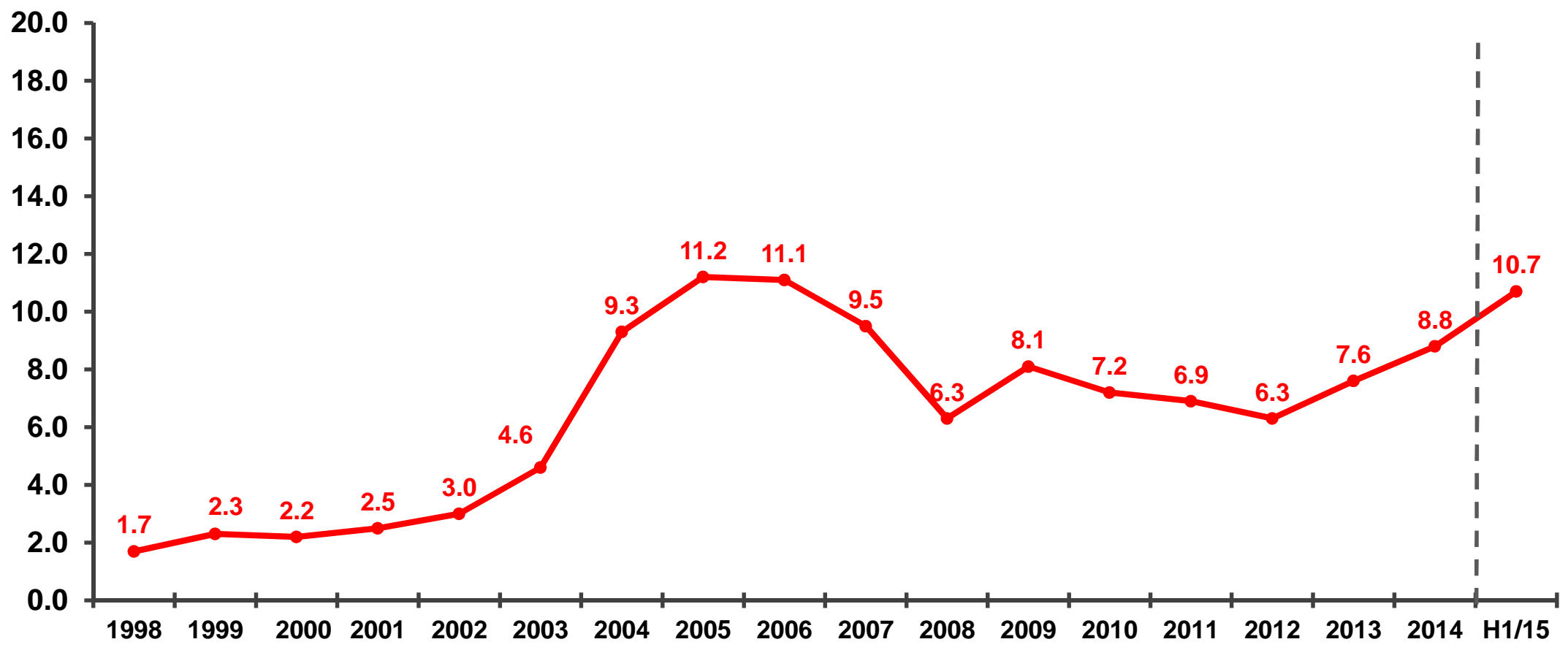


NOTE: Interest & financial charges include FX gain/loss transactions.

Interest Coverage Ratio



Times (x)



Note: - Interest Coverage Ratio = EBITDA / Interest Expense
- Interest Coverage Ratio excludes the effect of FX gain/loss.

Highlights:

- H1/15 dividend of 7.5 Bt/sh (9,000 MB), representing a 36% payout, and is payable on Aug 27/15 (XD date is Aug 10/15).
- Net Working Capital increased 2,814 MB to 60,937 MB (from 58,123 MB in Q1/15), while Inventory to Net Sales registered 41 days (from 40 days).
- Cash & cash under management of 45,514 MB at the end of H1/15, which will be utilized for acquisition opportunities.

Outlook:

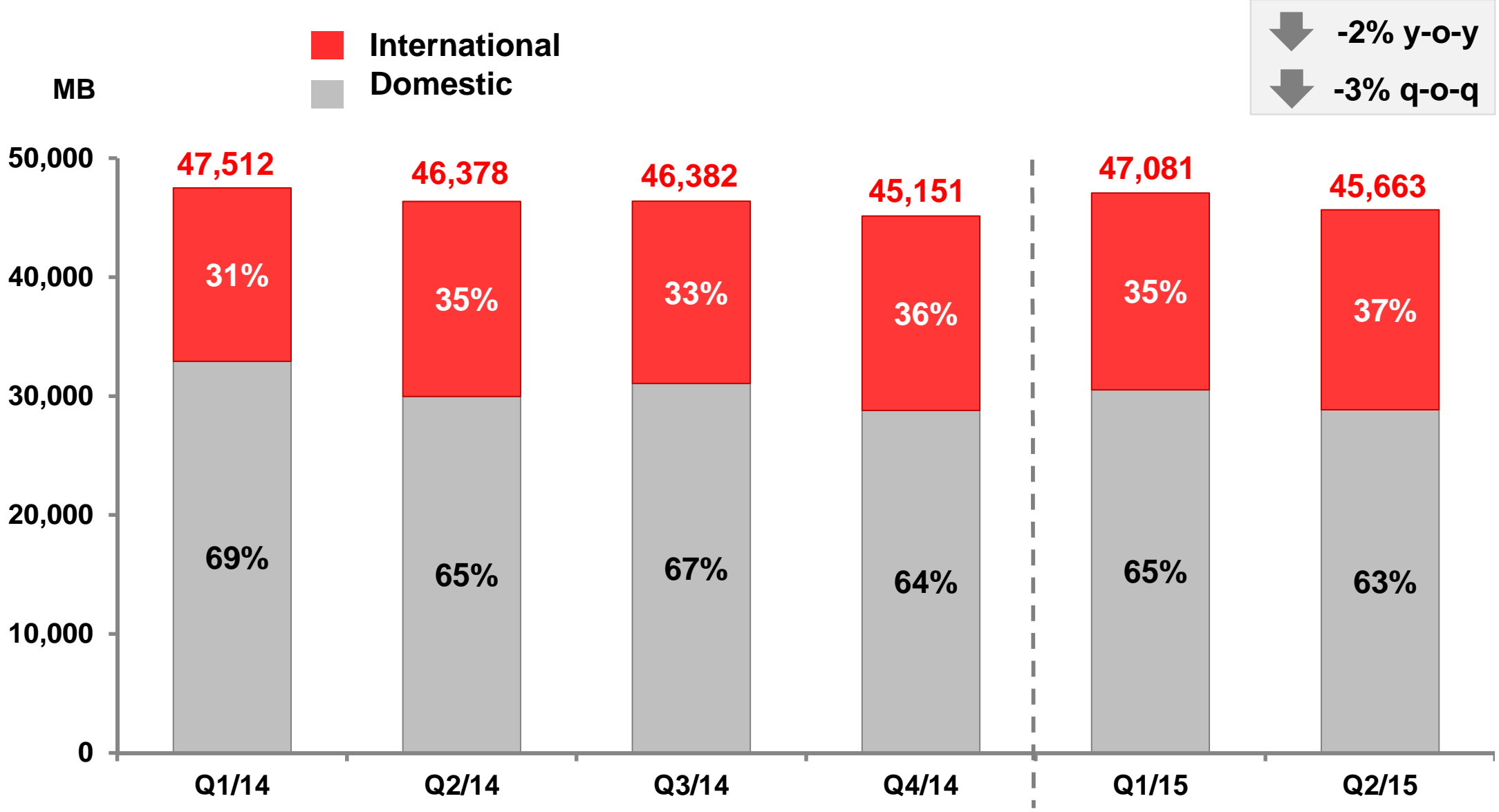
- Resiliency of the chemicals business, with recovery of the cement and building materials business, while the packaging business undergoes transformation.
- Continued solid financial position, with very manageable leverage.
- Forecasted FY2015 CAPEX & Investments of 50,000 – 60,000 MB.
- Estimated FY2015 depreciation of 21,000 MB, up 3,000 MB y-o-y

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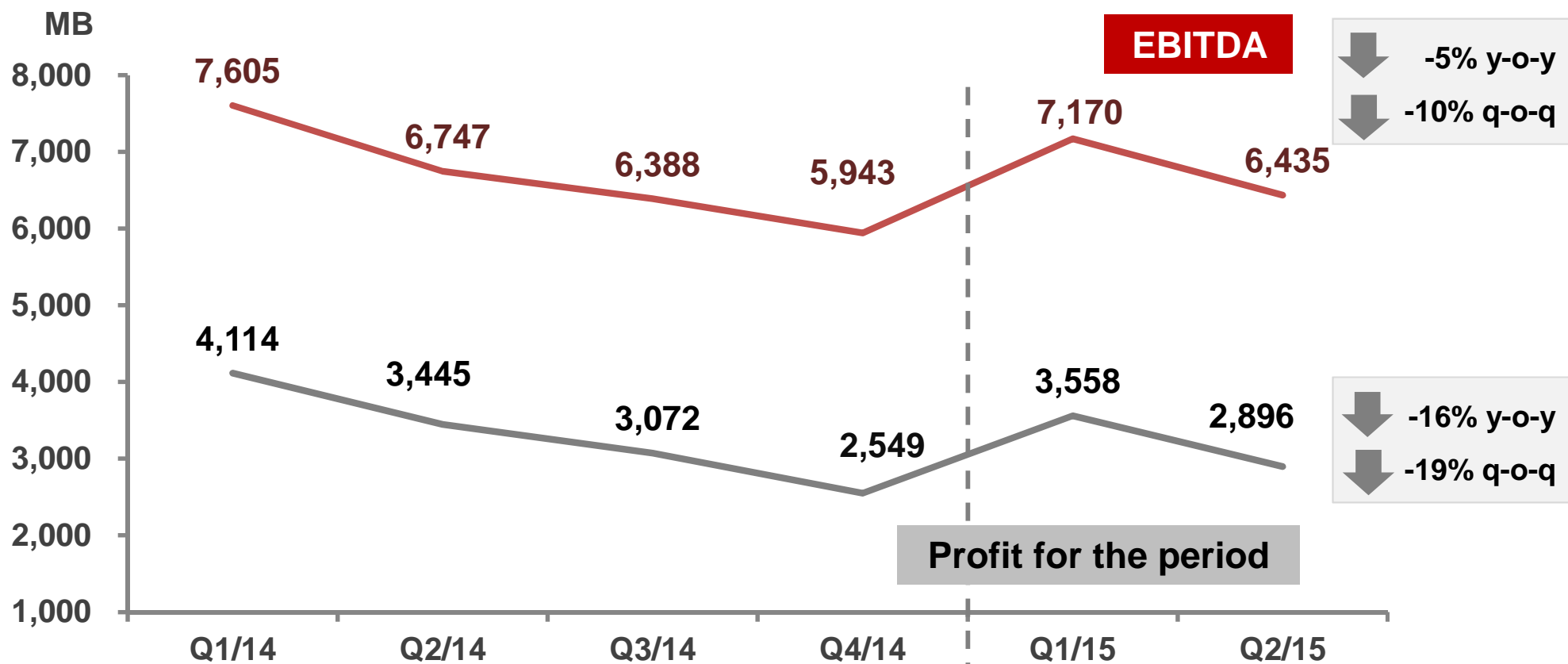


Sales in Q2/15 decreased -2% y-o-y due to the domestic market softness.



EBITDA and Profit for the Period

Q2/15 EBITDA dropped -5% y-o-y on the weak domestic market, while depreciation and lower EBITDA caused profitability to decrease -16% y-o-y.



EBITDA Margin *

	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15
Total	16%	15%	14%	13%	15%	14%
International	9%	9%	9%	10%	10%	11%
Domestic	18%	16%	16%	15%	18%	16%
Domestic Structural Pro	28%	26%	25%	21%	27%	24%

EBITDA Portion

	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15
International	19%	25%	23%	28%	24%	29%

* EBITDA margin = EBITDA from Operations / Consolidated Sales

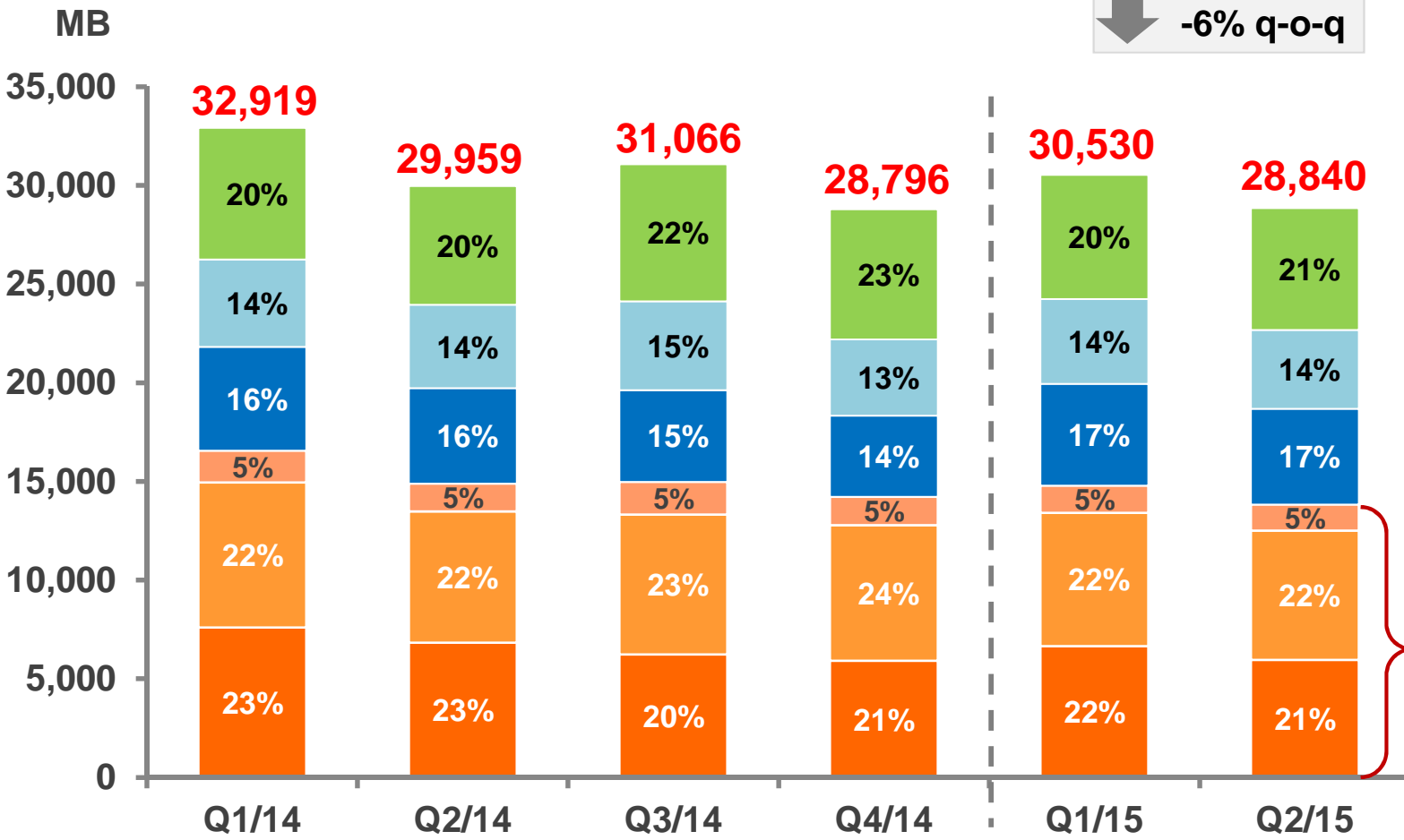
- Cement demand grew +2% y-o-y in Q2/15, attributed mainly to the demand growth from the government related projects.
- Ready-mixed concrete (RMC) demand grew +1% y-o-y in Q2/15, with average price range of 1,750-1,800 baht per cubic meter.
- Demand for housing products (roof ceiling & wall) and ceramic tiles both dropped in the range of -3% to -4% y-o-y in Q2/15. These declines are attributed to the slow economic recovery, in addition to the lower agricultural farm product prices and the drought.

Domestic sales segmentation



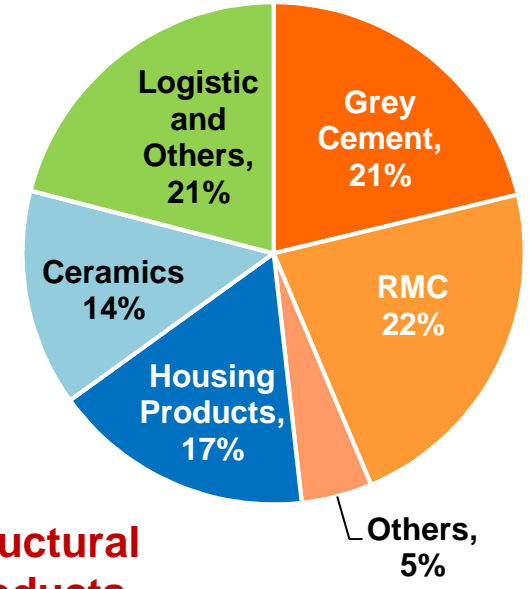
Q2/15 sales in Thailand dropping -4% y-o-y, due to softer domestic market.

-4% y-o-y
 -6% q-o-q



Domestic Sales (H1/15)

59,370 MB
 (-6% y-o-y)



Structural Products

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.

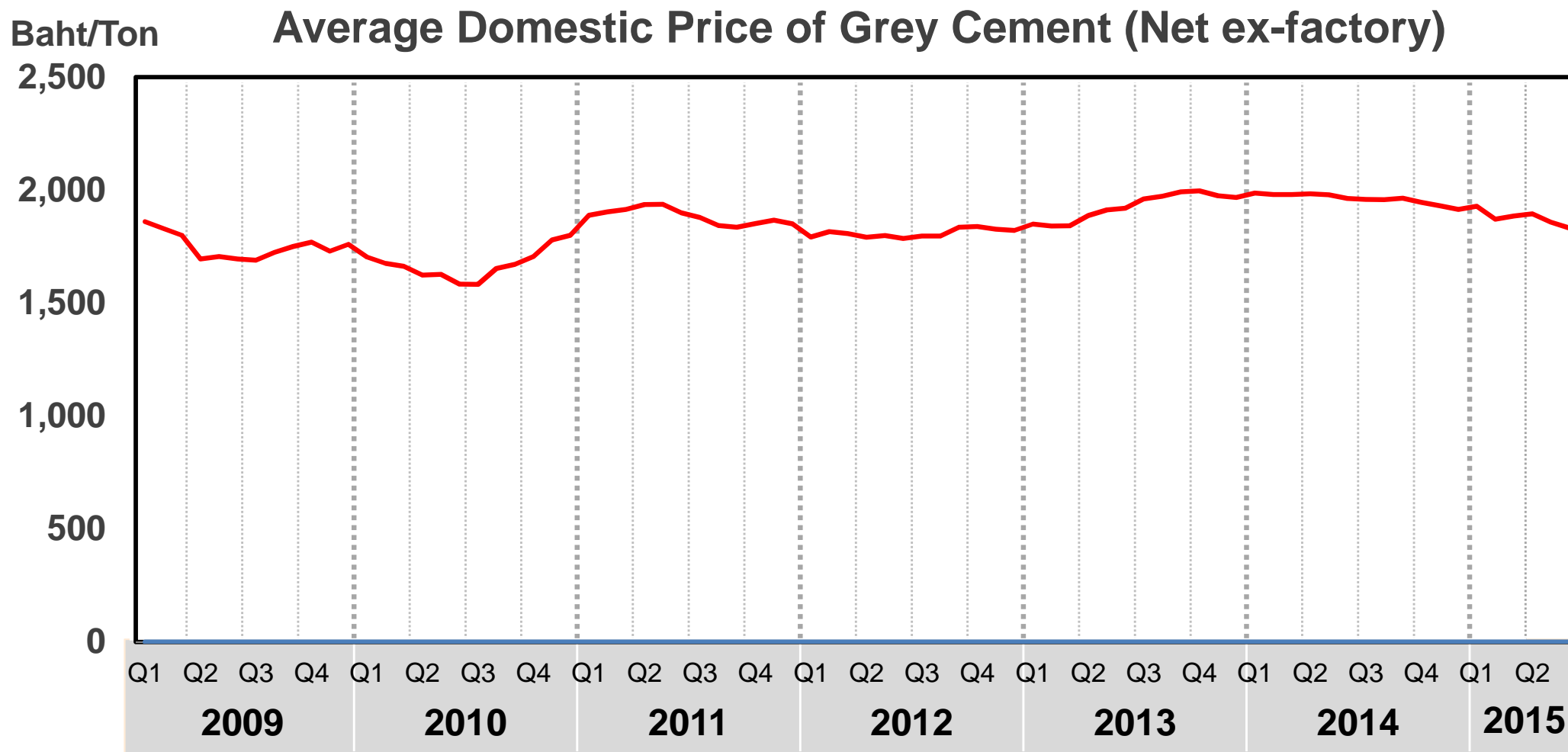
% Growth (y-o-y)

	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	H1/15
Total Market* (100%)	+4%	0%	-3%	-3%	-1%	-2%	+2%	0%
Commercial (Approximately 20%)	+14%	+5%	-4%	-8%	+1%	-6%	+1%	-3%
Gov't (Approximately 30%)	+1%	-2%	-3%	0%	-1%	+10%	+11%	+11%
Residential (Approximately 50%)	+1%	-1%	-2%	-3%	-1%	-7%	-3%	-5%

Note: * Estimated volume market distribution

Domestic cement price

Average prices in Q2/15 dropped q-o-q to the lower-end of the 1,850-1,900 Baht/ton range.



Sale Mix

- Bagged Cement (%)	49	47	45	48	49	44	42	42	45	44	40	38	41	40	37	37	39	39
- Bulk Cement (%)	51	53	55	52	51	56	58	58	55	56	60	62	59	60	63	63	61	61

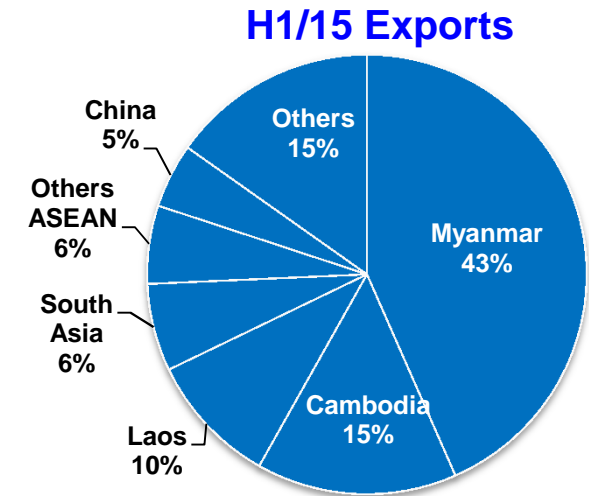
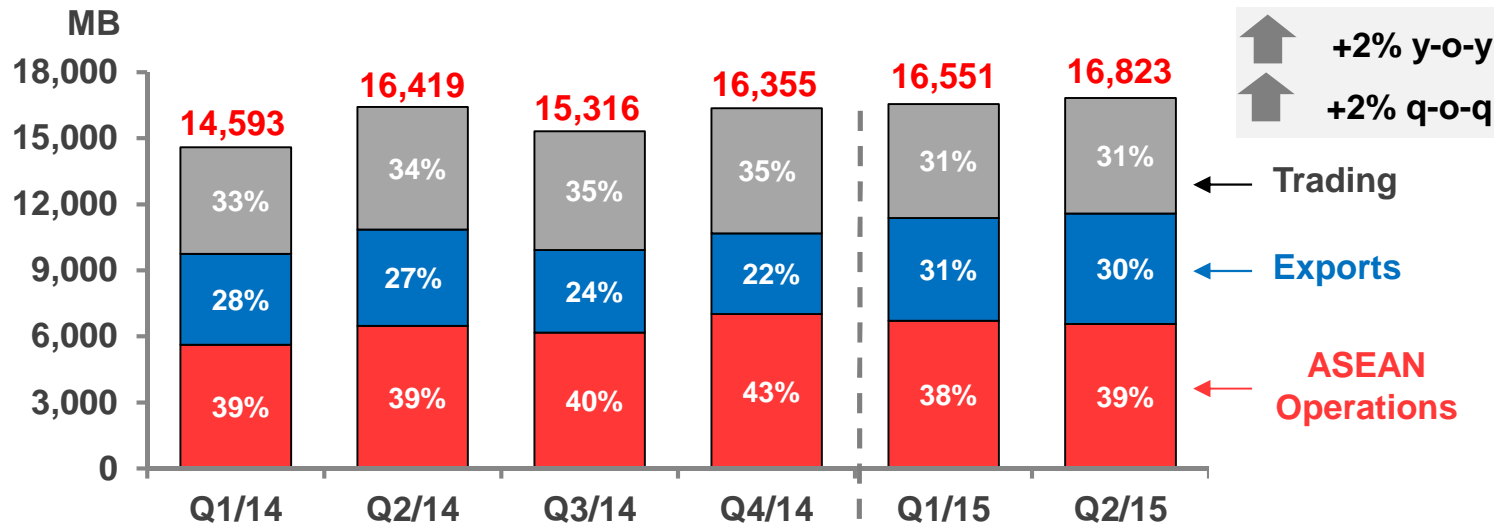
Cement Demand Growth (y-o-y)

	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	H1/15
Indonesia	+4%	+4%	+2%	+3%	+3%	-3%	-5%	-4%
Myanmar	+19%	+14%	+5%	+5%	+11%	+17%	+19%	+18%
Cambodia	+11%	+3%	+6%	+21%	+10%	+8%	+12%	+10%
Vietnam	+11%	+6%	+17%	+9%	+11%	-1%	+11% *	+5% *

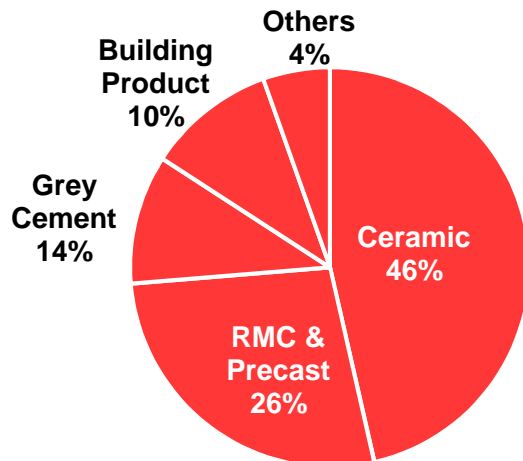
Note: * Vietnam in Q2/15 included only Apr - May,
Vietnam in H1/15 included only the first five months

International sales segmentation

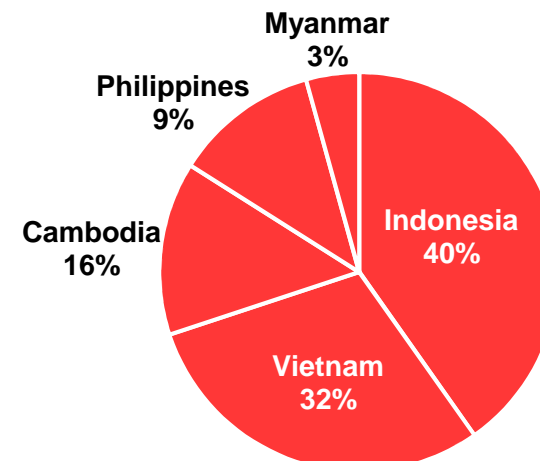
Q2/15 sales grew +2% y-o-y, mainly from increased ASEAN operations and export sales.



H1/15 ASEAN Operations (Products)



H1/15 ASEAN Operations (Country)

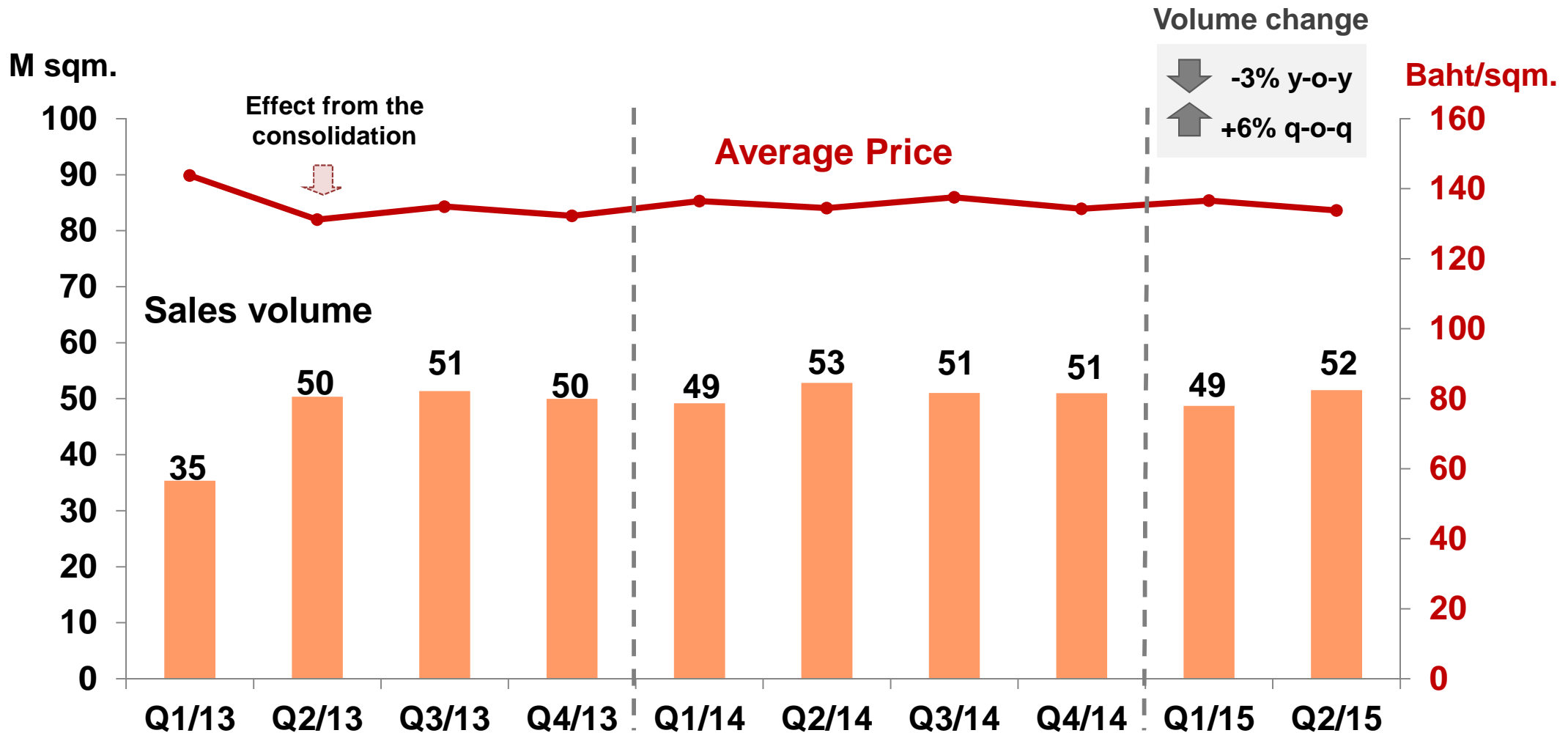


Note: International business = ASEAN Operations, exports from Thailand, and Trading business
 Housing - Roofing products, Board & Wood sub, and Home improvement.
 Ceramics - includes Sanitary ware and Fittings.
 Trading - are mainly trading of non-SCG products

Ceramic Tiles

Sale volume dropped -3% y-o-y, mainly due to the market softness in Thailand and Indonesia.

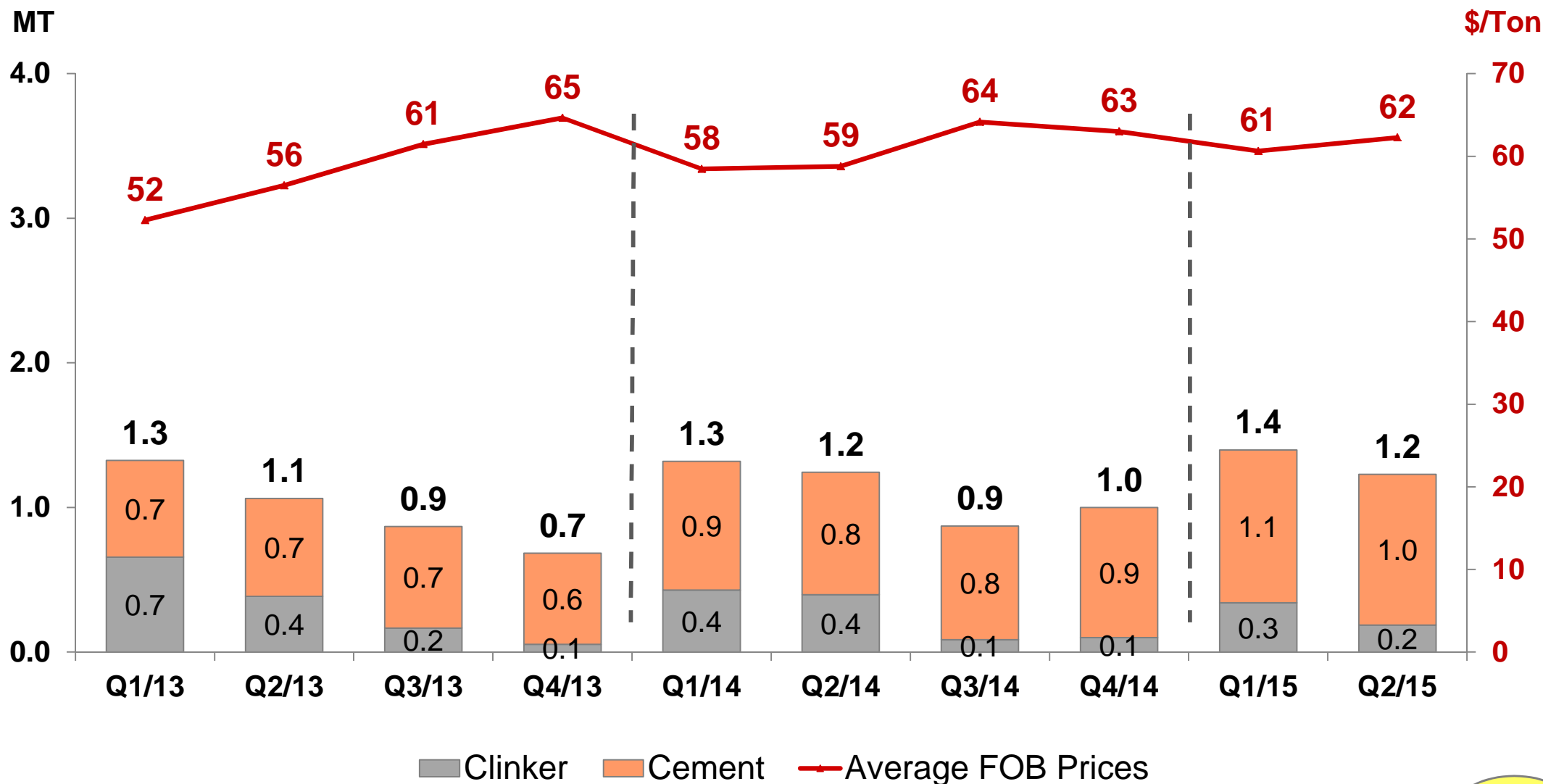
Sales volume & prices for all ASEAN subsidiaries



Cement exports

Exports registered 1.2 MT in Q2/15, while pricing increased \$3/ton y-o-y as a result of the change in product mix.

Export volume and Average price (FOB)



Outlook:

- Domestic cement demand in FY2015 is expected to grow approximately +3% y-o-y, as most of the growth will be in H2/15.
- Domestic demand growth of housing products and ceramic tiles are projected to remain negative in H2/15, but there are signs of a gradual recovery.
- ASEAN (ex-Thailand) demand for cement and building materials are expected to remain healthy, while the Indonesian market is expected to eventually recover.

Plants startup in 2015 :

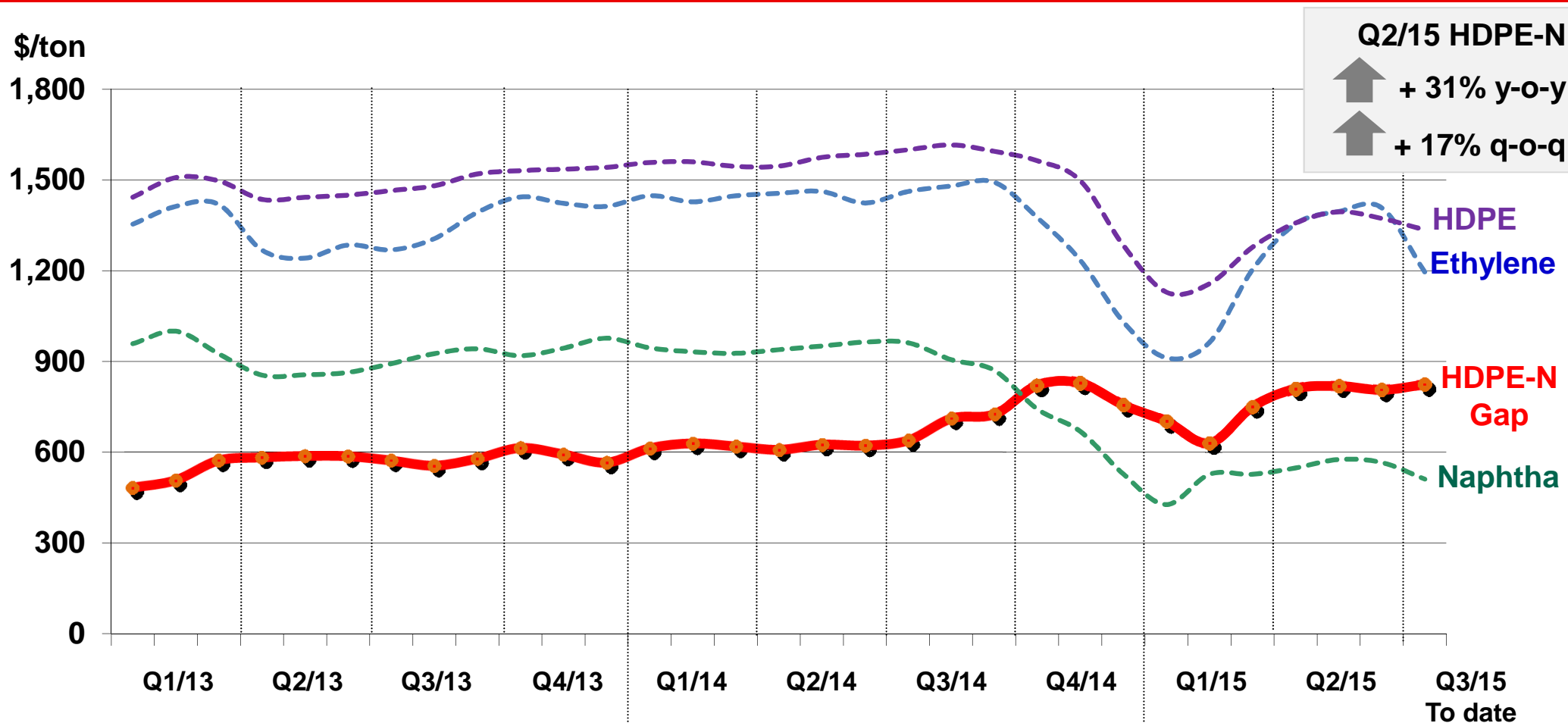
- **Cambodia cement plant** : kiln firing started in Jun/15, with commercial operations in Aug/15.
- **Indonesia cement plant** : kiln firing is expected at the end of Q3/15.

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	Q2/15	q-o-q change	Notes
Crude (Brent)	\$63/bbl	+\$9/bbl (+16%)	Geopolitical turmoil in the Middle East and higher gasoline demand
Naphtha	\$563/ton	+\$69/ton (+14%)	Cost push from feedstock
HDPE	\$1,375/ton	+\$187/ton (+16%)	Moved in line with energy prices coupled with multiple turnarounds in Asia
PP	\$1,348/ton	+\$190/ton (+16%)	
HDPE-Naphtha	\$812/ton	+\$118/ton (+17%)	Tight supply of polymers
PP-Naphtha	\$785/ton	+\$121/ton (+18%)	
EDC	\$318/ton	+\$53/ton (+20%)	Cost push from ethylene prices and major EDC plants scheduled turnarounds in the Middle East
PVC	\$870/ton	+\$63/ton (+8%)	Small price relief from cost push
PVC-EDC/C2	\$283/ton	-\$67/ton (-19%)	Sluggish PVC demand
MMA-Naphtha	\$1,291/ton	-\$208/ton (-14%)	Price dropped from weak Chinese demand
BD-Naphtha	\$581/ton	+\$343/ton (+144%)	Tight supply caused by naphtha cracker plant turnarounds
PTA-PX	\$92/ton	+\$46/ton (+101%)	Continuing outages as major Chinese PTA producers faced accidents and bankruptcy.

HDPE – Naphtha Price Gaps

HDPE margins increased by \$118/ton q-o-q, due to tight supply from higher-than-expected capacity loss from Asian plant turnarounds and outages.

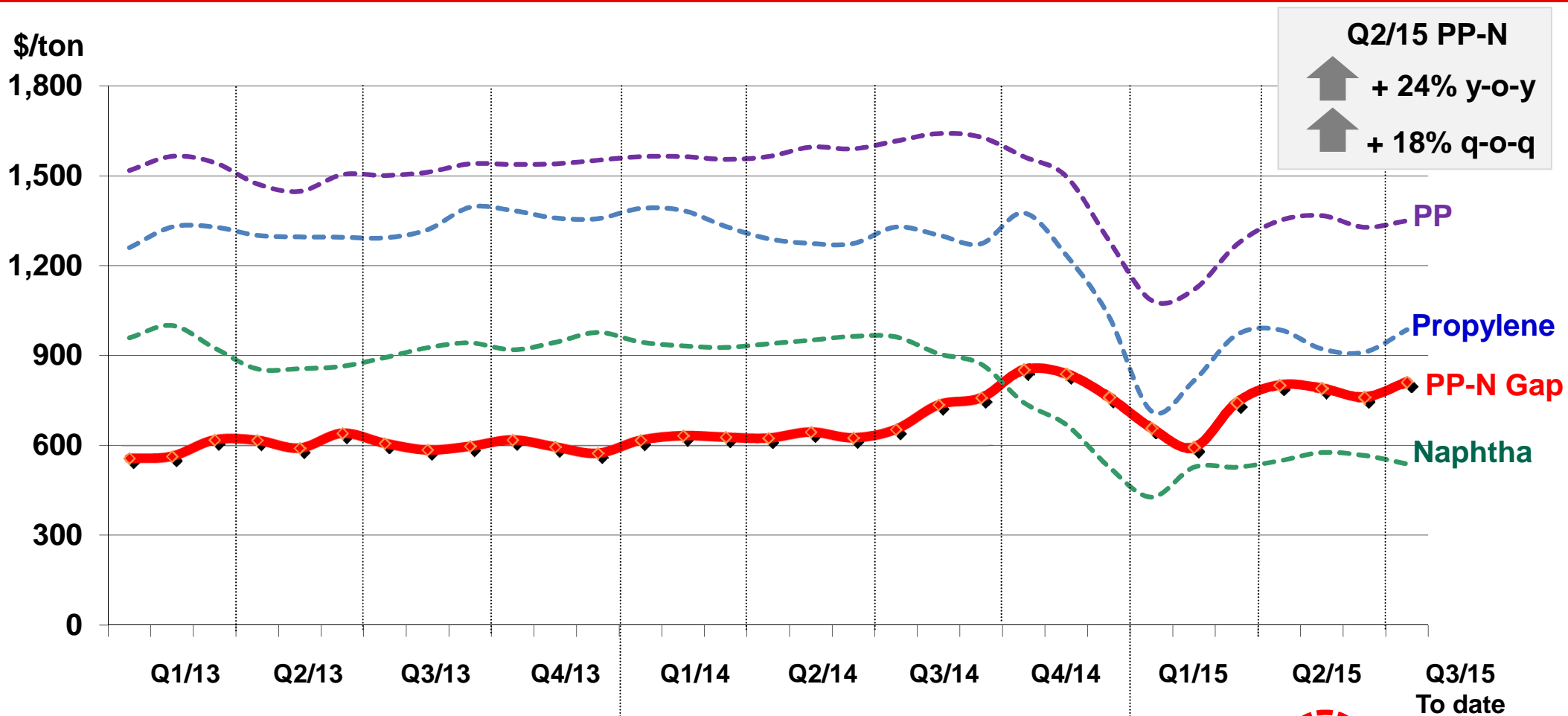


	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15 To date
HDPE-Naphtha Spread (\$/ton)	521	585	568	590	620	618	691	802	694	812	824
HDPE-C2	87	178	166	110	113	121	125	234	161	(11)	139
C2-Naphtha	434	407	402	480	507	496	565	568	532	823	685

Note: Prices refer to SEA regional prices

PP – Naphtha Price Gaps

Similarly, PP margins improved by \$121/ton q-o-q. However, on-purpose propylene eased the situation of limited supply, sustaining PP – Propylene margins.

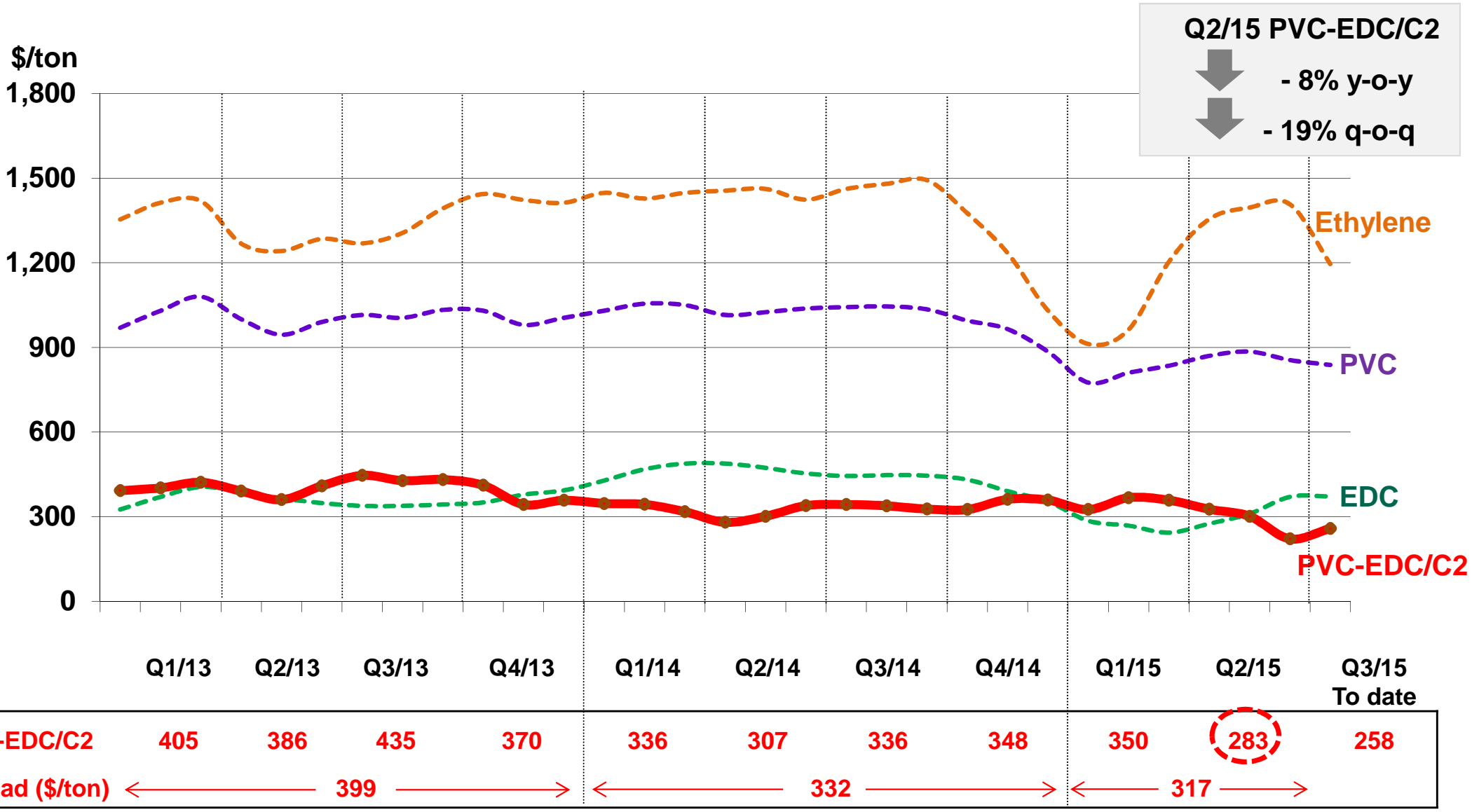


	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15 To date
PP-Naphtha	581	617	597	597	626	632	716	819	664	785	750
Spread (\$/ton)	← 598 →				← 698 →				← 725 →		
PP-C3	236	178	182	177	192	304	328	433	325	408	390
C3-Naphtha	345	439	415	420	434	328	388	385	339	376	360

Note: Prices refer to SEA regional prices

PVC

PVC margins declined to \$283/ton mainly from firm ethylene prices, while PVC demand was sluggish in low construction season.

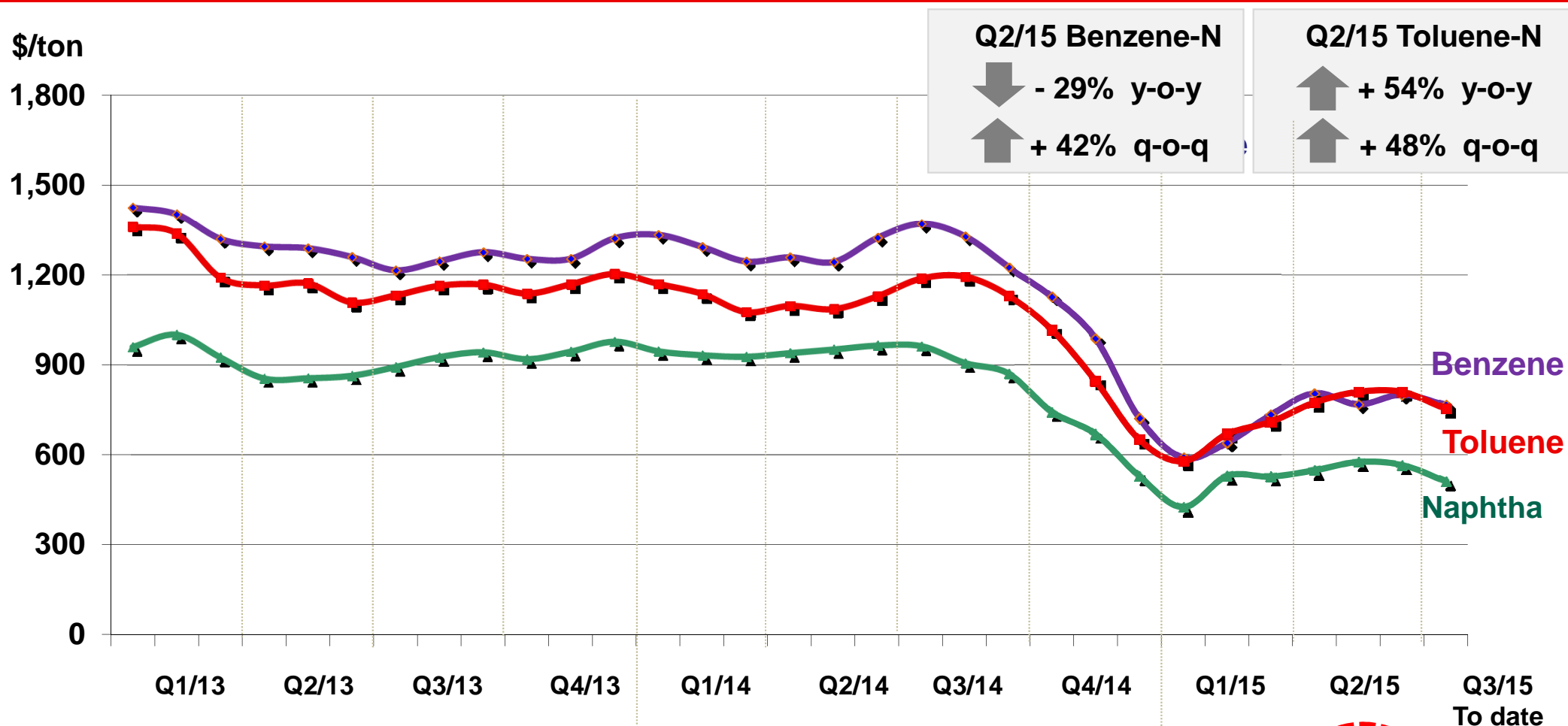


Note: Prices refer to FE regional prices

Benzene & Toluene



BZ-Naphtha: benzene rallied following robust Chinese import demand and firmer energy prices.
TL-Naphtha: toluene increased on improved seasonal demand for gasoline and solvents.



	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15 To date
BZ-Naphtha	420	422	325	329	355	323	394	299	161	228	255
TL-Naphtha	333	290	234	223	193	153	258	191	159	235	242
BZ-Spread	← 374 →		← 343 →		← 195 →						
TL Spread	← 270 →		← 199 →		← 197 →						

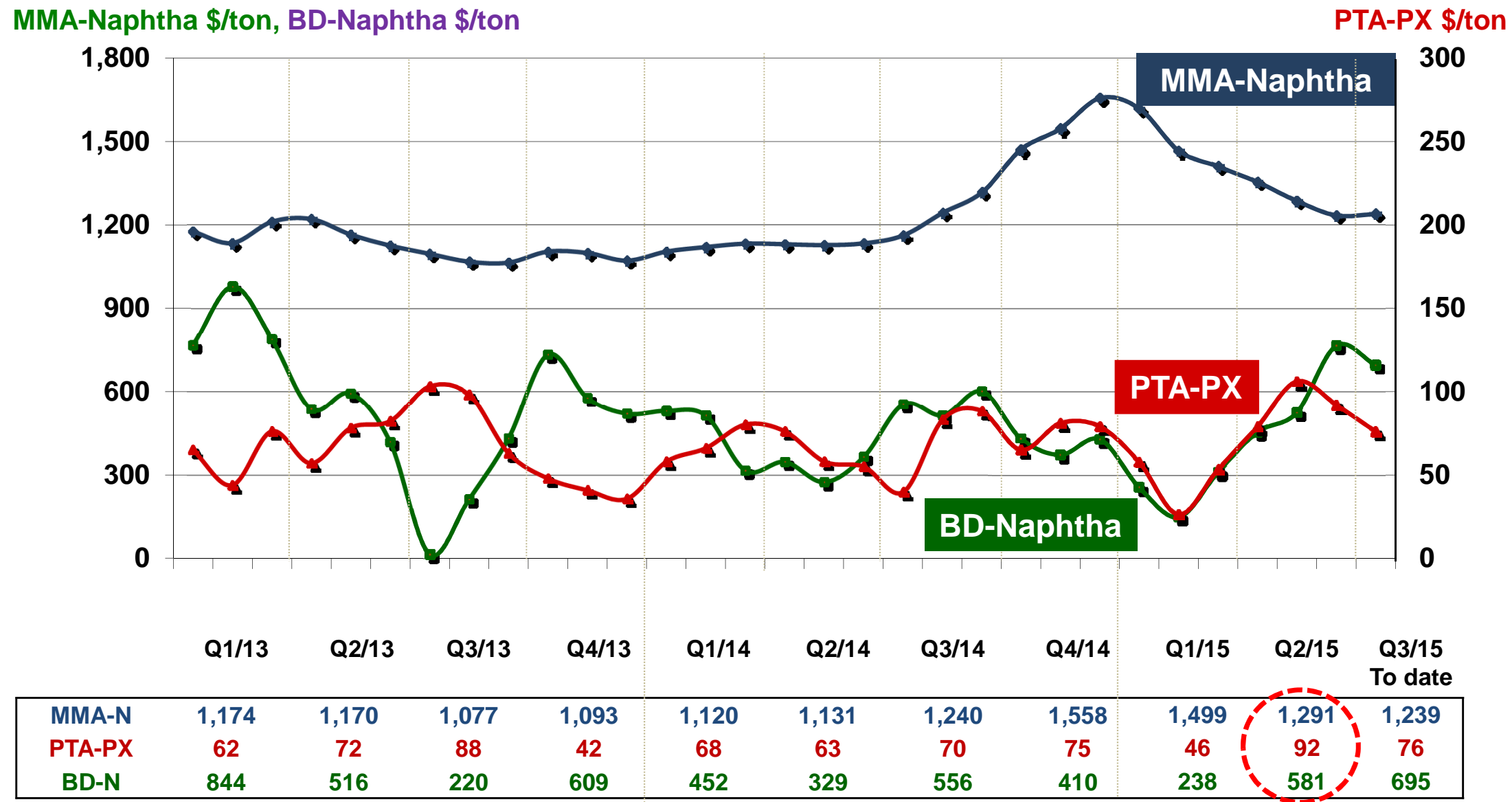
Note: Prices refer to SEA regional prices

Price Gaps of Associates

MMA-Naphtha: dropped from weak Chinese demand.

PTA-PX: lower Chinese supply (accidents & bankruptcy), amid improved textile demand.

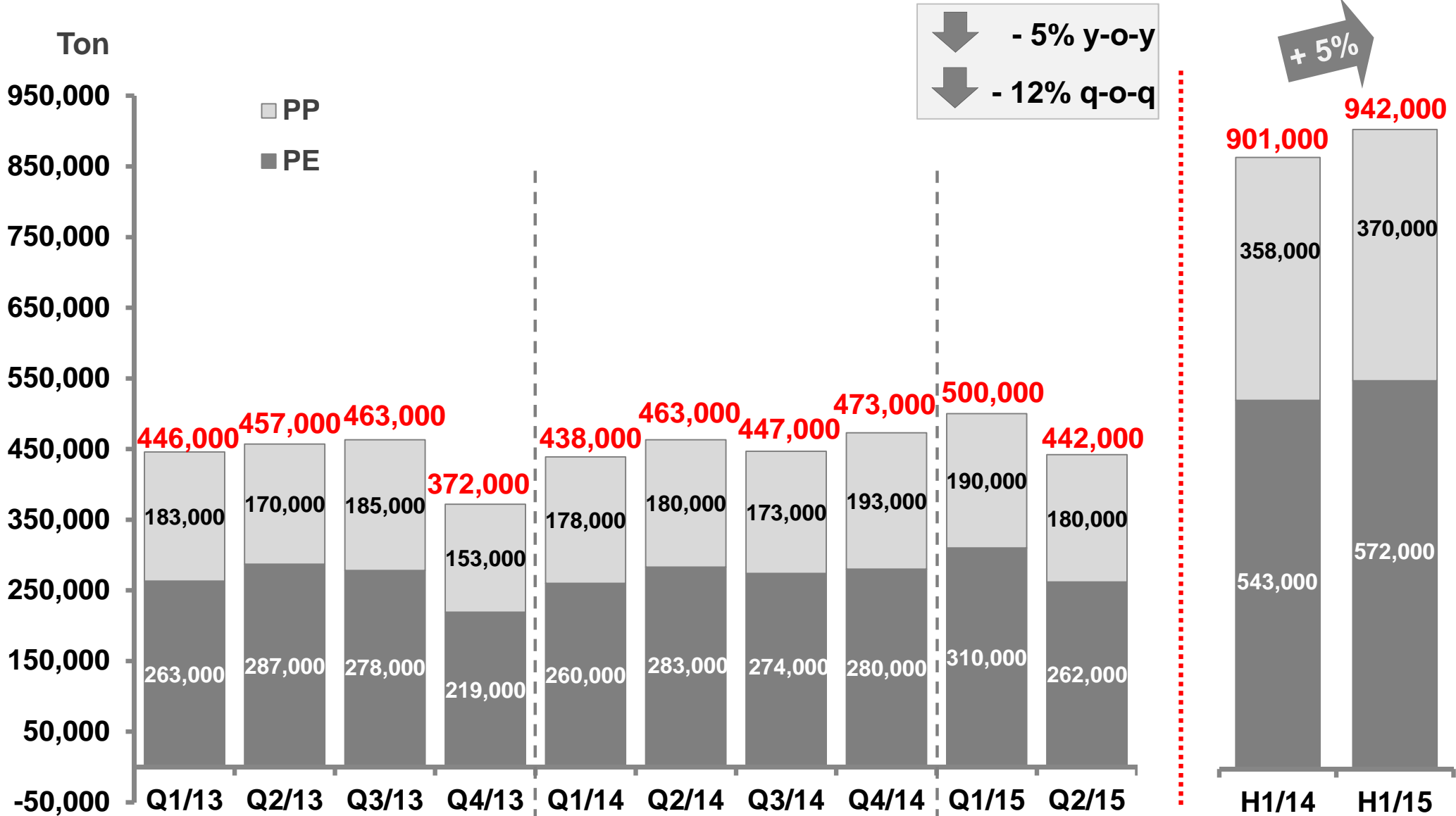
BD-Naphtha: tight BD supply attributed to naphtha cracker turnarounds.



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

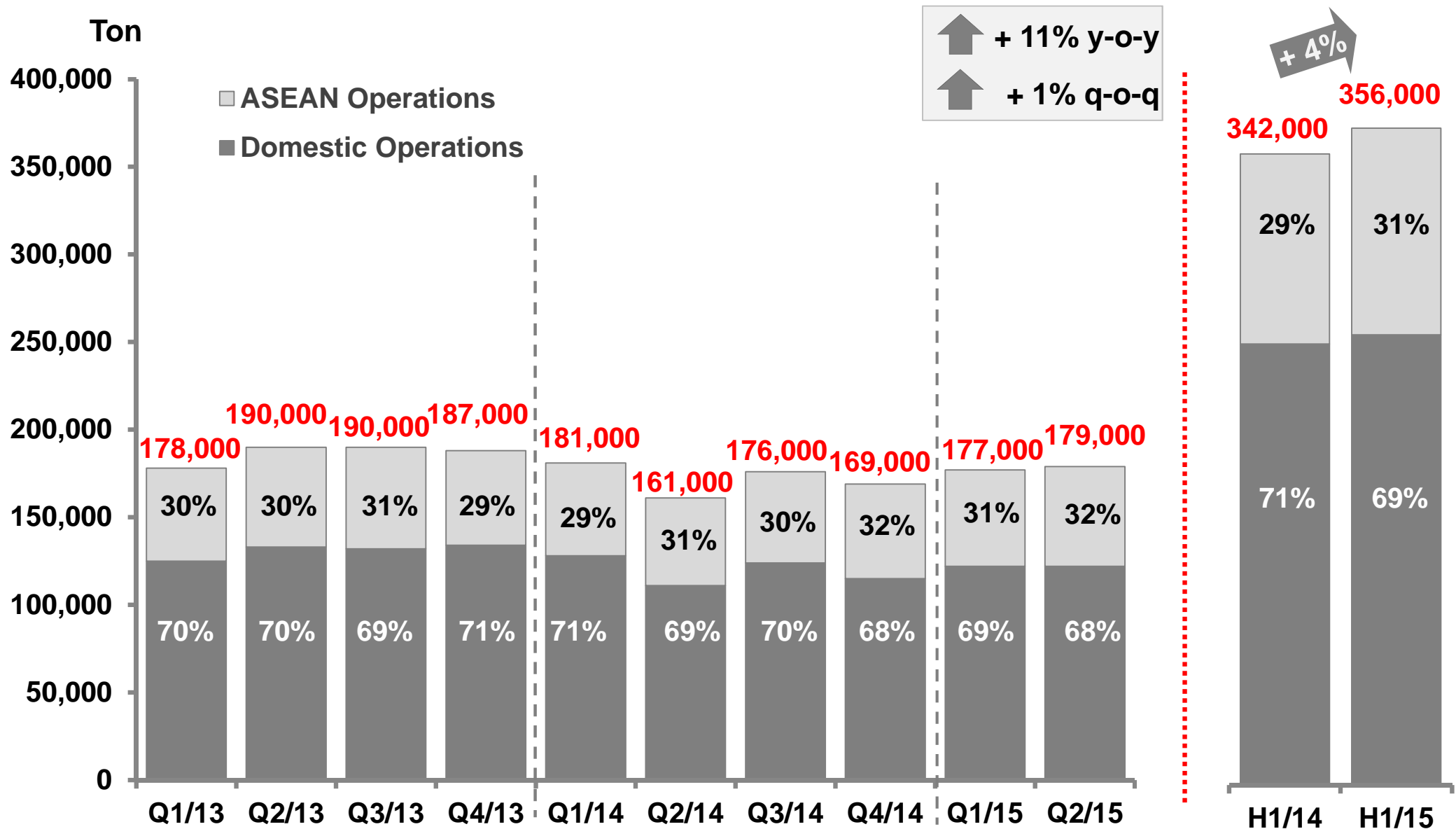
Polyolefin Sales Volume

Q2/15 sales volume decreased 12% q-o-q and 5% y-o-y, normalizing after inventory replenishment and redistributing monomer volume to higher-margin products within the group.



PVC Sales Volume

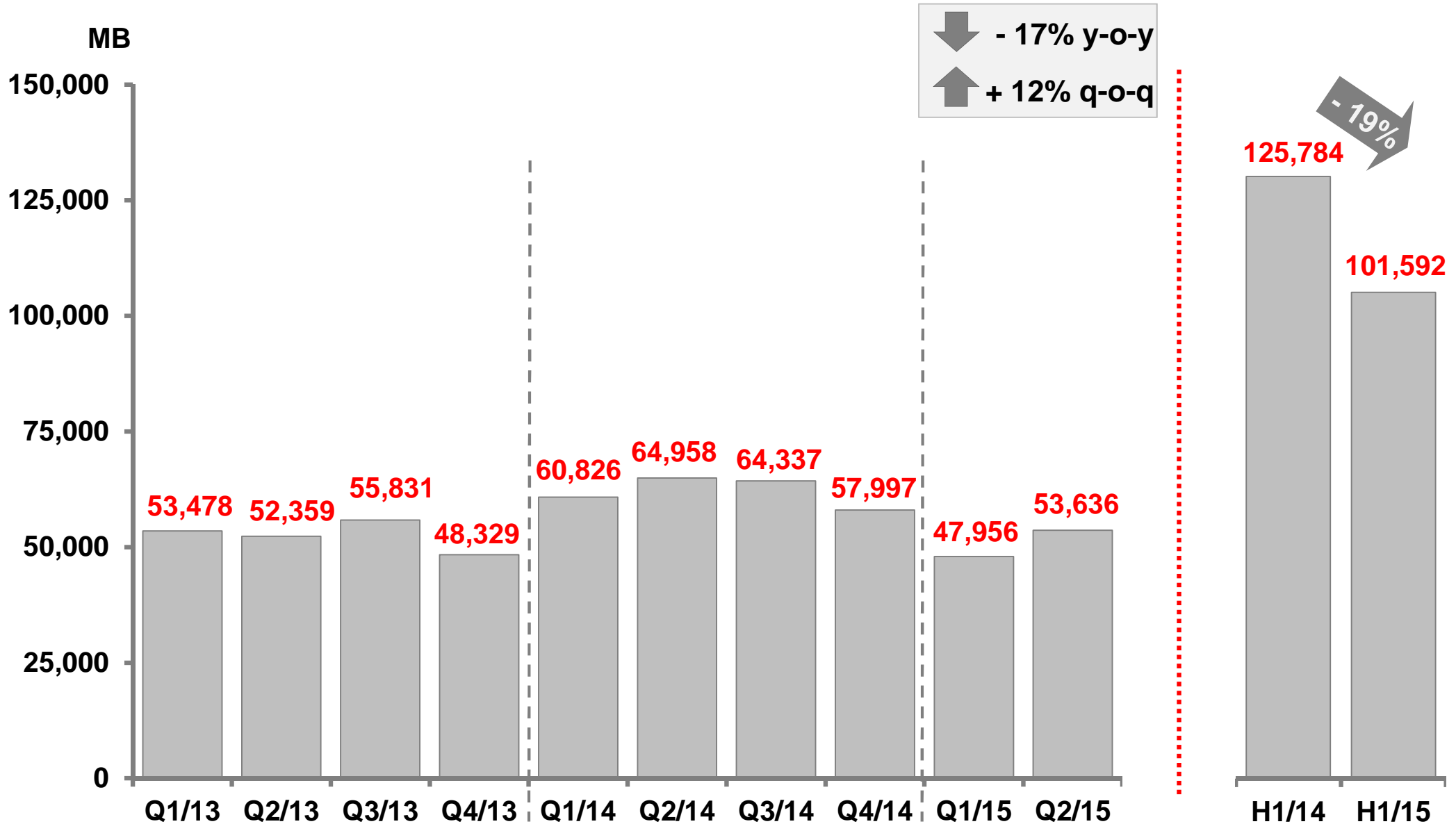
Q2/15 sales volume was steady with the growth of 1% q-o-q and 11% y-o-y amid weak PVC demand in construction sector.



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

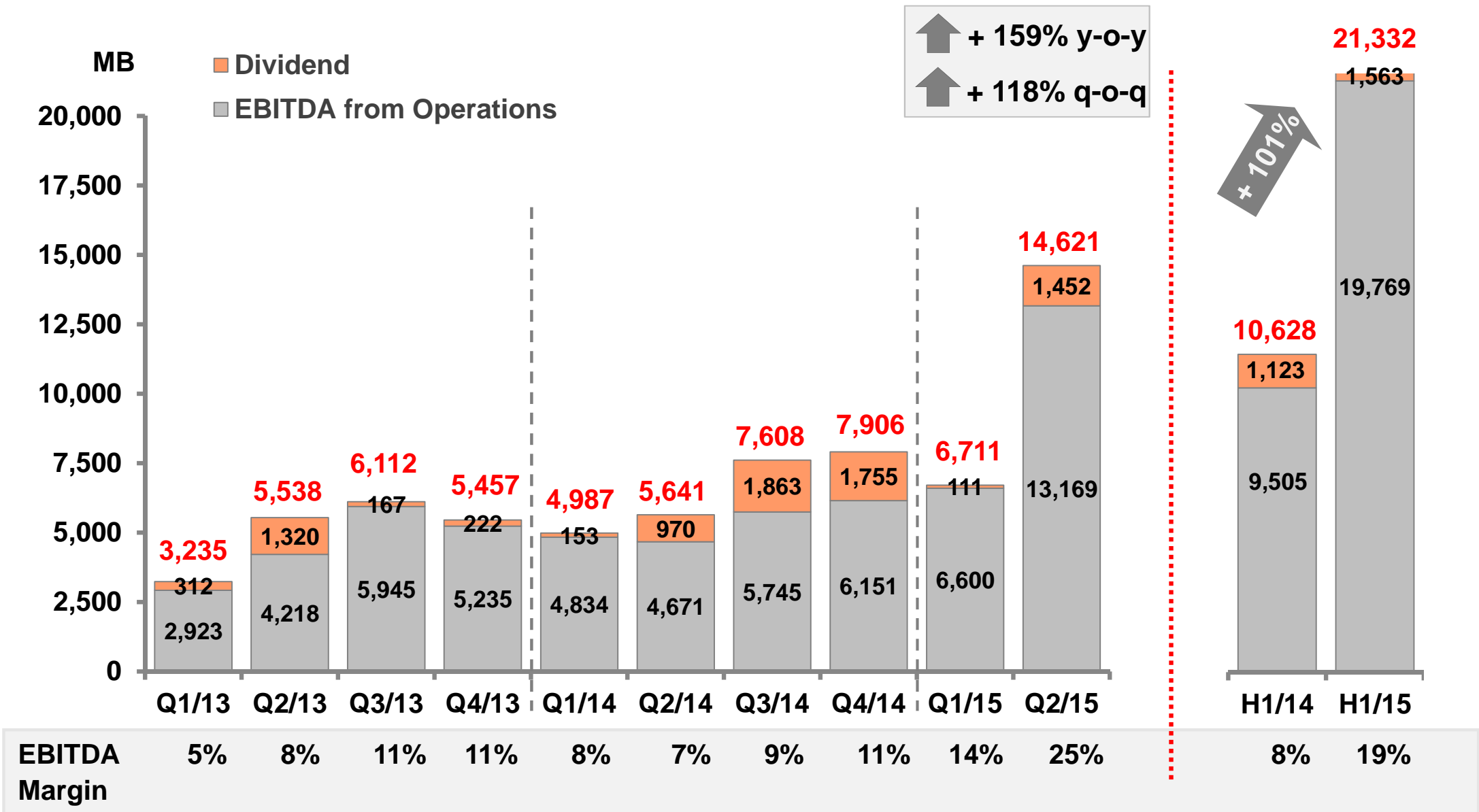
Revenue from Sales

Q2/15 revenue increased to 53,636 MB as a result of higher chemicals prices.



EBITDA

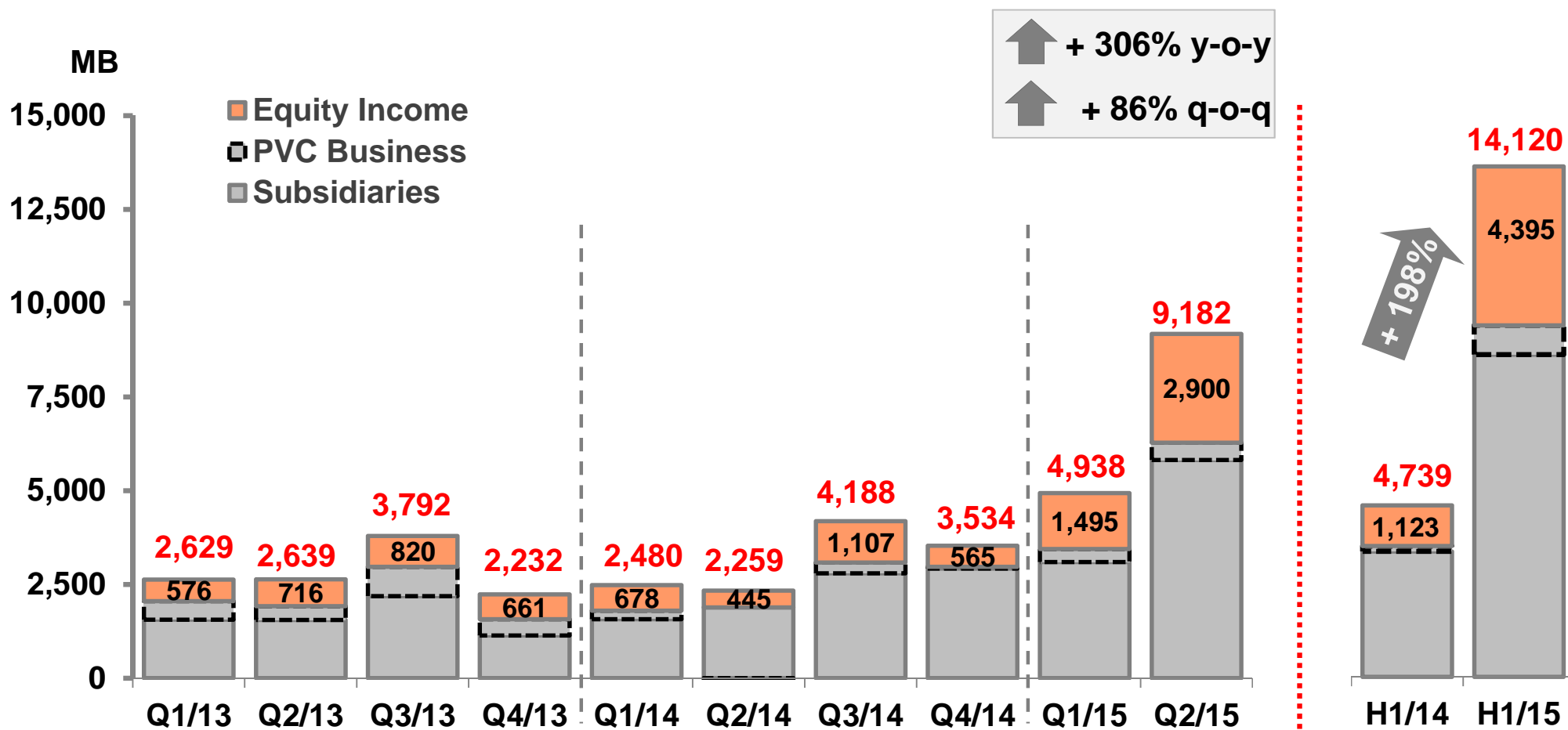
EBITDA more than doubled to 14,621 MB from significantly improved overall margins.



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

Profit for the Period

The profit rose to 9,182 MB, attributed to a combination of improved contributions from subsidiaries and equity income, and inventory gain.



NCI (Non controlling interest)	630	110	(310)	(340)	(330)	(240)	(650)	(740)	(680)	(3,600)	(570)	(4,280)
Inventory Gain (Loss)**	260	(840)	840	810	180	(80)	(130)	(2,960)	(930)	970*	100	40

*Sub/Asso : 76%/24%

**Note: SCG Chemicals (Sub + Asso.)

- **Crude** – weak market sentiment enticed by expectations of higher exports from Iran after the sanction is lifted, and concerns over China and Greece financial crises

- **Naphtha** – corresponds to crude oil prices with pressure from more competitive LPG prices

- **Polyolefin**
 - **Polyethylene** – stable to firm due to demand from agricultural sector and re-stocking after Ramadan holiday
 - **Polypropylene** – additional supply from on-purpose capacity and soft demand mainly from sluggish automotive industry caused by China's gloomy economic climate

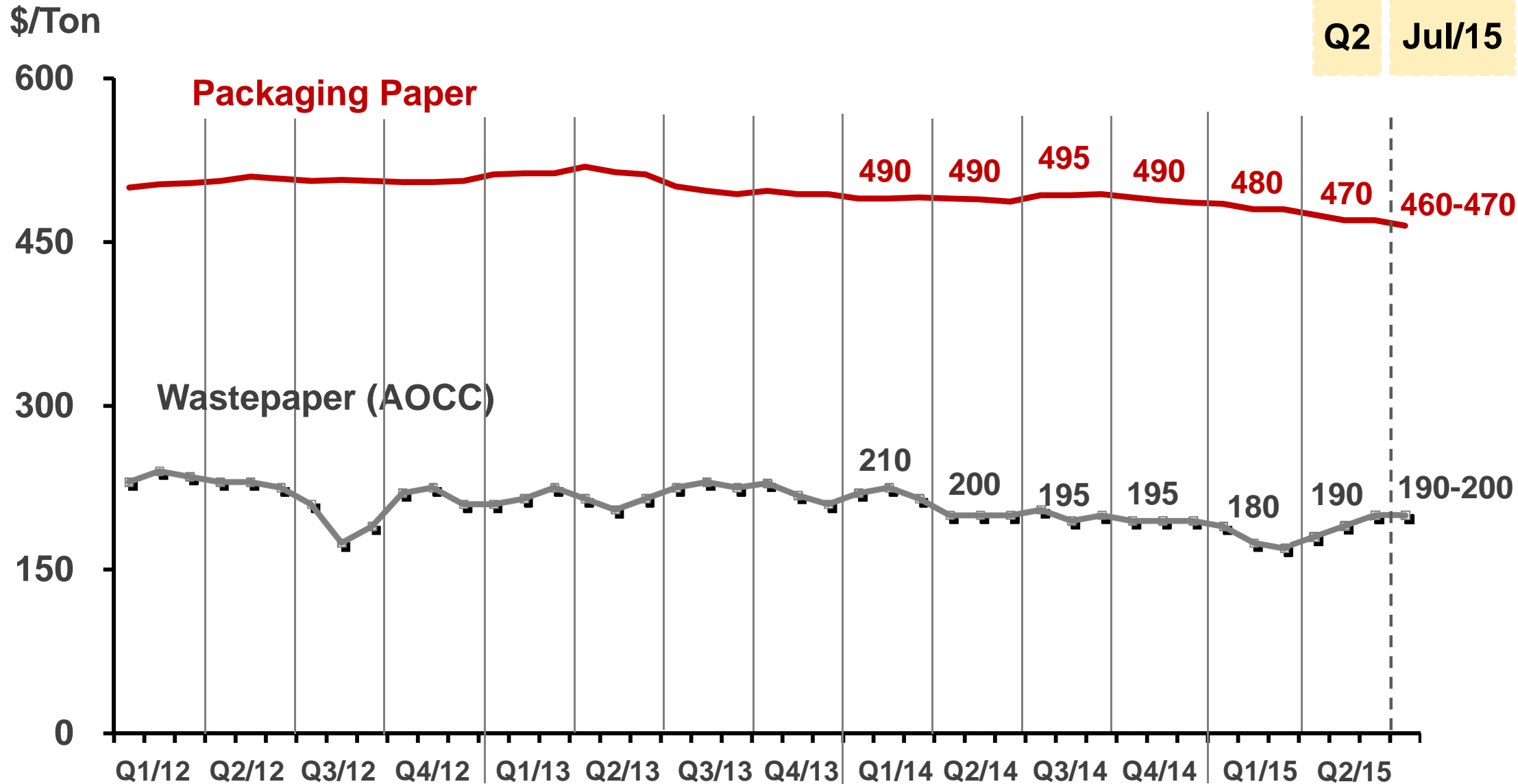
- **PVC** – dampened demand in construction sector with improvement expected at the end of India's monsoon season.

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Packaging Paper



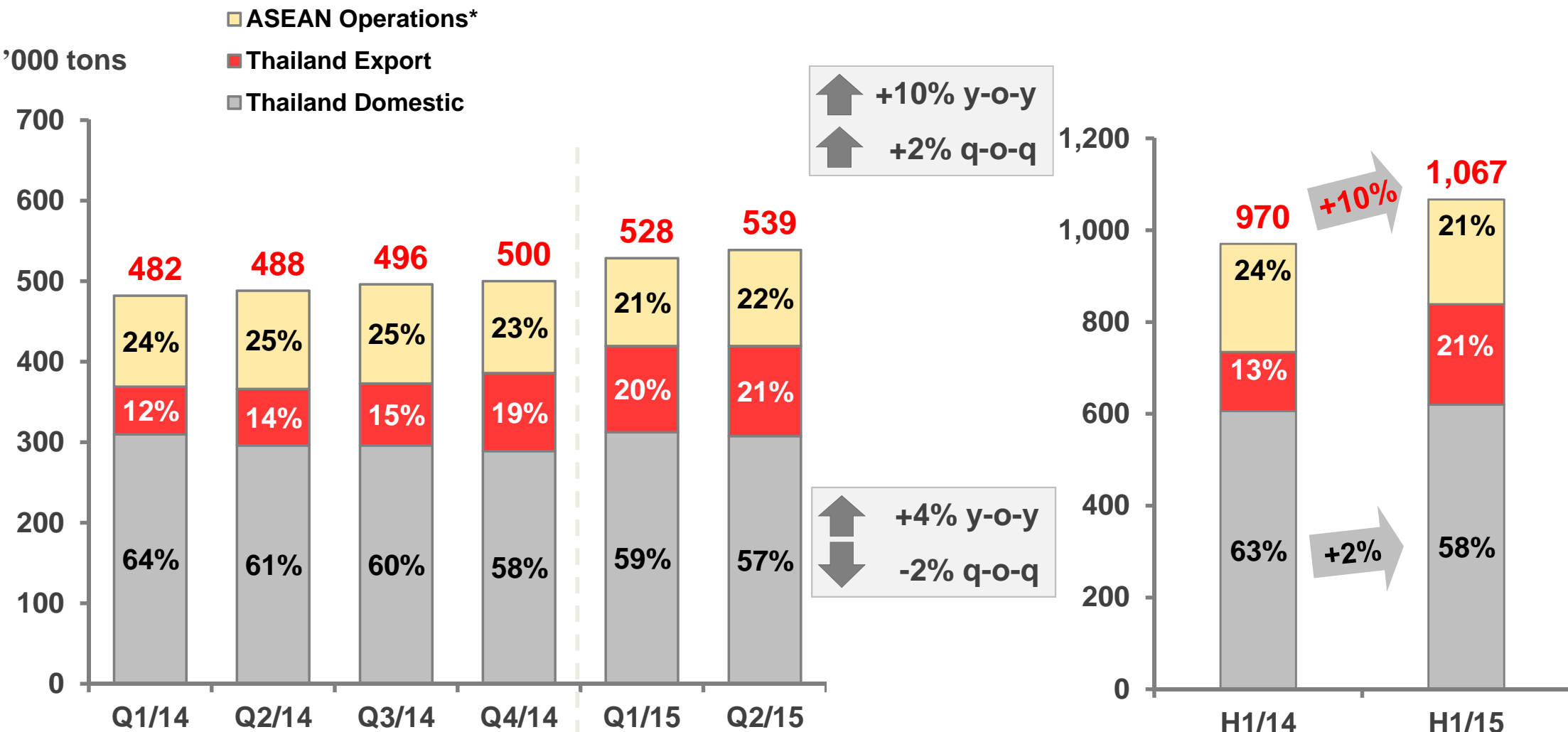
Packaging paper prices declined due to regional demand softness while AOCC prices went up as Chinese producers built up inventories



Note: regional prices

Packaging Paper:

Total sales volume increased 2% q-o-q from higher sales of ASEAN operations, and 10% y-o-y from higher export sales

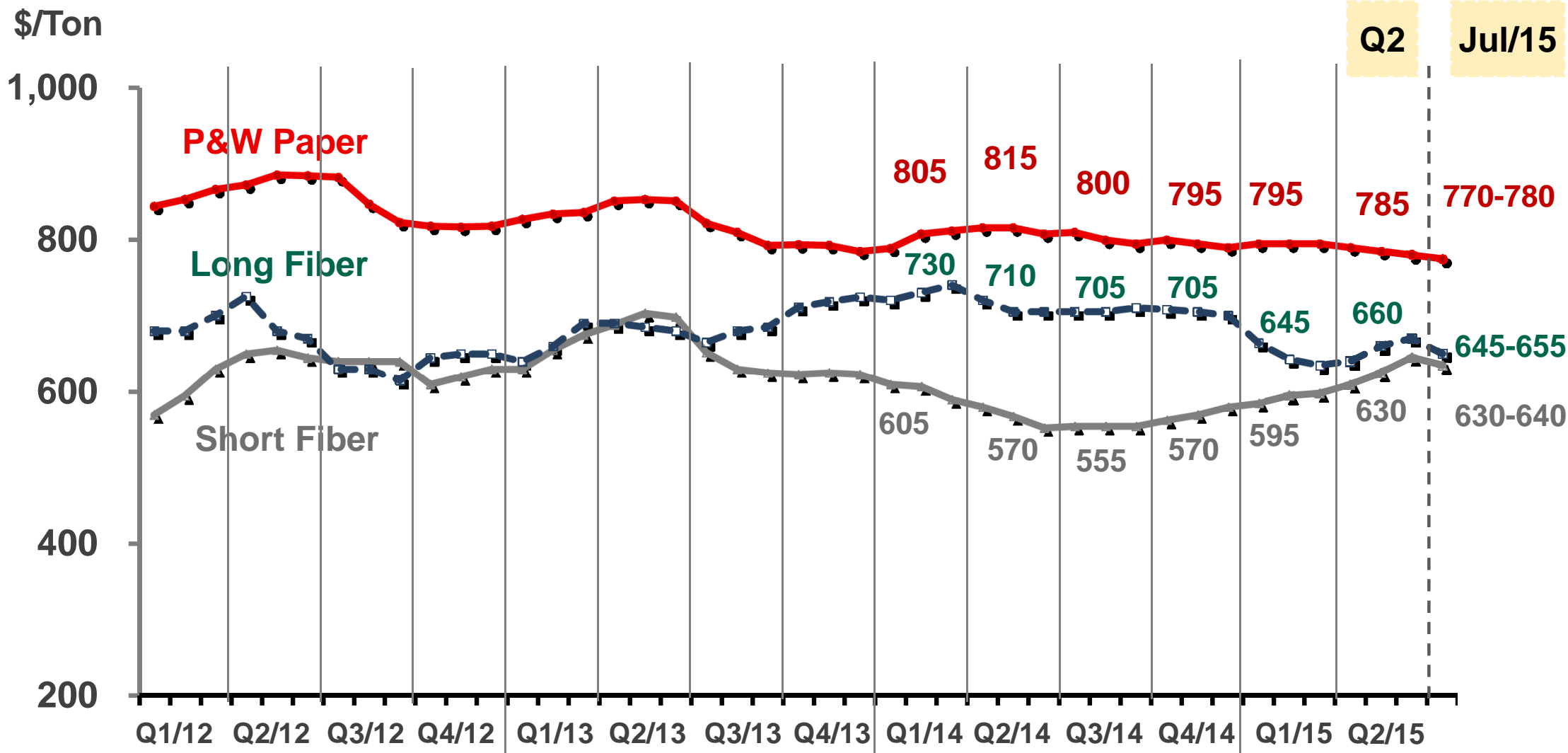


Note: *Sales Volume from Philippines and Vietnam

Fibrous (Printing & Writing Paper)



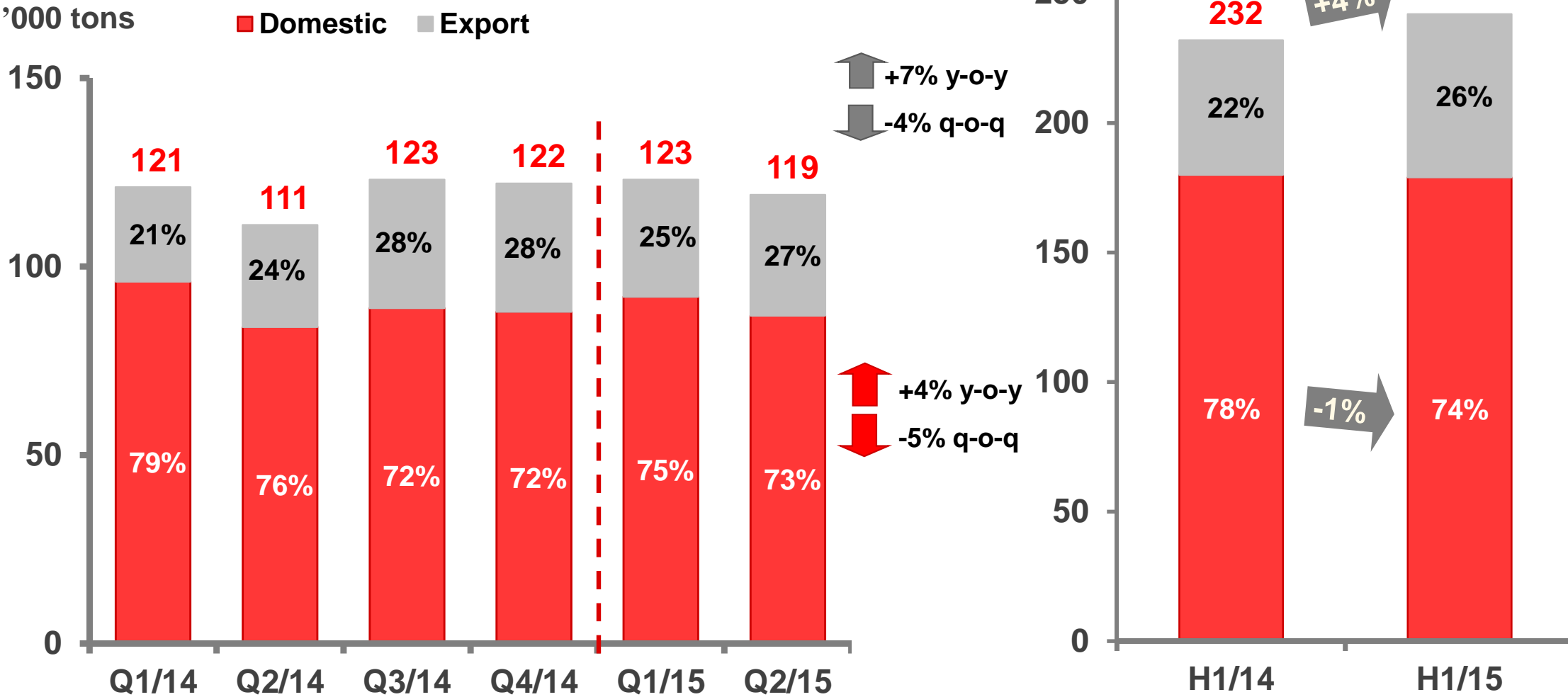
Printing & Writing paper prices decreased from continued soft demand in the region.
Dissolving pulp price increased due to tighter supply situation.



Note: regional prices

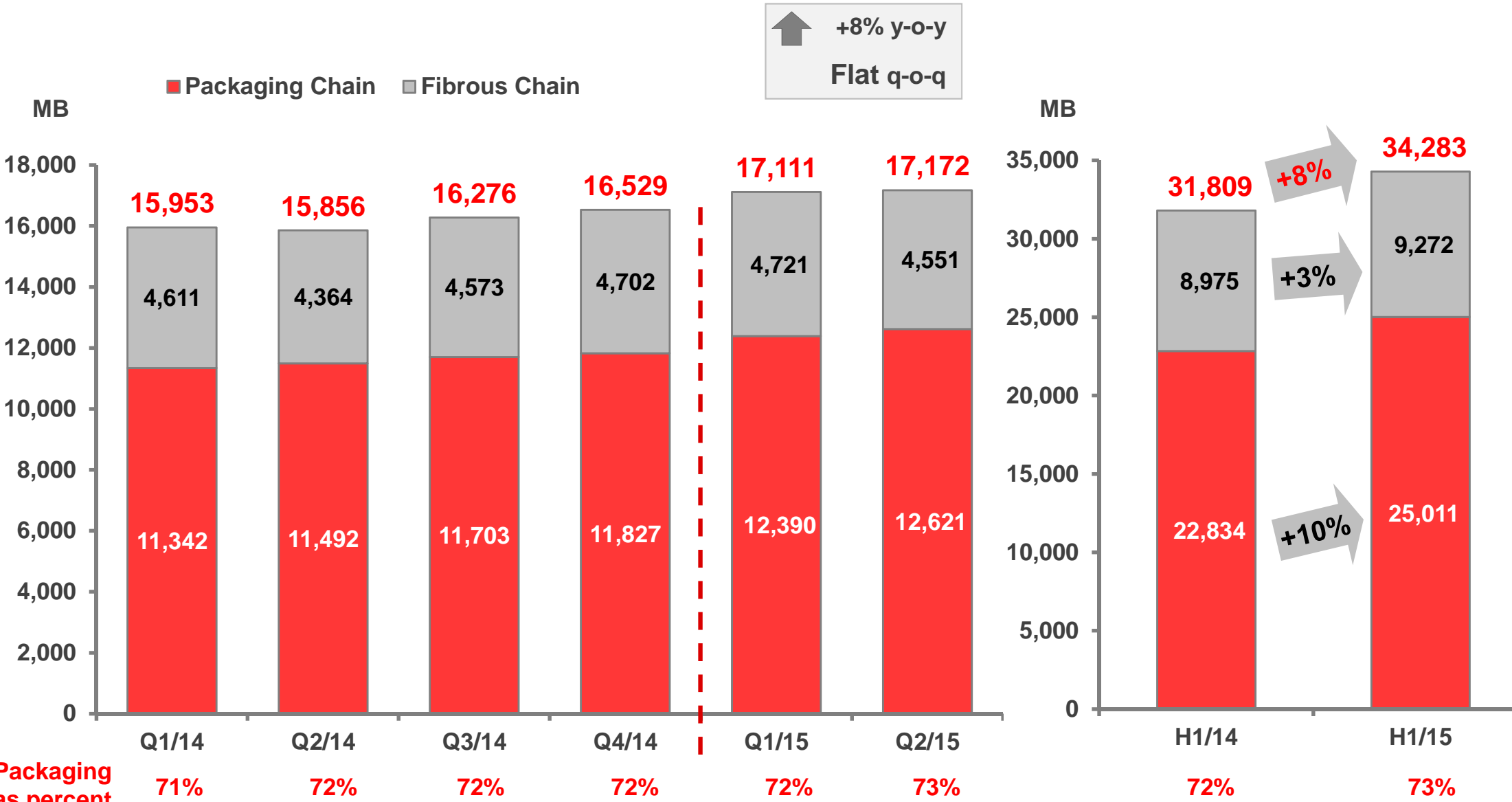
Fibrous (Printing & Writing Paper)

Total sales volume decreased 4% q-o-q due to demand softness, while increase 7% y-o-y from higher export sales



Revenue from Sales:

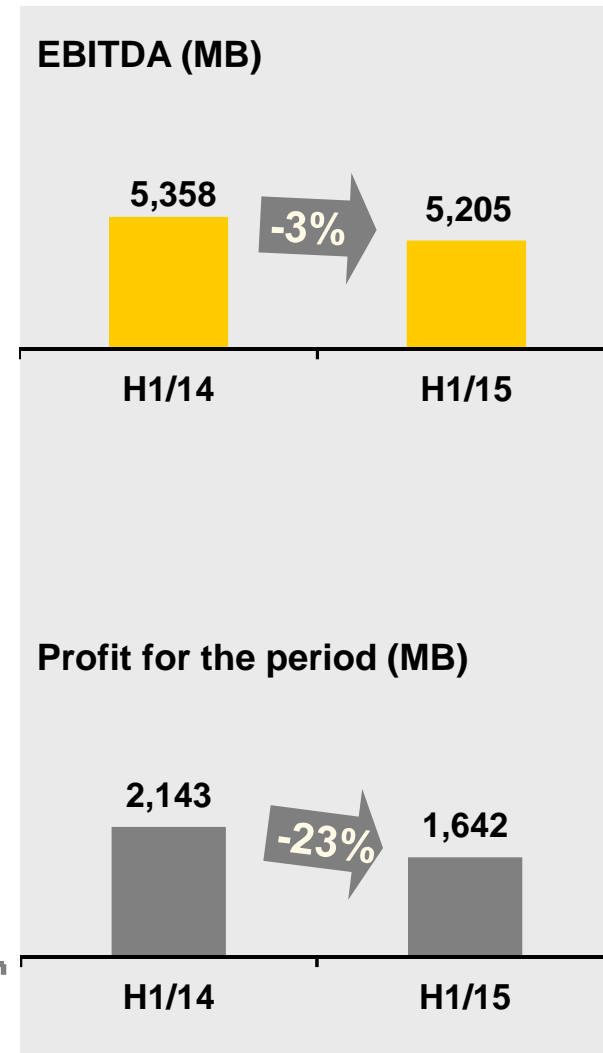
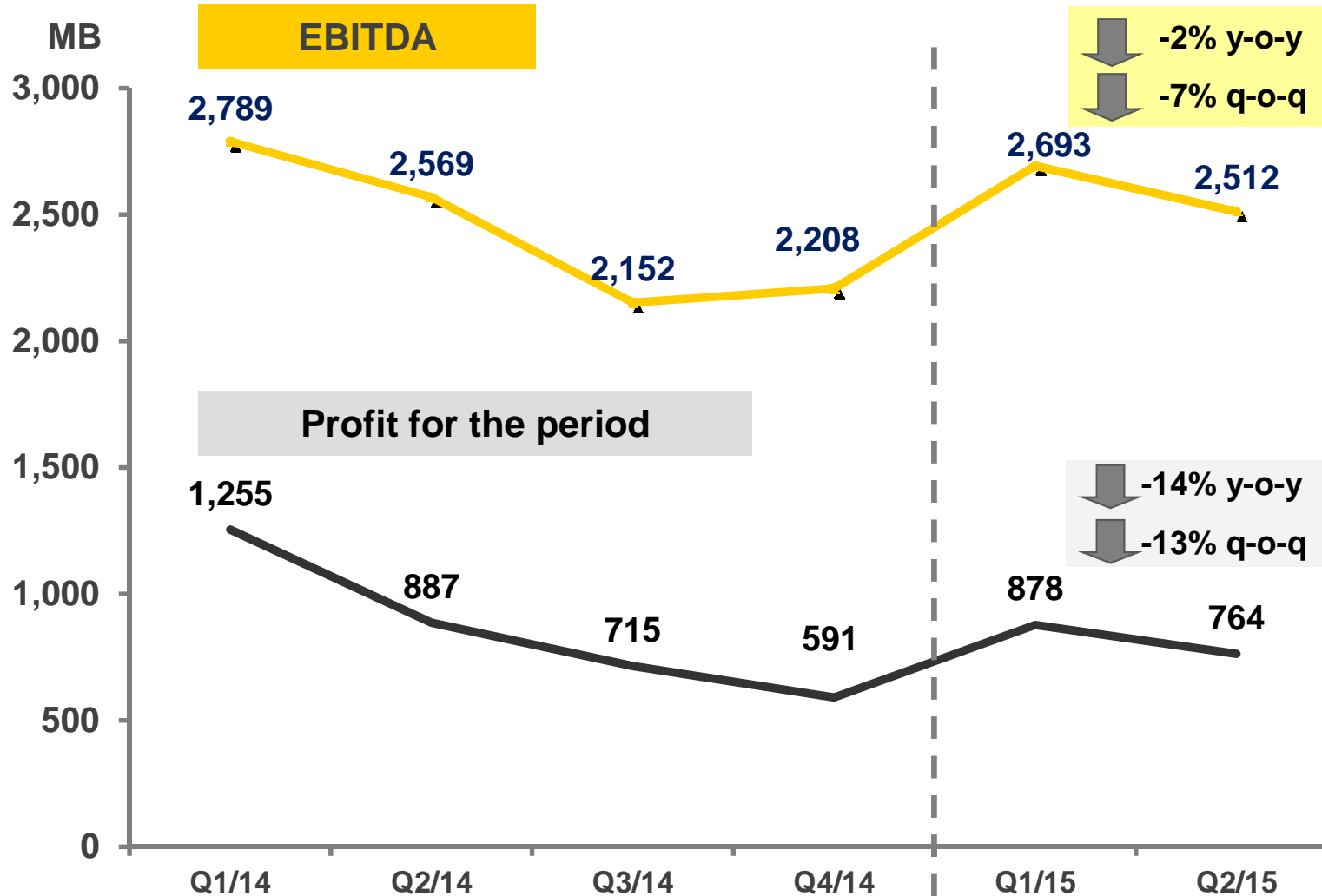
Revenue from Sales in Q2/15 was flat q-o-q due to the domestic market softness while up 8% y-o-y from higher export sales volume



Packaging as percent of total

EBITDA and Profit for the Period

EBITDA declined 2% y-o-y due to tighter margin, and Profit dropped 14% y-o-y from higher depreciation and financial expenses



	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15
EBITDA of Packaging Chain (% of total EBITDA)	76%	79%	80%	81%	78%	79%
EBITDA Margin						
Total	17%	16%	13%	13%	16%	15%
Fibrous	15%	12%	12%	9%	13%	11%
Packaging	19%	18%	15%	15%	17%	16%

17% H1/14 EBITDA Margin
15% H1/15 EBITDA Margin

Outlook

- Domestic demand expects to remain weak from muted consumer demand, while regional supply continues to increase
- Paper prices to decline slightly due to demand softness
- Regional prices of wastepaper expect to maintain owing to stable demand from China
- Long fiber pulp price expects to decline due to demand slowdown and sufficient supply, while short fiber pulp price to maintain

Updates

- TC Flexible Packaging (TCFP), a subsidiary of SCG Packaging, acquired 80% stake in Tin Thanh Packing (BATICO), a producer of flexible packaging (230 million sq.m./year) in Vietnam valued at 1,500 MB (EV)

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Thank You

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