



## The Siam Cement Public Company Limited Management's Discussion and Analysis (MD&A) Consolidated Financial Results: Q4/11, and FY2011

**Profit for the Period of 3,201 MB for Q4/11 (-81% y-o-y), and 27,281 MB for FY2011 (-27% y-o-y).**

**FY2011 Equity Income of 6,774 MB, down 19% y-o-y, due to the chemicals trough and the flood.**

**Cash & Cash Under Management of 50,288 MB.**

### SCG's Consolidated Performance Overview

SCG reported Q4/11 Profit for the Period of 3,201 MB, down 81% y-o-y, as there was the flood disruptions which resulted in lower demand in addition to higher logistics expenses, the large drop in equity income from chemicals associates as a result of the uncertain global economic situation, and the non-recurring gains of 9,963 MB from the divestment of PTTCH in Q4/10. Similarly, EBITDA decreased 32% y-o-y to 7,984 MB. Revenue from Sales grew 15% y-o-y to 87,944 MB from continued high product prices in most business units, as a result of global cost push.

Likewise for the q-o-q performance, as Q4/11 Profit for the Period decreased 57% q-o-q, the result of trough chemicals margins at both the subsidiary and associated level, the flood disruptions, and the increase in energy prices, especially in the cement business. EBITDA dropped 25% q-o-q, while Revenue from Sales was lower by 7% q-o-q.

For FY2011, Profit for the Year registered 27,281 MB or down 27% y-o-y, as there was the non-recurring gain from the divestment of PTTCH. EBITDA was less affected in FY2011, and was relatively flat at 46,253 MB, assisted by good performance in the cement division in the first nine months of 2011. Revenue from Sales increased 22% y-o-y to 368,579 MB, primarily from higher product prices in all business units.

Equity Income in FY2011 amounted to 6,774 MB, a drop of 19% y-o-y. This is in light of the poor performance from all business units which registered Equity Income of only 121MB in Q4/11, the result of large drop in equity income from chemicals associates due to global economic uncertainties, while the non-chemicals associates were affected by the ravages of the domestic flood.

Total dividends received in FY2011 was 8,083 MB, up 25% y-o-y with details as follows: a) 5,415 MB from "Associated" companies (20%-50% stake), and b) 2,668 MB from "Other" companies (less than 20% stake).

Continued solid financial structure, with cash & cash under management of 50,288 MB at the end of Q4/11, despite the CAPEX and M&A activity of 32,053 MB, the dividend payments to SCG's shareholders of approximately 16,200 MB for the performances of H1/11 and H2/10. Net Working Capital increased 2,395 MB q-o-q to 50,060 MB, primarily due to the decreased accounts payables.

Table 1 - Consolidated SCG				Q4/11	% Change	% Change	FY2011	% Change
				MB	y-o-y	q-o-q	MB	y-o-y
Revenue from Sales				87,944	15%	-7%	368,579	22%
Profit for the Period				3,201	-81%	-57%	27,281	-27%
EBITDA				7,984	-32%	-25%	46,253	1%
EBITDA from Operations				7,450	-25%	-22%	40,838	-3%
Earnings per Share (EPS)				2.7	-81%	-57%	22.7	-27%
Dividend Summary				H2/11	H1/11		FY2011	FY2010
Baht Per Share				7.0	5.5		12.5	12.5
Payout Ratio (% of Net Profit)				79%	40%		55%	40%

**Note:** EBITDA

EBITDA from Operations

Profit for the Period

= Earnings and dividends, before interest, tax, depre & amortization.

= Earnings before interest, tax, depre & amortization.

= Profit for the period attributable to owners of the parent

**SCG Chemicals**  
***Trough margins for both subsidiaries and associated companies.***

**SCG's Business Sector Summary**

In Q4/11, the average Naphtha price dropped \$68/ton q-o-q from weak petrochemical demand but up \$85/ton y-o-y to \$888/ton following higher crude oil price which rose \$22/bbl y-o-y, from \$87/bbl to \$109/bbl.

Monomer prices softened due to continued weak derivatives demand and more supply as crackers resumed from turnaround season. The Q4/11 average ethylene price was then \$1,061/ton, down \$99/ton q-o-q but up \$14/ton y-o-y. The average price of propylene dropped \$112/ton q-o-q, but rose by \$130/ton y-o-y to \$1,283/ton.

HDPE prices in Q4/11 continued its decline to \$1,329/ton (down \$70/ton q-o-q but up \$59/ton y-o-y). However, the HDPE-naphtha margin remained flat q-o-q at \$441/ton (down \$2/ton), but dropped \$26/ton y-o-y, attributed to weak demand of derivative products and European crisis concerns.

Price of PP markedly dropped to \$1,423/ton (down \$183/ton q-o-q, but up \$1/ton y-o-y) from weak demand of derivative products and additional supply of PP from crackers running at higher rates. PP-Naphtha price gap also decreased \$115/ton q-o-q and \$84/ton y-o-y.

The total polyolefins (PE and PP) sales volume in Q4/11 increased q-o-q to 433,000 tons from more export volume.

PVC prices in Q4/11 decreased \$178/ton q-o-q to \$920/ton, following a weaker demand due to global economy slowdown. The average price of EDC in Q4/11 was down to \$329/ton, a drop of \$143/ton q-o-q, from a weak demand in vinyl chain. In Q4/11, the average PVC margin (PVC-EDC/C2) went down \$38/ton q-o-q, but up \$88/ton y-o-y to \$406/ton. PVC sales volume in Q4/11 remained flat q-o-q at 169,000 tons, but down 19,000 tons y-o-y, from weak PVC demand.

Revenue from Sales in Q4/11 dropped q-o-q to 46,189 MB, but increased 23% y-o-y from higher product prices. EBITDA decreased 25% q-o-q and 53% y-o-y to 2,006 MB, attributed to lower dividend income and squeezed margins of products. Profit for the Period decreased 79% q-o-q to 673 MB, and decreased 95% y-o-y due to reduced margins and absence of non-recurring divestment of PTTCH shares in Q4/10.

**SCG Paper**  
***Affected by the Q4/11 flood.***

The Packaging Paper business witnessed a 4% q-o-q decrease in total Q4/11 sales volume (in Thailand, Philippines and Vietnam), mainly attributed to a drop of Thailand domestic sales from flood situation, but increased 5% y-o-y as a result of higher volume from Thailand export and regional sales. The price of Wastepaper dropped \$50/ton q-o-q to \$225/ton due to the slowing purchases from Chinese wastepaper buyers. Consequently, the regional price of Packaging Paper dropped \$15/ton q-o-q to \$515/ton.

In the Printing & Writing Paper (P&W) business, Q4/11 total sales volume decreased 23% q-o-q and 15% y-o-y, mainly from a demand shrinkage after flooding, especially in Business and Communication segment. The regional price of P&W Paper continued to drop \$75/ton q-o-q to \$870/ton, following lower prices of Long-fiber Pulp (down \$105/ton q-o-q to \$735/ton) and lower Short-fiber Pulp prices (down \$110/ton q-o-q to \$570/ton), attributed to weak regional demand and regional oversupply.

On a full year basis, sales volume of Packaging Paper rose 3% y-o-y, while exports from the Thai facilities accounted for 13% of the total sales volume. In the P&W Paper business, total sales volume was flat y-o-y with the export portion by 26% of the total sales volume.

Financially, SCG Paper posted Q4/11 Revenue from Sales of 12,968 MB, a drop 9% q-o-q from lower volume by flooding in Thailand and lower regional selling price, but flat y-o-y. EBITDA registered 1,566 MB, down 33% q-o-q and 6% y-o-y on decreased Revenue from Sales. Similarly, Profit for the Period amounted at 352 MB, down 62% q-o-q and 15% y-o-y.

For FY2011, Revenue from Sales amounted 54,839 MB, an increase of 6% y-o-y mainly from higher average selling prices in packaging paper segment. However, EBITDA decreased 3% y-o-y to 8,811 MB, and Profit for the Year also dropped 5% y-o-y to 3,331 MB.

<b>Table 2 - SCG's Sectors</b>					
<b>REVENUE FROM SALES (MB)</b>	<b>Q4/11</b>	<b>Change % y-o-y</b>	<b>Change % q-o-q</b>	<b>FY2011 MB</b>	<b>Change % y-o-y</b>
<b>Consolidated SCG</b>	<b>87,944</b>	<b>15%</b>	<b>-7%</b>	<b>368,579</b>	<b>22%</b>
SCG Chemicals	46,189	23%	-5%	192,929	34%
SCG Paper	12,968	0%	-9%	54,839	6%
SCG Cement	12,581	5%	-9%	54,249	11%
SCG Building Materials	8,014	11%	-10%	34,171	11%
SCG Distribution	26,676	12%	-6%	111,920	16%
<b>EBITDA (MB)</b>	<b>Q4/11</b>	<b>% y-o-y</b>	<b>% q-o-q</b>	<b>FY2011</b>	<b>% y-o-y</b>
<b>Consolidated SCG</b>	<b>7,984</b>	<b>-32%</b>	<b>-25%</b>	<b>46,253</b>	<b>1%</b>
SCG Chemicals	2,006	-53%	-25%	14,394	-10%
SCG Paper	1,566	-6%	-33%	8,811	-3%
SCG Cement	2,447	2%	-23%	12,781	18%
SCG Building Materials	809	-32%	-42%	5,060	-8%
SCG Distribution	79	-72%	-85%	1,532	6%
SCG Investment	1,388	-29%	334%	3,818	8%
<b>EBITDA from Operation (MB)</b>	<b>Q4/11</b>	<b>% y-o-y</b>	<b>% q-o-q</b>	<b>FY2011</b>	<b>% y-o-y</b>
<b>Consolidated SCG</b>	<b>7,450</b>	<b>-25%</b>	<b>-22%</b>	<b>40,838</b>	<b>-3%</b>
SCG Chemicals	1,561	-41%	-8%	9,528	-24%
SCG Paper	1,566	-6%	-33%	8,803	-3%
SCG Cement	2,447	2%	-23%	12,781	18%
SCG Building Materials	809	-32%	-38%	4,853	-9%
SCG Distribution	74	-71%	-86%	1,527	9%
SCG Investment	1,331	-26%	316%	3,517	8%
<b>EBITDA MARGINS (%)</b>	<b>Q4/11</b>	<b>% y-o-y</b>	<b>% q-o-q</b>	<b>FY2011</b>	<b>FY2010</b>
<b>Consolidated SCG</b>	<b>8%</b>	<b>13%</b>	<b>10%</b>	<b>11%</b>	<b>14%</b>
SCG Chemicals	3%	7%	3%	5%	9%
SCG Paper	12%	13%	16%	16%	18%
SCG Cement	19%	20%	23%	24%	22%
SCG Building Materials	10%	16%	15%	14%	17%
SCG Distribution	0%	1%	2%	1%	1%
<b>Profit for the Period (MB)</b>	<b>Q4/11</b>	<b>% y-o-y</b>	<b>% q-o-q</b>	<b>FY2011</b>	<b>% y-o-y</b>
<b>Consolidated SCG</b>	<b>3,201</b>	<b>-81%</b>	<b>-57%</b>	<b>27,281</b>	<b>-27%</b>
SCG Chemicals	673	-95%	-79%	11,190	-51%
SCG Paper	352	-15%	-62%	3,331	-5%
SCG Cement	1,209	-6%	-35%	7,288	21%
SCG Building Materials	(82)	-121%	-116%	1,476	-21%
SCG Distribution	9	-97%	-98%	1,075	1%
SCG Investment	2,124	1%	205%	5,037	8%

**Note:** **EBITDA** = Earnings and dividends, before interest, tax, depre & amortization  
**EBITDA from Operation** = Earnings before interest, tax, depre & amortization.  
**EBITDA Margin** = Operating EBITDA, to Revenue from Sales.  
**Profit for the Period** = Profit for the period attributable to owners of the parent.

**SCG Cement**  
**FY2011 domestic volume growth of 3% y-o-y, with domestic prices range of 1,800 – 1,850 Bt/ton.**

In 2011, total domestic demand of grey cement amounted to 27.3 MT, an increase of 3% y-o-y from the 26.5 MT in 2010. Specifically, total domestic demand in Q4/11 registered 6.7 MT, an increase of 7% y-o-y with most of the growth coming in Dec/11, but dropped 1% q-o-q because of flooding effects. SCG Cement's sales volume was relatively in line with that of the industry trend, with realized domestic grey cement prices of 1,800 – 1,850 Baht/ton

In export market, SCG Cement's Q4/11 sales volume dropped 29% q-o-q and 33% y-o-y to 1.2 MT, the result of logistics problems from the flood. Average FOB price was improved to \$48/ton due to cost push factor in the destination markets contributing to higher cement price.

SCG Cement's Q4/11 Revenue from Sales increased 5% y-o-y to 12,581 MB, but declined 9% q-o-q, due to the effects of the flood. EBITDA increased 2% y-o-y but decreased 23% q-o-q to 2,447 MB as a result of lower exports. Similarly, Profit for the Period registered 1,209 MB, a drop of 6% y-o-y and 35% q-o-q.

On a full year basis, SCG Cement's FY2011 Revenue from Sales increased 11% y-o-y to 54,249 MB from solid pricing in both domestic and export markets. EBITDA registered 12,781 MB, an increase of 18% y-o-y, while Profit for the Year grew 21% y-o-y to 7,288 MB.

**SCG Building Materials**  
**Affected by the Q4/11 flood.**

The domestic building materials industry was significantly affected by the Q4/11 flood in numerous provinces, resulting in the 10% q-o-q drop in Revenue from Sales to 8,014MB, but grew 11% y-o-y as a result of the acquisition of KIA, an Indonesian ceramics producer. With flood waters affecting sales and temporarily shutting down 2 factories, EBITDA dropped 42% q-o-q and 32% y-o-y to 809MB and Profit dropped 116% q-o-q and 121% y-o-y to a loss of 82MB.

On a full year basis, FY2011 Revenue from Sales increased 11% y-o-y to 34,171MB with the acquisition of KIA. EBITDA dropped 8% y-o-y to 5,060MB and Profit for the Year declined 21% y-o-y to 1,476MB, resulting from higher energy, raw materials costs, and the flooding in Q4/11.

**SCG Distribution**  
**Growth in FY2011 sales.**

SCG Distribution registered FY2011 Revenue from Sales of 111,920 MB, up 16% y-o-y, which was added by the consolidation effect of Kokoh, an Indonesian distributor of building materials. FY2011 EBITDA grew 6% to 1,532MB, while Profit for the Year was relatively flat at 1,075 MB. The performance in Q4/11 was somewhat weak, as Profit for the Period registering only 9 MB, primarily due to the effect from the flood.

**Net Debt**  
**112,114 MB, up 28,490 MB from Q4/10.**

**SCG's Financials**

Net Debt increased 28,490 MB from the end of Q4/10 to 112,114 MB, when compared to the cash outflow of 61,405 MB for CAPEX & Investments activities, corporate tax payments, and dividend payments (H2/10, H1/11). The Net Debt / EBITDA ratio rose to 2.4 times, while total finance cost for FY2011 amounted to 6,048 MB, with an average cost of 4.4% in Q4/11.

**CAPEX & Investment**

CAPEX & Investment in FY2011 amounted to 32,053 MB, relative to the FY2010 total of 18,378 MB. With continued cash generation from the operations and availability of cash/cash equivalent, SCG is eager to continue to pursue its strategy of ASEAN expansion in the existing key businesses.

**FY2011 Dividend**  
**H2/11 payout of 7.0 Bt/sh, and resulting in the FY2011 payout of 12.5 Bt/sh or 55% of the FY2011 Net Profit.**

SCG has already paid a H1/11 interim dividend (Aug/11) of 5.5 Bt/share (6,600 MB), and SCG's Board of Directors has recommended a further 7.0 Bt/share (8,400 MB) year-end dividend to be paid for the H2/11 performance, pending approval at the shareholders' meeting on March 30/12. The dividend "record date" is Apr 10/12, with closing of share register book for the right to receive the dividend on April 11/12. Dividend will be payable on April 26/12. In total, the FY2011 dividend payment is 12.5 Bt/share (15,000 MB), representing a 55% dividend payout ratio of the FY2011 Net Profit.

<b>Table 3</b>			
<b>SCG's Debt Profile (MB)</b>			
	Q4/11	Q3/11	Q4/10
<b>Short Term</b>	<b>20,192</b>	<b>16,314</b>	<b>8,865</b>
Foreign	702	729	1,173
Baht	19,490	15,585	7,692
% of Total Loan	12%	10%	6%
<b>Long Term</b>	<b>142,210</b>	<b>142,495</b>	<b>144,586</b>
Foreign	14,205	14,092	15,005
Baht	128,005	128,403	129,581
% of Total Loan	88%	90%	94%
<b>Total Loan</b>	<b>162,402</b>	<b>158,809</b>	<b>153,451</b>
<b>Cash &amp; Cash Under Management</b>	<b>50,288</b>	<b>49,662</b>	<b>69,827</b>
Cash and cash equivalents	22,680	14,101	63,827
Short-term investments	7,205	5,680	6,000
Available-for-sale investments	20,403	29,881	-
<b>Total Net Debt</b>	<b>112,114</b>	<b>109,147</b>	<b>83,624</b>
<b>SCG's Financial Ratios</b>			
	Q4/11	Q3/11	Q4/10
EBITDA on Assets (%)	12%	13%	13%
Current Ratio (times)	1.1	1.1	1.7
Quick Ratio (times)	0.6	0.5	1.1
Interest Coverage (times)	7.6	8.8	9.8
Net Debt to EBITDA (times)	2.4	2.2	1.8
Net Debt to Equity (times)	0.7	0.7	0.5
Debt to Equity (times)	1.3	1.3	1.3
Return on Equity (%)	20%	24%	31%

<b>Note: Net Debt</b>	= Total debt (interest bearing), less cash and cash under management
<b>EBITDA</b>	= Earnings before interest, tax, depreciation, and amortization, plus dividends.
<b>EBITDA on Assets</b>	= Annualized EBITDA, to Total Consolidated Assets
<b>Current Ratio</b>	= Current assets, to current liabilities
<b>Quick Ratio</b>	= Cash + short term investments + receivable, to current liabilities
<b>Interest Coverage</b>	= EBITDA, to interest expense
<b>Net Debt to EBITDA</b>	= Net debt, to annualized EBITDA
<b>Net Debt to Equity</b>	= Net Debt, to equity & non-controlling interest
<b>Debt to Equity</b>	= Total Liabilities, to equity & non-controlling interest
<b>Return on Equity</b>	= Annualized Net profit, to average total shareholders' equity (not including non-controlling interest)

<b>Table 4</b>			
<b>SCG's Statement of Financial Position (MB)</b>			
	Dec/11	Sept/11	Dec/10
<b>Total Assets</b>	<b>374,738</b>	<b>372,477</b>	<b>359,219</b>
Current assets			
Cash, cash equivalent and short-term investment	29,885	19,781	69,827
Trade receivables	33,625	33,568	25,408
Inventory	41,838	44,676	36,544
Long-term investment	84,614	93,189	54,443
Property, plant, and equipment	156,683	153,101	150,378
<b>Total Liabilities</b>	<b>211,769</b>	<b>212,731</b>	<b>199,649</b>
Trade payables	25,403	30,579	22,969
Loans	162,402	158,809	153,451
<b>Total Equity</b>	<b>162,969</b>	<b>159,747</b>	<b>159,570</b>
Total equity attributable to owners of the parent	140,199	135,721	133,117
Non-controlling interests	22,770	24,025	26,453