The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q2/12 and H1/12

SCG's Consolidated Performance Overview

Profit for the Period of 4,280 MB for Q2/12 (-43% y-o-y), affected by the -2,000 MB chemicals inventory adjustment.

SCG reported Q2/12 Profit for the Period of 4,280 MB, down 43% y-o-y, attributed to the inventory adjustment of approximately -2,000 MB from the chemical business (subsidiaries and associates), and the plant shut-down effects of Bangkok Synthetic Company Limited (BST). Similarly, EBITDA decreased 14% y-o-y to 12,178 MB. Revenue from Sales grew 7% y-o-y to 100,541 MB following growths in the construction related businesses.

On a q-o-q basis, Q2/12 Profit for the Period dropped 28% q-o-q, with lower seasonal demand in the cement and building materials businesses, in addition to the chemicals inventory adjustment (-2,000 MB), and the plant shut-down effects of BST. EBITDA grew 18% q-o-q, following the dividend payments received from associated companies, while Revenue from Sales dropped slightly by 2% q-o-q on decreased chemicals sales volume.

For H1/12, Profit for the Period registered 10,252 MB, a drop of 39% y-o-y, as the chemicals business encountered the negative effects of a global chemicals trough in Q1/12, the inventory adjustment in Q2/12, and the plant shut-down effects of BST. Similarly, EBITDA dropped 19% y-o-y to 22,479 MB, while Revenue from Sales increased 9% y-o-y to 203,425 MB from higher product prices and volume growth in most business units.

H1/12 Equity Income of 35 MB, down 99% y-o-y due to trough chemicals margins.

Equity Income in H1/12 amounted to 35 MB, a tremendous drop of 4,678 MB y-o-y. For the chemicals associates, this is attributed to the trough margins and inventory adjustments, while the performance of the non-chemicals associates in Q1/12 was affected by the flood of Q4/11.

Total dividends received in H1/12 was 4,725 MB, down 9% y-o-y, with details as follows: a) 3,152 MB from "Associated" companies (20%-50% stake), and b) 1,573 MB from "Other" companies (less than 20% stake).

Cash & Cash Under Management of 40,102 MB.

Continued solid financial structure, with cash and cash under management of 40,102 MB at the end of Q2/12, despite the CAPEX and investment activities of 24,840 MB and H2/11 year-end dividend of 8,400 MB or 7.0 Baht/share. Net Working Capital increased slightly by 523 MB q-o-q to 52,725 MB.

H1/12 interim dividend of 4.5 Bt/Share or 53% payout ratio.

The Board of Directors of SCC has approved a H1/12 interim dividend payment of 4.5 Bt/Sh (5,400 MB and payout ratio of 53%), which is payable on Aug 23/12 (record date of Aug 8/12 and book closing date of Aug 9/12).

Table 1 - Consolidated SCG	Q2/12 MB	% Change y-o-y	% Change q-o-q	H1/12 MB	% Change y-o-y
Revenue from Sales	100,541	7%	-2%	203,425	9%
Profit for the Period	4,280	-43%	-28%	10,252	-39%
EBITDA	12,178	-14%	18%	22,479	-19%
EBITDA from Operations	9,492	-14%	-3%	19,327	-19%
Earnings per Share (EPS)	3.6	-43%	-28%	8.5	-39%
Dividend Summary	**H1/12**	**H2/11**	**H1/11**		
Baht Per Share	4.5	7.0	5.5		
Payout Ratio (% of Net Profit)	53%	79%	40%		

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

SCG's Business Sector Summary

SCG Chemicals
Affected by the inventory adjustment of -2,000 MB in Q2/12 from subsidiaries and associates and the BST plant shut-down.

In Q2/12, the average Naphtha price decreased $128/ton q-o-q and $100/ton y-o-y to $893/ton following oil price drop, which declined $9/bbl q-o-q due to the concerns on Chinese growth and economic crisis in Europe.

Ethylene prices followed the downtrend of feedstock prices. The Q2/12 average ethylene price was $1,184/ton, down $67/ton q-o-q, and down $107/ton y-o-y. The average price of propylene stayed flat q-o-q at $1,284/ton, but down $204/ton y-o-y.

HDPE prices decreased at a slower pace than that of monomer prices to $1,387/ton in Q2/12, down $8/ton q-o-q. PP Prices also increased $16/ton q-o-q to $1,445/ton. Petrochemical margins saw a recovery sign which improved $119/ton q-o-q to $494/ton for HDPE-naphtha and $143/ton to $551/ton for PP-naphtha.

The total polyolefins (PE and PP) sales volume in Q2/12 registered at 385,000 tons, which was down 48,000 ton q-o-q due to the reduced operating rate at crackers after BST plant shut-down.

For PVC, the average margin (PVC-EDC/C2) increased by $94/ton q-o-q to $518/ton in Q2/12 from higher PVC price and lower ethylene price. For Butadiene, the margin (BD-Naphtha) gap reduced from slow derivative demand and MMA margin (MMA-Naphtha) has seen an upward trend from Q1/12. In PTA, the gap (PTA-PX) remained challenging.

Revenue from Sales in Q2/12 registered 49,339 MB, down 7% q-o-q and flat y-o-y due to lower volume. EBITDA improved 221% q-o-q to 2,868 MB, boosted by dividend income from associate companies. In light of the trough chemicals margins, the BST plant shut-down, and the approximate -2,000 MB in inventory adjustment from subsidiaries and associates, SCG Chemical's Profit for Q2/12 registered a loss of 1,005 MB in Q2/12.

SCG Paper
Continued recovery.

The Packaging Paper sales volume (in Thailand, Philippines and Vietnam) recorded 4% q-o-q and 7% y-o-y increase, attributed to an increased volume of regional sales from Vietnam operation, and an increased volume of Thailand domestic sales mainly due to higher demand in consumer products segment. For the Thai-based facilities, export portion accounted for 15% of the total sales volume, compared to 16% in Q2/11. The price of wastepaper slightly decreased by $5/ton q-o-q to $230/ton due to continued slow demand for packaging materials in China. However, an attempt to push up prices by the producers and increased shipping costs drove the regional price of Packaging Paper to increase $5/ton q-o-q to $510/ton. The Corrugated Containers sales volume rose 5% q-o-q in Q2/12 thanks to an increase in demand from all segments. Nevertheless, y-o-y sales dropped 5% from flooding effect causing some plants in electrical appliance/computer segment under restoration, as well as from the slowdown in export to Europe.

In the Printing & Writing Paper (P&W) business, domestic demand improved due to increased demand from promotional printing segment. Q2/12 total sales volume decreased 5% q-o-q, attributed to increasing import competition. Export sales volume in Q2/12 amounted to 23% of the total sales, compared to 24% in Q2/11. The regional price of P&W Paper increased $30/ton q-o-q to $885/ton from seasonal demand in educational materials in Southeast Asia and Hongkong, following a slight increase in prices of Short-fiber Pulp (up $45/ton q-o-q to $650/ton) mainly attributed to Chinese inventory replenishment and increased freight costs. Long-fiber Pulp prices remained stable at $690/ton due to demand softness and oversupply from Europe and Scandinavian countries.

Financially, SCG Paper posted Q2/12 Revenue from Sales of 14,456 MB, an increase 3% q-o-q from increased sales volume of Packaging Paper business, and up 4% y-o-y. EBITDA registered 2,370 MB, up 7% q-o-q mainly from increased Revenue from Sales and improved efficiency in Packaging Paper business. Similarly, Profit for the quarter amounted to 1,101 MB, up 9% q-o-q and y-o-y.

SCG Cement
Q2/12 domestic volume growth of 10% y-o-y, but prices were down slightly.

In Q2/12, the domestic cement market amounted to 7.3 MT, an increase of 10% y-o-y, thanks to increased demand from the commercial and the residential sectors, particularly in the up-country region. SCG Cement's sales volume was relatively in-line with that of the industry, while the average price of domestic grey cement dropped slightly q-o-q to approximately 1,800 Bt/ton.

In the export market, SCG Cement's Q2/12 sales volume decreased to 1.4 MT, or down 28% q-o-q due to the rise in domestic cement demand. The average FOB export price increased slightly to $50.6/ton, as a result of higher transportation cost.

SCG Cement's Q2/12 Revenue from Sales increased by 3% q-o-q to 16,610 MB and gained 22% y-o-y, thanks to higher sales volume and the consolidation of the newly acquired ready mixed concrete (RMC) business in Indonesia. However, EBITDA dropped 11% q-o-q to 3,476 MB, owing to higher power cost and maintenance, but increased slightly by 3% y-o-y. Similarly, Profit for the Period registered 2,072 MB, a drop of 18% q-o-q, but increased 4% y-o-y.

Table 2 - SCG's Sectors **REVENUE FROM SALES (MB)**	**Q2/12**	**Change % y-o-y**	**Change % q-o-q**	**H1/12 MB**	**Change % y-o-y**
Consolidated SCG	**100,541**	**7%**	**-2%**	**203,425**	**9%**
SCG Chemicals	49,339	0%	-7%	102,239	4%
SCG Paper	14,456	4%	3%	28,441	3%
SCG Cement	16,610	22%	3%	32,701	17%
SCG Building Materials	10,665	25%	3%	20,980	22%
SCG Distribution	30,894	10%	-4%	63,198	11%
EBITDA (MB)	**Q2/12**	**% y-o-y**	**% q-o-q**	**H1/12**	**% y-o-y**
Consolidated SCG	**12,178**	**-14%**	**18%**	**22,479**	**-19%**
SCG Chemicals	2,868	-40%	221%	3,762	**-61%**
SCG Paper	2,370	1%	7%	4,585	-6%
SCG Cement	3,476	3%	-11%	7,391	4%
SCG Building Materials	1,743	22%	-9%	3,660	29%
SCG Distribution	426	12%	-21%	968	3%
SCG Investment	1,410	-20%	92%	2,144	2%
EBITDA from Operation (MB)	**Q2/12**	**% y-o-y**	**% q-o-q**	**H1/12**	**% y-o-y**
Consolidated SCG	**9,492**	**-14%**	**-3%**	**19,327**	**-19%**
SCG Chemicals	330	-84%	-23%	758	-88%
SCG Paper	2,369	1%	7%	4,584	-6%
SCG Cement	3,476	3%	-11%	7,391	4%
SCG Building Materials	1,669	25%	-13%	3,586	30%
SCG Distribution	421	10%	-22%	963	2%
SCG Investment	1,343	-11%	83%	2,077	11%
EBITDA MARGINS (%)	**Q2/12**	**Q2/11**	**Q1/12**	**H1/12**	**H1/11**
Consolidated SCG	**9%**	**12%**	**10%**	**10%**	**13%**
SCG Chemicals	1%	4%	1%	1%	6%
SCG Paper	16%	17%	16%	16%	18%
SCG Cement	21%	25%	24%	23%	26%
SCG Building Materials	16%	16%	19%	17%	16%
SCG Distribution	1%	1%	2%	2%	2%
Profit for the Period (MB)	**Q2/12**	**% y-o-y**	**% q-o-q**	**H1/12**	**% y-o-y**
Consolidated SCG	**4,280**	**-43%**	**-28%**	**10,252**	**-39%**
SCG Chemicals	(1,005)	-140%	-181%	235	-97%
SCG Paper	1,101	9%	9%	2,111	2%
SCG Cement	2,072	4%	-18%	4,591	9%
SCG Building Materials	678	29%	-24%	1,571	49%
SCG Distribution	243	-2%	-33%	606	-12%
SCG Investment	1,827	15%	351%	2,232	1%

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 Building Materials
Seasonal effect and cost pressure q-o-q.

Revenue from Sales increased 3% q-o-q and 25% y-o-y to 10,665 MB, the result of continued domestic market growth momentum, particularly in the fiber cement product and ceramic tiles, in addition to the recent consolidation of Mariwasa Siam Ceramics (new subsidiary in the Philippines) in Q2/12. With the q-o-q inflationary pressures of wages and energy costs, EBITDA dropped 9% q-o-q to 1,743 MB, while Profit for the Period declined 24% q-o-q to 678 MB. On the y-o-y basis, following the consolidation of Mariwasa, EBITDA increased 22% increase y-o-y and Profit for the Period gained 29% y-o-y.

SCG Distribution
Sales growth y-o-y.

SCG Distribution registered Q2/12 Revenue from Sales of 30,894 MB, a drop of 4% q-o-q due to seasonal factors, but representing an increase of 10% y-o-y with higher domestic demand of construction related products, and the consolidation of Kokoh, an Indonesian distributor of building materials. EBITDA declined 21% q-o-q on seasonal factors, but increased 12% y-o-y to 426 MB, while Profit for the Period dropped 33% q-o-q to 243 MB and was relatively flat y-o-y.

SCG's Financials

Net Debt
132,402 MB, an increase of 20,288 MB from Q4/11.

Net Debt increased 20,288 MB from the end of Q4/11 to 132,402 MB. This compared to the cash outflow of 33,240 MB for CAPEX & Investments activities (24,840 MB) and the year-end H2/11 year-end dividend payment of 7.0 Baht/share (8,400 MB). The Net Debt / EBITDA ratio rose was at 2.9 times in Q2/12, on EBITDA weakness from the chemicals trough, while the H1/12 finance cost registered 3,446 MB, with an average cost of 4.4% in Q2/12.

CAPEX & Investment

CAPEX & Investment in H1/12 amounted to 24,840 MB, comprising largely of the increase in shares of Thai Plastic and Chemicals (TPC). With continued cash generation from the operations and availability of cash and cash under management, SCG is eager to continue to pursue its strategy of ASEAN expansion in the existing key businesses.

Table 3
SCG's Debt Profile (MB)

SCG's Debt Profile (MB)	Q2/12	Q1/12	Q4/11	Q2/11
Short Term	**22,568**	**29,461**	**20,192**	**20,520**
Foreign	1,024	1,090	702	825
Baht	21,544	28,371	19,490	19,695
% of Total Loan	13%	17%	12%	13%
Long Term	**149,936**	**140,940**	**142,210**	**138,430**
Foreign	14,666	13,768	14,205	15,135
Baht	135,270	127,172	128,005	123,295
% of Total Loan	87%	83%	88%	87%
Total Loan	**172,504**	**170,401**	**162,402**	**158,950**
Cash & Cash Under Management	**40,102**	**44,827**	**50,288**	**58,229**
Cash and cash equivalents	23,551	31,271	22,680	8,946
Short-term investments	10,869	7,735	7,205	9,433
Available-for-sale investments	5,682	5,821	20,403	39,850
Total Net Debt	**132,402**	**125,574**	**112,114**	**100,721**

SCG's Financial Ratios

SCG's Financial Ratios	Q2/12	Q1/12	Q4/11	Q2/11
EBITDA on Assets (%)	12%	11%	12%	14%
Current Ratio (times)	1.1	1.0	1.1	1.1
Quick Ratio (times)	0.6	0.6	0.6	0.5
Interest Coverage (times)	6.5	8.3	7.6	9.3
Net Debt to EBITDA (times)	2.9	3.0	2.4	2.0
Net Debt to Equity (times)	0.9	0.8	0.7	0.6
Debt to Equity (times)	1.5	1.6	1.3	1.3
Return on Equity (%)	15%	18%	20%	25%

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

Table 4
SCG's Statement of Financial Position (MB)

SCG's Statement of Financial Position (MB)	June/12	Dec/11	June/11
Total Assets	**384,118**	**374,738**	**373,213**
Current assets			
Cash, cash equivalent and short-term investment	34,420	29,885	18,379
Trade receivables	40,052	33,625	34,657
Inventory	45,490	41,838	43,795
Long-term investment	68,480	84,614	94,500
Property, plant, and equipment	161,599	156,683	152,550
Total Liabilities	**230,816**	**211,769**	**210,783**
Trade payables	32,818	25,403	27,721
Loans	172,504	162,402	158,950
Total Equity	**153,302**	**162,969**	**162,430**
Total equity attributable to owners of the parent	136,259	140,199	137,883
Non-controlling interests	17,043	22,770	24,547