



**The Siam Cement Public Company Limited  
Management's Discussion and Analysis (MD&A)  
Consolidated Financial Results: Q3/12 and 9M/12**

**Q3/12 Profit for the Period of 6,416 MB, up 50% q-o-q, but down 13% y-o-y.**

**9M/12 Equity Income of 602 MB, down 6,051 MB y-o-y.**

**Cash & Cash Under Management of 37,740 MB.**

**SCG's Consolidated Performance Overview**

SCG reported Q3/12 Profit for the Period of 6,416 MB, up 50% q-o-q, attributed to the gradual recovery of the chemical business, in addition to continued growths in the cement, and building materials businesses. However, EBITDA dropped 5% q-o-q to 11,520 MB, as there were seasonal dividends received from investments in Q2/12. Revenue from Sales amounted to 104,286 MB, or up 4% q-o-q.

On a y-o-y basis, Q3/12 Profit for the Period dropped 13% y-o-y, largely due to the trough in chemicals margins. EBITDA grew 9% y-o-y, following the growths in the cement business, while Revenue from Sales increased 11% y-o-y on higher cement and chemicals sales volume.

For 9M/12, Profit for the Period registered 16,668 MB dropped 31% y-o-y, reflecting the chemicals business' trough margins, inventory loss in Q2/12, and the plant shut-down of BST. Similarly, EBITDA dropped 11% y-o-y to 33,999 MB, while Revenue from Sales increased 10% y-o-y to 307,711 MB from higher product prices and volume growth in all businesses.

Equity Income in 9M/12 amounted to 602 MB, a drop of 6,051 MB y-o-y, due to the trough in margins for the chemicals associated companies, and the plant shut-down of BST.

Total dividends received in 9M/12 was 5,002 MB, down 23% y-o-y, with details as follows: a) 3,290 MB from "Associated" companies (20%-50% stake), and b) 1,712 MB from "Other" companies (less than 20% stake).

Continued solid financial structure, with cash & cash under management of 37,740 MB, despite the 9M/12 CAPEX and Investment of 30,439 MB. Net Working Capital was stable q-o-q at 53,203 MB, with Inventory to Sales at 41 days

<b>Table 1 - Consolidated SCG</b>	<b>Q3/12</b>	<b>% Change</b>	<b>% Change</b>	<b>9M/12</b>	<b>% Change</b>
	<b>MB</b>	<b>y-o-y</b>	<b>q-o-q</b>	<b>MB</b>	<b>y-o-y</b>
Revenue from Sales	104,286	11%	4%	307,711	10%
Profit for the Period	6,416	-13%	50%	16,668	-31%
EBITDA	11,520	9%	-5%	33,999	-11%
EBITDA from Operations	11,382	20%	20%	30,709	-8%
Earnings per Share (EPS)	5.3	-13%	50%	13.9	-31%

**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

**Q3/12 sales volume of PE/PP increased 79,000 tons or 21% q-o-q, and inventory adjustment of +1,000 MB (subsidiaries and associates).**

### SCG's Business Sector Summary

In Q3/12, the average Naphtha price moved up \$22/ton q-o-q to \$915/ton following crude oil price which increased \$1/bbl q-o-q due to geopolitical risks. However, when compared y-o-y, Naphtha price dropped \$41/ton, following lower crude oil price which decreased \$3/bbl y-o-y.

Ethylene prices adjusted following the uptrend of naphtha prices. Q3/12 average ethylene price was \$1,200/ton, up \$16/ton q-o-q and up \$107/ton y-o-y. However, propylene price came down \$28/ton q-o-q to \$1,256/ton and down \$138/ton y-o-y.

HDPE prices in Q3/12 dropped to \$1,343/ton (down \$44/ton q-o-q, and \$56/ton y-o-y) attributed to uncertain outlook of economy. Consequently, the HDPE-Naphtha margin squeezed \$66/ton q-o-q and \$15/ton y-o-y to \$428/ton. Price of PP remained quite flat at \$1,444/ton (down \$1/ton q-o-q and down \$162/ton y-o-y) but still has \$101/ton over HDPE price. This results in PP-Naphtha price gap of \$529/ton, decreased \$22/ton q-o-q, and down \$121/ton y-o-y. However, these gaps are still on the recovery trend with higher level than those of Q1/12.

The total polyolefins (PE and PP) sales volume in Q3/12 registered at 464,000 tons, up 79,000 tons q-o-q from restocking activities in Asia, particularly in China.

PVC margins (PVC-EDC/C2) in Q3/12 decreased \$54/ton q-o-q to \$463/ton due to low seasonal demand in Asia, but up \$20/ton y-o-y attributed to lower EDC price. For Butadiene, the margin (BD-Naphtha) gap reduced from slow derivative demand and MMA margin (MMA-Naphtha) has also decreased following uncertain global demand. In PTA, the gap (PTA-PX) still remained challenging.

Revenue from Sales in Q3/12 improved 5% q-o-q and 7% y-o-y to 52,051 MB, following higher sales volume. Similarly, EBITDA increased 6% q-o-q and 14% y-o-y to 3,036 MB. Profit for the Period turned positive q-o-q at 2,270 MB with a stock adjustment of approximately 1,000 MB (subsidiaries and associates), but decreased 30% y-o-y from lower equity income from associates.

### SCG Paper

**Performance was affected by the control room fire at PPPC.**

The Packaging Paper sales volume (in Thailand, Philippines and Vietnam) was relatively unchanged q-o-q but increased 5% y-o-y. This y-o-y increase was attributed to the healthy domestic sales volume, mainly from the food and beverage segment, and increased export sales to ASEAN countries. For the Thai-based facilities, export portion accounted for 18% of the total Q3/12 sales volume, compared to 17% in Q3/11. The average price of wastepaper decreased \$40/ton q-o-q to \$190/ton, due to global demand softness of packaging paper. The regional price of Packaging Paper followed suit with a \$5/ton q-o-q drop to \$505/ton. The Corrugated Containers sales volume rose 9% q-o-q in Q3/12, owing to the increase in demand from the consumer products segment.

In the Printing & Writing Paper (P&W) business, Q3/12 domestic sales volume increased 7% q-o-q from all segments with seasonal demand in publication and commercial segment ahead of national book fair and year-end festival. Total sales volume dropped 3% y-o-y from decreased export volume due to demand softness, coupled with decreased export allocation from PPPC's control room fire. Export sales volume in Q3/12 amounted to 20% of the total sales, compared to 25% in Q3/11. The regional price of P&W Paper dropped \$55/ton q-o-q to \$830/ton from regional demand softness and continued oversupply situation, following the downward trend of Pulp prices. The prices of Short-fiber and Long-fiber Pulp decreased \$20/ton and \$60/ton to \$630/ton respectively, mainly attributed to sluggish paper demand and falling paper prices in China.

Financially, SCG Paper posted Q3/12 Revenue from Sales of 14,585 MB, an increase of 1% q-o-q, and up 2% y-o-y. EBITDA registered 2,273 MB, down 4% q-o-q mainly from higher production costs in the Printing & Writing Paper business as a result of the control room fire at PPPC's plant (Khon Kaen) in late-July/12. Similarly, Profit for the quarter amounted to 851 MB, down 23% q-o-q and 7% y-o-y.

**SCG Cement**  
***Q3/12 domestic volume growth of 16% y-o-y, with strong demand from all sectors.***

In Q3/12, the domestic cement market (all players) amounted to 7.9 MT, an increase of 16% y-o-y thanks to strong cement demand from all sectors (residential, government, commercial). This has resulted in the 9M/12 domestic cement market (all players) sales volume growth of 11% y-o-y. SCG Cement's sales volume was relatively in-line with that of the industry, while the average price of domestic grey cement that was relative stable q-o-q at 1,800 Bt/ton.

In the export market, SCG Cement's Q3/12 sales volume was relatively stable q-o-q at 1.4 MT, but down 0.3 MT y-o-y, in light of the rapid growth of domestic sales volume. The average FOB export price increased slightly to \$52/ton, due to the change in product mix, with decreased clinker sales volume.

SCG Cement's Q3/12 Revenue from Sales increased 7% q-o-q and 29% y-o-y to 17,696 MB, attributed to higher sales volume of domestic grey cement and RMC (ready-mixed concrete) as well as the consolidation of the recently acquired RMC business in Indonesia. As a result, EBITDA increased 14% q-o-q and 24% y-o-y to 3,957 MB, while Profit for the Period registered 2,453 MB, an increase of 18% q-o-q and 33% y-o-y.

**SCG Building Materials**  
***Sales grew 18% y-o-y, but with dropped 2% q-o-q on seasonal factors.***

Revenue from Sales of building materials grew a healthy 18% y-o-y to 10,502 MB, the result of continued domestic market growth momentum, particularly ceramic tiles, in addition to the recent consolidation of Mariwasa-Siam Ceramics (new subsidiary in the Philippines), but dropped 2% q-o-q on seasonal issues. Similarly, EBITDA grew 15% y-o-y to 1,620 MB, but decreased 7% q-o-q. Profit for the Period registered 768 MB, an improvement of 51% y-o-y and 13% q-o-q, partly from special gains from the flood insurance claim and the sale of TGCI's land.

**SCG Distribution**  
***Sales growth y-o-y, but performance dropped y-o-y on cost pressure.***

SCG Distribution registered Q3/12 Revenue from Sales of 32,507 MB, an increase of 14% y-o-y and 5% q-o-q, largely due to the growth of the domestic construction industry, and the consolidation of Kokoh, an Indonesian distributor of building materials. However, EBITDA declined 17% y-o-y to 424 MB, due to administrative and labour cost pressures. Similarly, Profit for the Period dropped 31% y-o-y to 262 MB.

<b>Table 2 - SCG's Sectors</b>					
<b>REVENUE FROM SALES (MB)</b>	<b>Q3/12</b>	<b>Change % y-o-y</b>	<b>Change % q-o-q</b>	<b>9M/12 MB</b>	<b>Change % y-o-y</b>
<b>Consolidated SCG</b>	<b>104,286</b>	<b>11%</b>	<b>4%</b>	<b>307,711</b>	<b>10%</b>
SCG Chemicals	52,051	7%	5%	154,290	5%
SCG Paper	14,585	2%	1%	43,026	3%
SCG Cement	17,696	29%	7%	50,397	21%
SCG Building Materials	10,502	18%	-2%	31,482	20%
SCG Distribution	32,507	14%	5%	95,705	12%
<b>EBITDA (MB)</b>	<b>Q3/12</b>	<b>% y-o-y</b>	<b>% q-o-q</b>	<b>9M/12</b>	<b>% y-o-y</b>
<b>Consolidated SCG</b>	<b>11,520</b>	<b>9%</b>	<b>-5%</b>	<b>33,999</b>	<b>-11%</b>
SCG Chemicals	3,036	14%	6%	6,798	-45%
SCG Paper	2,273	-3%	-4%	6,858	-5%
SCG Cement	3,957	24%	14%	11,348	10%
SCG Building Materials	1,620	15%	-7%	5,280	24%
SCG Distribution	424	-17%	0%	1,392	-4%
SCG Investment	353	10%	-75%	2,497	3%
<b>EBITDA from Operation (MB)</b>	<b>Q3/12</b>	<b>% y-o-y</b>	<b>% q-o-q</b>	<b>9M/12</b>	<b>% y-o-y</b>
<b>Consolidated SCG</b>	<b>11,382</b>	<b>20%</b>	<b>20%</b>	<b>30,709</b>	<b>-8%</b>
SCG Chemicals	2,925	72%	786%	3,683	-54%
SCG Paper	2,273	-3%	-4%	6,857	-5%
SCG Cement	3,957	24%	14%	11,348	10%
SCG Building Materials	1,592	23%	-5%	5,178	28%
SCG Distribution	424	-17%	1%	1,387	-5%
SCG Investment	353	10%	-74%	2,430	11%
<b>EBITDA MARGINS (%)</b>	<b>Q3/12</b>	<b>Q3/11</b>	<b>Q2/12</b>	<b>9M/12</b>	<b>9M/11</b>
<b>Consolidated SCG</b>	<b>11%</b>	<b>10%</b>	<b>9%</b>	<b>10%</b>	<b>12%</b>
SCG Chemicals	6%	3%	1%	2%	5%
SCG Paper	16%	16%	16%	16%	17%
SCG Cement	22%	23%	21%	23%	25%
SCG Building Materials	15%	15%	16%	16%	15%
SCG Distribution	1%	2%	1%	1%	2%
<b>Profit for the Period (MB)</b>	<b>Q3/12</b>	<b>% y-o-y</b>	<b>% q-o-q</b>	<b>9M/12</b>	<b>% y-o-y</b>
<b>Consolidated SCG</b>	<b>6,416</b>	<b>-13%</b>	<b>50%</b>	<b>16,668</b>	<b>-31%</b>
SCG Chemicals	2,270	-30%	-	2,505	-76%
SCG Paper	851	-7%	-23%	2,962	-1%
SCG Cement	2,453	33%	18%	7,044	16%
SCG Building Materials	768	51%	13%	2,339	50%
SCG Distribution	262	-31%	8%	868	-19%
SCG Investment	435	-38%	-76%	2,667	-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's Financials**

#### **Net Debt**

**131,775 MB, an increase of 19,661 MB from Q4/11.**

Net Debt increased 19,661 MB from the end of Q4/11 to 131,775 MB. This compared to the combined cash outflow of 44,239 MB for CAPEX & Investments activities of 30,439 MB and dividend to shareholders of 13,800 MB (year-end H2/11 and interim H1/12). The Net Debt / EBITDA ratio was at 2.9 times in Q3/12, partly due to decreased chemicals EBITDA, while the 9M/12 finance cost registered 4,685 MB, with an average cost of 4.4% at the end of Q3/12.

#### **CAPEX & Investment**

CAPEX & Investment in 9M/12 amounted to 30,439 MB, comprising largely of the increase in shares of Thai Plastic and Chemicals (TPC), the RMC business in Indonesia, and others. 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.

<b>Table 3</b>				
<b>SCG's Debt Profile (MB)</b>				
	<b>Q3/12</b>	<b>Q2/12</b>	<b>Q4/11</b>	<b>Q3/11</b>
<b>Short Term</b>	<b>19,757</b>	<b>22,568</b>	<b>20,192</b>	<b>16,314</b>
Foreign	1,195	1,024	702	729
Baht	18,562	21,544	19,490	15,585
% of Total Loan	12%	13%	12%	10%
<b>Long Term</b>	<b>149,758</b>	<b>149,936</b>	<b>142,210</b>	<b>142,495</b>
Foreign	13,079	14,666	14,205	14,092
Baht	136,679	135,270	128,005	128,403
% of Total Loan	88%	87%	88%	90%
<b>Total Loan</b>	<b>169,515</b>	<b>172,504</b>	<b>162,402</b>	<b>158,809</b>
<b>Cash &amp; Cash Under Management</b>	<b>37,740</b>	<b>40,102</b>	<b>50,288</b>	<b>49,662</b>
Cash and cash equivalents	19,555	23,551	22,680	14,101
Short-term investments	12,542	10,869	7,205	5,680
Available-for-sale investments	5,643	5,682	20,403	29,881
<b>Total Net Debt</b>	<b>131,775</b>	<b>132,402</b>	<b>112,114</b>	<b>109,147</b>
<b>SCG's Financial Ratios</b>				
	<b>Q3/12</b>	<b>Q2/12</b>	<b>Q4/11</b>	<b>Q3/11</b>
EBITDA on Assets (%)	12%	12%	12%	13%
Current Ratio (times)	1.1	1.1	1.1	1.1
Quick Ratio (times)	0.6	0.6	0.6	0.5
Interest Coverage (times)	7.3	6.5	7.6	8.8
Net Debt to EBITDA (times)	2.9	2.9	2.4	2.2
Net Debt to Equity (times)	0.9	0.9	0.7	0.7
Debt to Equity (times)	1.5	1.5	1.3	1.3
Return on Equity (%)	16%	15%	20%	24%

<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>			
	<b>Sept/12</b>	<b>Dec/11</b>	<b>Sept/11</b>
<b>Total Assets</b>	<b>386,042</b>	<b>374,738</b>	<b>372,477</b>
Current assets			
Cash, cash equivalent and short-term investment	32,097	29,885	19,781
Trade receivables	41,091	33,625	33,568
Inventory	47,779	41,838	44,676
Long-term investment	69,807	84,614	93,189
Property, plant, and equipment	162,590	156,683	153,101
<b>Total Liabilities</b>	<b>231,126</b>	<b>211,769</b>	<b>212,731</b>
Trade payables	35,667	25,403	30,579
Loans	169,515	162,402	158,809
<b>Total Equity</b>	<b>154,916</b>	<b>162,969</b>	<b>159,746</b>
Total equity attributable to owners of the parent	137,058	140,199	135,721
Non-controlling interests	17,858	22,770	24,025