



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q1/14**

Profit for the Period of 8,381 MB in Q1/14.

Equity Income registered 1,725 MB in Q1/14, down 74MB y-o-y but up 184 MB q-o-q.

Cash & Cash Under Management of 32,633 MB.

SCG's Consolidated Performance Overview

SCG reported Q1/14 Profit for the Period of 8,381 MB, a drop of 5% y-o-y, following lower chemicals earnings (FX gain in Q1/13, higher minority interest in Q1/14, and lower sales volume as the cracker ramped-up from its Dec 25/13 maintenance restart). However, EBITDA grew 20% y-o-y to 15,464 MB, on the continued rise in chemicals margins recovery and asset consolidation in the cement and building materials business in Q2/13 and Q3/13. Revenue from Sales increased 11% y-o-y to 121,765 MB, with growths from all business units.

On a q-o-q basis, the Q1/14 Profit for the Period grew 5% q-o-q, and is attributed to the seasonal growths in the cement – building materials business, and the recovery of the paper business. However, EBITDA decreased by 2% q-o-q, primarily due to the lack of seasonal dividend contribution from SCG Investment (in "Other" segment), while Revenue from Sales increased 17% q-o-q from increased q-o-q sales in all business units.

Equity Income in Q1/14 amounted to 1,725 MB, of which non-chemicals associates contributed 1,047 MB and chemicals associates contributed another 678 MB. Equity income dropped 74 MB y-o-y and gained 184 MB q-o-q, both mainly due to the non-chemicals associates.

Total dividends received in Q1/14 was 579 MB, down 18% y-o-y, with details as follows: a) 393 MB from "Associated" companies (20%-50% stake), and b) 186 MB from "Other" companies (less than 20% stake).

Continued solid financials, with cash & cash under management of 32,633 MB, which increased 2,966 MB from Q4/13, despite the CAPEX and Investments of 10,890 MB in Q1/14.

Net Working Capital registered 65,863 MB, an increase of 18% q-o-q, mainly due to the chemicals business, but Inventory to Sales registered 43 days from 48 days.

Table 1 - Consolidated SCG	Q1/14 MB	% Change y-o-y	% Change q-o-q	FY2013 MB
Revenue from Sales	121,765	11%	17%	434,251
Profit for the Period	8,381	-5%	5%	36,522
EBITDA	15,464	20%	-2%	61,265
EBITDA from Operations	15,071	21%	-2%	58,452
Earnings per Share (EPS)	7.0	-5%	5%	30.4

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 Segments Summary

**SCG Cement–Building Materials
Q1/14 domestic cement volume grew 4% y-o-y.**

In Q1/14, Thailand's total domestic cement demand grew approximately 4% y-o-y, attributed mainly to the growths in the central areas and especially from the commercial sectors. The Q1/14 domestic cement sales volume of SCG Cement-Building Materials was relatively in line with that of the industry, with a realized domestic grey cement price of 1,950 - 2,000 Baht/ton, compared to 1,950 Baht/ton in Q4/13.

In the export market of grey cement, sales volume in Q1/14 was flat y-o-y at 1.3 MT, while the average FOB export price increased by \$2/ton y-o-y to \$54/ton, due to the decrease in sales of the lower priced clinker products.

In the Thai domestic market, the market demand growth for Housing Products (roofing, board & wood substitute etc) dropped 9% y-o-y, while demand for ceramic decreased 6% y-o-y. This decline is attributed to the economic concerns, stemming from political issues and lower agricultural farm prices, in addition to the substitution effect (from fibre-cement roofing products to lower priced metal sheets).

On a q-o-q basis, the market demand growth for Housing Products grew 16% q-o-q, while demand for ceramics increased by 5% q-o-q. The q-o-q increases were attributed to seasonality factors.

In terms of ceramic tiles, total sales volume (floor and wall tiles) throughout SCG's ASEAN operations (Thailand, Indonesia, Philippines, Vietnam) grew 39% y-o-y, attributed to the consolidation of Prime Group (Vietnam ceramics), which has an install capacity of 75 million sqm of the total 225 million sqm capacity for SCG Cement – Building Materials. The total average price of ceramic tiles for all of SCG's ASEAN operations increased 4% q-o-q, due to change in product mix (increase portion of medium-high markets).

SCG Cement–Building Materials' Q1/14 Revenue from Sales increased 10% y-o-y and 9% q-o-q to 47,512 MB, attributed to the consolidation of Prime Group (in Q2/13) and the sanitary ware and fittings business (in Q3/13). This resulted in the EBITDA of 7,605 MB, an increase of 15% y-o-y, and 19% q-o-q. Similarly, Profitability grew 2% y-o-y and 25% q-o-q to 4,114 MB.

SCG Chemicals
Gradual increase in PE/PP margins.

In Q1/14, crude oil prices decreased \$2/bbl q-o-q to \$108/bbl level, attributed to QE tapering by US Federal Reserve and relief of sanctions on Iran. The market prices of naphtha decreased \$11/ton q-o-q or 1% q-o-q to \$935/ton, softening along with crude oil price. Furthermore, the fall in LPG prices, as a result of the decreased demand of heating fuel after winter, made it economical as an alternative chemicals feedstock.

The market prices of HDPE and PP both increased 1% q-o-q to \$1,554/ton and \$1,561/ton, respectively, supported by restocking activities of plastics producers in China. As a result, the Q1/14 average HDPE-Naphtha margin increased \$30/ton q-o-q to \$620/ton, while the average PP-Naphtha margin increased \$29/ton q-o-q to \$626/ton.

In Q1/14, SCG Chemicals sold a total of 438,000 tons of polyolefin products (PE and PP), an increase of 66,000 tons q-o-q, owing to production volume from MOC complex (second naphtha cracker) after returning from 45-day maintenance in Q4/13.

The market PVC margin (PVC-EDC/C2) decreased 9% q-o-q to \$336/ton, attributed to the 24% rise in EDC prices, while PVC prices increased by only 4% q-o-q to \$1,045/ton. The BD-Naphtha margin decreased 26% q-o-q to \$452/ton, pressured by the weakened demand for synthetic rubber in China. The MMA-Naphtha margin increased 2% q-o-q to \$1,120/ton. In the PTA business, the PTA-PX margin increased 62% q-o-q to \$68/ton, resulting from the decline in PX prices (weakened downstream demand and new capacity additions).

SCG Chemicals' Revenue from Sales in Q1/14 increased 26% q-o-q to 60,826 MB as a result of increased volume and higher product prices. However, EBITDA decreased 9% q-o-q to 4,987 MB, attributed to lower PVC margin, and the inventory gain in Q4/13. Profit for the Period increased 11% q-o-q to 2,480 MB, attributed to slightly better margins and increased sales volume. On a y-o-y basis, Revenue from Sales increased 14% y-o-y, while EBITDA increased 54% y-o-y as a result of increased HDPE and PP margins. However, Profit for the Period decreased 6% y-o-y, attributed to the FX gain in Q1/13, lower sales volume as the cracker ramped-up from its Dec 25/13 maintenance restart, decreased PVC margin, and the increase in minority interest (the rise in HDPE and PP margins were at the upstream portion where SCG's stake is approximately two thirds of each cracker).

SCG Paper
Recovery of margins and sales volume.

SCG Paper's Packaging Chain is comprised of Packaging Paper and Packaging Business (primarily Corrugated Containers). In Q1/14, the average price of wastepaper dropped \$10/ton q-o-q to \$210/ton, due to demand softness from China during the Chinese New Year. The average price of Packaging Paper was flat q-o-q at \$490/ton. The total Packaging Paper sales volume increased 5% y-o-y, attributed to strong demand in consumer products segment and increase in export, while Thailand's domestic demand of Packaging Paper was flat y-o-y.

Revenue from Sales in the Packaging Chain amounted to 11,342 MB, up 5% q-o-q and 9% y-o-y. The q-o-q and y-o-y increases in Revenue from Sales were mainly due to higher sales volume in both businesses. Total sales volume in the Packaging Chain increased 2% q-o-q and 7% y-o-y.

SCG Paper's Fibrous Chain (previously known as Printing & Writing Business) is comprised of Forestry, Pulp, and P&W Paper. In Q1/14, the average price of short-fiber pulp decreased \$20/ton q-o-q to \$605/ton. Long-fiber pulp price increased \$10/ton q-o-q to \$730/ton, owing to tight supply in the region. The regional price of P&W Paper increased \$15/ton q-o-q to \$805/ton from major paper producers' push in anticipation of seasonal demand in Spring. Revenue from Sales registered 4,611 MB, up 13% q-o-q from higher sales volume but down 2% y-o-y from demand softness. Domestic sales volume of P&W Paper increased 16% q-o-q mainly due to seasonal demand recovery from year-end, but dropped 2% y-o-y. Export sales volume of P&W Paper in Q1/14 amounted to 21% of the total sales volume, compared to 23% in Q1/13.

Financially, SCG Paper posted Q1/14 Revenue from Sales of 15,953 MB, increased 7% q-o-q, and 6% y-o-y, due to higher sales volume in both chains. EBITDA in Q1/14 amounted to 2,789 MB, up 43% q-o-q, while flat y-o-y. SCG Paper's Q1/14 EBITDA contributions from the Packaging Chain and the Fibrous Chain were 76% and 24%, respectively. Profit for the Period registered 1,255 MB, up 197% q-o-q, but down 6% y-o-y with higher depreciation and interest expenses.

Table 2 - SCG's Segments				
REVENUE FROM SALES (MB)	Q1/14	Change % y-o-y	Change % q-o-q	FY2013
Consolidated SCG	121,765	11%	17%	434,251
SCG Cement-Building Materials	47,512	10%	9%	174,642
SCG Chemicals	60,826	14%	26%	209,997
SCG Paper	15,953	6%	7%	59,135
Other	25	4%	14%	94
EBITDA (MB)	Q1/14	% y-o-y	% q-o-q	FY2013
Consolidated SCG	15,464	20%	-2%	61,265
SCG Cement-Building Materials	7,605	15%	19%	26,274
SCG Chemicals	4,987	54%	-9%	20,342
SCG Paper	2,789	0%	43%	9,473
Other	196	-21%	-90%	5,231
EBITDA from Operation (MB)	Q1/14	% y-o-y	% q-o-q	FY2013
Consolidated SCG	15,071	21%	-2%	58,452
SCG Cement-Building Materials	7,445	14%	19%	25,909
SCG Chemicals	4,834	65%	-8%	18,321
SCG Paper	2,789	0%	43%	9,470
Other	116	-53%	-94%	4,807
EBITDA MARGINS (%)	Q1/14	Q1/13	Q4/13	FY2013
Consolidated SCG	12%	11%	15%	13%
SCG Cement-Building Materials	16%	15%	14%	15%
SCG Chemicals	8%	5%	11%	9%
SCG Paper	17%	19%	13%	16%
Profit for the Period (MB)	Q1/14	% y-o-y	% q-o-q	FY2013
Consolidated SCG	8,381	-5%	5%	36,522
SCG Cement-Building Materials	4,114	2%	25%	16,092
SCG Chemicals	2,480	-6%	11%	11,292
SCG Paper	1,255	-6%	197%	3,587
Other	687	-19%	-67%	5,797

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.

SCC's Financials

Net Debt
Registered 163,142 MB in Q1/14, an increase of 5,378 MB from Q4/13.

Net debt registered 163,142 MB in Q1/14, an increase of 5,378 MB from Q4/13. This is relative to the Q1/14 EBITDA of 15,464 MB, while the combined cash outflow in Q1/14 was approximately 13,400 MB (CAPEX & Investments of 10,890 MB, interest payment of 1,883 MB and corporate tax of 676 MB).

The Net Debt / EBITDA ratio remained steady at 2.6 times (x) in Q1/14, despite the increase in net debt. Not taking into account the CAPEX of 7,071 MB in projects that are under construction, the Net Debt / EBITDA ratio would register 2.5 times (x).

Net finance and interest cost for Q1/14 amounted to 2,056 MB, compared to 8,193 MB in FY2013. The average cost of interest at the end of Q1/14 remained at 4.0%.

CAPEX & Investment
10,890 MB in Q1/14.

CAPEX & Investment in Q1/14 amounted to 10,890 MB, of which 53% was from cement-building materials, 28% from paper, 15% from chemicals and 4% from others. The forecasted FY2014 CAPEX & Investment is in the range of 40,000 - 50,000 MB. Over the period of 2014 to 2018, SCG's strategy remains focused towards the continued expansion into the ASEAN region, in the existing core businesses. The estimated CAPEX and Investments during 2014 to 2018 is estimated at approximately 200,000 MB to 250,000 MB.

Table 3			
SCG's Debt Profile (MB)			
	Q1/14	Q4/13	Q1/13
Short Term	23,410	13,062	23,185
Foreign	1,655	1,854	1,760
Baht	21,755	11,208	21,425
% of Total Loan	12%	7%	13%
Long Term	172,365	174,369	160,050
Foreign	2,210	2,677	11,672
Baht	170,155	171,692	148,378
% of Total Loan	88%	93%	87%
Total Loan	195,775	187,431	183,235
Cash & Cash Under Management	32,633	29,667	41,721
Cash and cash equivalents	20,493	17,434	28,050
Short-term investments	5,863	6,984	7,627
Available-for-sale investments	6,277	5,249	6,044
Total Net Debt	163,142	157,764	141,514
SCG's Financial Ratios			
	Q1/14	Q4/13	Q1/13
EBITDA on Assets (%)	13%	14%	13%
Current Ratio (times)	1.3	1.5	1.2
Quick Ratio (times)	0.7	0.7	0.7
Interest Coverage (times)	8.2	7.6	7.5
Net Debt to EBITDA (times)	2.6	2.6	2.8
Net Debt to Equity (times)	0.9	0.8	0.9
Debt to Equity (times)	1.5	1.4	1.6
Return on Equity (%)	21%	24%	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)			
	Mar/14	Dec/13	Mar/13
Total Assets	459,231	440,689	408,214
Current assets			
Cash, cash equivalent and short-term investment	26,356	24,418	35,677
Trade and other receivables	57,122	49,453	49,334
Inventory	58,132	55,557	46,679
Long-term investment	95,399	93,804	82,518
Property, plant, and equipment	188,551	183,842	166,086
Total Liabilities	272,743	253,927	248,798
Trade and other payables	52,914	51,211	43,527
Loans	195,775	187,386	183,200
Total Equity	186,488	186,762	159,416
Total equity attributable to owners of the parent	161,156	161,538	142,358
Non-controlling interests	25,331	25,223	17,058