



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q3/14 and 9M/14**

**Profit for the Period of
7,846 MB in Q3/14.**

SCG's Consolidated Performance Overview

SCG reported Q3/14 Profit for the Period of 7,846 MB, a drop of 20% y-o-y, as there was a non-recurring gain of 1,701 MB (fair investment value adjustment of sanitary ware and fittings assets, and sale of assets to TOTO) in the cement – building materials business in Q3/13. EBITDA increased 5% y-o-y to 16,079 MB, driving by the wider margins in the chemicals business and its dividends from associated companies. Revenue from Sales increased 9% y-o-y to 124,275 MB, largely due to higher chemicals prices.

On a q-o-q basis, Q3/14 Profit for the Period decreased 8% q-o-q, as there was the seasonal dividend income of 1,883 MB from SCG Investment during Q2/14 (in “Other” segment and booked as Other Income). EBITDA decreased 6% q-o-q, which was attributed to the domestic demand softness in the cement and building materials business, and the maintenance shutdown of the paper machinery. Revenue from Sales was relatively flat q-o-q.

For the period of 9M/14, Profit for the Period registered 24,759 MB, a decrease of 13% y-o-y, which is largely attributed to the non-recurring gain of 1,701 MB in Q3/13, the increase in non-controlling interests (minority interest), and lower equity income from associated companies. EBITDA increased 7% y-o-y to 48,558 MB with gains from most business units, while Revenue from Sales grew 12% y-o-y to 370,835 MB.

**Equity Income registered
4,482 MB in 9M/14, down
523 MB y-o-y.**

Equity Income in 9M/14 was 4,482 MB, representing a decrease of 523 MB y-o-y. Equity Income from non-chemicals associates contributed 2,252 MB in 9M/14 and represented a drop of 639 MB y-o-y. Equity Income from chemicals associates contributed 2,230 MB in 9M/14 and represented an increase of 116 MB y-o-y.

Total dividends received in 9M/14 was 5,683 MB, an increase of 5% y-o-y or 289 MB, details as follows: a) 3,458 MB from “Associated” companies (20%-50% stake), and b) 2,225 MB from “Other” companies (less than 20% stake).

**Cash & Cash Under
Management of 30,746 MB.**

Continued solid financials, with cash & cash under management of 30,746 MB, which grew 1,079 MB from Q4/13, despite the CAPEX and Investments of 32,406 MB in 9M/14.

Net Working Capital registered 67,714 MB, an increase of 7% q-o-q or 4,407 MB, with Inventory to Sales of 45 days from 40 days in Q2/14.

Table 1 - Consolidated SCG	Q3/14 MB	%Change y-o-y	%Change q-o-q	9M/14 MB	%Change y-o-y
Revenue from Sales	124,275	9%	0%	370,835	12%
Profit for the Period	7,846	-20%	-8%	24,759	-13%
EBITDA	16,079	5%	-6%	48,558	7%
EBITDA from Operations	14,203	-6%	-10%	45,100	5%
Earnings per Share (EPS)	6.5	-20%	-8%	20.6	-13%

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 Domestic cement volume dropped -3% y-o-y in Q3/14.

In Q3/14, Thailand's total domestic cement demand dropped approximately 3% y-o-y, attributed mainly to the general domestic economic slowdown. The Q3/14 domestic cement sales volume of SCG Cement-Building Materials was relatively in line with that of the industry, while the realized domestic grey cement dropped slightly q-o-q and remained at the lower end of the 1,950 – 2,000 Baht/ton range in Q2/14. As a result, the 9M/14 domestic volume sales grew only 0.2% y-o-y, whereby sales to the residential sector were flat y-o-y, government sector decreased 1% y-o-y, and the commercial & retail sectors grew 4% y-o-y.

In the export market of grey cement, sales volume in Q3/14 registered 0.9 MT, with an average FOB export price of \$64/ton. This represents 0.3 MT drop in volume q-o-q, while the \$3/ton y-o-y increase in price was as a result of the increase in product mix of the higher priced bagged cement sales volume.

Demand for housing products (roofing, board & wood substitute etc) in the domestic market dropped 8% y-o-y, while the market demand for ceramics decreased 4% y-o-y. Similar to the cement segment, these declines are attributed to the general economic slowdown, in addition to lower agricultural farm prices.

SCG's ceramics business within ASEAN (Thailand, Vietnam, Indonesia, Philippines) recorded total sales volume (floor and wall tiles) of 51 million sqm, which was relatively flat y-o-y. The total average price of ceramic tiles for all of SCG's ASEAN operations increased 2% y-o-y, due to change in product mix (increased portion of medium - high markets).

Revenue from Sales of SCG Cement–Building Materials in Q3/14 registered 46,382 MB, a gain of 2% y-o-y as a result of the sales increase from the ASEAN operations and higher export sales. However, EBITDA decreased 7% y-o-y to 6,388 MB, due to the Thai market softness, and Profitability dropped 43% y-o-y to 3,072 MB since there was a 1,701 MB in non-recurring gain in Q3/13.

For the period of 9M/14, Revenue from Sales increased 7% y-o-y to 140,272 MB, driven by the regional operations and exports. Similarly, EBITDA amounted to 20,740 MB, a growth of 4% y-o-y, while Profit for the Period decreased 17% to 10,631 MB, as there was a 1,701 MB non-recurring gain in Q3/13.

SCG Chemicals Increased margins, while volume was sideways.

In Q3/14, crude oil prices decreased \$7/bbl q-o-q to \$103/bbl level, attributed to growing global oil supply, sluggish economic growth in Europe and China. The market prices of naphtha decreased \$38/ton q-o-q or 4% to \$913/ton, resulting from abundant supplies from Europe flood to Asia and lower demand among European crackers as they switched to LPG.

The market prices of HDPE and PP increased 2% and 3% q-o-q to \$1,604/ton and \$1,629/ton, respectively. Due to several cracker turnarounds in Asia, the tight supply of upstream (Ethylene and Propylene) exerted upward pressures on downstream (HDPE and PP) prices. Furthermore, HDPE and PP demand remained stable as buyers rebuilt inventories in early Q3/14 to meet high seasonal demand of finished products in the end of the year. As a result, the Q3/14 average HDPE-Naphtha margin increased \$73/ton q-o-q to \$691/ton, while the average PP-Naphtha margin increased \$84/ton q-o-q to \$716/ton.

In Q3/14, SCG Chemicals sold a total of 447,000 tons of polyolefin products (PE and PP), a decrease of 16,000 tons q-o-q.

The market PVC margins (PVC-EDC/C2) increased 10% q-o-q to \$336/ton, attributed to the 6% q-o-q decline in EDC prices to \$445/ton, while PVC prices increased 1% q-o-q to \$1,041/ton. The BD-Naphtha margins increased 69% q-o-q to \$556/ton, on account of the tight supply in Asia. The MMA-Naphtha margins increased 10% q-o-q to \$1,240/ton, due to the tight supply from turnaround of Asian producers. In the PTA business, the PTA-PX margins increased 12% q-o-q to \$70/ton, due to increased PX supply (feedstock of PTA) and in addition to reduced PTA operating rates.

SCG Chemicals' Revenue from Sales in Q3/14 decreased slightly by 1% q-o-q to register 64,337 MB, but increased 15% y-o-y due to higher product prices. EBITDA grew 35% q-o-q to 7,608 MB, owing to improved margins of HDPE / PP / PVC, the recovery of PVC volume, and dividend from associated companies, and increased

24% y-o-y on improved margins. Profit for the Period registered 4,188 MB, an increase 85% q-o-q, with improved margins and contribution from associated companies, and grew 10% y-o-y due to improved margins.

For 9M/14, Revenue from Sales increased 18% y-o-y to 190,121 MB, benefiting from higher HDPE and PP prices. Similarly, EBITDA increased 23% y-o-y to 18,236 MB, resulting from higher HDPE and PP margins. However, Profit for the period registered 8,927 MB, a slight decrease of 1% y-o-y, due to the lower PVC performance, and increased non-controlling interest.

SCG Paper
***Lower earnings from
maintenance of machinery.***

SCG Paper's Packaging Chain is comprised of Packaging Paper and Packaging Business (primarily Corrugated Containers). In Q3/14, prices of domestic wastepaper (key raw material) firmed-up, while imported wastepaper softened slightly to \$195/ton, due to lower Chinese imports, while the average price of Packaging Paper remained stable at approximately \$490-500/ton. The total sales volume of Packaging Paper in Q3/14 increased 2% q-o-q and 5% y-o-y to 496,000 tons, attributed to increased export sales and ASEAN operations, while Thailand's domestic sales volume of Packaging Paper was 296,000 tons which is relatively flat q-o-q but down by 3% y-o-y.

Revenue from Sales in the Packaging Chain amounted to 11,703 MB, up 2% q-o-q and 9% y-o-y. The 9% y-o-y increase in Revenue from Sales was mainly attributed to higher sales volume in both Packaging and Packaging Paper businesses.

SCG Paper's Fibrous Chain (previously known as Printing & Writing Business) is comprised of Forestry, Pulp, and P&W Paper. In Q3/14, the average price of short-fiber pulp decreased \$15/ton q-o-q to \$555/ton as a result of the oversupply in the market, while the average price of Long-fiber pulp price was flat q-o-q at \$705-710/ton, owing to the lack of demand from China. The regional price of P&W Paper decreased \$15/ton q-o-q to \$800/ton, the result of demand softness within the region. Revenue from Sales registered 4,573 MB, an increase of 5% q-o-q and 9% y-o-y from higher sales volume. The domestic sales volume of P&W Paper amounted to 89,000 tons or up 6% q-o-q, mainly due to an increased demand in business communications segment. Export sales volume of P&W Paper in Q3/14 was 34,000 tons or 28% of the total sales volume, compared to 21% in Q3/13.

Financially, SCG Paper posted Q3/14 Revenue from Sales of 16,276 MB, up by 3% q-o-q and 9% y-o-y, due to higher sales volume in both the Fibrous Chain and the Packaging Chain. EBITDA amounted to 2,152 MB, down 16% q-o-q, mainly due to the maintenance shutdown of various paper machines and utilities units, and decreased 4% y-o-y. SCG Paper's Q3/14 EBITDA contributions from the Packaging Chain and the Fibrous Chain were 75% and 25%, respectively. Profit for the Period registered 715 MB, a decrease of 19% q-o-q and 10% y-o-y, as a result of lower EBITDA generation.

For the period of 9M/14, Net Sales increased 9% y-o-y to 48,085 MB, mainly attributed to the higher sales volume in both the Packaging Chain and the Fibrous Chain. EBITDA in 9M/2014 amounted to 7,510 MB, or relatively flat y-o-y, while Profit for the Period decreased 10% to 2,857 MB, mainly due to higher depreciation.

Table 2 - SCG's Segments					
REVENUE FROM SALES (MB)	Q3/14	Change %y-o-y	Change %q-o-q	9M/14	Change %y-o-y
Consolidated SCG	124,275	9%	0%	370,835	12%
SCG Cement-Building Materials	46,382	2%	0%	140,272	7%
SCG Chemicals	64,337	15%	-1%	190,121	18%
SCG Paper	16,276	9%	3%	48,085	9%
Other	19	-5%	-27%	70	-3%
EBITDA (MB)	Q3/14	%y-o-y	%q-o-q	9M/14	%y-o-y
Consolidated SCG	16,079	5%	-6%	48,558	7%
SCG Cement-Building Materials	6,388	-7%	-5%	20,740	4%
SCG Chemicals	7,608	24%	35%	18,236	23%
SCG Paper	2,152	-4%	-16%	7,510	0%
Other	(52)	-146%	-103%	2,170	-33%
EBITDA from Operation (MB)	Q3/14	%y-o-y	%q-o-q	9M/14	%y-o-y
Consolidated SCG	14,203	-6%	-10%	45,100	5%
SCG Cement-Building Materials	6,380	-7%	-5%	20,572	5%
SCG Chemicals	5,745	-3%	23%	15,250	17%
SCG Paper	2,147	-4%	-16%	7,505	0%
Other	(52)	-218%	-103%	1,871	-34%
EBITDA MARGINS (%)	Q3/14	Q3/13	Q2/14	9M/14	9M/13
Consolidated SCG	11%	13%	13%	12%	13%
SCG Cement-Building Materials	14%	15%	15%	15%	15%
SCG Chemicals	9%	11%	7%	8%	8%
SCG Paper	13%	15%	16%	16%	17%
Profit for the Period (MB)	Q3/14	%y-o-y	%q-o-q	9M/14	%y-o-y
Consolidated SCG	7,846	-20%	-8%	24,759	-13%
SCG Cement-Building Materials	3,072	-43%	-11%	10,631	-17%
SCG Chemicals	4,188	10%	85%	8,927	-1%
SCG Paper	715	-10%	-19%	2,857	-10%
Other	(52)	44%	-103%	2,582	-30%

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 169,538 MB in Q3/14, an increase of 11,774 MB from the end of Q4/13.

Net debt registered 169,538 MB in Q3/14, an increase of 11,774 MB from Q4/13. This is relative to the 9M/14 EBITDA of 48,558 MB, while the combined cash outflow in 9M/14 was 57,721 MB (CAPEX & Investments of 32,406 MB, H2/13 and H1/14 dividend payments of 14,956 MB, interest payment of 5,867 MB and corporate tax of 4,492 MB).

The Net Debt / EBITDA ratio increased to 2.7 times (x) in Q3/14, as EBITDA dropped 6% q-o-q. Not taking into account the CAPEX of 19,833 MB in projects that are under construction, the Net Debt / EBITDA ratio would register 2.4 times (x).

Net finance and interest cost for 9M/14 amounted to 5,354 MB, compared to 4,879 MB in 9M/13. The average cost of interest at the end of Q3/14 remained at 4.0%.

CAPEX & Investment
32,406 MB in 9M/14.

CAPEX & Investment in 9M/14 amounted to 32,406 MB, of which 57% was from cement-building materials, 26% from paper, 12% from chemicals and 5% from others. The forecasted FY2014 CAPEX & Investment is approximately 40,000 MB to 50,000 MB. Over the period of 2015 to 2019, SCG's strategy remains focused towards the continued expansion into the ASEAN region, in the existing core businesses, with estimated CAPEX and Investments of approximately 200,000 MB to 250,000 MB.

Table 3				
SCG's Debt Profile (MB)				
	Q3/14	Q2/14	Q4/13	Q3/13
Short Term	25,205	20,549	13,062	14,216
Foreign	1,278	1,199	1,854	2,603
Baht	23,927	19,350	11,208	11,613
% of Total Loan	13%	10%	7%	8%
Long Term	175,079	175,951	174,369	166,553
Foreign	2,500	2,187	2,677	4,706
Baht	172,579	173,764	171,692	161,847
% of Total Loan	87%	90%	93%	92%
Total Loan	200,284	196,500	187,431	180,770
Cash & Cash Under Management	30,746	33,400	29,667	33,719
Cash and cash equivalents	17,945	21,211	17,434	21,629
Short-term investments	8,973	7,426	6,984	6,293
Available-for-sale investments	3,828	4,763	5,249	5,797
Total Net Debt	169,538	163,100	157,764	147,051
SCG's Financial Ratios				
	Q3/14	Q2/14	Q4/13	Q3/13
EBITDA on Assets (%)	13%	14%	14%	14%
Current Ratio (times)	1.3	1.4	1.5	1.4
Quick Ratio (times)	0.6	0.7	0.7	0.7
Interest Coverage (times)	8.1	8.6	7.6	8.3
Net Debt to EBITDA (times)	2.7	2.6	2.6	2.5
Net Debt to Equity (times)	0.9	0.8	0.8	0.8
Debt to Equity (times)	1.4	1.3	1.4	1.4
Return on Equity (%)	20%	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)			
	Sept/14	Dec/13	Sept/13
Total Assets	473,405	440,689	426,819
Current assets			
Cash, cash equivalent and short-term investment	26,918	24,418	27,922
Trade and other receivables	59,105	49,453	49,617
Inventory	62,386	55,557	53,740
Long-term investment	93,281	93,804	83,549
Property, plant, and equipment	197,225	183,842	179,508
Total Liabilities	274,732	253,927	246,530
Trade and other payables	61,128	51,211	52,224
Loans	200,284	187,386	180,729
Total Equity	198,673	186,762	180,289
Total equity attributable to owners of the parent	168,245	161,538	156,125
Non-controlling interests	30,428	25,223	24,163