



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q3/10 and 9M/10**

Q3/10 Net Profit of 6,557 MB, down 10% q-o-q and 6% y-o-y.

SCG's Consolidated Performance Overview

SCG reported Q3/10 Net Profit of 6,557 MB, down 10% q-o-q, attributed to decreased performance from the paper and cement business, and the absence of seasonal Dividend Income from Other Companies which was paid in Q2/10. Similarly, EBITDA dropped 11% q-o-q to 10,961 MB, while Net Sales increased 2% q-o-q to 79,061 MB.

On a y-o-y basis, Net Profit decreased 6% y-o-y, primarily from squeezed chemicals margins and lower domestic cement prices, which is reflected in the 14% y-o-y drop in EBITDA. Net Sales increased 22% y-o-y, following the volume growth in most businesses.

9M/10 Net Profit of 20,709 MB, up 9% y-o-y.

For the first nine months of 2010 (9M/10) Net Profit registered 20,709 MB, an increase of 9% y-o-y, primarily from the paper business' earnings recovery. However, EBITDA decreased 8% y-o-y to 34,221 MB, due to lower y-o-y earnings from SCG Chemicals' upstream subsidiaries, while Net Sales increased 27% y-o-y to 225,071 MB.

9M/10 Equity Income grew 23% y-o-y, mainly from chemicals associates.

Equity Income for 9M/10 amounted to 6,513 MB, an increase of 23% y-o-y, as the chemicals associated companies (PTA and MMA businesses) have recovered from the performance in early 2009.

Total dividends received in 9M/10 amounted to 3,171 MB, down 14% y-o-y with details as follows: a) 2,178 MB from "Associated" companies (20%-50% stake), and b) 993 MB from "Other" companies (less than 20% stake).

Continued financial stability, while net working capital decreased to 40,663 MB.

Solid financial structure, with cash on-hand of 25,540 MB at the end of Q3/10. Net Working Capital dropped to 40,663 MB in Q3/10, from 45,866 MB in Q2/10, with continued efficient working capital management and the divestment of SCG's industrial land business to Hemaraj Land and Development PCL in Q3/10.

Table 1 - Consolidated SCG	Q3/10	% Change	% Change	9M/10	% Change
	MB	y-o-y	q-o-q	MB	y-o-y
Net Sales	79,061	22%	2%	225,071	27%
Net Profit	6,557	-6%	-10%	20,709	9%
EBITDA	10,961	-14%	-11%	34,221	-8%
EBITDA from Operations	10,307	-15%	-9%	32,043	-7%
EPS	5.5	-6%	-10%	17.3	9%

Note: EBITDA = Earnings before interest, tax, depre, and amortization, plus dividends.
 EBITDA from Operations = Earnings before interest, tax, depre, and amortization.

SCG Chemicals
Ramp-up in operating rate of the new chemicals complex.

SCG's Business Sector Summary

In Q3/10, the average Naphtha price decreased \$44/ton q-o-q to \$666/ton along with lower crude oil prices and increased supply from the Middle East (M/E) and India, but increased \$57/ton y-o-y, following crude oil prices which rose \$8/bbl y-o-y.

Monomer prices decreased due to the ramped-up capacity of new regional crackers. The Q3/10 average ethylene price was \$903/ton, down \$185/ton q-o-q and \$127/ton y-o-y. The average price of propylene decreased only \$75/ton q-o-q, but slightly increased \$18/ton y-o-y to \$1,063/ton.

Moving in the same downward trend, HDPE prices in Q3/10 averaged \$1,120/ton (down \$67/ton q-o-q), and resulting in the \$23/ton q-o-q drop in Q3/10 HDPE-naphtha margin which registered \$455/ton.

Faring better was the PP chain. Although the average price of PP in Q3/10 dropped \$71/ton q-o-q to \$1,277/ton, the PP-Naphtha price gap remained firm at \$611/ton (down \$27/ton q-o-q).

The total polyolefins (HDPE and PP) sales volume in Q3/10 registered 432,000 tons, up 68,000 tons q-o-q, following the ramp-up in operating rate of the new chemicals complex which consisted of a naphtha cracker and combined HDPE & PP capacity of 800,000 tons.

PVC prices averaged \$893/ton, a decrease of \$100/ton q-o-q (but increase \$11/ton y-o-y), following the lower feedstock prices (EDC, and VCM). The average price of EDC in Q3/10 was \$456/ton, down \$72/ton q-o-q and \$3/ton y-o-y due to the declining of ethylene price and sluggish demand in China. In Q3/10, the average PVC margins remained the same q-o-q but rise \$42/ton y-o-y to \$311/ton. PVC sales volume in Q3/10 increased 17% q-o-q and 12% y-o-y to 199,000 tons, following the expansion of PVC capacity in Vietnam.

Net Sales in Q3/10 registered 39,636 MB, an improvement of 4% q-o-q and 34% y-o-y with the additional volume from the new chemicals complex. This has also resulted in the 3% q-o-q EBITDA growth to 4,289 MB, but dropped 28% y-o-y on lower ethylene margins. With the growth in equity in income from the associated companies, and increased sales of HVA (High Value-Added Products) from the subsidiary companies, Net Profit grew 25% q-o-q to 3,845 MB.

SCG Paper
Increased domestic competition and squeezed margins.

At SCG Paper, the Packaging Paper segment saw its total sales volume in Q3/10 (Thailand, Philippines, and Vietnam) increased by 7% y-o-y due to capacity ramp-up of the Vietnam plant and improved economy, and gained 9% q-o-q owing to higher domestic demand in electrical & electronic appliance and consumer product segments. For the Thai-based facilities, exports accounted for 18% of the Q3/10 sales volume, compared to 26% in Q3/09 and 17% in Q2/10. The regional average price of Packaging Paper remained stable at \$470/ton, while average Wastepaper price in Q3/10 increased \$15/ton q-o-q to \$245/ton as a result of decreased wastepaper collection in North America and Europe and seasonal higher demand in Asia.

In the Printing & Writing Paper business, Q3/10 domestic sales volume dropped 7% y-o-y and 13% q-o-q, due to intense domestic competition. Export sales volume in Q3/10 amounted to 31% of the total sales volume, compared to 30% in Q3/09 and 21% in Q2/10. The regional price of P&W Paper was \$980/ton (down \$10/ton q-o-q). In terms of raw materials, the average price of Long-fiber Pulp and Short-fiber remained stable at \$870/ton and \$810/ton, respectively, with a drop towards the end of the quarter owing to the re-start of pulp capacity in North America and Latin America, increased pulp capacity in China, and coupled with sluggish Asian demand for paper and board.

Financially, SCG Paper posted Q3/10 Net Sales of 13,451 MB, up 20% y-o-y due to higher product prices and packaging paper sales volume and 5% q-o-q. Similarly, EBITDA recorded at 2,403 MB, an increase of 5% y-o-y as a result of increase paper prices and sales volumes, but dropped 9% q-o-q on squeezed margin. Net Profit recovered 33% y-o-y to 931 MB, while down 20% q-o-q.

Table 2 - SCG's Sectors					
NET SALES (MB)	Q3/10	Change % y-o-y	Change % q-o-q	9M/10	Change % y-o-y
Consolidated SCG	79,061	22%	2%	225,071	27%
SCG Chemicals	39,636	34%	4%	106,648	43%
SCG Paper	13,451	20%	5%	38,783	23%
SCG Cement	12,054	5%	0%	36,920	6%
SCG Building Materials	7,721	14%	-1%	23,482	14%
SCG Distribution	24,056	8%	-1%	73,082	13%
SCG Investment	29	-43%	-61%	239	93%
EBITDA (MB)	Q3/10	% y-o-y	% q-o-q	9M/10	% y-o-y
Consolidated SCG	10,961	-14%	-11%	34,221	-8%
SCG Chemicals	4,289	-28%	3%	11,757	-27%
SCG Paper	2,403	5%	-9%	7,457	25%
SCG Cement	2,486	-11%	-5%	8,403	-7%
SCG Building Materials	1,481	12%	8%	4,305	16%
SCG Distribution	337	-33%	-9%	1,157	-13%
SCG Investment	173	-4%	-85%	1,596	19%
EBITDA from Operation (MB)	Q3/10	% y-o-y	% q-o-q	9M/10	% y-o-y
Consolidated SCG	10,307	-15%	-9%	32,043	-7%
SCG Chemicals	3,723	-31%	8%	9,937	-27%
SCG Paper	2,403	5%	-8%	7,446	25%
SCG Cement	2,486	-11%	-5%	8,403	-7%
SCG Building Materials	1,394	10%	9%	4,129	14%
SCG Distribution	337	-33%	-8%	1,146	-13%
SCG Investment	173	-4%	-83%	1,437	25%
EBITDA MARGINS (%)	Q3/10	Q3/09	Q2/10	9M/10	9M/09
Consolidated SCG	13%	19%	15%	14%	20%
SCG Chemicals	9%	18%	9%	9%	18%
SCG Paper	18%	20%	20%	19%	19%
SCG Cement	21%	24%	22%	23%	26%
SCG Building Materials	18%	19%	16%	18%	18%
SCG Distribution	1%	2%	1%	2%	2%
Net Profit (MB)	Q3/10	% y-o-y	% q-o-q	9M/10	% y-o-y
Consolidated SCG	6,557	-6%	-10%	20,709	9%
SCG Chemicals	3,845	-8%	25%	9,968	1%
SCG Paper	931	33%	-20%	3,075	95%
SCG Cement	1,323	-13%	-11%	4,728	-6%
SCG Building Materials	524	21%	25%	1,483	18%
SCG Distribution	244	-32%	8%	787	-17%
SCG Investment	517	11%	-63%	2,564	25%

Note: **EBITDA** = Earnings before interest, tax, depreciation, and amortization, plus dividends.
EBITDA from Operation = Earnings before interest, tax, depreciation, and amortization.
EBITDA Margin = Operating EBITDA, to Net Sales.

SCG Cement
Q3/10 domestic pricing was flat q-o-q at 1,600 Bt/t. Domestic demand dropped 3% q-o-q but grew 10% y-o-y.

Thailand's domestic demand of grey cement in 9M/10 amounted to 20.2 MT, an increase of 12% y-o-y. This follows the Q3/10 total domestic demand of 6.6 MT, an increase of 10% y-o-y, but down 3% q-o-q on seasonal factors, with growth coming from both the residential sector due to improved economic outlook, and the government's investments in civil-work projects. SCG Cement's Q3/10 domestic sales volume performance was relatively in-line with that of the industry trend, with the realized domestic grey cement price of approximately 1,600 Bt/ton, compared to the Q3/09 range of 1,700-1,750 Bt/ton and flat when compared to Q2/10.

SCG Cement's Q3/10 export sales volume registered 1.8 MT, a decrease of 0.1 MT y-o-y but increased 0.1 MT q-o-q. The average FOB export price improved to \$41.6/ton, up \$3.9/ton y-o-y and \$1/ton q-o-q, with higher sales of bagged cement portion within the region. Note, however, that the increase in US\$ FOB price is negligible in Thai Baht terms, due to the recent weakened of the US\$/THB.

SCG Cement's Q3/10 Net Sales rose 5% y-o-y to 12,054 MB, primary on strong domestic sales volume and flat q-o-q. However, EBITDA decreased 11% y-o-y and 5% q-o-q to 2,486 MB, attributed to increased fuel costs and continued soft domestic prices. Similarly, Net Profit registered 1,323 MB, a decrease of 13% y-o-y and 11% q-o-q.

SCG Building Materials
Gains from internal efficiency programs.

The domestic building materials industry in Q3/10 was relatively quiet due to the rainy season. Net Sales of SCG Building Materials dropped slightly by -1% q-o-q to 7,721 MB, but grew 14% y-o-y with the acquisition of Quality Construction Products (acquisition of a majority stake in Q-Con was in Mar/10) and the continued growth in domestic demand of building materials. EBITDA grew 8% q-o-q and 12% y-o-y to 1,481 MB, due to internal efficiency gains. Similarly, Net Profit in Q3/10 registered 524 MB, a gain of 25% q-o-q and 21% y-o-y.

SCG Distribution
Entering the rainy season.

SCG Distribution registered Q3/10 Net Sales of 24,056 MB, a drop of 1% q-o-q on seasonal weakness. EBITDA dropped 9% q-o-q or by 33 MB to register 337 MB as a result of increased marketing efforts, while Net Profit increased 8% q-o-q or by 19 MB to 244 MB.

Net Debt
126,521 MB, down 2,977 MB from Q2/10.

SCG's Financials

Net Debt at the end of Q3/10 stood at 126,521 MB, down 2,977 MB from Q2/10. The Net Debt/EBITDA ratio registered 2.8 times.

Finance Cost in Q3/10 amounted to 1,354 MB (FY2009 total was 5,649 MB). The average cost of debt at the end of Q3/10 was at 4.5%.

Corporate Debenture

SCG issued 5,000 MB worth in domestic retail debentures (4 yr, 3.85%) on Oct 1/10 to retire the matured 5,000 MB tranche (4 yr, 6.25%). This follows the issuance of the 10,000 MB SCG domestic retail debenture (4 year, 3.85% coupon) on Apr 1/10 to retire the matured 10,000 MB tranche (4 year, 6.0%).

CAPEX & Investment

Following the CAPEX & Investment of 4,613 MB in Q3/10, and the resulting 13,647 MB in 9M/10, SCG's FY2010 CAPEX & Investment is estimated at 20,000 MB. Since 2006, SCG has invested approx 142,000 MB or \$4.7 Billion, which will more than doubled the capacity of SCG chemicals, while green-field expansion projects were accomplished in the cement and paper businesses, and M&A (market consolidation) transactions were executed in the building materials business.

Table 3
SCG's Debt Profile (MB)

	Q3/10	Q3/09	Q2/10
Short Term	6,112	3,239	9,851
Foreign	1,591	919	1,294
Baht	4,521	2,320	8,557
% of Total Loan	4%	2%	6%
Long Term	145,949	142,139	147,395
Foreign	15,219	15,454	16,185
Baht	130,730	126,685	131,210
% of Total Loan	96%	98%	94%
Total Loan	152,061	145,378	157,246
Total Net Debt	126,521	122,624	129,498
SCG's Financial Ratios	Q3/10	Q3/09	Q2/10
EBITDA on Assets (%)	14%	16%	14%
Current Ratio (times)	1.4	1.5	1.4
Quick Ratio (times)	0.8	0.8	0.8
Net Debt to EBITDA (times)	2.8	2.5	2.9
Interest Coverage (times)	10.3	8.6	11.8
Debt to Equity (times)	1.4	1.4	1.4
Return on Equity (%)	25%	27%	26%

Note: Net Debt	= Total debt (interest bearing), less cash on hand and short term investments
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
Net Debt to EBITDA	= Net debt, to annualized EBITDA
Interest Coverage	= EBITDA, to interest expense
EBITDA	= Earnings before interest, tax, depreciation, and amortization, plus dividends.
Debt to Equity	= Total Liabilities, to total shareholders' equity & minority interest
Return on Equity	= Annualized Net profit, to average total shareholders' equity (not including minority interest)

Table 4
SCG's Balance Sheet Items (MB)

	Sept '10	Sept '09	June '10
Total Assets	328,755	304,067	332,460
Current assets			
Cash and short term investment	25,540	22,754	27,748
Accounts Receivable	27,542	22,682	27,759
Inventory	34,507	30,156	36,888
Investments in shares	68,165	58,293	65,272
Property, plant, and equipment	150,562	149,128	151,913
Total Liabilities	189,181	178,457	192,861
Accounts Payable	21,386	17,489	18,781
Loans	152,061	145,378	157,246
Total Shareholders' Equity	139,574	125,610	139,599
Total equity attributable to the Company's shareholders	113,175	99,275	112,376
Minority Interest	26,399	26,335	27,223