The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q1/15

SCG's Consolidated Performance Overview

Profit for the Period of 11,073 MB in Q1/15.

SCG reported Q1/15 Profit for the Period of 11,073 MB, an increase of 32% y-o-y, attributed to better earnings in the chemicals business, despite the inventory loss adjustment of 930 MB during the period, and aided by the 1,485 MB divestment gain (after tax) of the remaining 10% stake in Michelin (Thailand) which is booked as "Other Income." EBITDA increased 19% y-o-y to 18,415 MB, driving by the growth in chemicals margins and sales volume. Revenue from Sales decreased 10% y-o-y to 109,276 MB, reflecting lower chemicals prices as a result of the drop in naphtha/oil prices.

On a q-o-q basis, Q1/15 Profit for the Period increased 25% q-o-q, as there was an inventory loss adjustment of 2,960 MB in the previous quarter (Q4/14). EBITDA increased 3% q-o-q, benefiting from the seasonal q-o-q growth in the cement and building materials business, and the divestment gain of Michelin (Thailand). Revenue from Sales was down 6% q-o-q, reflecting the lower chemicals prices (drop in naphtha/oil prices).

Equity Income registered 2,247 MB in Q1/15, up 522 MB y-o-y.

Equity Income in Q1/15 was a healthy 2,247 MB, representing an increase of 522 MB y-o-y. This improvement is attributed primarily to better y-o-y margins for the chemicals associates, and decreased inventory loss adjustments for the chemicals associates. In Q1/15, chemicals associates contributed 1,495 MB, while non-chemicals associates contributed another 752 MB.

Total dividends received in Q1/15 was 360 MB, compared to 579 MB in Q1/14, and 3,716 MB in Q4/14, with details as follows: a) 284 MB from "Associated" companies (20%-50% stake), and b) 76 MB from "Other" companies (less than 20% stake).

Cash & Cash Under Management of 35,064 MB.

Continued solid financials, with cash & cash under management of 35,064 MB, compared to the 31,643 MB in Q4/14, despite the Q1/15 CAPEX and Investments of 12,622 MB.

Net Working Capital registered 58,123 MB, a drop of 3% q-o-q or 1,589 MB, with decreased inventory, and steady Inventory to Sales of 40 days (41 days in Q4/14).

Table 1 - Consolidated SCG	Q1/15 MB	%Change y-o-y	%Change q-o-q	FY2014 MB
Revenue from Sales	109,276	-10%	-6%	487,545
Profit for the Period	11,073	32%	25%	33,615
EBITDA	18,415	19%	3%	66,493
EBITDA from Operations	18,131	20%	13%	61,148
Earnings per Share (EPS)	9.2	32%	25%	28.0

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 -2% y-o-y.

In Q1/15, Thailand's total domestic cement demand dropped approximately 2% y-o-y, attributed mainly to the stagnant domestic economic recovery, but increased 14% q-o-q due to the seasonal effect. The Q1/15 domestic cement sales volume of SCG Cement-Building Materials was relatively in line with that of the industry, with the realized domestic grey cement price of 1,850 - 1,900 Bt/ton.

In the export market of grey cement, sales volume in Q1/15 registered 1.4 MT, an increase of 0.1 MT y-o-y and 0.4 MT q-o-q, while the average FOB export price registered $61/ton. Bagged cement accounted for 71% of the total volume exported, compared to 82% in Q4/14.

Demand for housing products (roofing, board & wood substitute etc) and ceramics in the domestic market both dropped 3% y-o-y, which is similar to the trend for domestic grey cement volume. These declines are attributed to the economic recover slowly, in addition to lower agricultural farm product prices.

SCG's ceramics business within ASEAN (Thailand, Vietnam, Indonesia, Philippines) recorded total sales volume (floor and wall tiles) of 49 million sqm, which was flat y-o-y and dropped -4% q-o-q, largely attributed to the lower demand from Indonesia. The total average price of ceramic tiles for all of SCG's ASEAN operations squared y-o-y and increased 2% q-o-q, due to change in product mix towards more of the medium to high-end products.

Revenue from sales of SCG Cement–Building Materials in Q1/15 registered 47,081 MB, decreased 1% y-o-y as a result of the domestic market softness, but increased 4% q-o-q due to the seasonal effect. This seasonal softness resulted in the EBITDA decrease of 6% y-o-y to 7,170 MB, but increased 21% q-o-q as a result of seasonality. Similarly, Profitability dropped 14% y-o-y to 3,558 MB, but increased 40% q-o-q on seasonality.

SCG Chemicals
Healthy sales volume and margins in Q1/15.

In Q1/15, crude oil prices (average) dropped significantly by $23/bbl q-o-q to $54/bbl, due to oversupply as OPEC continued to keep its production level. The market price of naphtha decreased $153/ton q-o-q or 24% to $494/ton following the decline in crude oil prices.

The market prices of HDPE and PP fell by $260/ton q-o-q to $1,188/ton and $307/ton q-o-q to $1,158/ton, respectively, in line with the feedstock prices. The decline in both products and feedstock prices resulted in narrower margins of HDPE-Naphtha and PP-Naphtha, by $108/ton to $694/ton and $155/ton to $664/ton, respectively. Despite the drop in average prices, demand started to pick up in late Q1/15, after the Chinese New Year holidays.

In Q1/15, SCG Chemicals sold a total of 500,000 tons of polyolefin products (PE and PP), an increase of 27,000 tons q-o-q, of which 295,000 tons or 59% was exported globally.

The market PVC margins (PVC-EDC/C2) increased 1% q-o-q to $350/ton, attributed to the 32% q-o-q decline in EDC prices to $265/ton, while PVC prices decreased only 15% q-o-q to $807/ton. The BD-Naphtha margins decreased 41% q-o-q to $238/ton, on account of the low synthetic rubber demand. The MMA-Naphtha margins decreased 4% q-o-q to $1,499/ton, while MMA demand remained strong. In the PTA business, the PTA-PX margins decreased 39% q-o-q to $46/ton from the high PTA operating rates and new capacity in China.

SCG Chemicals' Revenue from Sales in Q1/15 registered 47,956 MB, a decrease of 17% q-o-q and 21% y-o-y due to lower product prices. EBITDA amounted to 6,711 MB, a decrease of 15% q-o-q with improved EBITDA from operations, but increased 35% y-o-y on strong polyolefin sales volume and better margins. Profit for the period was 4,938 MB, representing a significant growth of 40% q-o-q and 99% y-o-y, aided by healthy sales volume. Inventory loss adjustment in Q1/15 was –930 MB, compared to –2,960 MB in Q4/14.

SCG Paper
Increased depreciation affected profitability

SCG Paper's Packaging Chain is comprised of Packaging Paper and Packaging Business (primarily Corrugated Containers).

In Q1/15, the average price of wastepaper (AOCC) dropped $15/ton q-o-q to $180/ton, due to sluggish demand from China during the Chinese New Year. The average price of Packaging Paper decreased $10/ton q-o-q to $480/ton from higher competition in the region. The total sales volume of Packaging Paper in Q1/15 increased 6% q-o-q and 10% y-o-y to 528,000 tons, attributed to an additional capacity, improved domestic demand and increased export sales from healthy growth in regional market. Thailand's domestic sales volume of Packaging Paper was 312,000 tons which increased 1% y-o-y and 8% q-o-q due to higher demand in major segments especially food and beverage, in preparation for excise taxes increases at the end of Q1/15.

Revenue from Sales of the Packaging Chain amounted to 12,390 MB, up 5% q-o-q and 9% y-o-y. The increase in Revenue from Sales was mainly attributed to higher sales volume in both Packaging and Packaging Paper businesses, coupled with sales consolidation from Prepack since Feb/15 (FY2014 Revenue 1,560 MB). EBITDA of Packaging Chain in Q1/15 amounted to 2,094 MB, an increase of 17% q-o-q, but dropped slightly by 1% y-o-y from high local wastepaper cost (tight supply.

SCG Paper's Fibrous Chain (previously known as Printing & Writing Business) is comprised of Forestry, Pulp, and P&W Paper. In Q1/15, the average price of short-fiber pulp increased $25/ton q-o-q to $595/ton as major producers attempted to push for price hikes, while the average price of Long-fiber pulp price decreased $60/ton q-o-q to $645/ton due to heavy pressure from EURO and Russian rouble depreciation. The regional price of P&W Paper maintained at $795/ton, the result of flat demand in the region. The domestic sales volume of P&W Paper amounted to 92,000 tons which increased 4% q-o-q, but decreased 4% y-o-y as demand dropped 6% y-o-y. Export sales volume of P&W Paper in Q1/15 was 31,000 tons or 25% of the total sales volume, compared to 21% in Q1/14. Revenue from Sales registered 4,721 MB, flat q-o-q, but up 2% y-o-y from higher sales volume.

Overall, SCG Paper posted Q1/15 Revenue from Sales of 17,111 MB, up 4% q-o-q and 7% y-o-y. EBITDA amounted to 2,693 MB, up 22% q-o-q, but down 3% y-o-y due to lower margin from higher local wastepaper cost. Profit in Q1/15 registered 878 MB which increased 49% q-o-q, due to higher sales volume, but decreased 30% y-o-y, mainly from lower margins, and higher depreciation as PM16 started commercial run. SCG Paper's Q1/15 EBITDA contributions from the Packaging Chain and the Fibrous Chain were 78% and 22%, respectively.

Business and company name of SCG Paper will be changed to SCG Packaging in early June/15 (subject to shareholders' approval) to be aligned with strategic direction to focus on packaging business, emphasizing commitment to serve customers' varied packaging needs.

Table 2 - SCG's Segments	**Q1/15**	**Change**	**Change**	**FY2014**	**Change**
REVENUE FROM SALES (MB)	**MB**	**%y-o-y**	**%q-o-q**	**MB**	**%y-o-y**
Consolidated SCG	**109,276**	**-10%**	**-6%**	**487,545**	**12%**
SCG Cement-Building Materials	47,081	-1%	4%	185,423	6%
SCG Chemicals	47,956	-21%	-17%	248,118	18%
SCG Paper	17,111	7%	4%	64,614	9%
Other	19	-24%	19%	86	-9%
EBITDA (MB)	**Q1/15**	**%y-o-y**	**%q-o-q**	**FY2014**	**%y-o-y**
Consolidated SCG	**18,415**	**19%**	**3%**	**66,493**	**9%**
SCG Cement-Building Materials	7,170	-6%	21%	26,683	2%
SCG Chemicals	6,711	35%	-15%	26,142	29%
SCG Paper	2,693	-3%	22%	9,718	3%
Other	1,874	n.a.	-2%	4,083	-22%
EBITDA from Operation (MB)	**Q1/15**	**%y-o-y**	**%q-o-q**	**FY2014**	**%y-o-y**
Consolidated SCG	**18,131**	**20%**	**13%**	**61,148**	**5%**
SCG Cement-Building Materials	7,040	-5%	21%	26,407	2%
SCG Chemicals	6,600	37%	7%	21,401	17%
SCG Paper	2,693	-3%	22%	9,713	3%
Other	1,831	n.a.	-3%	3,760	-22%
EBITDA MARGINS (%)	**Q1/15**	**Q1/14**	**Q4/14**	**FY2014**	**FY2013**
Consolidated SCG	**17%**	**12%**	**14%**	**13%**	**13%**
SCG Cement-Building Materials	15%	16%	13%	14%	15%
SCG Chemicals	14%	8%	11%	9%	9%
SCG Paper	16%	17%	13%	15%	16%
Profit for the Period (MB)	**Q1/15**	**%y-o-y**	**%q-o-q**	**FY2014**	**%y-o-y**
Consolidated SCG	**11,073**	**32%**	**25%**	**33,615**	**-8%**
SCG Cement-Building Materials	3,558	-14%	40%	13,180	-18%
SCG Chemicals	4,938	99%	40%	12,461	10%
SCG Paper	878	-30%	49%	3,448	-4%
Other	1,765	157%	-21%	4,829	-17%

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 156,903 MB in Q1/15, a decrease of 7,503 MB from the end of Q4/14.

Net debt registered 156,903 MB in Q1/15, a decrease 7,503 MB from Q4/14. This is relative to the Q1/15 EBITDA of 18,415 MB, while the combined cash outflow in Q1/15 was 15,587 MB (CAPEX & Investments of 12,662 MB, interest payment (cash) of 2,182 MB and corporate tax of 743 MB).

The Net Debt / EBITDA ratio dropped to 2.3 times (x) from 2.5 times (x) in Q4/14, as EBITDA grew 3% q-o-q. Not taking into account the CAPEX of 8,378 MB in projects that are under construction, the Net Debt / EBITDA ratio would register 2.2 times (x).

Net finance and interest cost for Q1/15 amounted to 1,498 MB, compared to the FY2014 total of 7,266 MB. The average cost of interest at the end of Q1/15 remained sideways at 4.1%.

CAPEX & Investment
12,662 MB in Q1/15.

CAPEX & Investment in Q1/15 amounted to 12,662 MB, of which 58% was from cement-building materials, 26% from paper, 12% from chemicals and 4% from others. The forecasted FY2015 CAPEX & Investment is approximately 50,000 MB to 60,000 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 in the approximate range of 200,000 MB to 250,000 MB.

Table 3 SCG's Debt Profile (MB)	Q1/15	Q4/14	Q1/14
Short Term	**13,802**	**12,601**	**23,410**
Foreign	1,536	1,463	1,655
Baht	12,266	11,138	21,755
% of Total Loan	7%	6%	12%
Long Term	**178,165**	**183,448**	**172,365**
Foreign	2,146	2,486	2,210
Baht	176,019	180,962	170,155
% of Total Loan	93%	94%	88%
Total Loan	**191,967**	**196,049**	**195,775**
Cash & Cash Under Management	**35,064**	**31,643**	**32,633**
Cash and cash equivalents	22,120	19,031	20,493
Short-term investments	10,424	8,022	5,863
Available-for-sale investments	2,520	4,590	6,277
Total Net Debt	**156,903**	**164,406**	**163,142**
SCG's Financial Ratios	**Q1/15**	**Q4/14**	**Q1/14**
EBITDA on Assets (%)	14%	14%	13%
Current Ratio (times)	1.3	1.4	1.3
Quick Ratio (times)	0.7	0.7	0.7
Interest Coverage (times)	9.4	8.8	8.2
Net Debt to EBITDA (times)	2.3	2.5	2.6
Net Debt to Equity (times)	0.7	0.8	0.9
Debt to Equity (times)	1.2	1.2	1.5
Return on Equity (%)	25%	20%	21%

<u>Note</u>: **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/15	Dec/14	Mar/14
Total Assets	**475,039**	**465,823**	**459,231**
Current assets			
Cash, cash equivalent and short-term investment	32,544	27,053	26,356
Trade and other receivables	53,568	51,842	57,122
Inventory	48,917	52,747	58,132
Long-term investment	94,122	93,812	95,399
Property, plant, and equipment	211,805	205,085	188,551
Total Liabilities	**263,404**	**256,506**	**272,743**
Trade and other payables	46,808	45,080	52,914
Loans	191,967	196,049	195,775
Total Equity	**211,635**	**209,317**	**186,488**
Total equity attributable to owners of the parent	178,382	177,283	161,157
Non-controlling interests	33,253	32,034	25,331