



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q3/15 and 9M/15**

Profit for the Period of 9,001 MB in Q3/15, despite the inventory and FX charges.

Equity Income registered 8,067 MB in 9M/15, up 3,585 MB y-o-y.

Cash & Cash Under Management of 43,210 MB.

SCG's Consolidated Performance Overview

SCG reported Q3/15 Profit for the Period of 9,001 MB, an increase of +15% y-o-y, which was attributed by the continued recovery of chemicals margins. This is a solid quarterly operation performance, despite the non-recurring items totaling 3,630 MB (-2,160 MB inventory adjustment and -1,470 FX loss). Similarly, EBITDA grew +19% y-o-y to 19,080 MB, on the continued strong chemicals margins. Revenue from Sales decreased -11% y-o-y to 110,898 MB, largely due to lower chemical prices following the drop in naphtha (oil) prices.

On a q-o-q basis, the Q3/15 Profit for the Period decreased -35% q-o-q, due to inventory adjustment in chemicals business and softer domestic demand for cement and building materials products. Similarly, EBITDA decreased -24% q-o-q, Revenue from Sales decreased -3% q-o-q.

For the period of 9M/15, Profit for the Period registered 33,951 MB, an increase of +37% y-o-y, driven primarily by the chemicals business. Similarly, EBITDA increased +29% y-o-y to register 62,759 MB, while Revenue from Sales dropped -10% y-o-y to 333,992 MB, the result of the drop in naphtha (oil) prices.

Equity Income in 9M/15 was 8,067 MB, representing an increase of +80% y-o-y or 3,585 MB. Equity Income from chemicals associates amounted to 5,851 MB in 9M/15 or 73% of the total, and represented an increase of +162% y-o-y or 3,621 MB. Equity income from the non-chemicals associates amounted to 2,216 MB in 9M/15, compared to 2,252 MB in 9M/14, whereby the drop was attributed to the soft domestic economic situation.

Total dividends received in 9M/15 registered 3,942 MB, down -31% y-o-y or 1,741 MB, with details as follows: a) 2,365 MB from "Associated" companies (20%-50% stake), and b) 1,577 MB from "Other" companies (less than 20% stake).

Continued solid financials, with cash & cash under management of 43,210 MB, which increased 11,567 MB from Q4/14, despite the CAPEX and Investments of 35,896 MB in 9M/15.

Net Working Capital registered 54,121 MB, an decrease of -11% q-o-q or 6,816 MB, with Inventory to Sales of 43 days from 41 days in Q2/15.

Table 1 - Consolidated SCG	Q3/15 MB	%Change y-o-y	%Change q-o-q	9M/15 MB	%Change y-o-y
Revenue from Sales	110,898	-11%	-3%	333,992	-10%
Profit for the Period	9,001	15%	-35%	33,951	37%
EBITDA	19,080	19%	-24%	62,759	29%
EBITDA from Operations	18,982	34%	-18%	60,394	34%
Earnings per Share (EPS)	7.5	15%	-35%	28.3	37%

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's Business Segments Summary

SCG Cement–Building Materials Q3/15 total domestic cement demand decreased -1% y-o-y.

Overall, Thailand's total domestic cement demand remained soft, dropping -1% y-o-y in Q3/15, especially in the residential sector which decreased -7% y-o-y, despite the government sector's growth of +11% y-o-y. The Q3/15 domestic cement sales volume of SCG Cement-Building Materials was relatively in line with that of the industry, with the realized domestic cement price that were flat q-o-q in the range of 1,850-1,900 Baht/ton. As a result, the 9M/15 domestic sales volume for all of Thailand dropped -0.5% y-o-y.

In the export market of cement, sales volume in Q3/15 registered 0.8 MT, decrease 0.1 MT y-o-y, while the average FOB export price registered \$65/ton. The majority of the export destinations was in the ASEAN markets. Bagged cement accounted for 83% of the total volume exported, compared to 78% in Q2/15.

Demand for housing products (roof, ceiling & wall) and ceramic tiles in domestic market remained weak, dropping a total of -8% to -9% y-o-y in Q3/15. These declines are attributed to the slower than expected economic recovery, the result of continued low farm income and weak consumer confidence.

SCG's ceramic tiles business within ASEAN (Thailand, Vietnam, Indonesia, Philippines) recorded total sales volume (floor and wall tiles) of 49 million sqm, which decreased -4% y-o-y, largely attributed to the lower demand in Thailand and Indonesia. The total average price of ceramic tiles for all of SCG's ASEAN operations increased by +5% q-o-q, as a result of the depreciation of the Thai baht.

Revenue from sales of SCG Cement–Building Materials in Q3/15 registered 43,570 MB, a decrease of -6% y-o-y and -5% q-o-q, mainly due to the domestic market softness. This resulted in the decrease in EBITDA by -12% y-o-y and -13% q-o-q to 5,590 MB. Similarly, Profitability dropped -33% y-o-y and -28% q-o-q to 2,073 MB due to lower EBITDA and increased depreciation.

For the period of 9M/15, Revenue from Sale decreased -3% y-o-y to 136,314 MB, due to the stagnant domestic market recovery in Thailand. This resulted in the decrease in EBITDA by -7% y-o-y to 19,195 MB. Similarly, Profit for the period dropped -20% y-o-y to 8,527 MB due to lower EBITDA and increased depreciation.

SCG Chemicals Increased YTD Q3/15 EBITDA and profit, but lower PE/PP sales volume.

In Q3/15, Brent crude oil prices decreased \$13/bbl q-o-q or -21% to \$50/bbl, as high production output from OPEC countries persisted. As a result, the market prices of naphtha declined \$102/ton q-o-q or -18% to \$461/ton.

HDPE and PP prices descended by -10% and -16% q-o-q to \$1,234/ton and \$1,133/ton, respectively, from a downturn in feedstock prices and from additional supply which came after seasonal turnarounds. Consequently, the Q3/15 average HDPE-Naphtha margin dropped \$38/ton q-o-q to \$774/ton, while the average PP-Naphtha margin nosedived \$113/ton q-o-q to \$672/ton.

In Q3/15, SCG Chemicals sold a total of 482,000 tons of polyolefin products (PE and PP), an increase of 40,000 tons q-o-q. Export sales of PE and PP amounted 292,000 tons or 61% of the total sales volume.

PVC margins (PVC-EDC/C2) expanded +20% q-o-q to \$339/ton, attributed mainly to the -30% q-o-q contraction in ethylene prices to \$970/ton, despite slight increase in EDC prices of +3% q-o-q to \$328/ton and slight reduction in PVC prices of -4% q-o-q to \$831/ton.

BD-Naphtha margins narrowed by -9% q-o-q to \$527/ton from weak synthetic-rubber demand in automotive market. Similarly, MMA-Naphtha margins declined -5% q-o-q to \$1,222/ton due to subdued downstream demand. For PTA business, the PTA-PX margins decreased -38% q-o-q to \$57/ton owing to low seasonal demand for textile.

SCG Chemicals' revenue from sales in Q3/15 slid -4% q-o-q to 51,591 MB, -20% y-o-y as a result of a decrease in product prices tracking crude oil prices. EBITDA decreased -25% q-o-q to 10,903 MB, owing to lower olefin margins, but grew +43% y-o-y on the back of improved margins. Profit for the Period registered 6,838 MB, a reduction of -26% q-o-q from inventory stock adjustment loss of -2,160 MB but improved +63% y-o-y due to enriched margins.

For 9M/15, revenue from sales decreased -19% y-o-y to 153,183 MB, as a consequence of lower end-product prices. Nevertheless, EBITDA improved +77% y-o-y to 32,235 MB on cheaper feedstock and higher HDPE and PP margins. Similarly, profit for the period registered 20,958 MB, a growth of +135% y-o-y as a result of improved overall margins.

SCG Packaging
Increased Q3/15 revenue
from sales +12% y-o-y.

In the Packaging Chain, the average price of recovered paper (AOCC) in Q3/15 was flat q-o-q at \$190/ton, due to stable demand. The average price of Packaging Paper continued to decrease -\$10/ton to \$460/ton q-o-q, due to regional demand softness. The total sales volume of Packaging Paper in Q3/15 increased +2% q-o-q and +11% y-o-y to 552,000 tons, owing to higher domestic and export sales. In Thailand, the domestic sales volume of Packaging Paper registered 317,000 tons, an increase of +3% q-o-q and +7% y-o-y.

Revenue from Sales of the Packaging Chain amounted to 13,341 MB which increased +6% q-o-q and +14% y-o-y as a result of higher Packaging Paper domestic and export sales. EBITDA generation of the Packaging Chain in Q3/15 amounted to 2,004 MB, up +1% q-o-q and +16% y-o-y.

In the Fibrous Chain, the average price of Long-fiber pulp decreased -\$30/ton q-o-q to \$630/ton from high inventories level of paper producers. The average price of short-fiber pulp increased +\$15/ton q-o-q to \$645/ton due to tighter supply situation. The average price of dissolving pulp increased +\$45/ton q-o-q and +\$30/ton y-o-y to \$860/ton due to tighter supply from limited Chinese production. The regional price of P&W Paper declined -\$30/ton q-o-q to \$755/ton, as the result of regional demand softness coupled with effects from currency depreciation against USD in the region. The domestic sales volume of P&W Paper amounted to 86,000 tons which decreased -1% q-o-q as demand dropped, especially in Publication & Commercials segment. Export sales volume of P&W Paper in Q3/15 was 32,000 tons or 27% of the total sales volume. Revenue from Sales registered 4,876 MB, an increase of +7% q-o-q and +7% y-o-y. EBITDA generation of the Fibrous chain in Q3/15 amounted to 576 MB, up +11% q-o-q and +36% y-o-y.

Financially, SCG Packaging posted Q3/15 Revenue from Sales of 18,217 MB, increased +6% q-o-q, and up +12% y-o-y. EBITDA amounted to 2,580 MB, increased +3% q-o-q and +20% y-o-y, attributed to higher sales in both the Packaging and Fibrous chains. SCG Packaging's Q3/15 EBITDA contributions from the Packaging Chain and the Fibrous Chain were 78% and 22%, respectively. Profit for the Period in Q3/15 registered 645 MB, a decrease of -16% q-o-q and -10% y-o-y, mainly from depreciation and finance cost.

For the period of 9M/15, Revenue from Sales increased +9% y-o-y to 52,500 MB, owing to the higher sales volume in both Packaging chain and Fibrous chain. EBITDA in 9M/15 amounted to 7,785 MB, up +4% y-o-y, while profitability decreased -20% y-o-y to 2,287 MB, mainly attributed to higher depreciation and finance cost.

Table 2 - SCG's Segments	Q3/15	Change	Change	9M/15	Change
Revenue from Sales (MB)	MB	% y-o-y	% q-o-q	MB	% y-o-y
Consolidated SCG	110,898	-11%	-3%	333,992	-10%
SCG Cement-Building Materials	43,570	-6%	-5%	136,314	-3%
SCG Chemicals	51,591	-20%	-4%	153,183	-19%
SCG Packaging	18,217	12%	6%	52,500	9%
Other	21	11%	-9%	63	-10%
EBITDA (MB)	Q3/15	% y-o-y	% q-o-q	9M/15	% y-o-y
Consolidated SCG	19,080	19%	-24%	62,759	29%
SCG Cement-Building Materials	5,590	-12%	-13%	19,195	-7%
SCG Chemicals	10,903	43%	-25%	32,235	77%
SCG Packaging	2,580	20%	3%	7,785	4%
Other	25	148%	-99%	3,638	68%
EBITDA from Operations (MB)	Q3/15	% y-o-y	% q-o-q	9M/15	% y-o-y
Consolidated SCG	18,982	34%	-18%	60,394	34%
SCG Cement-Building Materials	5,581	-13%	-13%	19,036	-7%
SCG Chemicals	10,861	89%	-18%	30,630	101%
SCG Packaging	2,571	20%	2%	7,776	4%
Other	-13	75%	-101%	3,046	63%
EBITDA Margins (%)	Q3/15	Q3/14	Q2/15	9M/15	9M/14
Consolidated SCG	17%	11%	20%	18%	12%
SCG Cement-Building Materials	13%	14%	14%	14%	15%
SCG Chemicals	21%	9%	25%	20%	8%
SCG Packaging	14%	13%	15%	15%	16%
Profit for the Period (MB)	Q3/15	% y-o-y	% q-o-q	9M/15	% y-o-y
Consolidated SCG	9,001	15%	-35%	33,951	37%
SCG Cement-Building Materials	2,073	-33%	-28%	8,527	-20%
SCG Chemicals	6,838	63%	-26%	20,958	135%
SCG Packaging	645	-10%	-16%	2,287	-20%
Other	(491)	n.a.	-145%	2,368	-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
Registered 162,413 MB in Q3/15, a decrease of 1,993 MB from the end of Q4/14.

Net debt registered 162,413 MB in Q3/15, a decrease 1,993 MB from Q4/14. This is relative to the 9M/15 EBITDA of 62,759 MB, while the combined cash outflow in 9M/15 was 65,288 MB (CAPEX & Investments of 35,896 MB, H2/14 and H1/15 dividend payments of 17,350 MB, interest payment (cash) of 6,632 MB and corporate tax of 5,410 MB).

The Net Debt / EBITDA ratio registered 2.0 times (x) from 1.9 times (x) in Q2/15, following the q-o-q drop in EBITDA. Not taking into account the CAPEX of 21,415 MB in projects that are under construction, the Net Debt / EBITDA ratio would register 1.7 times (x).

Net finance and interest cost for 9M/15 amounted to 7,571 MB, compared to the 5,354 MB in 9M/14, primarily due to the FX loss in Q3/15. The average cost of interest at the end of Q3/15 remained sideways at 4.1%.

CAPEX & Investment
35,896 MB in 9M/15.

CAPEX & Investment in 9M/15 amounted to 35,896 MB, of which 61% was from cement-building materials, 25% from packaging, 10% from chemicals and 4% from others. The forecasted FY2015 CAPEX & Investment is approximately 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 in the approximate range of 200,000 MB to 250,000 MB.

Table 3				
SCG's Debt Profile (MB)				
	Q3/15	Q2/15	Q4/14	Q3/14
Short Term	18,847	9,814	12,601	25,205
Foreign	1,698	1,783	1,463	1,278
Baht	17,149	8,031	11,138	23,927
% of Total Loan	9%	5%	6%	13%
Long Term	186,776	193,796	183,448	175,079
Foreign	3,150	3,199	2,486	2,500
Baht	183,626	190,597	180,962	172,579
% of Total Loan	91%	95%	94%	87%
Total Loan	205,623	203,610	196,049	200,284
Cash & Cash Under Management	43,210	45,514	31,643	30,746
Cash and cash equivalents	17,219	20,377	19,031	17,945
Short-term investments	19,841	18,716	8,022	8,973
Available-for-sale investments	6,150	6,421	4,590	3,828
Total Net Debt	162,413	158,096	164,406	169,538
SCG's Financial Ratios				
	Q3/15	Q2/15	Q4/14	Q3/14
EBITDA on Assets (%)	16%	17%	14%	13%
Current Ratio (times)	1.3	1.4	1.4	1.3
Quick Ratio (times)	0.7	0.7	0.7	0.6
Interest Coverage (times)	8.7	11.8	8.8	8.1
Net Debt to EBITDA (times)	2.0	1.9	2.5	2.7
Net Debt to Equity (times)	0.7	0.7	0.8	0.9
Debt to Equity (times)	1.2	1.2	1.2	1.4
Return on Equity (%)	24%	27%	20%	20%

Note: Net Debt

EBITDA

EBITDA on Assets

Current Ratio

Quick Ratio

Interest Coverage

Net Debt to EBITDA

Net Debt to Equity

Debt to Equity

Return on Equity

= Total debt (interest bearing), less cash and cash under management

= Earnings before interest, tax, depreciation, and amortization, plus dividends.

= Annualized EBITDA, to Total Consolidated Assets

= Current assets, to current liabilities

= Cash + short term investments + receivable, to current liabilities

= EBITDA, to interest expense

= Net debt, to annualized EBITDA

= Net Debt, to equity & non-controlling interest

= Total Liabilities, to equity & non-controlling interest

= Annualized Net profit, to average total shareholders' equity (not including non-controlling interest)

Table 4			
SCG's Statement of Financial Position (MB)			
	Sep/15	Dec/14	Sep/14
Total Assets	507,266	465,823	473,405
Current assets			
Cash, cash equivalent and short-term investment	37,060	27,053	26,918
Trade and other receivables	55,359	51,841	59,105
Inventory	52,938	52,747	62,386
Long-term investment	103,043	93,812	93,281
Property, plant, and equipment	224,801	205,473	197,225
Total Liabilities	275,714	256,506	274,732
Trade and other payables	55,795	45,080	61,128
Loans	205,623	196,049	200,284
Total Equity	231,552	209,317	198,673
Total equity attributable to owners of the parent	194,605	177,283	168,245
Non-controlling interests	36,947	32,034	30,428