



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q4/14 and FY2014**

**Profit for the Period of
8,856 MB in Q4/14, and
33,615 MB for FY2014.**

SCG's Consolidated Performance Overview

SCG reported Q4/14 Profit for the Period of 8,856 MB, an increase of 11% y-o-y, attributed to better earnings in the chemicals business, despite the inventory loss adjustment of 2,960 MB during the period. EBITDA increased 14% y-o-y to 17,935 MB, driving by wider chemicals margins and dividend from associated companies. Revenue from Sales increased 12% y-o-y to 116,710 MB, largely due to increased chemicals sales volume.

On a q-o-q basis, Q4/14 Profit for the Period increased 13% q-o-q, as there was the seasonal dividend income of 1,829 MB from SCG Investment (in "Other" segment and booked as Other Income). EBITDA increased 12% q-o-q, benefiting from the increase in chemicals earnings and the seasonal dividend income. Revenue from Sales was down 6% q-o-q, reflecting the lower chemicals prices.

For the period of FY2014, Profit for the Period registered 33,615 MB, a decrease of 8% y-o-y, attributed to the non-recurring gain of 1,701 MB in Q3/13 in the cement and building materials business, lower earnings from the PVC chain, and the Q4/14 inventory loss adjustment of 2,960 MB in the chemicals business. EBITDA increased 9% y-o-y to 66,493 MB with gains from all business units, while Revenue from Sales grew 12% y-o-y to 487,545 MB.

**Equity Income registered
6,108 MB in FY2014, down
438 MB y-o-y.**

Equity Income in FY2014 was 6,108 MB, representing a decrease of 438 MB y-o-y. Equity Income from non-chemicals associates contributed 3,313 MB in FY2014 and represented a slight drop of 459 MB y-o-y. Equity Income from chemicals associates contributed 2,795 MB in FY2014 and was restively flat y-o-y.

Total dividends received in FY2014 was 9,399 MB, an increase of 22% y-o-y or 1,692 MB, details as follows: a) 5,345 MB from "Associated" companies (20%-50% stake), and b) 4,054 MB from "Other" companies (less than 20% stake).

**Cash & Cash Under
Management of 31,643 MB.**

Continued solid financials, with cash & cash under management of 31,643 MB, compared to the 29,667 MB in Q4/13, despite the CAPEX and Investments of 45,183 MB in FY2014.

Net Working Capital registered 59,712 MB, a drop of 12% q-o-q or 8,002 MB, with improved Inventory to Sales of 41 days from 45 days in Q3/14.

**7.0 Bt year-end dividend,
totaling 12.5 Bt for FY2014.**

The Board of Directors of SCC has approved a year-end 2014 dividend of 7.0 Bt (50% of H2/14 earnings) that is payable on Apr 23/15. The total FY2014 dividend paid amounts to 12.5 Bt (15,000 MB), which is comprised of the H1/14 interim of 5.5 Bt, and the year-end 7.0 Bt. This compares to the FY2013 dividend of 15.5 Bt, which included the SCG's 100 Year Anniversary Q3/13 interim of 3.0 Bt.

Table 1 - Consolidated SCG	Q4/14 MB	%Change y-o-y	%Change q-o-q	FY2014 MB	%Change y-o-y
Revenue from Sales	116,710	12%	-6%	487,545	12%
Profit for the Period	8,856	11%	13%	33,615	-8%
EBITDA	17,935	14%	12%	66,493	9%
EBITDA from Operations	16,048	4%	13%	61,148	5%
Earnings per Share (EPS)	7.4	11%	13%	28.0	-8%
Dividend Summary	H1/14	H2/14		FY2014	FY2013
Baht Per Share	5.5	7.0		12.5	15.5
Payout Ratio (% of Net Profit)	39%	50%		45%	51%

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

Domestic cement volume dropped -1% y-o-y in FY2014 to slightly lower than 40 MT.

In Q4/14, Thailand's total domestic cement demand dropped approximately 3% y-o-y, attributed mainly to the general domestic economic slowdown. The Q4/14 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 1,900-1,950 Bt/ton, compared to 1,950-2,000 Bt/ton in Q3/14. For FY2014, the total domestic sales volume dropped approximately 1% y-o-y to slightly lower than 40 MT for all producers, whereby the estimated sales to the residential sector decreased 1% y-o-y, and the government sector decreased 1% y-o-y, while sales to the commercial / retail sectors grew 1% y-o-y.

In the export market of grey cement, sales volume in Q4/14 registered 1 MT, an increase of 0.3 MT y-o-y and 0.1 MT q-o-q, as a result of the demand softness in the domestic market, while the average FOB export price remained firm at \$63/ton, down slightly by \$2/ton y-o-y, as a result of the change in product-mix (increased portion of the lower priced clinker sales volume).

Demand for housing products (roofing, board & wood substitute etc) in the domestic market dropped 12% 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, and the substitution effect from fiber-cement roofing products to lower priced metal sheets.

SCG's ceramics business within ASEAN (Thailand, Vietnam, Indonesia, Philippines) recorded total sales volume (floor and wall tiles) of 51 million sqm, which was increased 2% y-o-y, despite the demand softness in Thailand. 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 Q4/14 registered 45,151 MB, a gain of 3% y-o-y as a result of increased sales from the ASEAN operations. However, EBITDA decreased 7% y-o-y to 5,943 MB, due to the Thai market softness and higher maintenance expense, while Profitability dropped 23% y-o-y to 2,549 MB due to increased depreciation expenses.

On a full-year basis, FY2014 Revenue from Sales increased 6% y-o-y to 185,423 MB, driven by the ASEAN operations. Similarly, EBITDA amounted to 26,683 MB, a slight growth of 2% y-o-y, while Profit for the Period decreased 18% to 13,180 MB, attributed largely to the Q3/13 non-recurring gain of 1,701 MB.

SCG Chemicals ***Healthy sales volume and margins in Q4/14.***

In Q4/14, crude average price of oil decreased sharply by \$27/bbl q-o-q to \$77/bbl, attributed to OPEC decision to maintain its oil productions to retain its market share, while economic growth in Europe and China was sluggish. The market prices of naphtha decreased \$266/ton q-o-q or 29% to \$647/ton, as a result of lower crude oil prices and flooding supplies from Europe to Asia.

The market prices of HDPE and PP declined by 10% q-o-q to \$1,448/ton and \$1,465/ton, respectively, owing to lower crude oil prices. However, the larger drop in average naphtha prices in Q4/14 resulted in the expansion of HDPE-Naphtha margin and PP-Naphtha margins by \$111/ton q-o-q and \$103/ton q-o-q, to \$802/ton and \$819/ton, respectively.

In Q4/14, SCG Chemicals sold a total of 473,000 tons of polyolefin products (PE and PP), an increase of 26,000 tons q-o-q, of which 313,000 tons or 66% was exported.

The market PVC margins (PVC-EDC/C2) increased 4% q-o-q to \$348/ton, attributed to the 12% q-o-q decline in EDC prices to \$391/ton, while PVC prices decreased only 9% q-o-q to \$948/ton. The BD-Naphtha margins decreased 26% q-o-q to \$410/ton, on account of the lower demand in Asia. The MMA-Naphtha margins increased 26% q-o-q to \$1,558/ton, due to the tight supply from turnaround of Asian producers and higher Chinese demand. In the PTA business, the PTA-PX margins increased 6% q-o-q to \$75/ton from the lower PX price and reduced PTA operating rates in China.

SCG Chemicals' Revenue from Sales in Q4/14 registered 57,997 MB, a decrease of 10% q-o-q due to the decrease in product prices and an increase of 20% y-o-y from higher sales volume in polyolefin. EBITDA amounted to 7,906 MB, a slight growth of 4% q-o-q, but grew 45% y-o-y, attributed largely to improved HDPE and PP margins. Profit for the period was 3,534 MB, a decrease of 16% q-o-q, despite the stock loss

SCG Paper
Lower Q4/14 earnings on
cost pressure.

adjustment of 2,960 MB, but improved 58% y-o-y on improved margins.

For FY2014, Revenue from Sales increased 18% y-o-y to 248,118 MB, benefiting from higher sales volume in polyolefin. EBITDA increased 29% y-o-y to 26,142 MB, resulting from higher HDPE and PP margins and increased dividend from associated companies. Similarly, Profit for the period registered 12,461 MB, an increase of 10% y-o-y, also due to higher margins in general.

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

In Q4/14, prices of domestic wastepaper (key raw material) firmed-up, while imported wastepaper was flat at \$195/ton, due to sluggish Chinese demand. The average price of Packaging Paper remained stable at \$490-495/ton. The total sales volume of Packaging Paper in Q4/14 increased 1% q-o-q and 5% y-o-y to 500,000 tons, attributed to increased export sales and ASEAN operations, while Thailand's domestic sales volume of Packaging Paper was 289,000 tons which declined 4% y-o-y and 2% q-o-q due to seasonal slowdown especially consumer products and electrical appliances & electronics segment.

Revenue from Sales in the Packaging Chain amounted to 11,827 MB, up 1% q-o-q and 10% y-o-y. The increase in Revenue from Sales was mainly attributed to higher sales volume in both Packaging and Packaging Paper businesses. EBITDA of Packaging Chain in Q4/14 amounted to 1,793 MB, an increase of 4% q-o-q, but dropped slightly by 1% y-o-y. EBITDA margin in Q4/14 decreased to 15% from 17% in Q4/13, mainly due to higher domestic wastepaper prices.

On a full year basis, total sales volume of Packaging Paper in 2014 increased 5% y-o-y from higher export sales and ASEAN operations. Total sales volume of Packaging Business in 2014 increased 11% y-o-y mainly attributed to new capacities and overseas operations.

SCG Paper's Fibrous Chain (previously known as Printing & Writing Business) is comprised of Forestry, Pulp, and P&W Paper. In Q4/14, the average price of short-fiber pulp increased \$15/ton q-o-q to \$570/ton as major producers attempted to push for price hikes, while the average price of Long-fiber pulp price was flat q-o-q at \$705/ton. The regional price of P&W Paper decreased slightly \$5/ton q-o-q to \$795/ton, the result of demand softness in the region. Revenue from Sales registered 4,702 MB, an increase of 3% q-o-q and 15% y-o-y from higher sales volume. The domestic sales volume of P&W Paper amounted to 88,000 tons which was flat q-o-q. Export sales volume of P&W Paper in Q4/14 was 34,000 tons or 28% of the total sales volume, compared to 22% in Q4/13.

On a full year basis, despite declining domestic demand, total sales volume P&W Paper increased 4% y-o-y, attributed to increased exports. Profitability was under pressure, mainly due to lower short-fiber pulp and P&W Paper prices within the region.

Financially, SCG Paper posted Q4/14 Revenue from Sales of 16,529 MB, up by 2% q-o-q and 11% y-o-y, due to higher sales volume in both the Fibrous Chain and the Packaging Chain. EBITDA amounted to 2,208 MB, up 3% q-o-q and 13% y-o-y, while Profit in Q4/14 registered 591 MB which decreased 17% q-o-q, mainly due to higher depreciation and interest expenses in the Packaging Chain, but increased 40% y-o-y, assisted by improved sales volume. SCG Paper's Q4/14 EBITDA contributions from the Packaging Chain and the Fibrous Chain were 81% and 19%, respectively.

For the period of FY2014, Net Sales increased 9% y-o-y to 64,614 MB, mainly attributed to the higher sales volume in both the Packaging Chain and the Fibrous Chain. EBITDA in FY2014 amounted to 9,718 MB, or up 3% y-o-y, while Profit for the Year decreased 4% to 3,448 MB, mainly due to higher depreciation and financial cost. Despite the FY2014 challenges, such as product price competition, and higher prices of raw materials, SCG Paper's margins remain resilient y-o-y.

Table 2 - SCG's Segments	Q4/14	Change	Change	FY2014	Change
REVENUE FROM SALES (MB)	MB	% y-o-y	% q-o-q	MB	% y-o-y
Consolidated SCG	116,710	12%	-6%	487,545	12%
SCG Cement-Building Materials	45,151	3%	-3%	185,423	6%
SCG Chemicals	57,997	20%	-10%	248,118	18%
SCG Paper	16,529	11%	2%	64,614	9%
Other	16	-27%	-16%	86	-9%
EBITDA (MB)	Q4/14	% y-o-y	% q-o-q	FY2014	% y-o-y
Consolidated SCG	17,935	14%	12%	66,493	9%
SCG Cement-Building Materials	5,943	-7%	-7%	26,683	2%
SCG Chemicals	7,906	45%	4%	26,142	29%
SCG Paper	2,208	13%	3%	9,718	3%
Other	1,913	-3%	n.a.	4,083	-22%
EBITDA from Operation (MB)	Q4/14	% y-o-y	% q-o-q	FY2014	% y-o-y
Consolidated SCG	16,048	4%	13%	61,148	5%
SCG Cement-Building Materials	5,835	-7%	-9%	26,407	2%
SCG Chemicals	6,151	17%	7%	21,401	17%
SCG Paper	2,208	13%	3%	9,713	3%
Other	1,889	-4%	n.a.	3,760	-22%
EBITDA MARGINS (%)	Q4/14	Q4/13	Q3/14	FY2014	FY2013
Consolidated SCG	14%	15%	11%	13%	13%
SCG Cement-Building Materials	13%	14%	14%	14%	15%
SCG Chemicals	11%	11%	9%	9%	9%
SCG Paper	13%	13%	13%	15%	16%
Profit for the Period (MB)	Q4/14	% y-o-y	% q-o-q	FY2014	% y-o-y
Consolidated SCG	8,856	11%	13%	33,615	-8%
SCG Cement-Building Materials	2,549	-23%	-17%	13,180	-18%
SCG Chemicals	3,534	58%	-16%	12,461	10%
SCG Paper	591	40%	-17%	3,448	-4%
Other	2,247	7%	n.a.	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 164,406 MB in Q4/14, an increase of 6,642 MB from the end of Q4/13.

Net debt registered 164,406 MB in Q4/14, an increase of 6,642 MB from Q4/13. This is relative to the FY2014 EBITDA of 66,493 MB, while the combined cash outflow in FY2014 was 73,463 MB (CAPEX & Investments of 45,183 MB, H2/13 and H1/14 dividend payments of 14,956 MB, interest payment of 8,240 MB and corporate tax of 5,084 MB).

The Net Debt / EBITDA ratio dropped to 2.5 times (x) from 2.7 times (x) in Q3/14, as EBITDA increased 12% q-o-q. Not taking into account the CAPEX of 25,499 MB in projects that are under construction, the Net Debt / EBITDA ratio would register 2.1 times (x).

Net finance and interest cost for FY2014 amounted to 7,266 MB, compared to 8,193 MB in FY2013. The average cost of interest at the end of Q4/14 remained at 4.0%.

CAPEX & Investment **45,183 MB in FY2014.**

CAPEX & Investment in FY2014 amounted to 45,183 MB, of which 54% was from cement-building materials, 27% from paper, 15% 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)	Q4/14	Q3/14	Q4/13
Short Term	12,601	25,205	13,062
Foreign	1,463	1,278	1,854
Baht	11,138	23,927	11,208
% of Total Loan	6%	13%	7%
Long Term	183,448	175,079	174,369
Foreign	2,486	2,500	2,677
Baht	180,962	172,579	171,692
% of Total Loan	94%	87%	93%
Total Loan	196,049	200,284	187,431
Cash & Cash Under Management	31,643	30,746	29,667
Cash and cash equivalents	19,031	17,945	17,434
Short-term investments	8,022	8,973	6,984
Available-for-sale investments	4,590	3,828	5,249
Total Net Debt	164,406	169,538	157,764
SCG's Financial Ratios	Q4/14	Q3/14	Q4/13
EBITDA on Assets (%)	14%	13%	14%
Current Ratio (times)	1.4	1.3	1.5
Quick Ratio (times)	0.7	0.6	0.7
Interest Coverage (times)	8.8	8.1	7.6
Net Debt to EBITDA (times)	2.5	2.7	2.6
Net Debt to Equity (times)	0.8	0.9	0.8
Debt to Equity (times)	1.2	1.4	1.4
Return on Equity (%)	20%	20%	24%

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)	Dec/14	Dec/13	Sept/14
Total Assets	465,823	440,689	473,405
Current assets			
Cash, cash equivalent and short-term investment	27,053	24,418	26,918
Trade and other receivables	51,842	49,453	59,105
Inventory	52,747	55,557	62,386
Long-term investment	93,812	93,804	93,281
Property, plant, and equipment	205,085	183,842	197,225
Total Liabilities	256,506	253,927	274,732
Trade and other payables	45,080	51,211	61,128
Loans	196,049	187,386	200,284
Total Equity	209,317	186,762	198,673
Total equity attributable to owners of the parent	177,283	161,538	168,245
Non-controlling interests	32,034	25,223	30,428