



The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q4/15 and FY2015

Profit for the Period of 11,449 MB in Q4/15, and 45,400 MB for FY2015.

SCG's Consolidated Performance Overview

SCG reported Q4/15 Profit for the Period of 11,449 MB, an increase of 29% y-o-y, attributed to better earnings in the chemicals business. EBITDA increased 11% y-o-y to 19,931 MB, driving by wider chemicals spreads. Revenue from Sales decreased -10% y-o-y to 105,622 MB, largely due to lower crude prices.

On a q-o-q basis, Q4/15 Profit for the Period increased 27% q-o-q, as in the previous quarter (Q3/15) there were non-recurring items amounting to 3,630 MB which included inventory adjustments and the FX loss, while benefiting from the Q4/15 seasonal dividend incomes from SCG Investment and divestment gain of Thai British Security Printing (TBSP). Similarly, EBITDA increased 4% q-o-q, while Revenue from Sales were down -5% q-o-q, reflecting lower chemicals prices.

For the period of FY2015, Profit for the Period registered a record 45,400 MB, an increase of 35% y-o-y, attributed to the healthy chemicals earning, despite the domestic weakness in the Cement and Building Materials operations. Likewise, EBITDA increased 24% y-o-y to 82,690 MB, while Revenue from Sales dropped -10% y-o-y to 439,614 MB on lower chemicals prices.

Equity Income registered 10,293 MB in FY2015, up 4,185 MB y-o-y.

Equity Income in FY2015 registered 10,293 MB, representing an increase of 4,185 MB y-o-y. Equity Income from chemicals associates contributed 7,199 MB in FY2015, an increase of 4,404 MB y-o-y. Equity Income from non-chemicals associates contributed 3,094 MB in FY2015 and represented a slight drop of 219 MB y-o-y.

Total dividends received in FY2015 amounted to 5,771 MB, a decrease of -39% y-o-y or 3,628 MB, with details as follows: a) 3,344 MB from "Associated" companies (20%-50% stake), and b) 2,427 MB from "Other" companies (less than 20% stake).

Cash & Cash Under Management of 40,279 MB.

Continued solid financials, with cash & cash under management of 40,279 MB, compared to the 31,643 MB in Q4/14, despite the CAPEX and Investments of 45,184 MB in FY2015.

Net Working Capital registered 60,998 MB, an increase of 13% q-o-q or 6,877 MB, while Inventory to Sales was 45 days from 43 days in Q3/15.

8.5 Bt year-end dividend, totaling 16.0 Bt for FY2015.

The Board of Directors of SCC has approved a year-end 2015 dividend of 8.5 Bt (50% of H2/15 earnings) that is payable on Apr 28/16. The total FY2015 dividend paid amounts to 16.0 Bt (19,200 MB), which is comprised of the H1/15 interim of 7.5 Bt, and the year-end 8.5 Bt. This compares to the FY2014 dividend of 12.5 Bt.

Table 1 - Consolidated SCG	Q4/15 MB	%Change y-o-y	%Change q-o-q	FY2015 MB	%Change y-o-y
Revenue from Sales	105,622	-10%	-5%	439,614	-10%
Profit for the Period	11,449	29%	27%	45,400	35%
EBITDA	19,931	11%	4%	82,690	24%
EBITDA from Operations	18,952	18%	0%	79,346	30%
Earnings per Share (EPS)	9.5	29%	27%	37.8	35%
Dividend Summary	H1/15	H2/15		FY2015	FY2014
Baht Per Share	7.5	8.5		16.0	12.5
Payout Ratio (% of Net Profit)	36%	50%		42%	45%

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 was flat y-o-y in FY2015 at 40 MT.

Thailand's total domestic cement demand grew approximately +2% y-o-y in Q4/15, attributed mainly to the +12% y-o-y demand growth from the government sector, despite the residential sector's growth of -4% y-o-y. The Q4/15 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 dropped q-o-q to the range of 1,800-1,850 Baht/ton. For FY2015, the total domestic cement sales volume for all of Thailand was flat y-o-y at 40 MT.

In the export market of cement, sales volume in Q4/15 was flat y-o-y at 1 MT, while the average FOB export price dropped \$5/ton y-o-y to \$58/ton, as a result of the change in product mix (increased portion of the lower priced clinker sales volume). The majority of the export destinations was in the ASEAN markets. Bagged cement accounted for 63% of the total volume exported, compared to 83% in Q3/15.

In Q4/15 domestic demand for housing products (roof, ceiling & wall) dropped -2% y-o-y, while the domestic demand for ceramic tiles decreased -4% y-o-y. On a full year basis, domestic demand for housing products dropped -1% y-o-y, while the domestic demand for ceramic tiles decreased -4% y-o-y. These declines are attributed to weak private consumption, the result of subdued purchasing power of low-incomes.

SCG's ceramic tiles business within ASEAN (Thailand, Vietnam, Indonesia, Philippines) recorded Q4/15 total sales volume (floor and wall tiles) of 48 million sqm, which decreased -5% y-o-y, attributed largely to the lower demand in Thailand and Indonesia. The total average price of ceramic tiles for all of SCG's ASEAN operations decreased by -1% q-o-q, as a result of the Indonesia market slow down.

Revenue from sales of SCG Cement-Building Materials in Q4/15 registered 42,674 MB, a decrease of -5% y-o-y and -2% q-o-q, mainly due to the domestic market softness. This resulted in the decrease in EBITDA by -13% y-o-y and -7% q-o-q to 5,200 MB. Similarly, Profitability dropped -32% y-o-y and -17% q-o-q to 1,723 MB due to lower EBITDA and increased depreciation.

On a full-year basis, FY2015 Revenue from Sale decreased -3% y-o-y to 178,988 MB, due to the stagnant domestic market recovery in Thailand. The soft domestic market for building materials and lower domestic cement prices have resulted in the -9% y-o-y drop in EBITDA to 24,395 MB. Similarly, Profit for the period dropped -22% y-o-y to 10,250 MB due to lower EBITDA and increased depreciation.

SCG Chemicals ***Sales volume and spreads remains healthy.***

In Q4/15, Brent crude oil prices decreased by \$6/bbl or -13% q-o-q to \$44/bbl, following to the supply glut. Although crude oil fell heavily, naphtha prices dropped by only \$16/ton or -3% q-o-q to \$445/ton, the result of strong demand from liquid naphtha crackers.

On a q-o-q basis, prices of HDPE and PP descended -7% q-o-q and -12% q-o-q to \$1,153/ton and \$998/ton, respectively, due to weak seasonal demand as downstream producers kept low level of inventory towards the year-end. As a result, HDPE-Naphtha margins slid down by -\$66/ton or -9% q-o-q to \$708/ton. PP-Naphtha spreads plummeted by \$118/ton or -18% q-o-q to \$554/ton, driven by lower demand from durable goods sector and oversupply.

In Q4/15, SCG Chemicals sold a total of 473,000 tons of polyolefin products (PE and PP), a decrease of -9,000 tons q-o-q. Export sales of PE and PP amounted 281,000 tons or 59% of the total sales volume.

Even though ethylene prices climbed up by +7% q-o-q to \$1,033/ton, PVC spreads (PVC-EDC/C2) expanded by +\$10/ton or +3% q-o-q to \$349/ton. This is attributed mainly to EDC that tumbled by -34% q-o-q to \$216/ton, as EDC producers in the United States kept high operating rates to take advantage from of low regional ethylene prices.

BD-Naphtha spreads were squeezed by -46% q-o-q to \$284/ton, pressured by continually weak demand from the automotive sector, together with an additional Naphtha utilization in several crackers. MMA-Naphtha spreads declined -16% q-o-q to \$1,025/ton on the back of dampened demand in China. On the contrary, PTA-PX

spreads firmed up by +12% q-o-q to \$64/ton owing to unplanned shutdown of PTA producers.

SCG Chemicals' revenue from sales in Q4/15 decreased -8% q-o-q and -19% y-o-y to 47,250 MB as a result of lower crude oil prices and weak downstream demand as buyers maintained lean inventory level. EBITDA decreased -2% q-o-q to 10,665 MB, owing to lower q-o-q margins, but grew +35% y-o-y mainly because of the inventory loss previously. Profit for the Period registered 7,530 MB, an increase of +10% q-o-q from the absence of impact from foreign exchange loss in the previous quarter. The profit for the period also surged by +113% y-o-y.

FY 2015, revenue from sales decreased -19% y-o-y to 200,433 MB, on lower crude oil prices. Nevertheless, EBITDA improved to 42,900 MB or +64% y-o-y on better margins and cheaper feedstock prices. For this reason, profit for the period registered 28,488 MB, representing a growth of +129% y-o-y.

SCG Packaging
Higher Q4/15 earnings due to better domestic and export sales.

In the Packaging Chain, Q4/15 average prices of recovered paper (AOCC) in Q4/15 dropped -\$10/ton to \$180/ton q-o-q, due to demand softness among key Chinese importers. Similarly, the average price of Packaging Paper decreased -\$10/ton to \$450/ton q-o-q on soft regional demand. The total sales volume of Packaging Paper in Q4/15 increased +2% q-o-q and +12% y-o-y to 561,000 tons, owing to higher domestic and export sales. In Thailand, the domestic sales volume of Packaging Paper registered 319,000 tons, an increase of +1% q-o-q and +10% y-o-y.

Revenue from Sales in the Packaging Chain during Q4/15 amounted to 13,645 MB, representing an increase of +2% q-o-q and +15% y-o-y, attributed to higher domestic and export sales of Packaging Paper. EBITDA generation from the Packaging Chain in Q4/15 amounted to 2,082 MB, up +4% q-o-q and +16% y-o-y.

On a full year basis, FY2015 total sales volume of Packaging paper in 2015 increased +11% y-o-y mainly from higher domestic and export sales. FY2015 Revenue from sales of the Packaging Chain grew +12% y-o-y, attributed to the recently acquired flexible packaging business and increased export sales.

In the Fibrous Chain, Q4/15 the average prices of Long-fiber pulp decreased -\$35/ton q-o-q to \$595/ton due to sluggish demand. The average price of short-fiber pulp decreased -\$25/ton q-o-q to \$620/ton due to oversupply situation. The average price of dissolving pulp increased +\$35/ton q-o-q to \$895/ton as a result of sustained demand from China textiles related market. Furthermore, regional prices of P&W Paper continued to decline -\$20/ton to \$735/ton, from continued weak demand. The domestic operations achieved Q4/15 P&W Paper volume of 84,000 tons, a decrease of -2% q-o-q on soft demand in the business communications segment. Export sales volume of P&W Paper in Q4/15 was 32,000 tons or 28% of the total sales volume. Revenue from Sales registered 4,762 MB, a decrease of -2% q-o-q but +1% y-o-y. EBITDA generation of the Fibrous chain in Q4/15 amounted to 563 MB, slightly by -2% q-o-q but up +36% y-o-y.

On a full year basis, underlying the flat FY2015 total sales volume P&W Paper was the domestic demand. However, profitability improved as a result of elevated and competitive production cost.

Financially, SCG Packaging posted Q4/15 Revenue from Sales of 18,407 MB, an increase of +1% q-o-q, and up +11% y-o-y. EBITDA amounted to 3,046 MB, an increase of +18% q-o-q and +38% y-o-y, attributed to higher sales volume and non-recurring gain from the divestment of shares in TBSP. The EBITDA proportion contributions from the Packaging Chain and the Fibrous Chain were 79% and 21%, respectively. Profit for the Period in Q4/15 registered 1,176 MB, an increase of +82% q-o-q and +99% y-o-y attributed mainly to the non-recurring divestment of TBSP shares (306MB).

For the period of FY2015, Revenue from Sales increased +10% y-o-y to 70,907 MB, following increased export sales volume in both the Packaging chain and the Fibrous chain. EBITDA in FY2015 remained healthy and registered 10,831 MB, up +11% y-o-y. Similarly, profitability increased slightly +0.4% y-o-y to 3,463 MB, benefiting from the non-recurring divestment gain of TBSP shares and healthy EBITDA generation.

Table 2 - SCG's Segments					
Revenue from Sales (MB)	Q4/15 MB	Change % y-o-y	Change % q-o-q	FY2015 MB	Change % y-o-y
Consolidated SCG	105,622	-10%	-5%	439,614	-10%
SCG Cement-Building Materials	42,674	-5%	-2%	178,988	-3%
SCG Chemicals	47,250	-19%	-8%	200,433	-19%
SCG Packaging	18,407	11%	1%	70,907	10%
Other	20	25%	-5%	83	-3%
EBITDA (MB)	Q4/15	% y-o-y	% q-o-q	FY2015	% y-o-y
Consolidated SCG	19,931	11%	4%	82,690	24%
SCG Cement-Building Materials	5,200	-13%	-7%	24,395	-9%
SCG Chemicals	10,665	35%	-2%	42,900	64%
SCG Packaging	3,046	38%	18%	10,831	11%
Other	1,045	-45%	n.a.	4,683	15%
EBITDA from Operations (MB)	Q4/15	% y-o-y	% q-o-q	FY2015	% y-o-y
Consolidated SCG	18,952	18%	0%	79,346	30%
SCG Cement-Building Materials	4,983	-15%	-11%	24,019	-9%
SCG Chemicals	9,921	61%	-9%	40,551	89%
SCG Packaging	3,046	38%	18%	10,822	11%
Other	1,027	-46%	n.a.	4,073	8%
EBITDA Margins (%)	Q4/15	Q4/14	Q3/15	FY2015	FY2014
Consolidated SCG	18%	14%	17%	18%	13%
SCG Cement-Building Materials	12%	13%	13%	13%	14%
SCG Chemicals	21%	11%	21%	20%	9%
SCG Packaging	17%	13%	14%	15%	15%
Profit for the Period (MB)	Q4/15	% y-o-y	% q-o-q	FY2015	% y-o-y
Consolidated SCG	11,449	29%	27%	45,400	35%
SCG Cement-Building Materials	1,723	-32%	-17%	10,250	-22%
SCG Chemicals	7,530	113%	10%	28,488	129%
SCG Packaging	1,176	99%	82%	3,463	0%
Other	1,089	-52%	322%	3,457	-28%

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 162,485 MB in Q4/15, a decrease of 1,921 MB from the end of Q4/14.

Net debt registered 162,485 MB in Q4/15, a decrease of 1,921 MB from Q4/14. This is relative to the FY2015 EBITDA of 82,690 MB, while the combined cash outflow in FY2015 was 76,680 MB (CAPEX & Investments of 45,184 MB, H2/14 and H1/15 dividend payments of 17,350 MB, interest payment of 8,069 MB and corporate tax of 6,077 MB).

The Net Debt / EBITDA ratio was flat at 2.0 times (x) from Q3/14. Not taking into account the CAPEX of 26,774 MB in projects that are under construction, the Net Debt / EBITDA ratio would registered 1.6 times (x).

Net finance and interest cost in for FY2015 amounted to 9,076 MB, compared to 7,266 MB in FY2014. The average cost of interest at the end of Q4/15 remained at 3.9%.

CAPEX & Investment **45,184 MB in FY2015.**

CAPEX & Investment in FY2015 amounted to 45,184 MB, of which 60% was from cement-building materials, 25% from packaging, 11% from chemicals and 4% from others. The forecasted FY2016 CAPEX & Investment is approximately 50,000 MB. Over the period of 2016 to 2020, 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)			
	Q4/15	Q3/15	Q4/14
Short Term	16,377	18,847	12,601
Foreign	1,384	1,698	1,463
Baht	14,993	17,149	11,138
% of Total Loan	8%	9%	6%
Long Term	186,387	186,776	183,448
Foreign	3,033	3,150	2,486
Baht	183,354	183,626	180,962
% of Total Loan	92%	91%	94%
Total Loan	202,764	205,623	183,448
Cash & Cash Under Management	40,279	43,210	31,643
Cash and cash equivalents	17,971	17,219	19,031
Short-term investments	16,617	19,841	8,022
Available-for-sale investments	5,691	6,150	4,590
Total Net Debt	162,485	162,413	164,406
SCG's Financial Ratios			
	Q4/15	Q3/15	Q4/14
EBITDA on Assets (%)	16%	15%	15%
Current Ratio (times)	1.2	1.3	1.4
Quick Ratio (times)	0.6	0.7	0.7
Interest Coverage (times)	9.9	8.7	8.8
Net Debt to EBITDA (times)	2.0	2.0	2.5
Net Debt to Equity (times)	0.7	0.7	0.8
Debt to Equity (times)	1.1	1.2	1.2
Return on Equity (%)	24%	24%	20%

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/15	Dec/14	Sep/15
Total Assets	509,981	465,823	507,266
Current assets			
Cash, cash equivalent and short-term investment	34,588	27,053	37,060
Trade and other receivables	54,294	51,841	55,359
Inventory	52,898	52,747	52,938
Long-term investment	103,271	93,812	103,043
Property, plant, and equipment	230,839	205,473	224,801
Total Liabilities	266,975	256,506	275,714
Trade and other payables	48,833	45,080	55,795
Loans	202,764	196,049	205,623
Total Equity	243,006	209,317	231,552
Total equity attributable to owners of the parent	206,161	177,283	194,605
Non-controlling interests	36,845	32,034	36,947