



The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q1/17

Profit for the Period of 17,386 MB in Q1/17.

Equity Income registered 5,558 MB in Q1/17, up 1,660 MB y-o-y.

Cash & Cash Under Management of 53,143 MB.

SCG's Consolidated Performance Overview

SCG reported Q1/17 Profit for the Period of 17,386 MB, an increase of +29% y-o-y, attributed to healthy earnings from the Chemicals business and the non-recurring after tax gain of the approximate 1,900 MB. EBITDA increased +28% y-o-y to 28,108 MB, due to the healthy earnings mentioned above. Revenue from Sales grew by +6% y-o-y to register 116,268 MB driven by better Chemicals product prices.

On a q-o-q basis, Q1/17 Profit for the Period gained +39% q-o-q, attributed to healthy earnings from the Chemicals business, the seasonal growth from the Cement and Building Materials business, and the non-recurring after tax gain of the approximate 1,900 MB. Similarly, EBITDA increased +13% q-o-q, while Revenue from Sales grew +17% q-o-q on increased Chemicals sales following the ramp-up of ROC following the turnaround, and the seasonal growth in the Cement and Building Materials businesses.

Equity Income in Q1/17 registered 5,558 MB, representing an increase of 1,660 MB y-o-y. This improvement is attributed primarily to better y-o-y margins for the chemicals associates. In Q1/17, the chemicals associates contributed 4,677 MB of the total equity income, while non-chemicals associates contributed another 881 MB.

Total dividends received in Q1/17 was 2,625 MB, with details as follows: a) 2,543 MB from "Associated" companies (20%-50% stake), and b) 82 MB from "Other" companies (less than 20% stake).

Continued solid financials, with cash & cash under management of 53,143 MB, compared to the 47,252 MB in Q4/16, despite the Q1/17 CAPEX and Investments of 13,900 MB.

Net Working Capital registered 70,126 MB, an increase of 7,619 MB q-o-q from higher accounts receivables, while Inventory to Net Sales decreased to 42 days, from 48 days in Q4/16

Table 1 - Consolidated SCG	Q1/17 MB	% Change y-o-y	% Change q-o-q	FY2016 MB
Revenue from Sales	116,268	6%	17%	423,442
Profit for the Period	17,386	29%	39%	56,084
EBITDA	28,108	28%	13%	97,816
EBITDA from Operations	25,565	18%	27%	87,687
Earnings per Share (EPS)	14.5	29%	39%	46.7

Note: EBITDA = Earnings and dividends, before interest, tax, depre & amortization.
 EBITDA from Operations = Earnings before finance costs, 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 demand dropped -7% y-o-y.

In Q1/17, Thailand's total domestic cement demand decreased -7% y-o-y, following the flood in southern Thailand which resulted in that region's -20% y-o-y decline in demand, in addition to the -9% y-o-y decline in demand for the residential sector. The Q1/17 domestic cement sales volume of SCG Cement-Building Materials was relatively in line with that of the industry, with the realized domestic cement price of 1,650-1,700 Baht/ton, which was flat q-o-q but dropped y-o-y when compared to the Q1/16 price of 1,800 – 1,850 Baht/ton.

Cement exports in Q1/17 decrease -0.4 MT y-o-y to 1.0 MT, while the average FOB export price decreased \$10/ton y-o-y to \$47/ton, as a result of the change in product mix (increased portion of the lower priced clinker sales volume). Bagged cement accounted for 40% of the total volume exported, compared to 35% in previous quarter.

The domestic Thai market continued to see weak demand. In Q1/17, demand for ceramic tiles decreased -12% y-o-y, and demand for housing products (roof, ceiling & wall) decreased -8% y-o-y.

SCG's ceramic tiles business within ASEAN (Thailand, Vietnam, Indonesia, Philippines) recorded Q1/17 total sales volume (floor and wall tiles) of 45 million sqm, which decreased -8% y-o-y, attributed to the Thai market softness. The total average price of ceramic tiles for all of SCG's ASEAN operations increased +2% y-o-y.

Revenue from sales of SCG Cement–Building Materials in Q1/17 registered 44,824 MB, which decreased -2% y-o-y due to lower pricing and volume in the domestic Thai market, and increased +9% q-o-q on seasonality. As a result, EBITDA dropped -10% y-o-y, but increased +22% q-o-q to 6,273 MB. Similarly, Profitability dropped -25% y-o-y to 2,468 MB due to lower EBITDA, but increased +136% q-o-q on the seasonal effect.

SCG Chemicals Healthy performance from both subsidiary and associated companies in Q1/17.

In Q1/17, Brent crude oil prices increased \$4/bbl or 7% q-o-q at \$55/bbl because OPEC reached the deal to cut production and soften dollar index. Naphtha prices increased by \$49/ton or +11% q-o-q to \$499/ton following higher oil price trend and tight supply from refineries turnaround.

Overall product prices increased, as HDPE gained \$42/ton or 4% q-o-q to \$1,176/ton and PP climbed up \$73/ton or +7% q-o-q to \$1,160/ton from restocking activity after the Chinese New Year. As a result, the spread of HDPE-naphtha slightly decreased by \$7/ton or -1% q-o-q to \$677/ton. While PP-naphtha spread widened by \$25/ton or +4% q-o-q to \$661/ton following restocking demand after the Chinese New Year.

In Q1/17 SCG Chemicals sold a total of 457,000 tons of polyolefin products (PE and PP), an increase of 32,000 tons or +8% q-o-q, following the cracker (ROC) major turnaround in Q4/16. Export sales of PE and PP amounted to 252,000 tons or 55% of the total sales volume.

PVC spread (PVC-EDC/C2) narrowed to \$421/ton or -15% q-o-q, as EDC price increased by \$48/ton or +18% q-o-q to \$305/ton from tight supply as a result of Middle East producers' turnaround.

SCG Chemicals sold a total of 187,000 tons of PVC in Q1/17, a slight decrease of 1,000 tons or -1% q-o-q was attributed to lower export volume to SEA due to low APVC price from competitors offset by strong Indian demand from demonetization after Jan'17.

BD-Naphtha spread drastically increased by 80% q-o-q to \$2,080/ton due to high demand from restocking after the Chinese New Year in China, plant shutdown in EU and low natural rubber supply from flooding in southern Thailand. MMA-Naphtha spread increased +5% q-o-q to \$1,465/ton due to tight supply from plant turnaround. PTA-PX spread increased by 3% q-o-q to \$68/ton from higher PTA price in China while PX price followed the oil price uptrend.

SCG Chemicals' Revenue from Sales in Q1/17 increased +27% q-o-q due to the ramp up in operating rate of ROC, following the turnaround in Q4/16, and +14% y-o-y to 54,271 MB. EBITDA amounted to 17,010 MB, an increase of +5% q-o-q as a result of higher sales volumes of PE & PP, and better margins for PP and naphtha cracker by-products, while gaining +43% y-o-y as a result of better Chemicals products prices. Similarly, Profit for the period stood at 13,367 MB, an increase of +34% q-o-q and +49% y-o-y, due to the above mentioned operational items, in addition to the non-recurring after tax gain of the approximate 1,400 MB from the sales of investment assets.

**SCG Packaging
Benefiting from the
increased sales in the
Packaging chain.**

In the Packaging Chain, the average price of recovered paper (AOCC) in Q1/17 increased +\$40/ton q-o-q to \$250/ton as a result of strong demand in China and USA, while low collection in USA due to rain and flood. Similarly, the average price of Packaging Paper was up to \$465/ton following raw material prices hike. The total sales volume of Packaging Paper in Q1/17 was up +9% q-o-q and +8% y-o-y to 631,000 tons thanks to strong domestic sales and higher ASEAN operations as a result of new capacity expansion in Vietnam. In Thailand, the domestic sales volume of Packaging Paper registered 367,000 tons, grew +13% q-o-q and +5% y-o-y owing to higher production especially E&E and Food & Beverage segment.

Revenue from Sales of the Packaging Chain in Q1/17 amounted to 15,121 MB, an increase of +9% q-o-q and +7% y-o-y attributed to new capacity expansion in Vietnam and healthy domestic demand. EBITDA generation of the Packaging Chain in Q1/17 amounted to 2,379 MB, grew +18% q-o-q while dropped -5% y-o-y due to lower margin from higher raw materials cost.

In the Fibrous Chain, the average price of short-fiber pulp increased q-o-q to \$565/ton due to Chinese buyers' low inventories. The average prices of Long-fiber pulp increased q-o-q to \$640/ton as major producers push up prices. The regional prices of P&W Paper increased q-o-q to \$730/ton. The domestic sales volume of P&W Paper amounted to 86,000 tons which increased +10% q-o-q owing to high season of publication and commercial segment, but declined -3% y-o-y. Export sales volume of P&W Paper in Q1/17 decreased to 28,000 tons or 25% of the total sales volume.

Revenue from Sales of Fibrous chain registered 4,720 MB, increased +4% q-o-q from seasonal demand, but flat y-o-y. EBITDA generation of the Fibrous chain (exclude Thai Union Paper "TUP" land and asset sale) in Q1/17 amounted to 699 MB which improved +77% q-o-q and +5% y-o-y thanks to better production efficiency.

Financially, SCG Packaging posted Q1/17 Revenue from Sales of 19,841 MB, increased 8% q-o-q and 5% y-o-y. EBITDA amounted to 3,852 MB, grew +59% q-o-q and +21% y-o-y mainly from TUP's land and asset sale (3,078 MB excluding TUP, +27% q-o-q while -3% y-o-y). SCG Packaging's Q1/17 EBITDA contributions from the Packaging Chain and the Fibrous Chain were 77% and 23%, respectively. Profit for the Period in Q1/17 registered 1,696 MB, an increase of +171% q-o-q and +35% y-o-y also due to TUP's land and machinery sale (1,191 MB excluding TUP, +91% q-o-q while -5% y-o-y).

Table 2 - SCG's Segments	Q1/17	Change	Change	FY2016
Revenue from Sales (MB)	MB	% y-o-y	% q-o-q	MB
Consolidated SCG	116,268	6%	17%	423,442
SCG Cement-Building Materials	44,824	-2%	9%	170,944
SCG Chemicals	54,271	14%	27%	188,163
SCG Packaging	19,841	5%	8%	74,542
Other	22	-12%	38%	86
EBITDA (MB)	Q1/17	% y-o-y	% q-o-q	FY2016
Consolidated SCG	28,108	28%	13%	97,816
SCG Cement-Building Materials	6,273	-10%	22%	23,639
SCG Chemicals	17,010	43%	5%	60,713
SCG Packaging	3,852	21%	59%	10,884
Other	990	n.a.	-4%	2,653
EBITDA from Operations (MB)	Q1/17	% y-o-y	% q-o-q	FY2016
Consolidated SCG	25,565	18%	27%	87,687
SCG Cement-Building Materials	5,964	-12%	19%	23,296
SCG Chemicals	15,868	35%	35%	51,621
SCG Packaging	3,847	21%	59%	10,873
Other	(97)	8%	-110%	1,970
EBITDA Margins (%)	Q1/17	Q1/16	Q4/16	FY2016
Consolidated SCG	22%	20%	20%	21%
SCG Cement-Building Materials	13%	15%	12%	14%
SCG Chemicals	29%	25%	27%	27%
SCG Packaging	19%	17%	13%	15%
Other	-441%	-424%	n.a.	n.a.
Profit for the Period (MB)	Q1/17	% y-o-y	% q-o-q	FY2016
Consolidated SCG	17,386	29%	39%	56,084
SCG Cement-Building Materials	2,468	-25%	136%	8,492
SCG Chemicals	13,367	49%	34%	42,084
SCG Packaging	1,696	35%	171%	3,565
Other	(23)	-158%	-103%	2,195

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 144,555 MB in Q1/17, with leverage at 1.5x (Net Debt on EBITDA)

Net debt registered 144,555 MB in Q1/17, a decrease 2,388 MB from Q4/16. This is relative to the Q1/17 EBITDA of 28,108 MB, while the combined cash outflow in Q1/17 was 16,158 MB (CAPEX & Investments of 13,900 MB, interest payment of 1,661 MB and corporate tax of 597 MB).

The Net Debt / EBITDA ratio was flat at 1.5 times (x) from Q4/16.

Net finance and interest cost for Q1/17 amounted to 1,774 MB, compared to the FY2016 total of 7,573 MB. The average cost of interest at the end of Q1/17 remained steady at 3.7%.

CAPEX & Investment
13,900 MB in Q1/17.

CAPEX & Investment in Q1/17 amounted to 13,900 MB, which does not includes the total debt of approx. 8,000 MB from the recently acquired cement plant in central Vietnam, of which 52% was from cement-building materials, 35% from chemicals, 11% from packaging and 2% from others. The forecasted FY2017 CAPEX & Investment is approximately 60,000 MB to 70,000 MB.

Table 3			
SCG's Debt Profile (MB)	Q1/17	Q4/16	Q1/16
Short Term	13,821	15,806	14,051
Foreign	2,614	1,358	1,240
Baht	11,207	14,448	12,811
% of Total Loan	7%	8%	7%
Long Term	183,877	178,389	182,097
Foreign	10,791	3,638	2,824
Baht	173,086	174,751	179,273
% of Total Loan	93%	92%	93%
Total Loan	197,698	194,195	196,148
Cash & Cash Under Management	53,143	47,252	44,436
Cash and cash equivalents	33,912	27,709	20,487
Short-term investments	13,804	13,090	17,868
Available-for-sale investments	5,427	6,453	6,081
Total Net Debt	144,555	146,943	151,712
SCG's Financial Ratios	Q1/17	Q4/16	Q1/16
EBITDA on Assets (%)	17%	18%	17%
Current Ratio (times)	1.2	1.3	1.1
Quick Ratio (times)	0.7	0.7	0.6
Interest Coverage (times)	15.8	13.8	10.8
Net Debt to EBITDA (times)	1.5	1.5	1.8
Net Debt to Equity (times)	0.5	0.5	0.6
Debt to Equity (times)	1.0	0.9	1.1
Return on Equity (%)	29%	25%	26%

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)	Mar/17	Dec/16	Mar/16
Total Assets	562,170	539,688	520,603
Current assets			
Cash, cash equivalent and short-term investment	47,716	40,799	38,355
Trade and other receivables	59,116	51,443	53,998
Inventory	54,314	53,335	51,538
Long-term investment	106,097	104,712	107,903
Property, plant and equipment	251,335	245,183	234,890
Total Liabilities	279,790	258,070	272,699
Trade and other payables	49,882	48,509	50,650
Loans	197,698	194,195	196,148
Total Shareholders' equity	282,380	281,618	247,904
Total equity attributable to owners of the parent	238,885	240,023	208,725
Non-controlling interests	43,495	41,595	39,179