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***Analyst Conference Q3/13***  
***Wednesday, October 30, 2013***

## I. Consolidated Results

- Q3/13 Consolidated Results

- 9M/13 Summary

- Financial Updates

## II. SCG Cement - Building Materials

## III. SCG Chemicals

## IV. SCG Paper

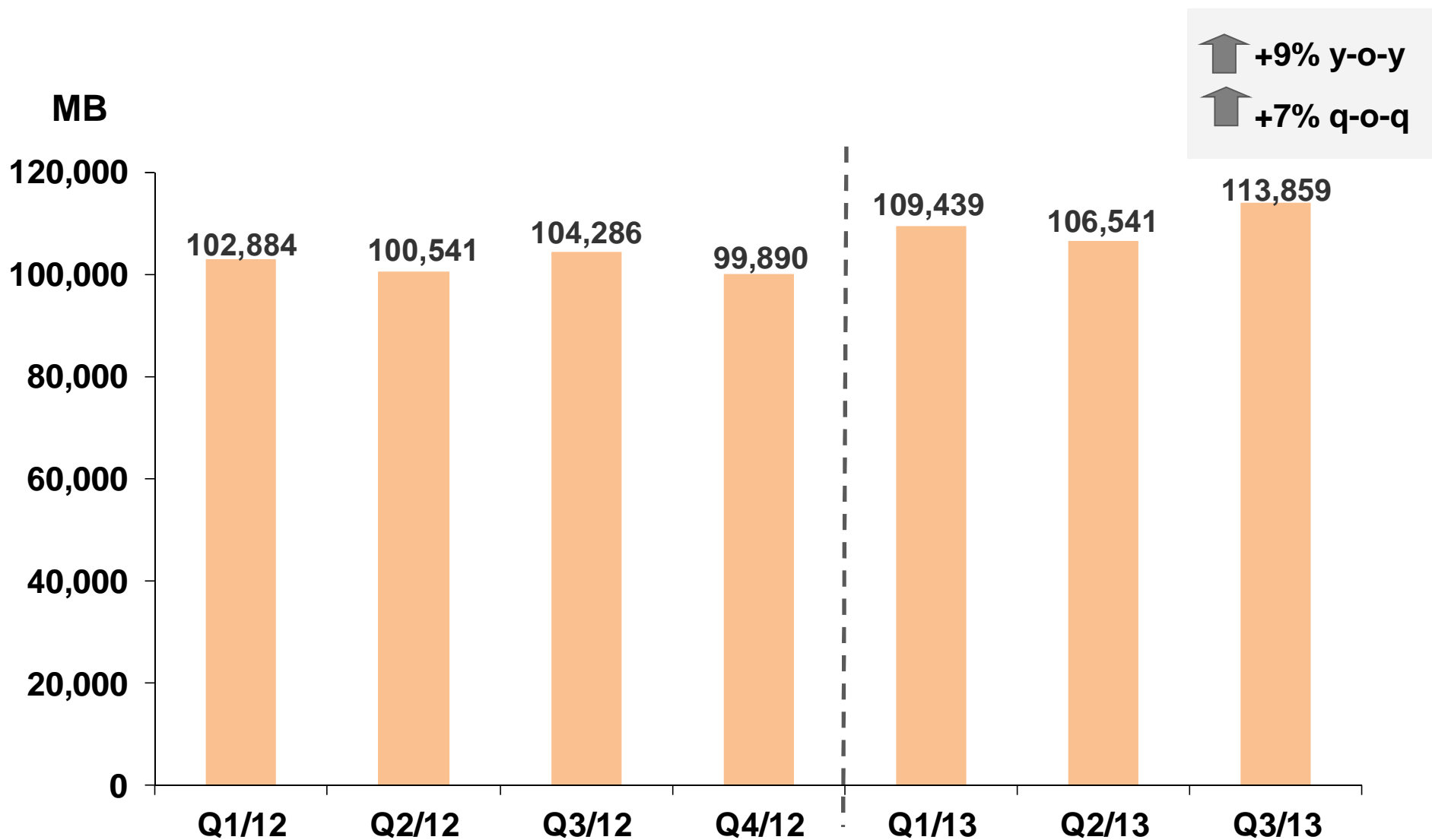
## V. Summary

# Revenue from Sales

Gained 9% y-o-y from increased sales volume of domestic cement and chemicals products.



slide 3

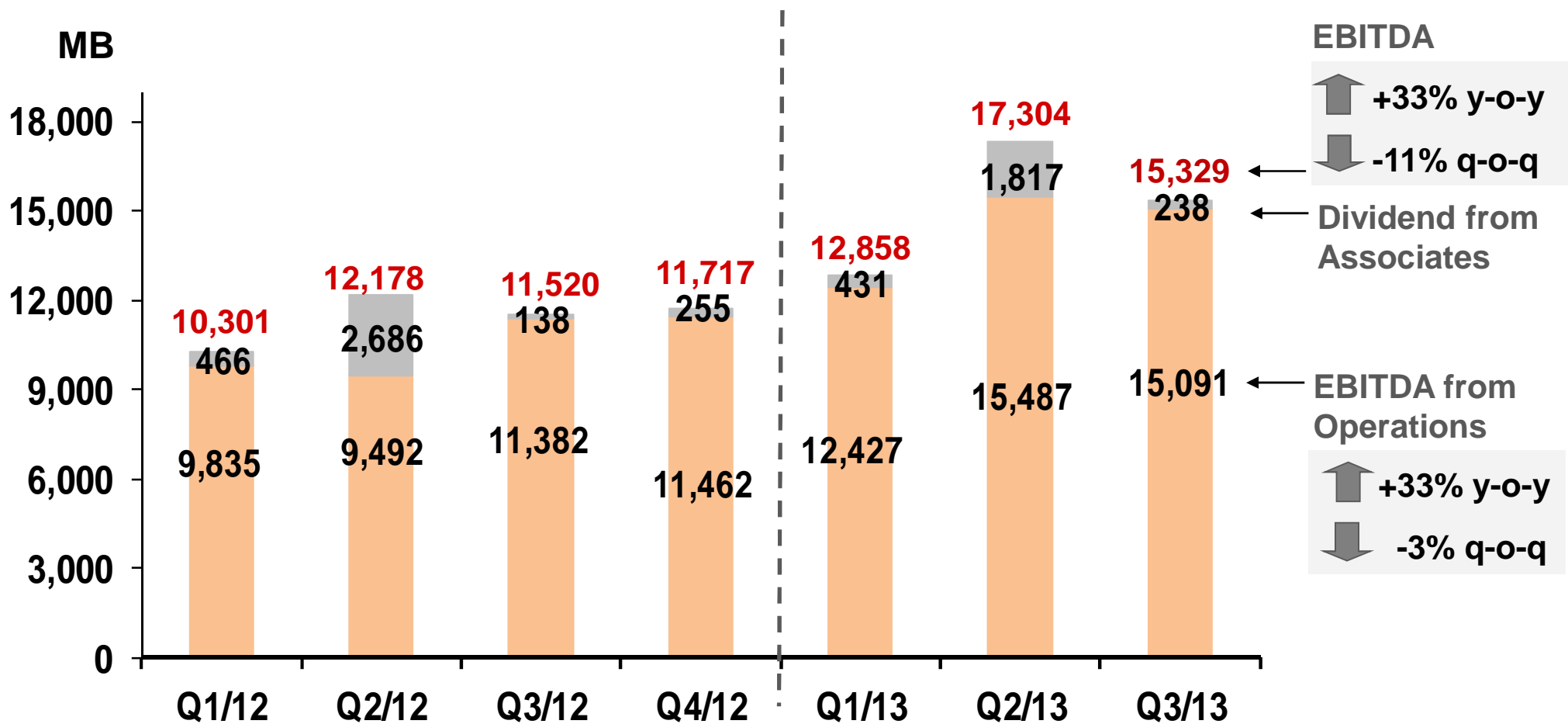


# EBITDA

Increased 33% y-o-y, benefiting from the recovery in chemicals margins and continued domestic cement growths. The decrease of 11% q-o-q was due to lower seasonal dividend from SCG Investment.



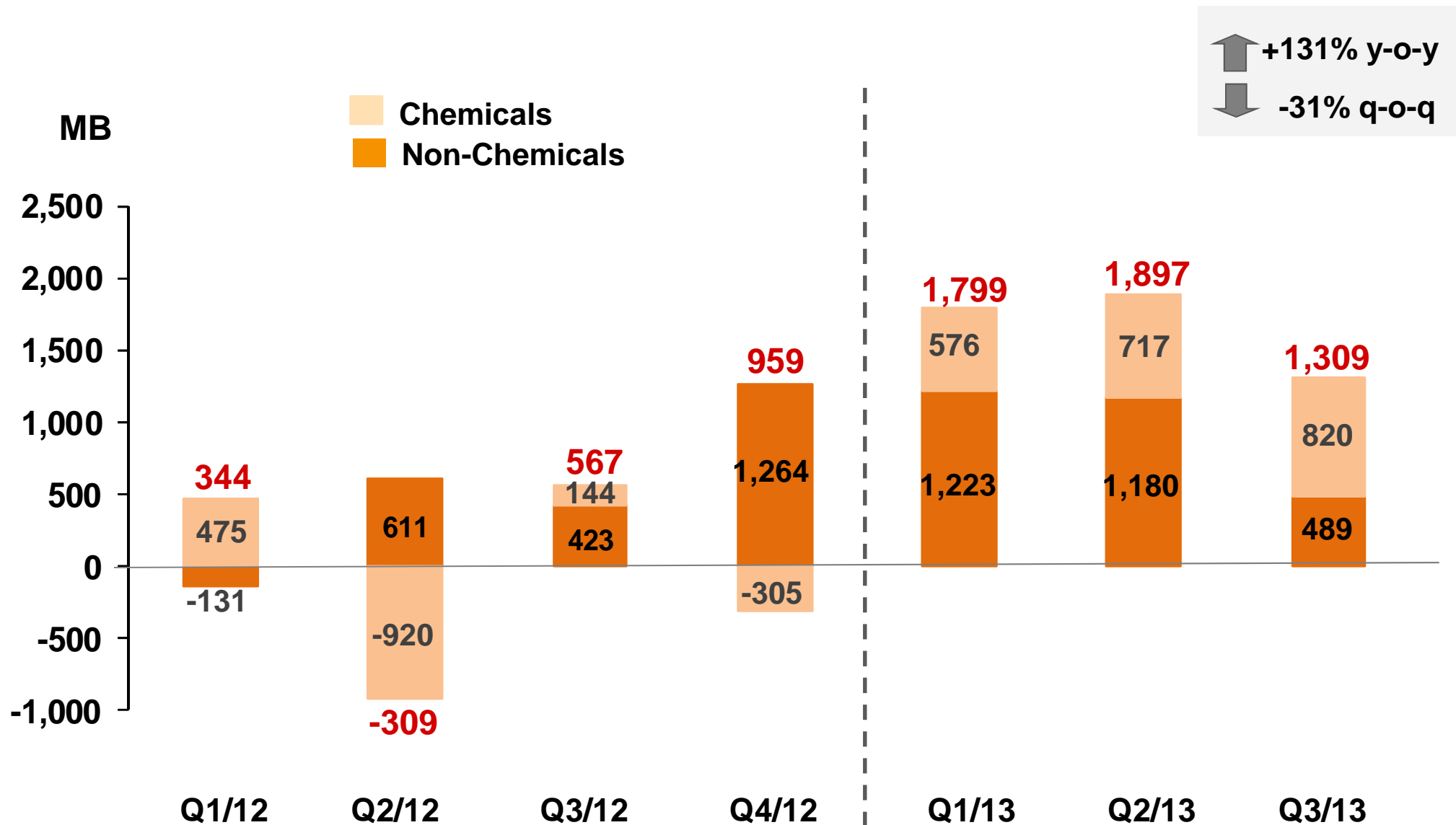
slide 4



**NOTE:** EBITDA = EBITDA from Operations + Dividend from Associates

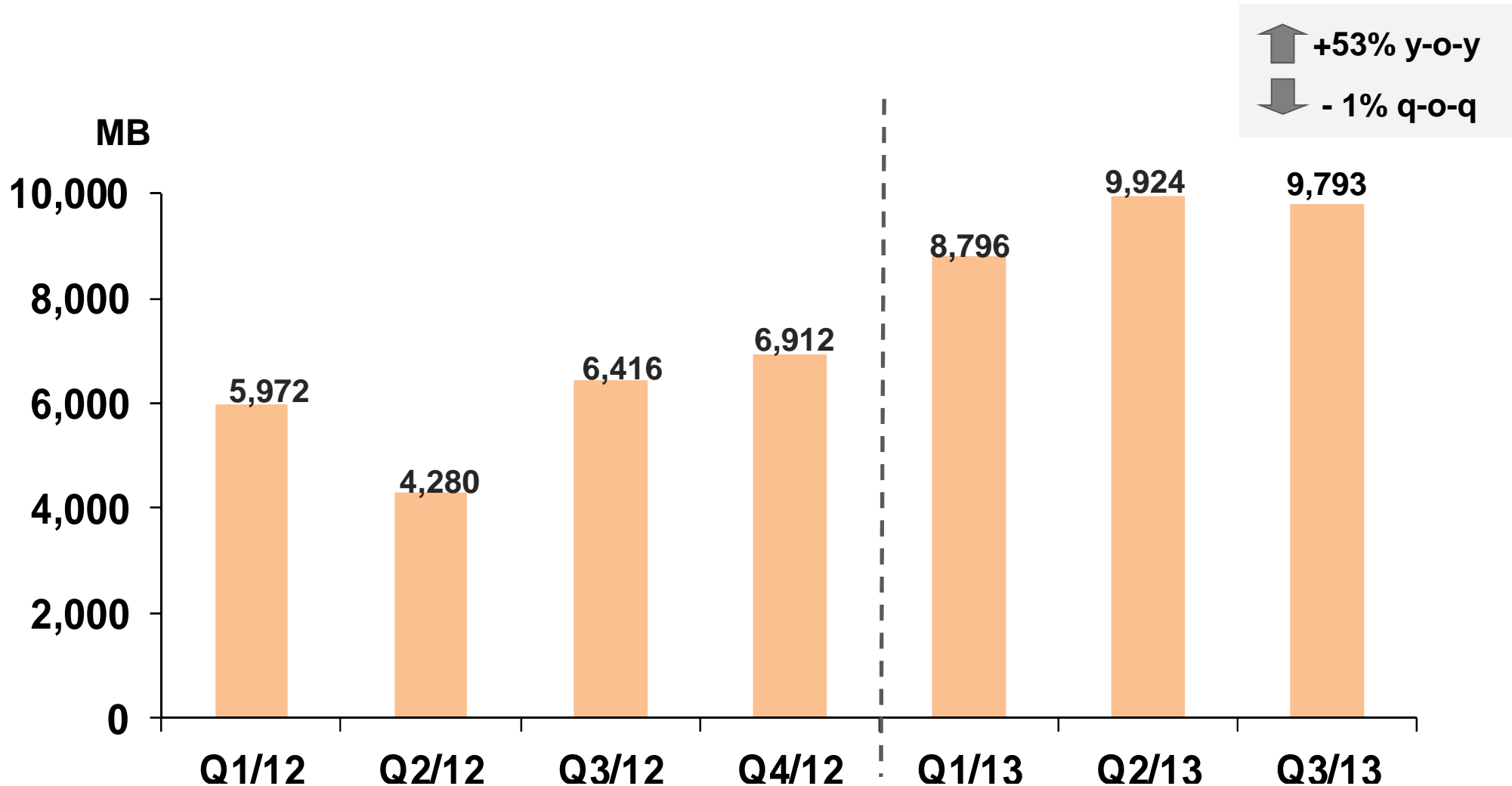
# Equity Income

Increased 131% y-o-y, as the margins of chemicals associates continue to recover from last year.



## Profit for the Period

The earnings growth of 53% y-o-y was driven by the recovery in chemicals margins, domestic cement demand, equity income, and non-recurring gain of 1,701 MB.

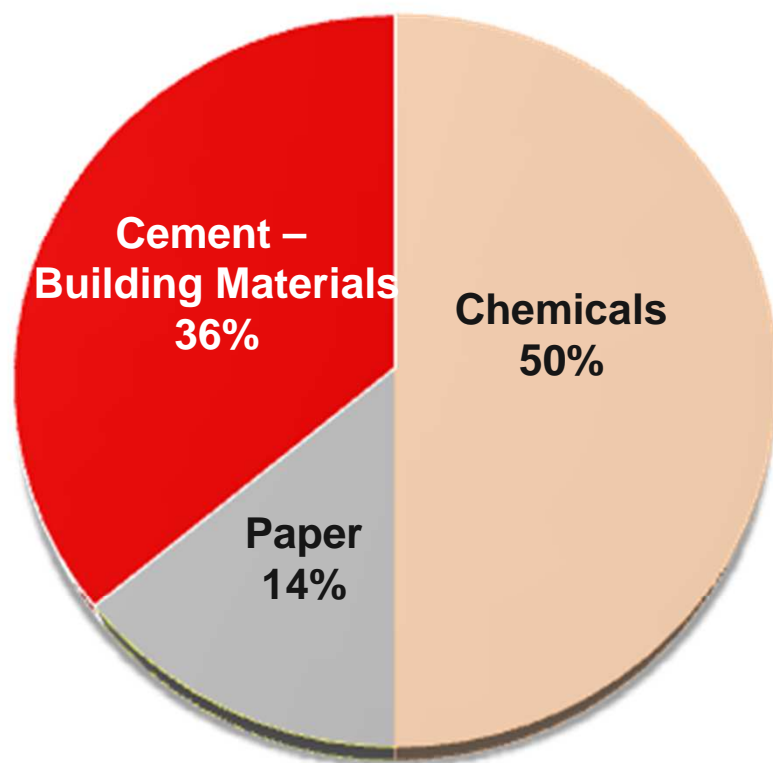


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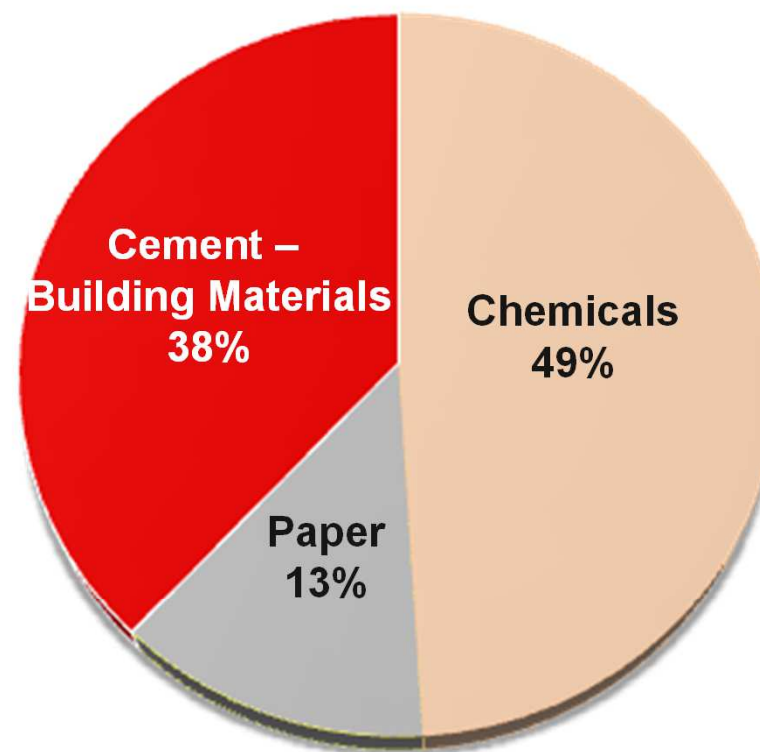
# Revenue from Sales

The chemicals business accounted for 49% of 9M/13 sales, while the cement – building materials business was another 38%.

9M//12  
307,711 MB



9M/13  
329,839 MB (+7% y-o-y)



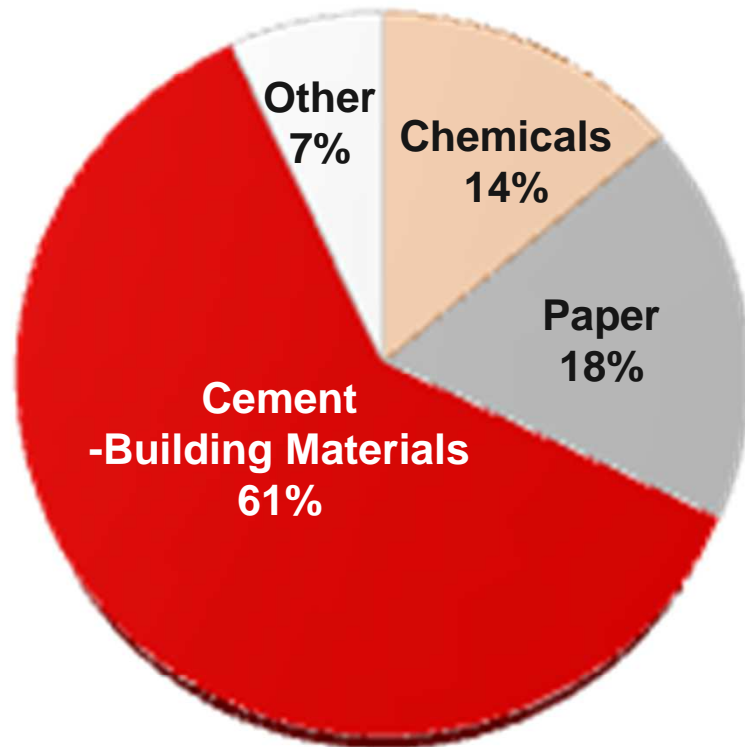


# Profit for the Period

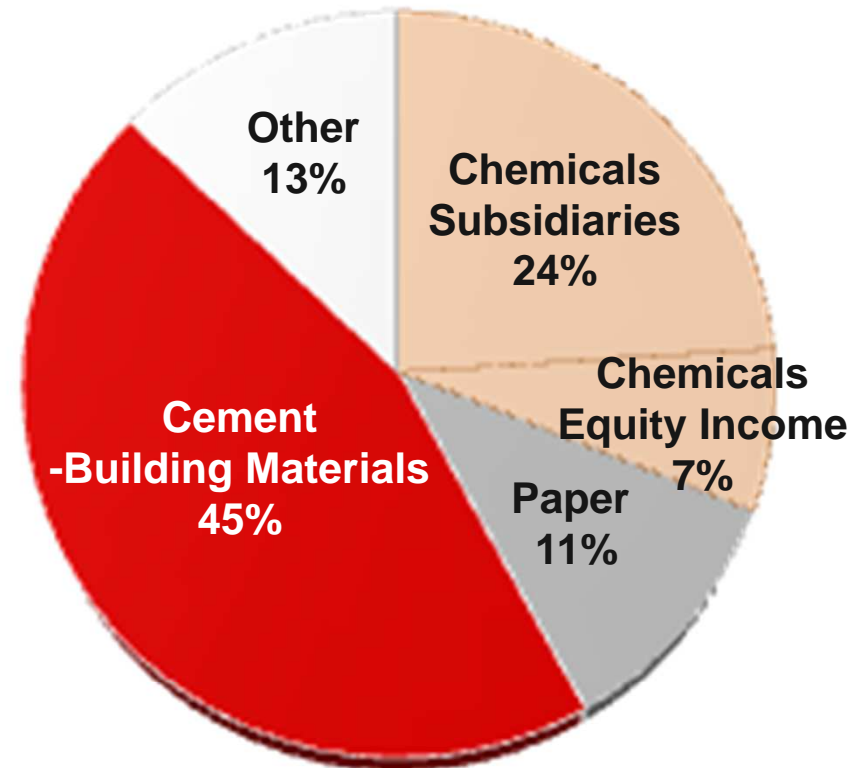
The cement – building materials business accounted for 45% of the 9M/13 earnings, while chemicals improved from 14% of 9M/12 earnings to 31% of 9M/13 earnings.

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9M/12  
16,668 MB



9M/13  
28,513 (+71% y-o-y)

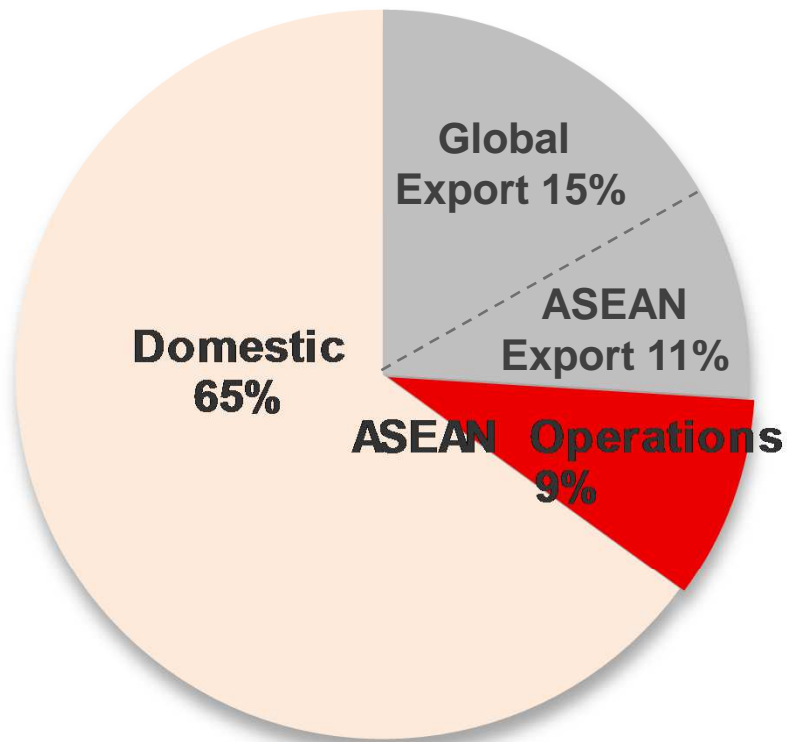


*Other = Mainly SCG Investment and Corporate*

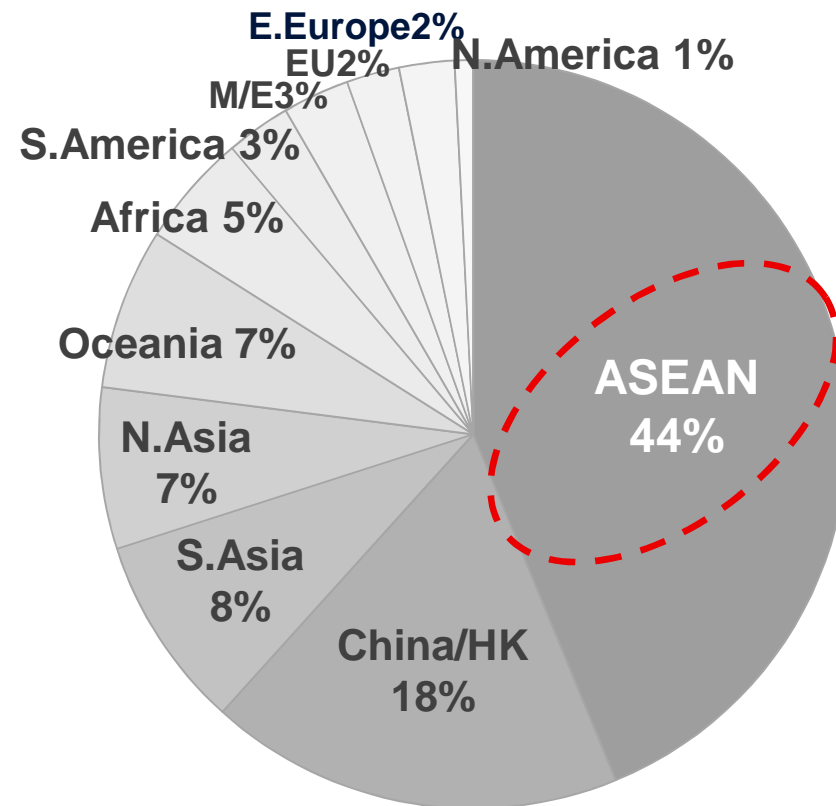
# Segments: Export Destinations in 9M/13

ASEAN destinations were 44% of the total exports sold from Thailand.

## Revenue from Sales



## Export Destinations

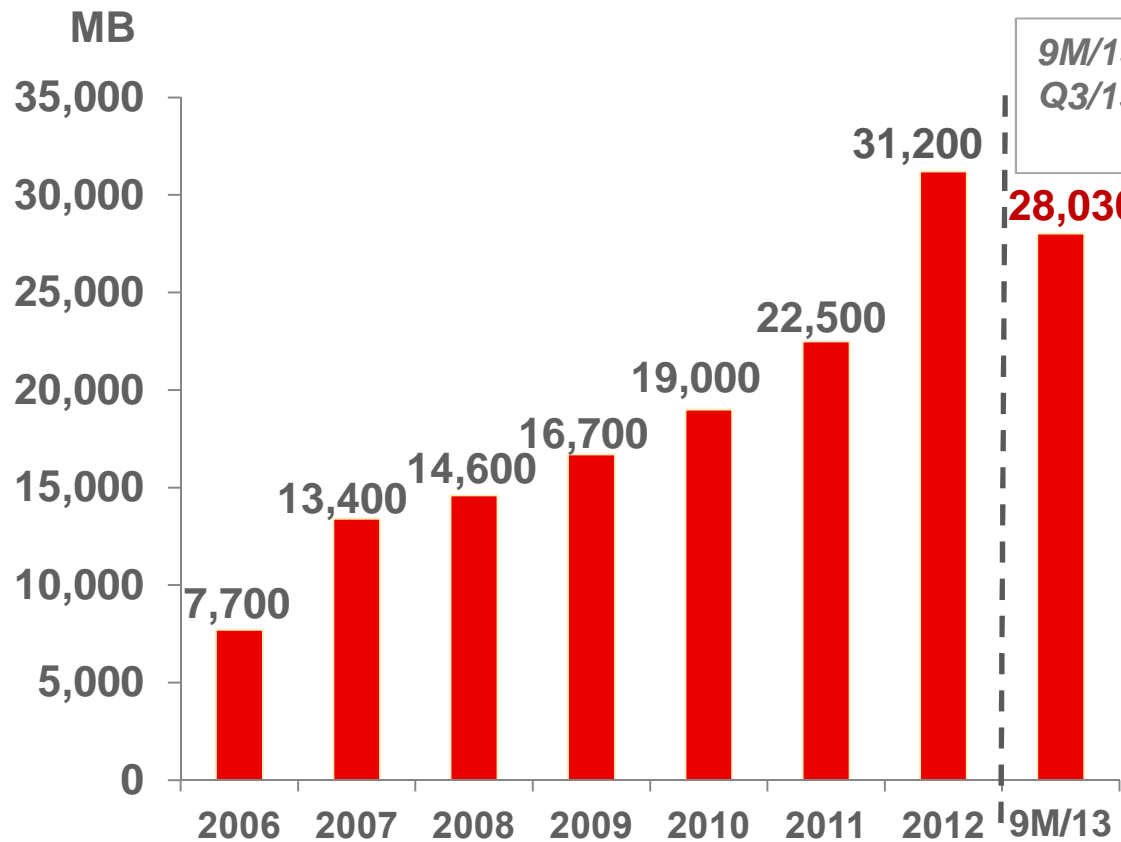


ASEAN Operations - subsidiaries outside of Thailand.  
Export Destinations - from Thai subsidiaries

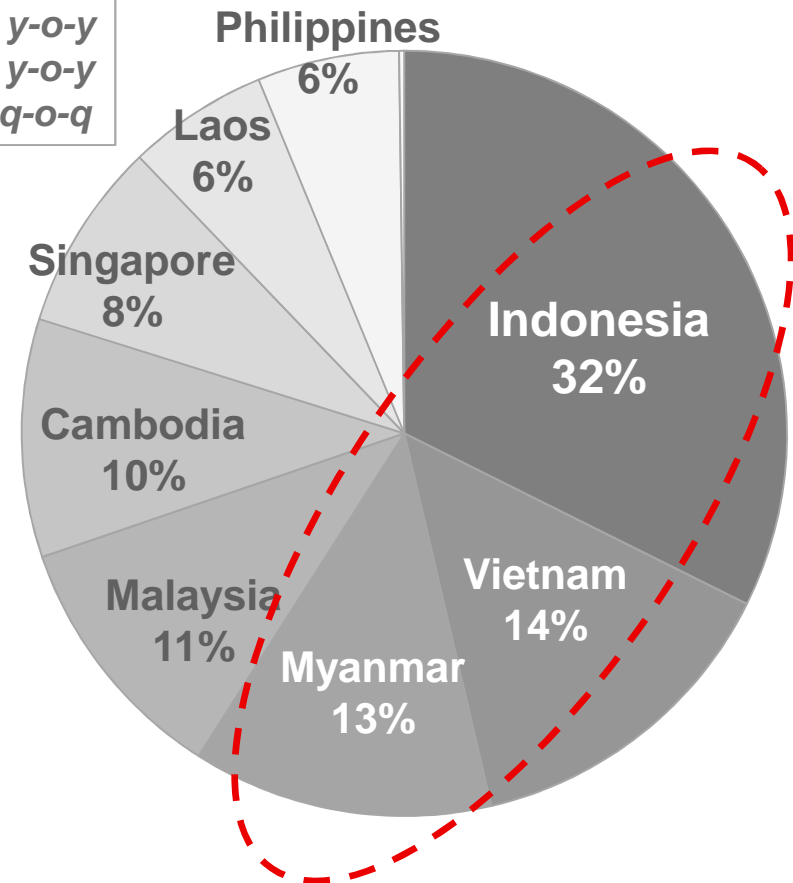
# ASEAN Drivers in 9M/13

Three countries (Indonesia, Myanmar, Vietnam) accounted for 59% of SCG's exports into ASEAN, while Sales from ASEAN operations increased 22% y-o-y to 28,030 MB.

### Sales from ASEAN Operations



### Export to ASEAN (from Thailand)



Percentage of total sales from ASEAN Operations:

3% 5% 5% 7% 7% 7% 8% **9%**

# 9M/13 Revenue from Sales & EBITDA

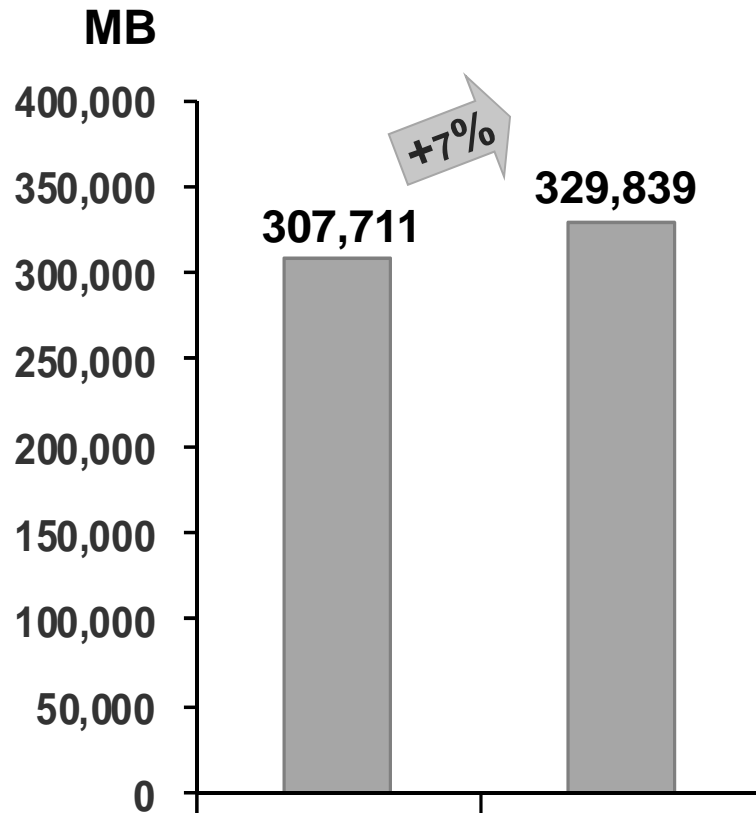
Sales grew 7% y-o-y from demand growth in all businesses, while EBITDA increased 34% y-o-y from the recovery in chemicals margins and higher domestic demand of cement.

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## Revenue from sales

9M/12

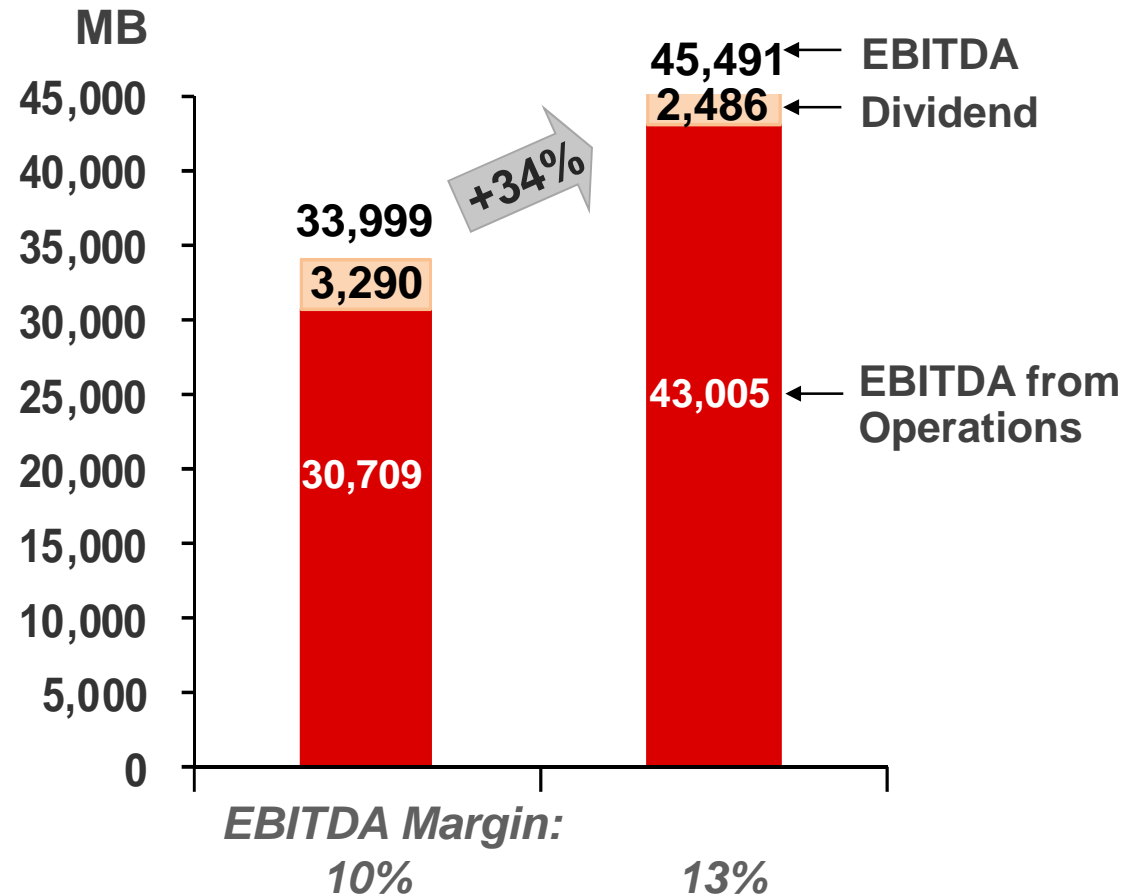
9M/13



## EBITDA

9M/12

9M/13

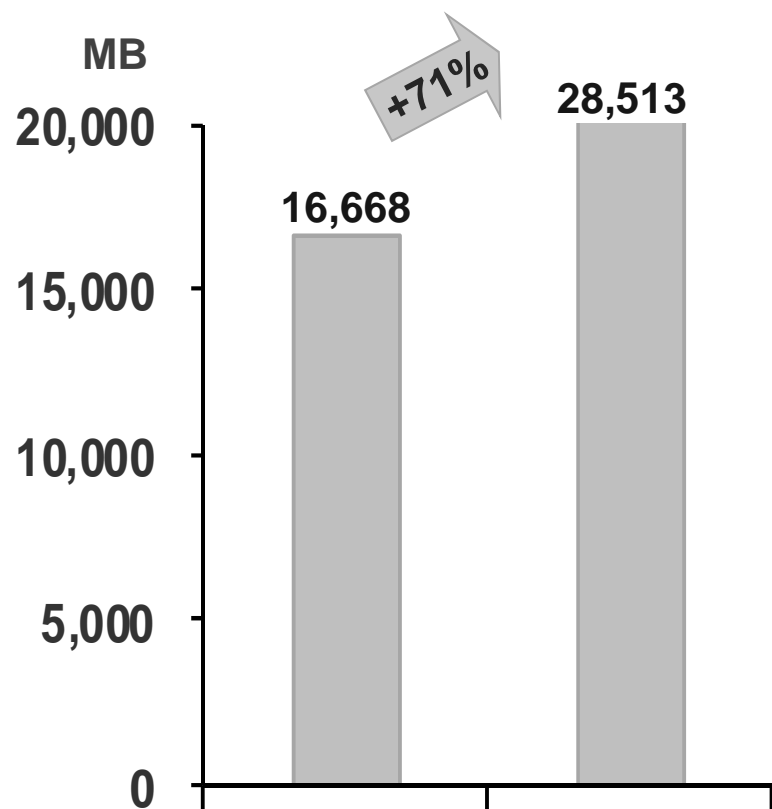


# 9M/13 Profitability & CAPEX

Earnings increased 71% y-o-y, from the recovery in chemicals margins, higher domestic demand of cement, increased equity income, and non-recurring gain of 1,701 MB.

## Profit for the Period

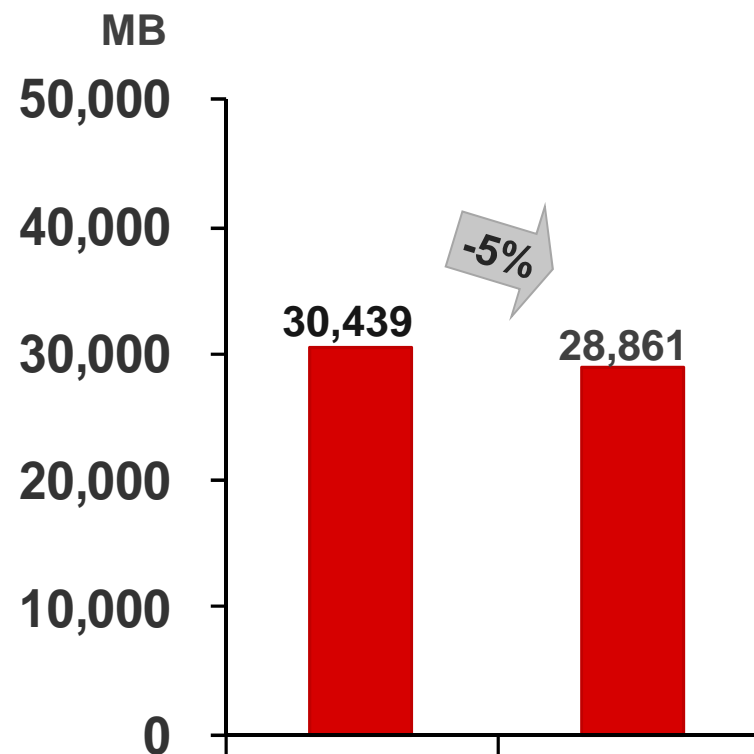
9M/12      9M/13



EPS:    13.9                  23.8

## CAPEX & Investments

9M/12      9M/13



Note:

- CAPEX includes debottlenecking, expansions, and major turnaround.
- Investments are acquisitions and purchase of shares.

# EBITDA on Assets, and EBITDA Margin

Percent (%)

## EBITDA on Assets



EBITDA Margin (%):

24	23	27	23	22	22	23	26	22	19	16	14	18	14	11	10	13
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*EBITDA on Assets* = *EBITDA / Consolidated Assets*

*EBITDA margin* = *EBITDA from Operations / Consolidated Sales*

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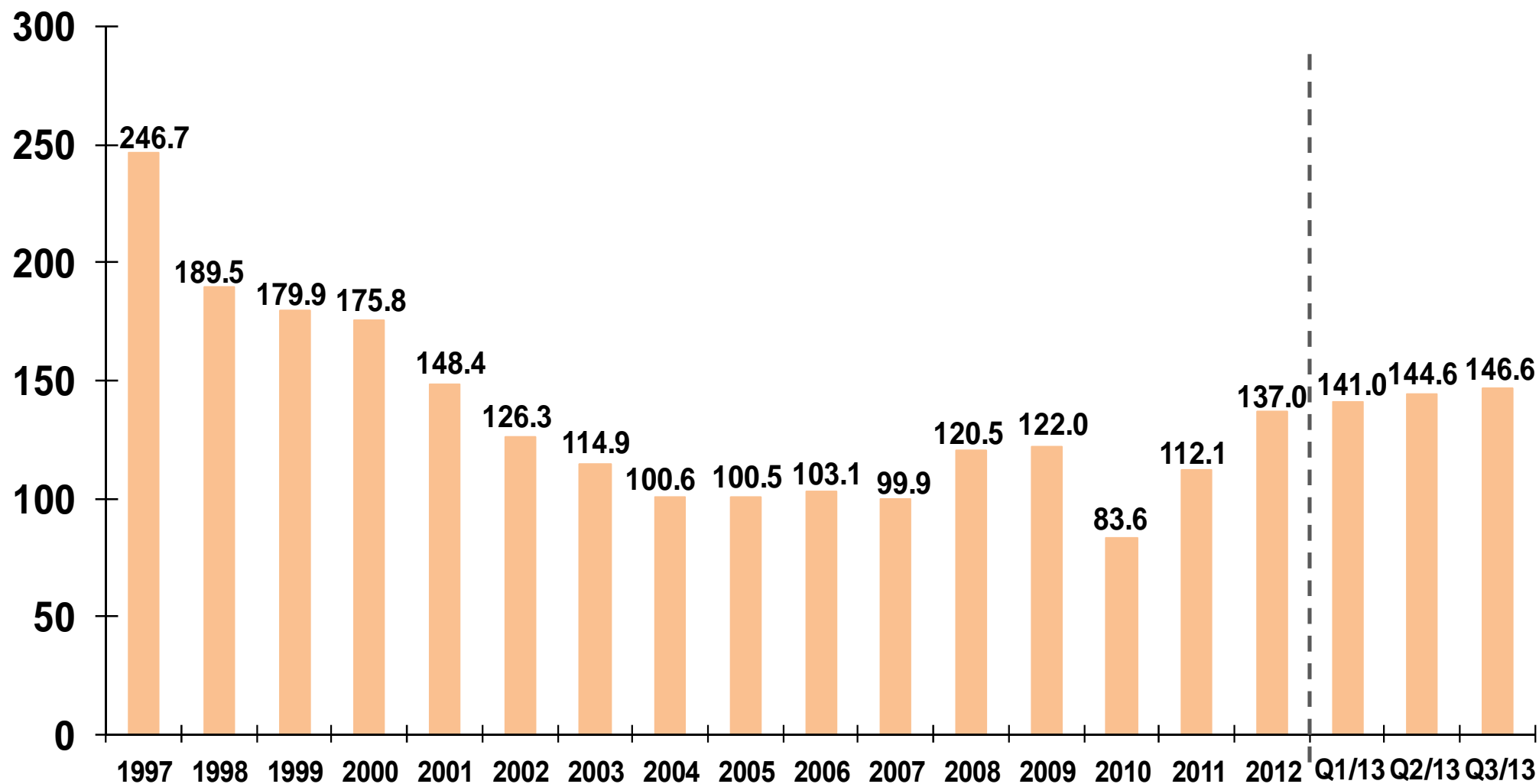
# Net Debt

146.6 Billion Baht, an increase of 2 Billion Baht q-o-q.



slide 16

Billion Baht





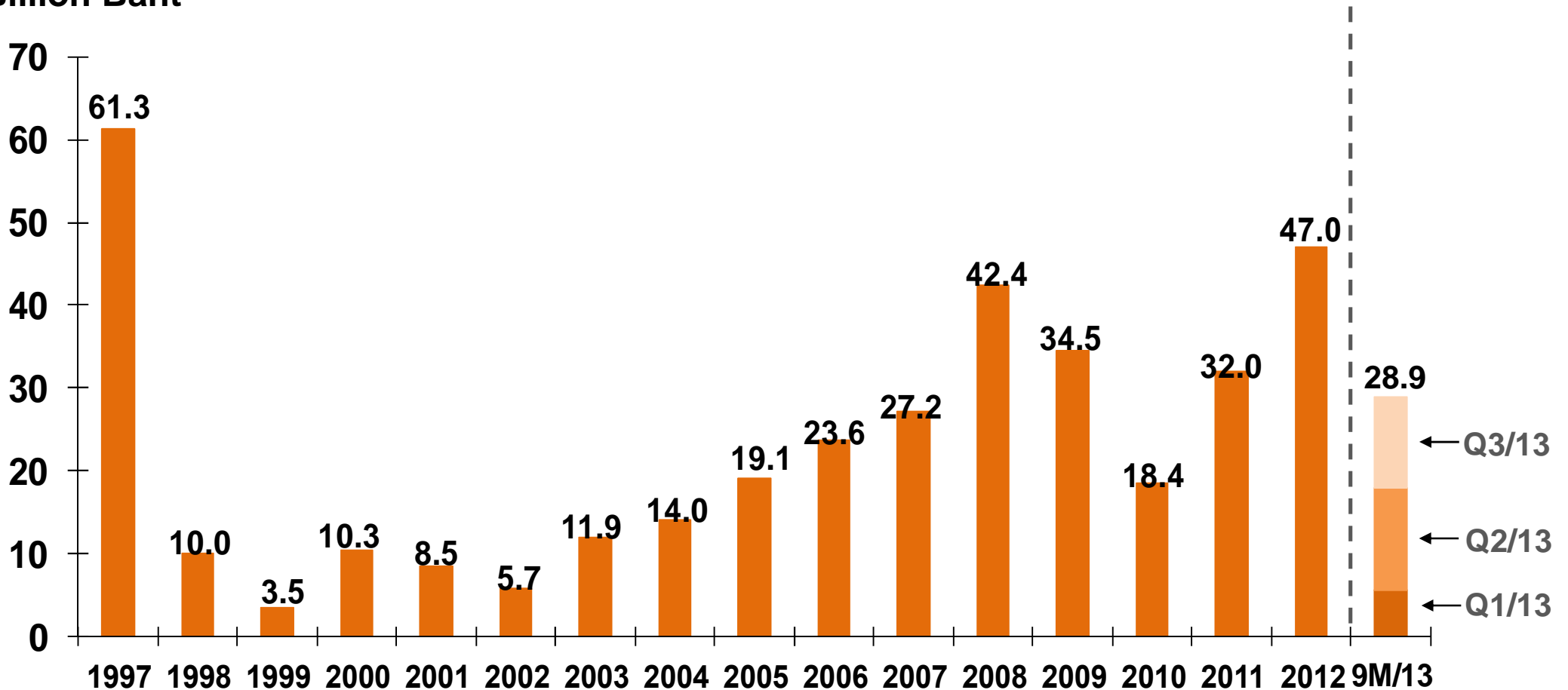
# CAPEX and Investments

Q3/13 CAPEX and Investments of 11,129 MB, and totaling 28,861 MB in 9M/13.



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Billion Baht



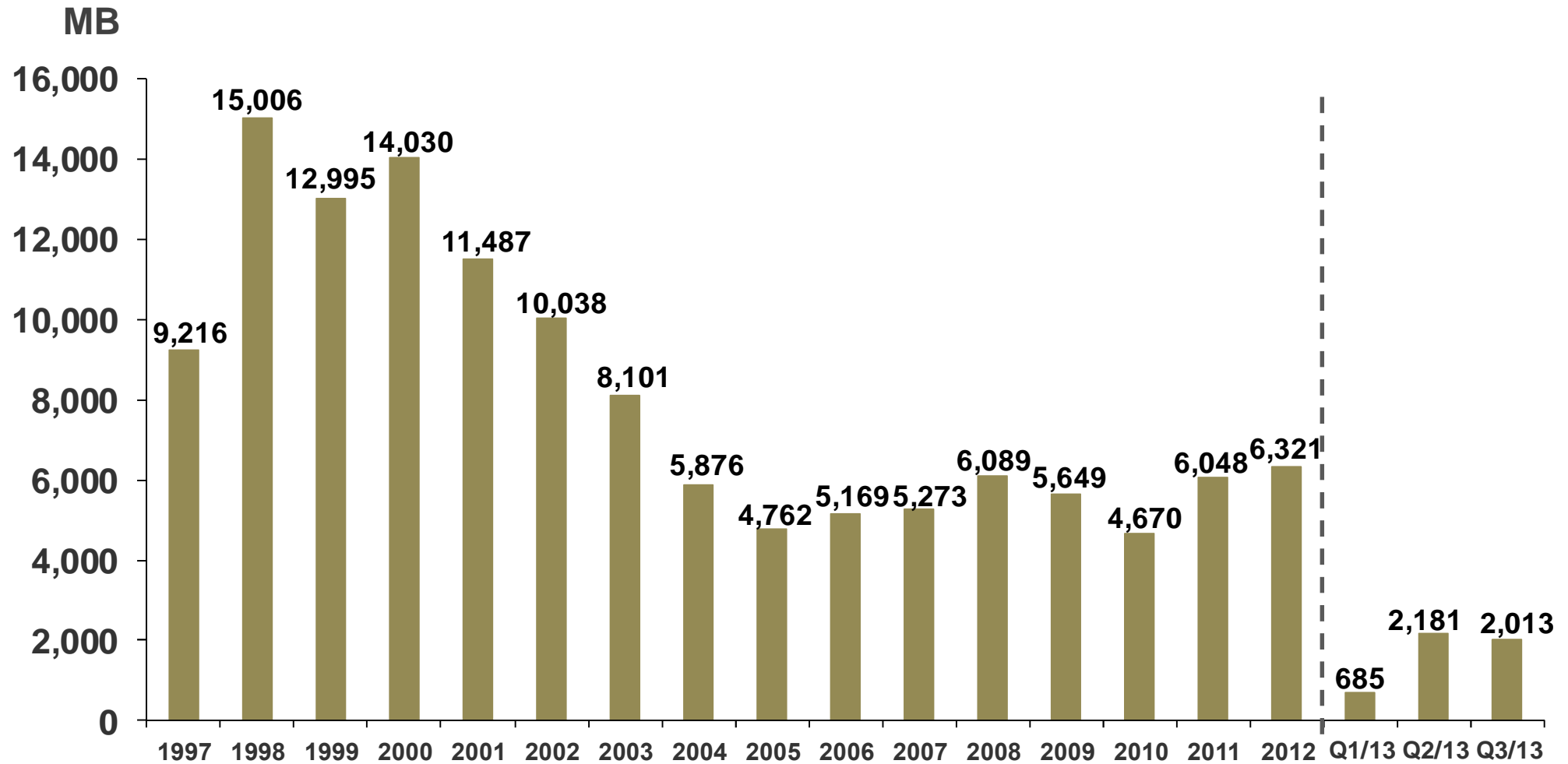
- CAPEX includes debottlenecking, expansion projects, and major turnaround.
- Investments are acquisitions and purchase of shares.

# Interest and Finance Costs

The Q3/13 interest and finance cost of 2,013 MB includes a FX loss of 156 MB, while interest cost registered 4.1%.



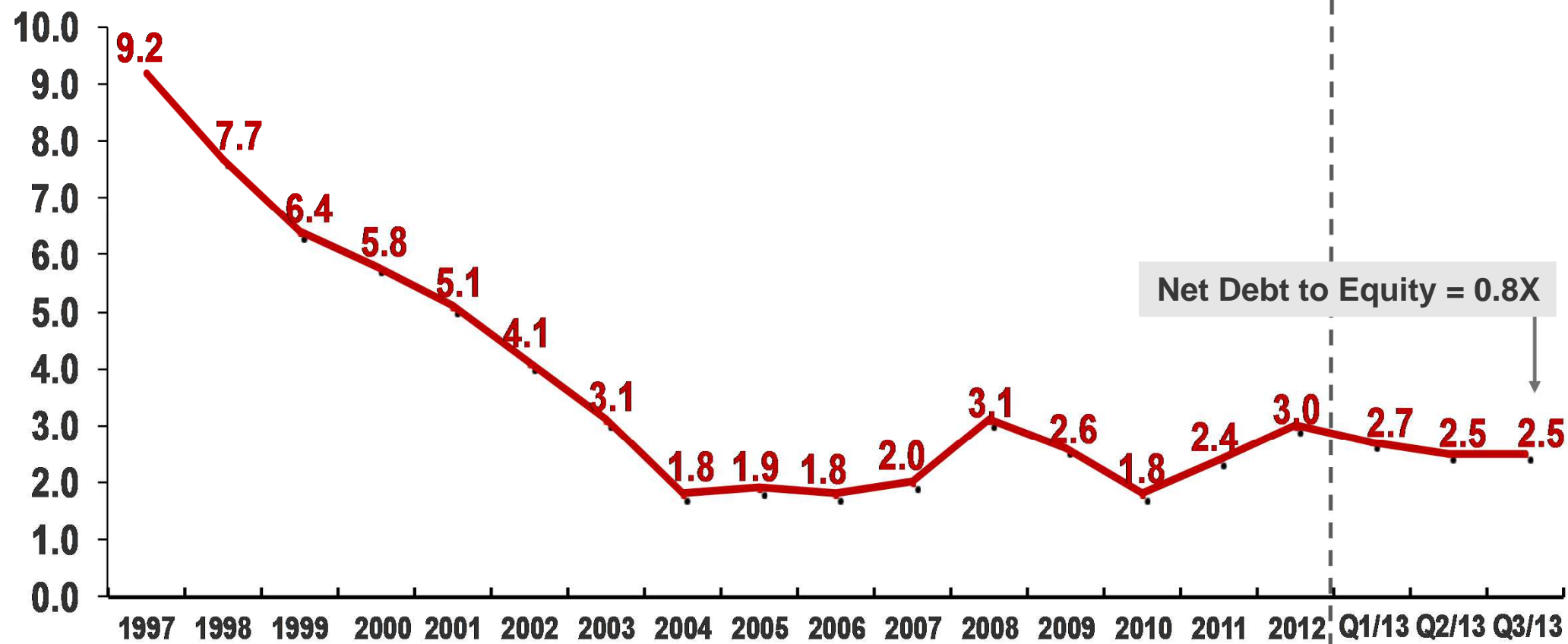
slide 18



**NOTE:** Interest & financial charges include FX gain/loss transactions.

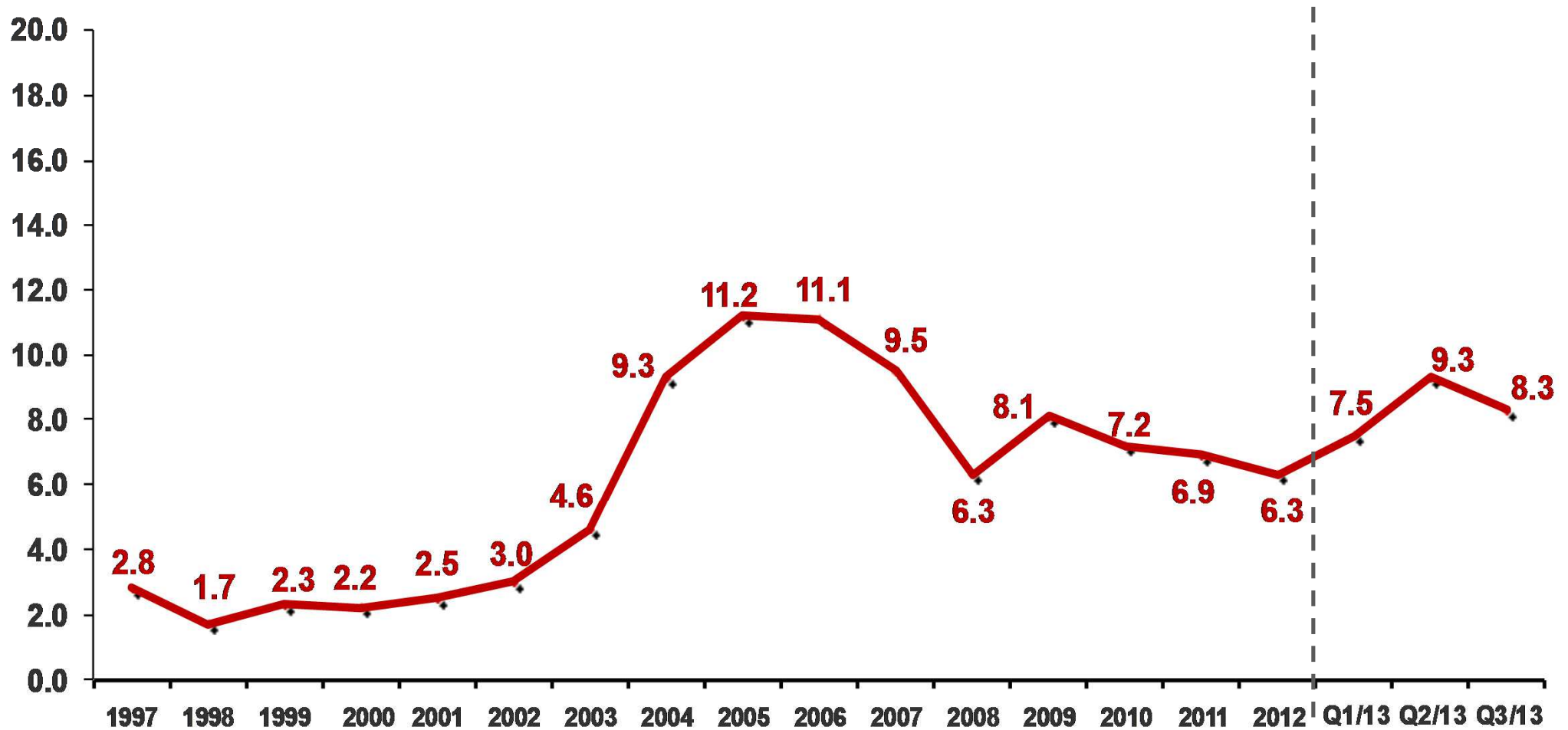
# Net Debt on EBITDA

Times (x)



# Interest Coverage Ratio

Times (x)



**Note:** -Interest Coverage Ratio = EBITDA / Interest Expense

-Interest Coverage Ratio excludes the effect of FX gain/loss.

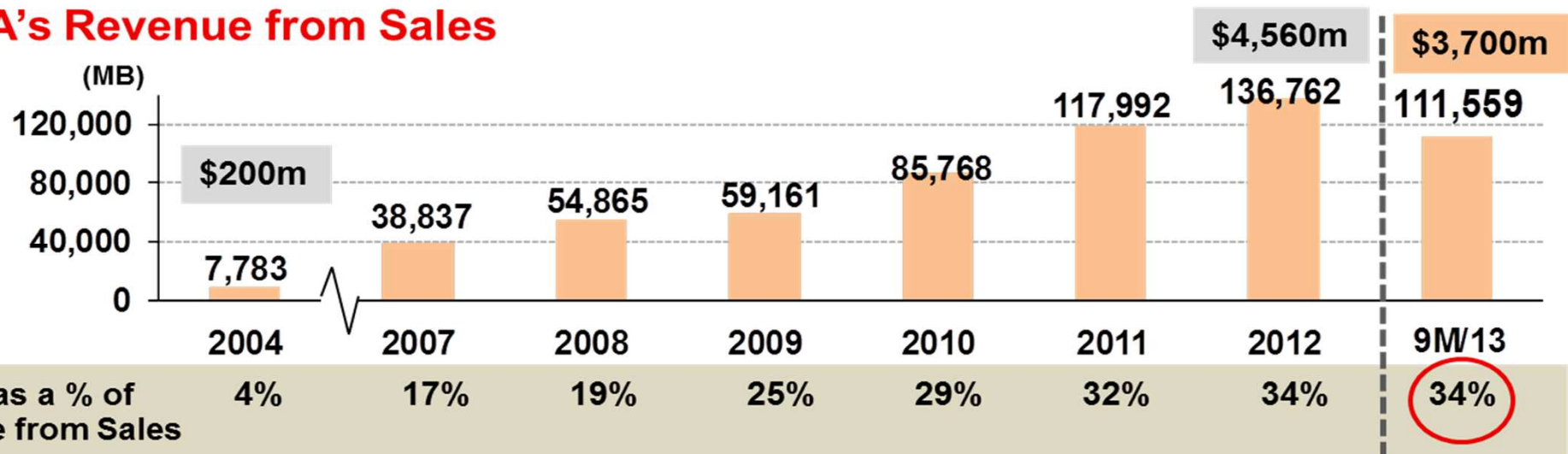
## **Highlights:**

- SCG Cement – Building Materials accounted for 60% of the 28,861 MB in CAPEX and Investments during 9M/13.
- Cash & cash under management of 33,719 MB at the end of Q3/13.
- Net Working Capital increased to 61,702 MB (mainly SCG Chemicals), with Inventory to Sales at 43 days.
- Non-recurring gain of 1,701 MB (1,527 MB from the fair investment value adjustment of sanitary ware and fittings assets, and 174 MB from the sale of assets to TOTO).
- 20 Billion Baht (4-year, 4.25% fixed) debenture issued on Oct 1/13 to replace the matured 10 Billion Baht tranche (4-year, 4.15% fixed).
- 3.0 Baht per share Interim Dividend for the 100 Year Anniversary, which is payable on Nov 28/13 (record date Nov 13/13 and book-closing date of Nov 14/13).

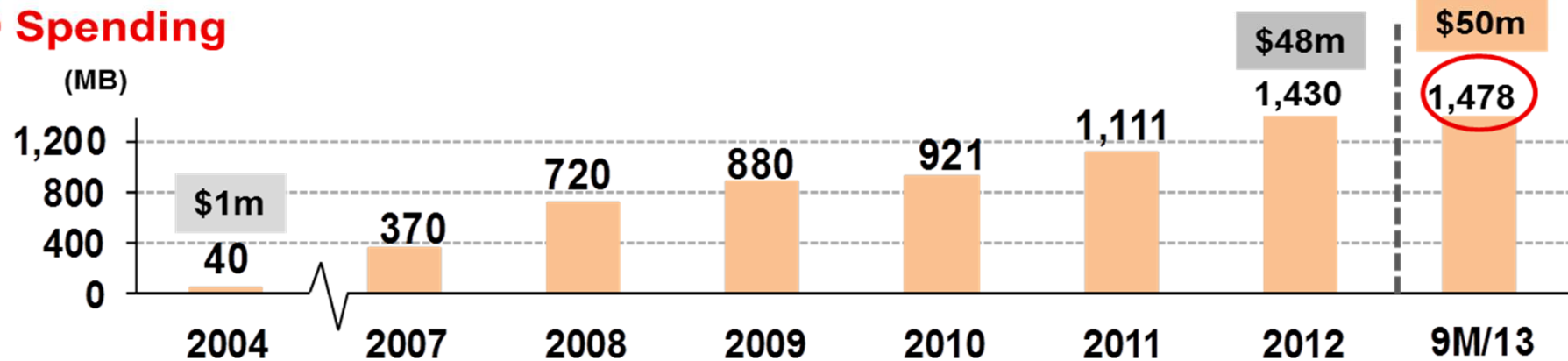
## **Outlook:**

- Solid financial position, with healthy fundamentals in all businesses.
- Continued efforts towards ASEAN growth expansion, with the FY2013 CAPEX & Investments of approximately 40,000 MB.

## 1. HVA's Revenue from Sales



## 2. R&D Spending



## 3. R&D and Product Design Team

(staffs / Sep/13)



364 (Ph.D. 9)



1,274 (Ph.D. 72)

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### **Domestics:**

- Domestic cement demand grew 5% y-o-y and q-o-q, mainly from the commercial sector, and resulted in the 9M/13 growth of 7% y-o-y.
- Domestic RMC sales grew 11% y-o-y and 10% q-o-q, with an average price range of 1,750-1,800 baht per cubic meter.
- Sales of building products remained soft y-o-y and q-o-q, attributed to the high based effect of the post-flood reconstruction in 2012.

### **Regional:**

- Indonesian cement demand in 9M/13 grew approximately 5% y-o-y, slightly softer due to sluggish commodity prices, rainy and stalled infrastructure projects.
- Cambodian cement demand in 9M/13 posted strong growth at 12% y-o-y, attributed to the infrastructure segment.
- Myanmar's cement demand in 9M/13 grew 19% y-o-y, driven by the construction of high-rise and other projects.



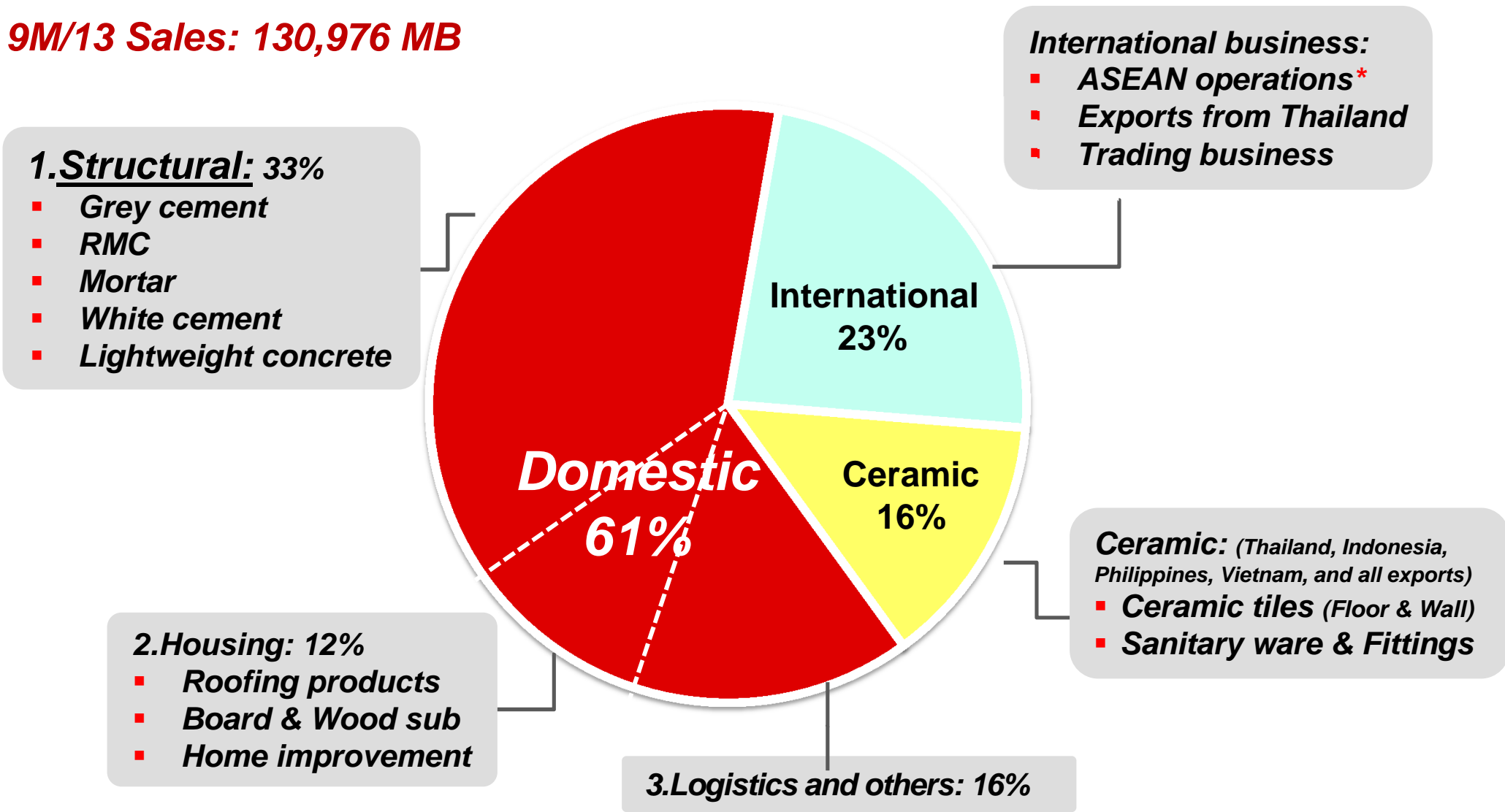
# SCG Cement-Building Materials

Sales breakdown in 9M/13.



slide 25

**9M/13 Sales: 130,976 MB**



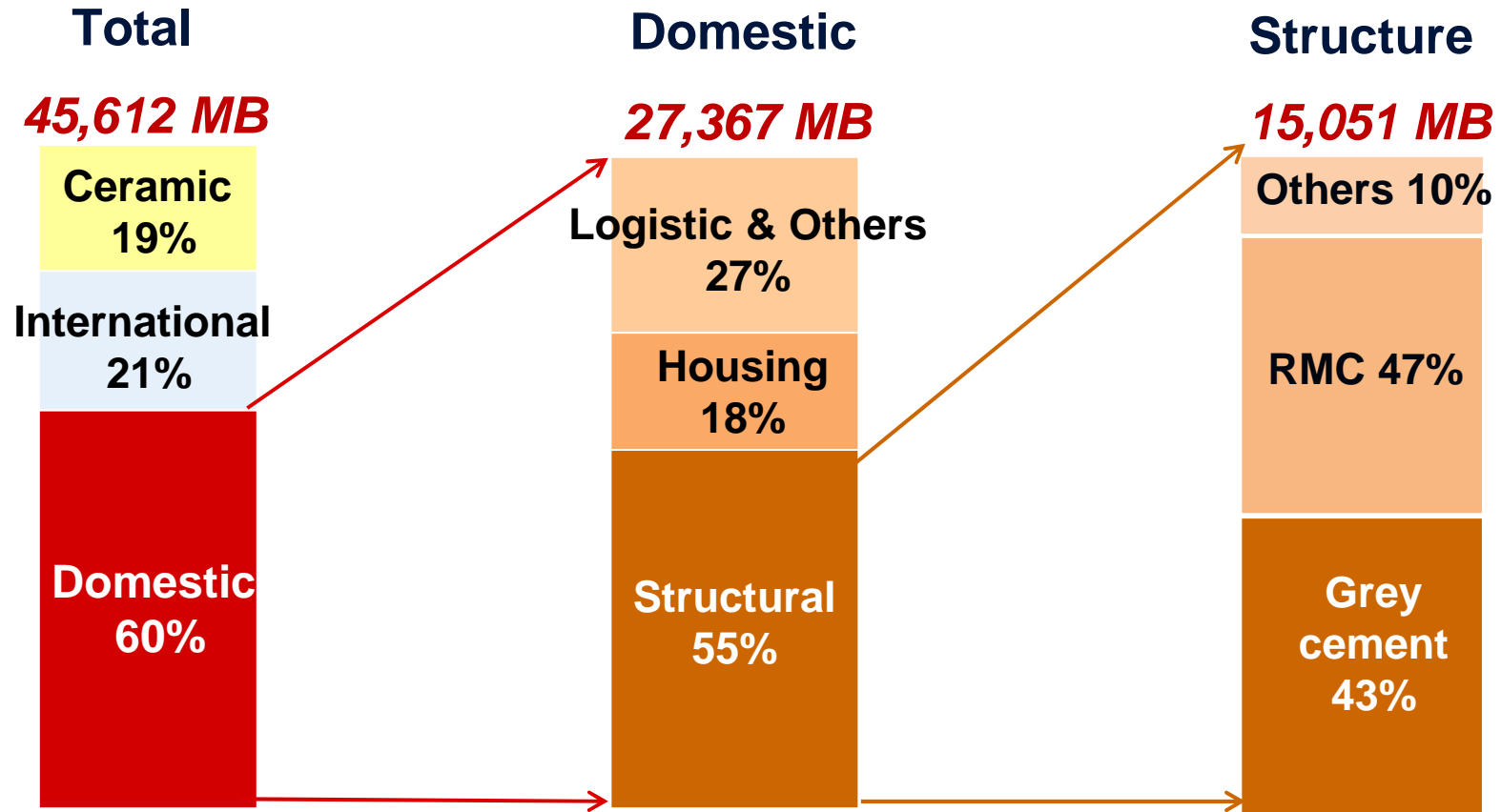
**Notes:** \* ASEAN operations - subsidiaries outside of Thailand

# SCG Cement-Building Materials

Sales breakdown in Q3/13.



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**Notes: 1. Ceramic:**

- Ceramic tiles (Floor & Wall tiles only), Sanitary ware and Fittings.
- Thailand, Indonesia, Philippines, Vietnam , and all exports.

**2. International:** ASEAN operations (sub. outside of Thailand), Exports from Thailand, and Trading.

**3. Domestic:**

- 3.1 Structural - Grey cement, RMC, Mortar, White cement, and Lightweight concrete.
- 3.2 Housing - Roofing products, Board & Wood sub, and Home improvement.
- 3.3 Logistics and others

# Domestic Cement price

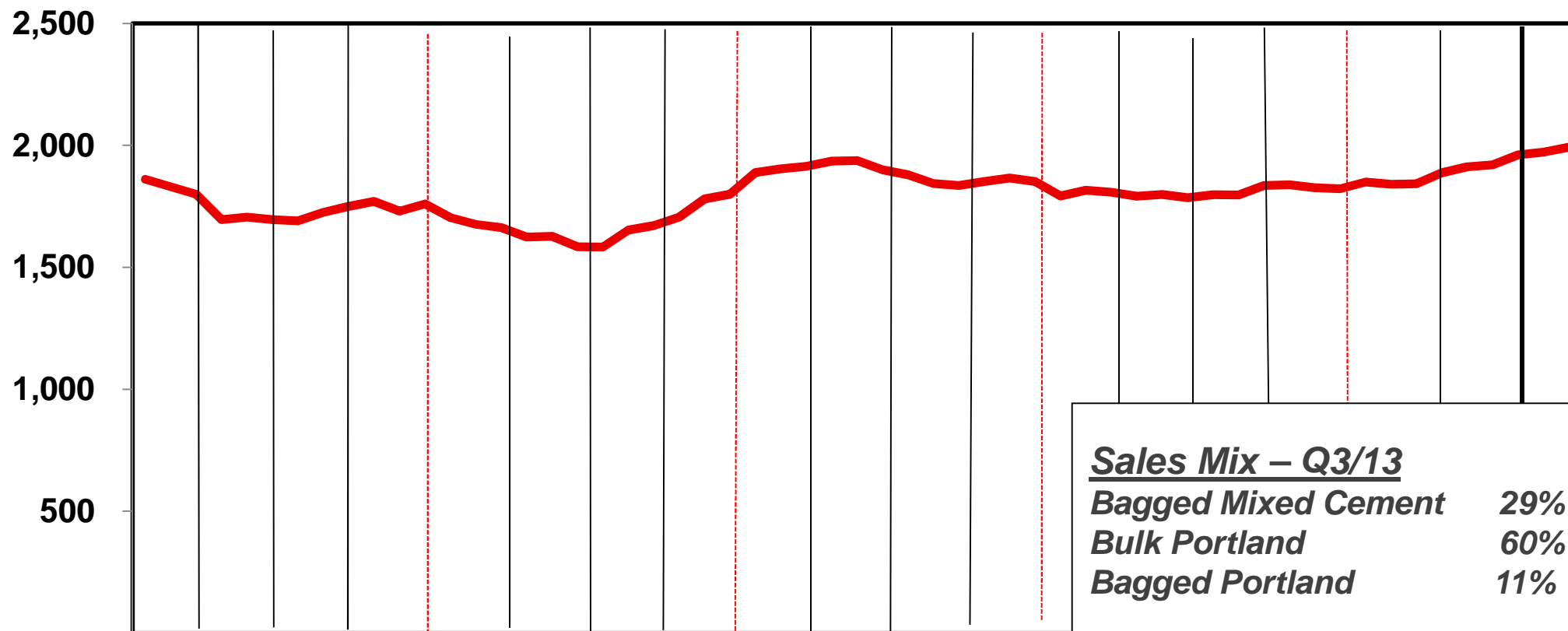
Domestic cement price increased to the 1,900-1,950 Bt/ton level.



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## Average Domestic Price of Grey Cement (Net ex-factory)

Baht/Ton



<u>Sales Mix – Q3/13</u>	
Bagged Mixed Cement	29%
Bulk Portland	60%
Bagged Portland	11%

2009				2010				2011				2012				2013		
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3

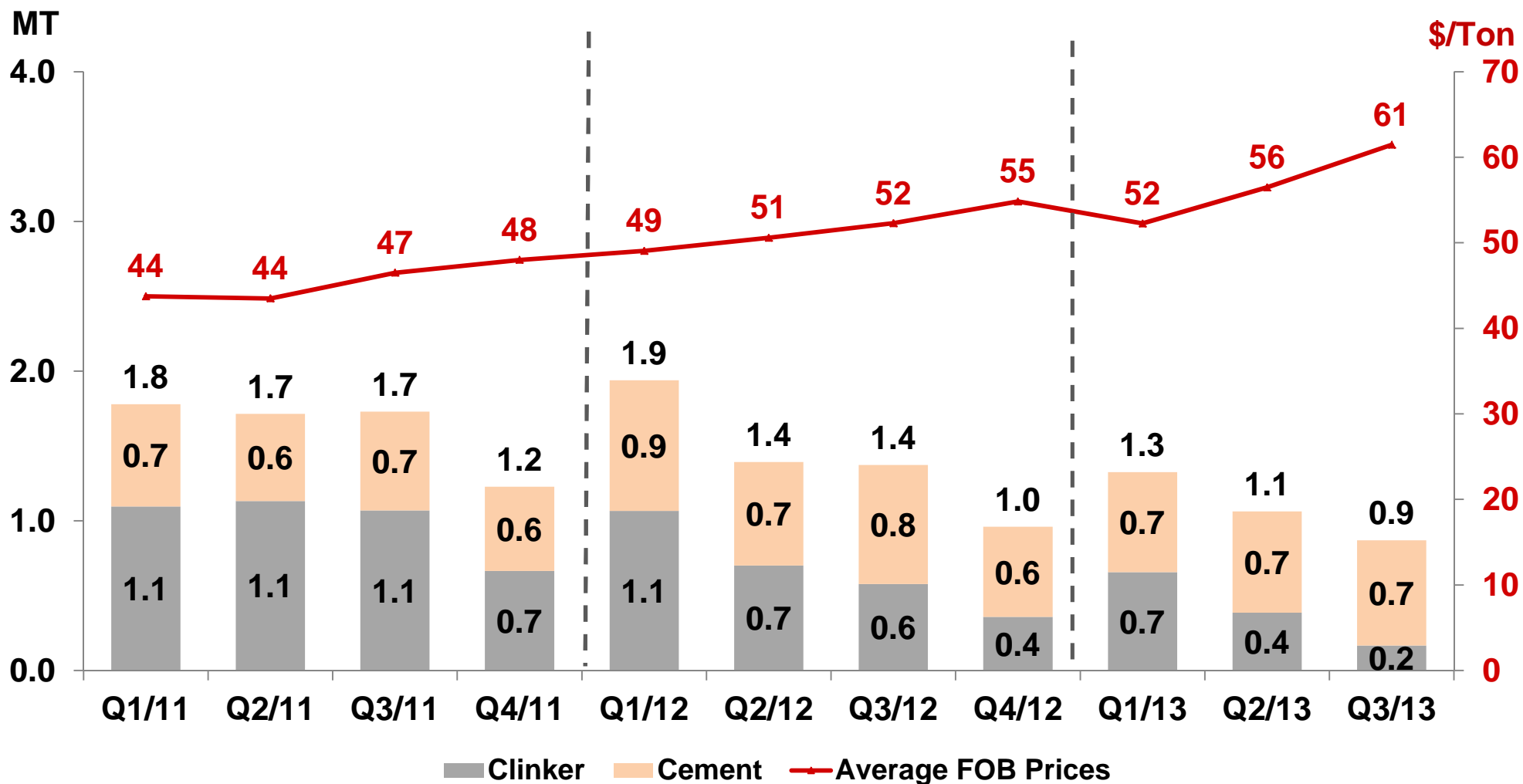
# Cement exports

Export volume dropped 0.5 MT y-o-y, in light of the domestic volume growth.



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### Export volume and Average price (FOB)



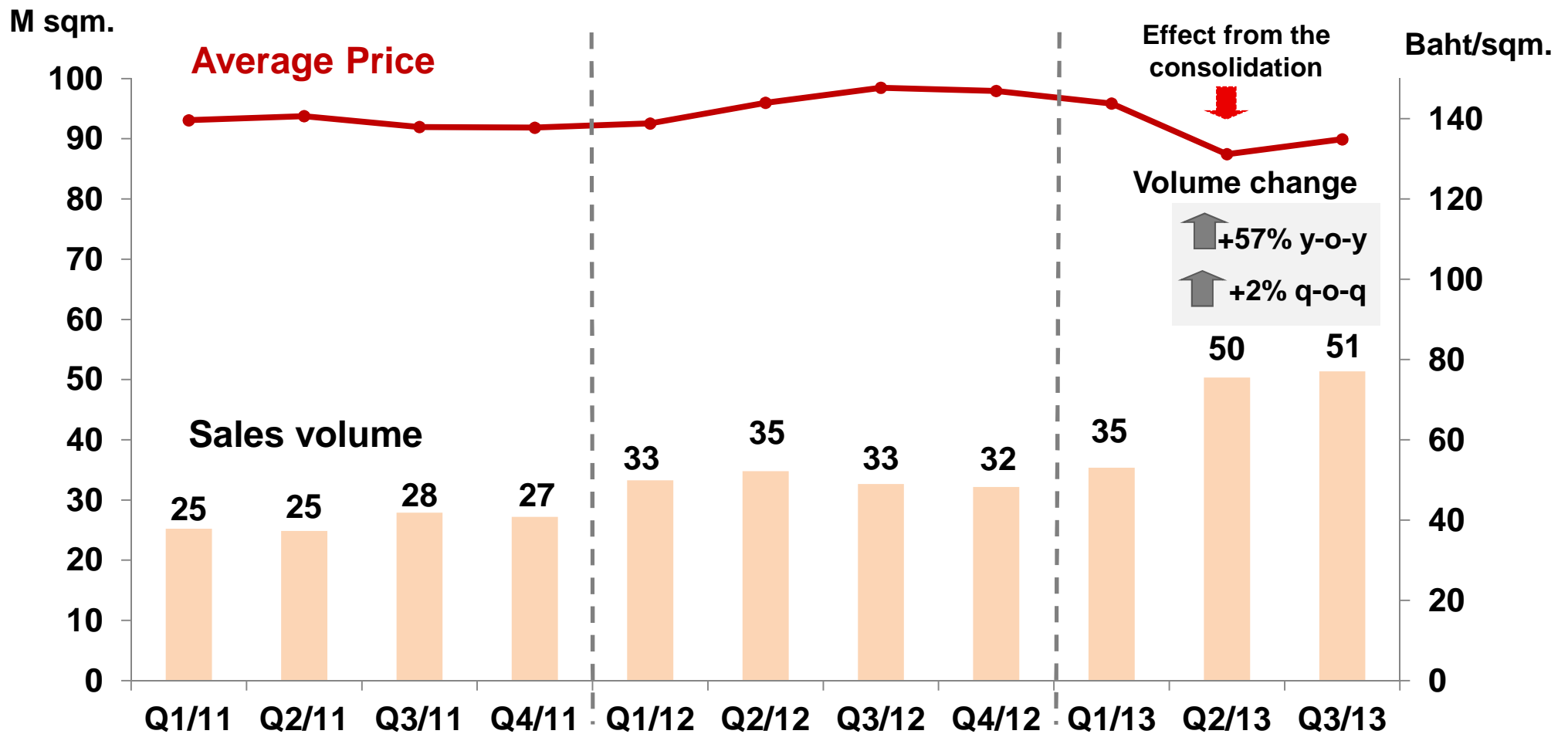
# Ceramic Tiles

Consolidation of Prime Group in Q2/13.



slide 29

## Sales volume & prices for all ASEAN subsidiaries

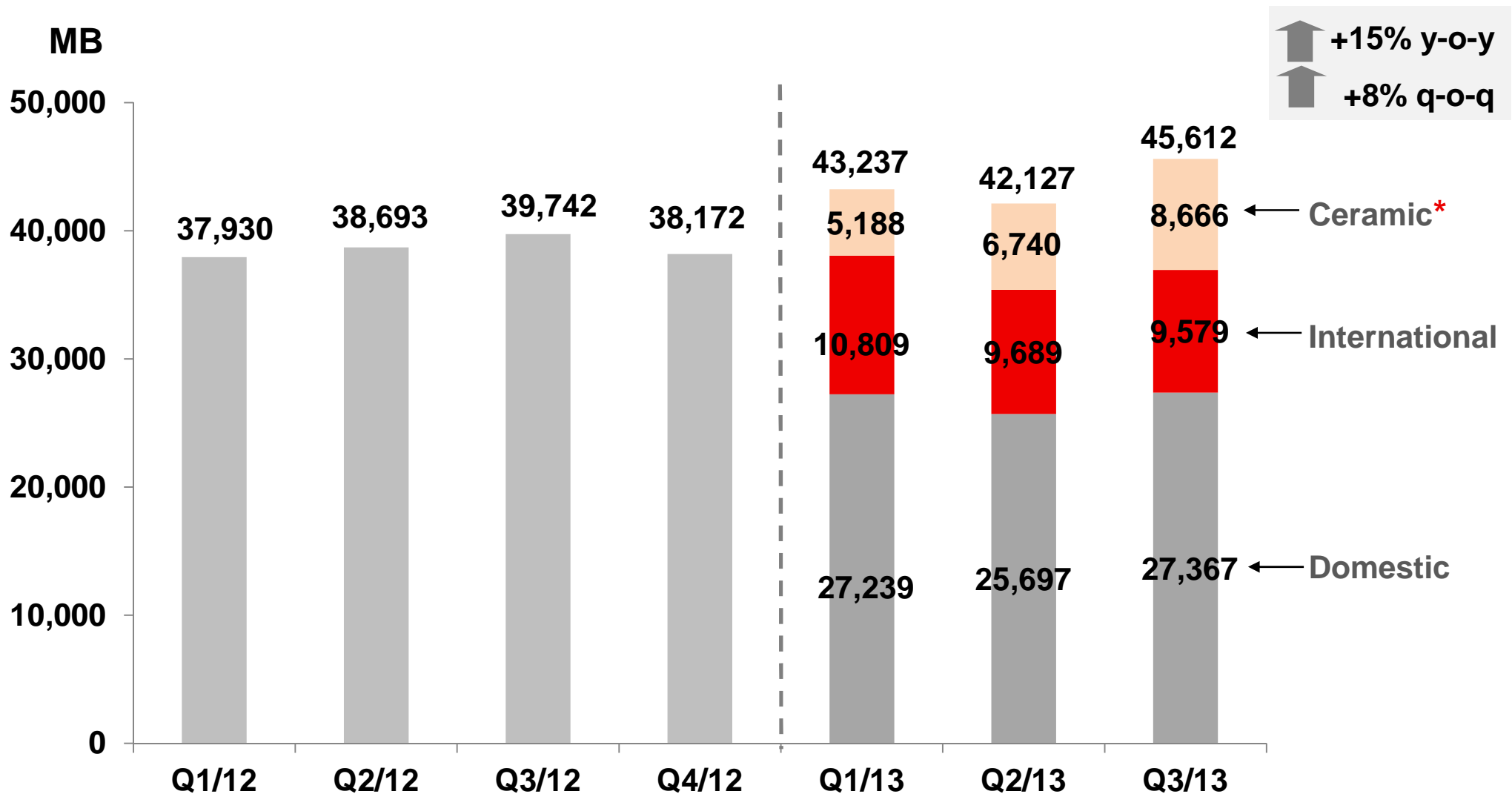


# Revenue from Sales

Grew 15% y-o-y as a result of increased domestic sales of cement and RMC, in addition to the consolidations of Prime Group (Vietnam ceramics) and the sanitary ware and fittings businesses.



slide 30



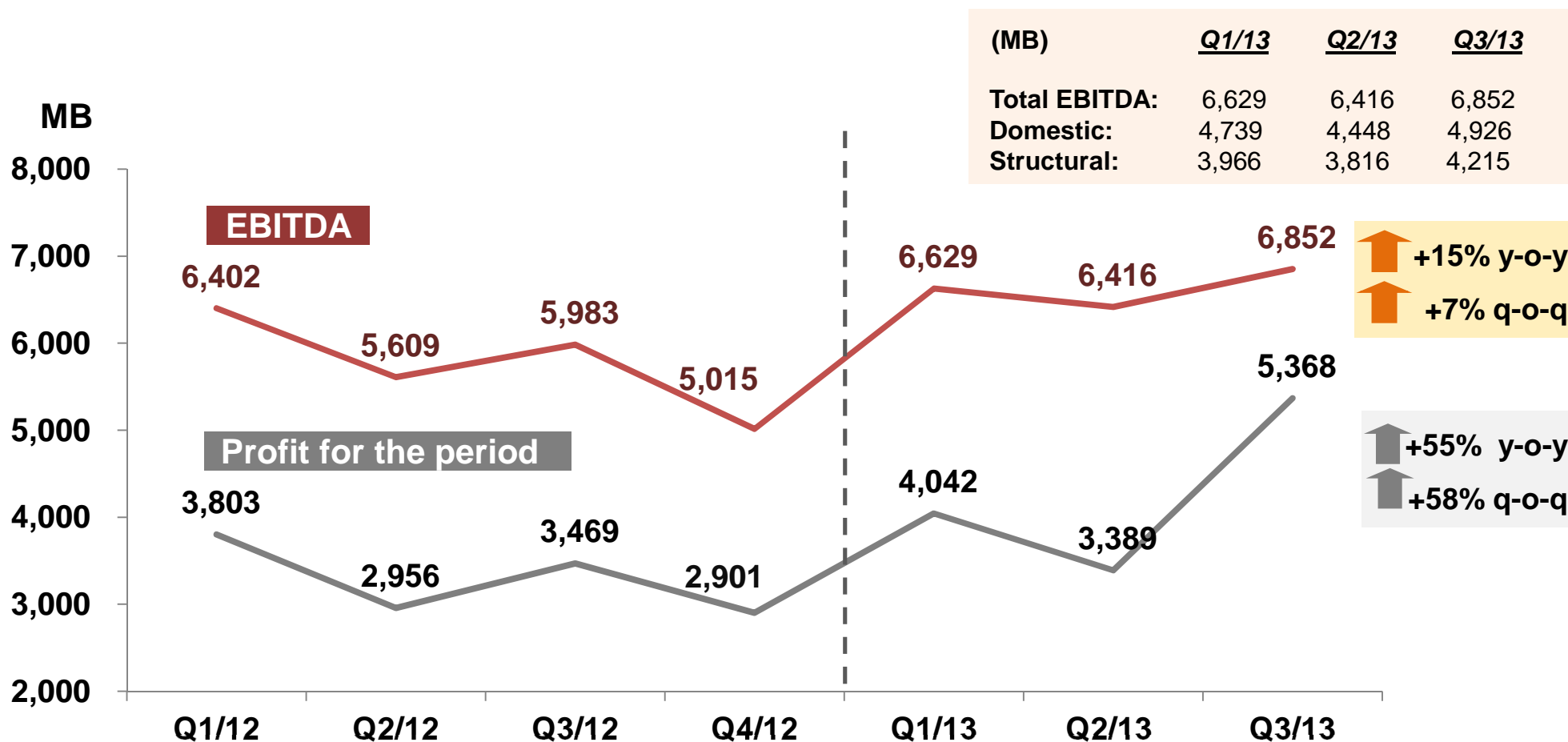
\*Ceramic: Ceramic tiles (Floor & Wall tiles only), Sanitary ware and Fittings.

# EBITDA and Profit for the Period

Profitability grew 55% y-o-y, added by the non-recurring gain of 1,701 MB (1,527 MB from the fair investment value adjustment of sanitary ware and fittings assets, and 174 MB from the sale of assets to TOTO).



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## EBITDA Margin\*:

<i>Total</i>	17%	14%	15%	13%	15%	15%	15%
<i>Domestic:</i>	-	-	-	-	17%	17%	18%
<i>Structural:</i>	-	-	-	-	28%	27%	28%

\* EBITDA margin = EBITDA from Operations / Consolidated Sales

## **Outlook:**

- Forecasted FY2013 Thai cement demand of approximately 5% y-o-y.
- Indonesia cement demand may experience some softness in Q4/13, due to higher interest rate and softer property market.

## **Project updates:**

- **Indonesia cement plant:** On process with facility and access constructions, as well as mining preparation, with production expected in H2/15.
- **Myanmar cement plant:** On process with the final selection of construction contractors, with operation expected in H1/16.
- **Cambodia cement plant:** The second line expansion has begun civil construction, with operation expected by mid-2015.
- **Precast concrete investment:** Investment of approximately 2,500 MB to build two precast plants, with expected commercial run in mid –year 2015.



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## Q3/13 Market Insight

HDPE-N and PP-N margins narrowed because of the increase in feedstock costs.



*slide 34*

### **Market Insight:**

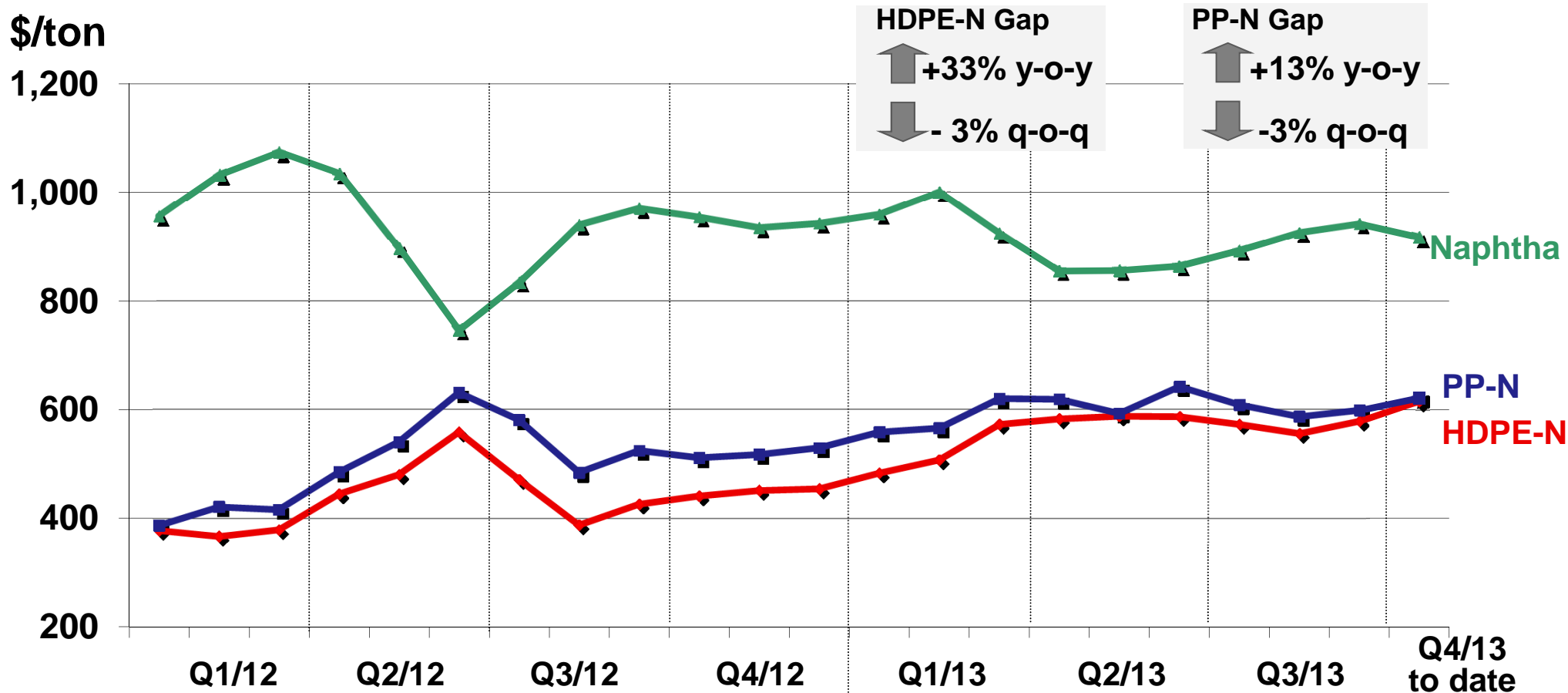
- Crude oil price increased by 6% q-o-q to \$110/bbl, attributed to political unrest in the Middle East. In line with crude oil price, naphtha price increased by 7% q-o-q to \$920/ton.
- Ethylene price increased by 5% q-o-q to \$1,322/ton. HDPE price increased by 3% q-o-q to \$1,489/ton. The larger increase in naphtha price reduced HDPE-Naphtha margin by 3% q-o-q to \$568/ton.
- Propylene price increased by 3% q-o-q to \$1,336/ton. PP price increased by 3% q-o-q to \$1,518/ton. The larger increase in naphtha price reduced PP-Naphtha margin by 3% q-o-q to \$597/ton.
- PVC margins (PVC-EDC/C2) increased by 13% q-o-q but down by 6% y-o-y to \$435/ton
- BD-Naphtha margin plummeted by 57% q-o-q because of ongoing sluggish demand for synthetic rubber in China.

# HDPE – and PP – Naphtha Price Gaps



Despite 3% lower gaps q-o-q caused by higher feed costs, HDPE-N gap increased by 33% y-o-y to \$568/ton and PP-N gap also moved up to \$597/ton or up by 13% y-o-y, following better demand.

slide 35



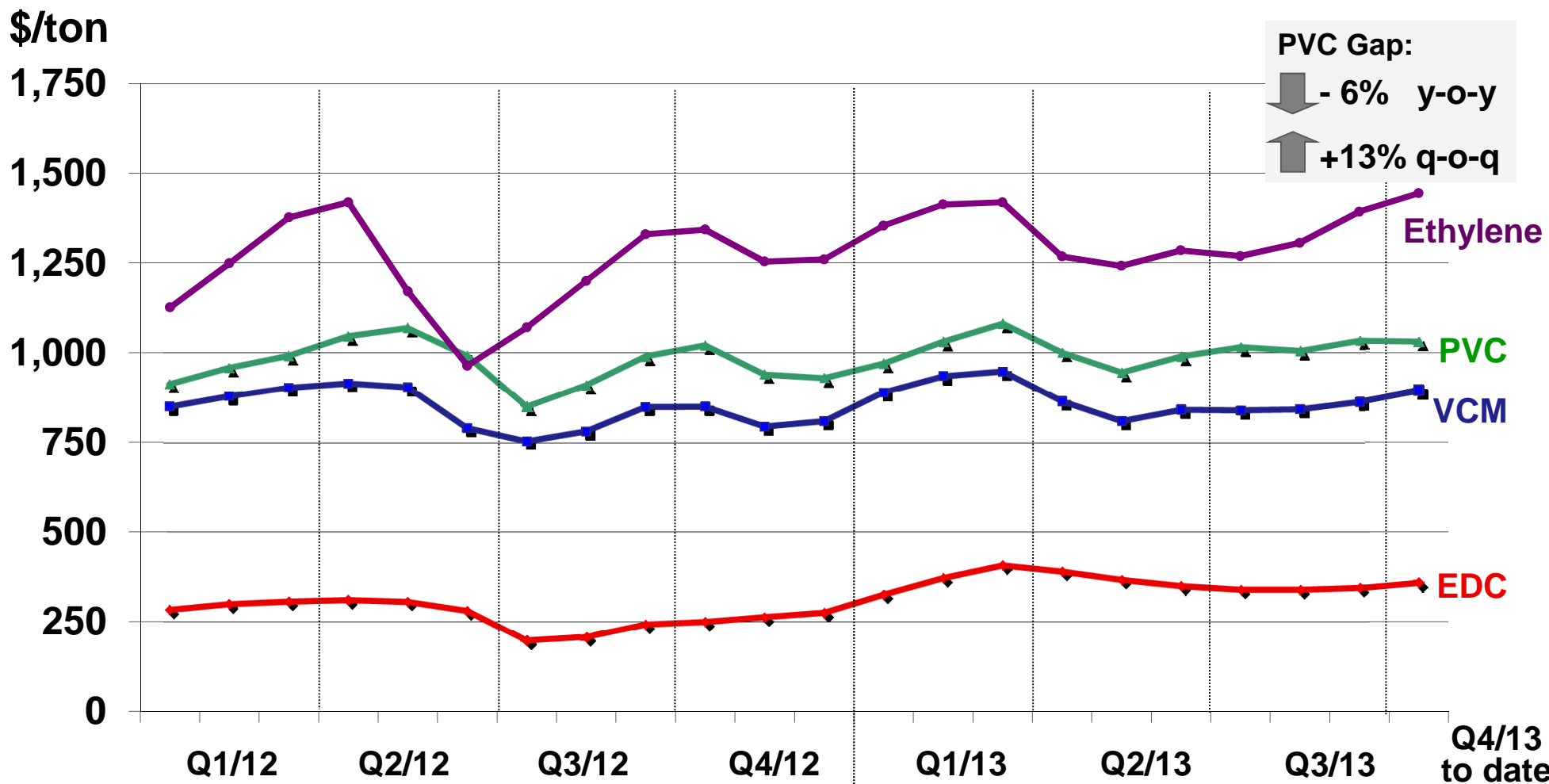
HDPE-Naphtha	375	494	428	449	521	585	568	615
Spread (\$/ton)	← 437 →							
PP-Naphtha	408	551	529	519	581	617	597	621
Spread (\$/ton)	← 502 →							

Note: Prices refer to SEA regional prices

# PVC

Higher PVC margins – up by 13% q-o-q to \$435/ton due to tight PVC and cost push from ethylene.

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<b>PVC-EDC/C2</b>	<b>424</b>	<b>518</b>	<b>463</b>	<b>452</b>	<b>405</b>	<b>386</b>	<b>435</b>	<b>405</b>
<b>Spread (\$/ton)</b>	← 464 →							

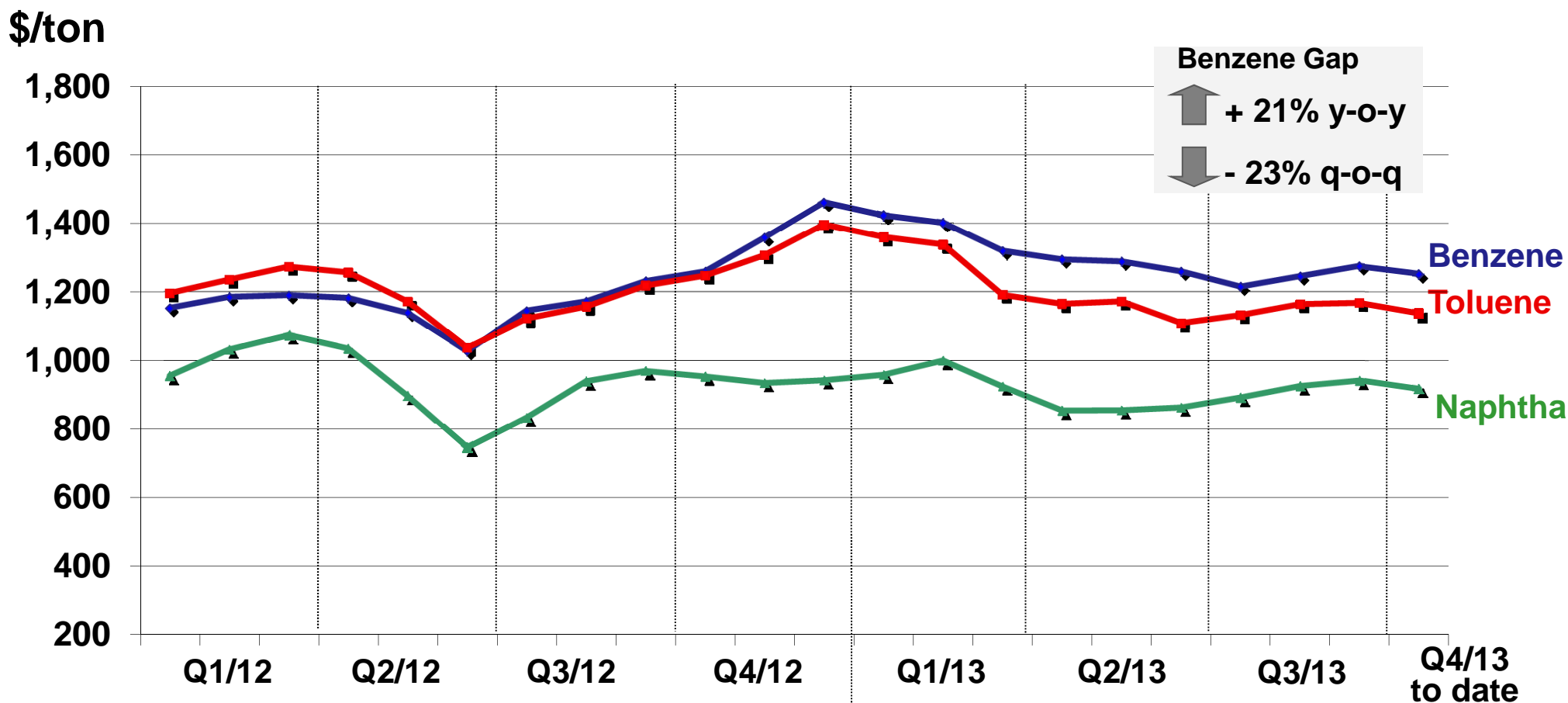
Prices refer to FE regional prices

# Benzene & Toluene

BZ-N margins decreased q-o-q because of higher feedstock cost, while SM plant turnaround in East Asia and poor phenol demand caused benzene price to drop.



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BZ-Naphtha	155	223	268	415	420	422	325	336
TL-Naphtha	214	262	251	372	334	290	234	220
<b>BZ-Spread (\$/ton)</b>	←—————		<b>265</b>	—————→				
<b>TL Spread (\$/ton)</b>	←—————		<b>275</b>	—————→				

*Note: Prices refer to SEA regional prices*

# Price Gaps of Associates

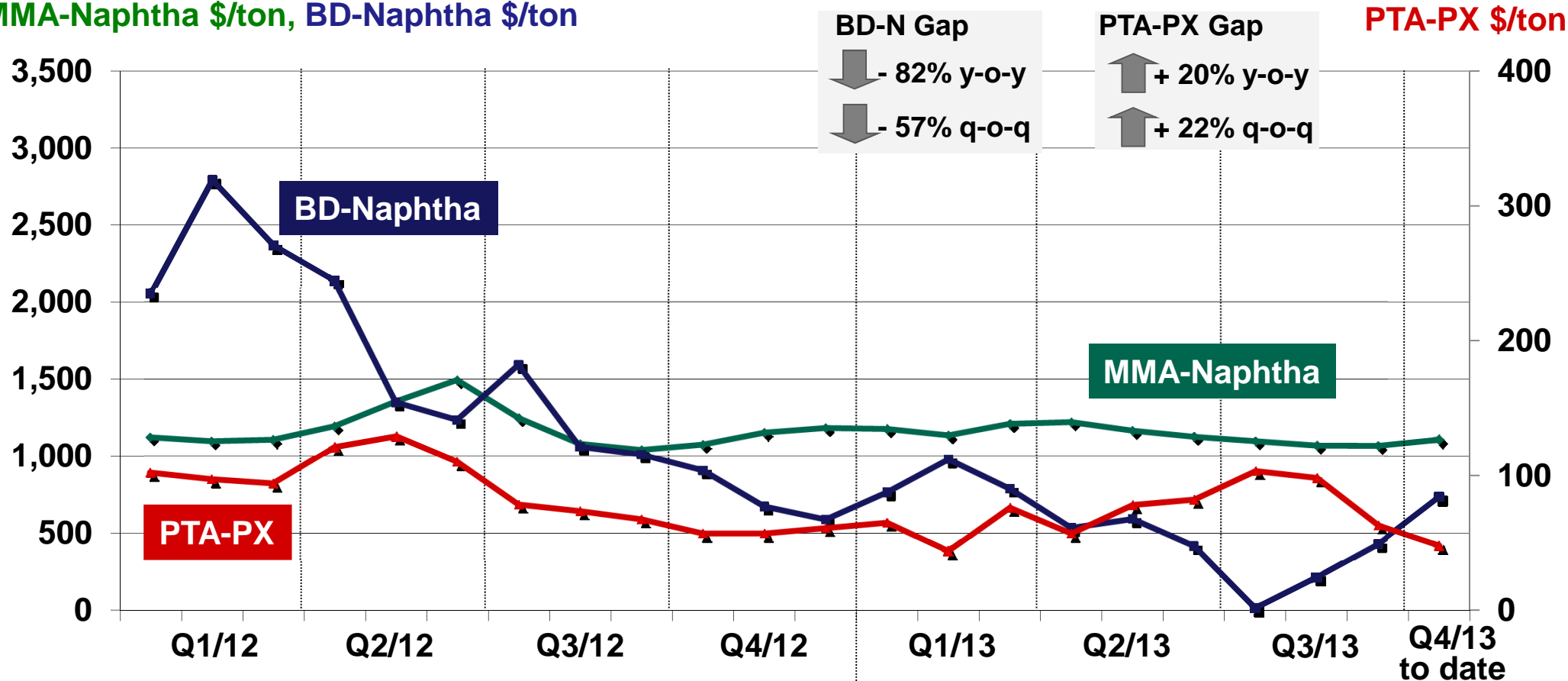
**MMA-Naphtha:** Declined due to rising feedstock cost.

**BD-Naphtha:** Negative margin due to poor synthetic rubber demand in China.

**PTA-PX:** Increased Chinese demand for US\$-denominated PTA.

**slide 38**

MMA-Naphtha \$/ton, BD-Naphtha \$/ton



<b>BD-Naphtha</b>	2,405	1,574	1,221	723	844	516	220	735
<b>Spread (\$/ton)</b>			1,481					
<b>PTA-PX</b>	98	120	73	58	62	72	88	48
<b>Spread (\$/ton)</b>			87					

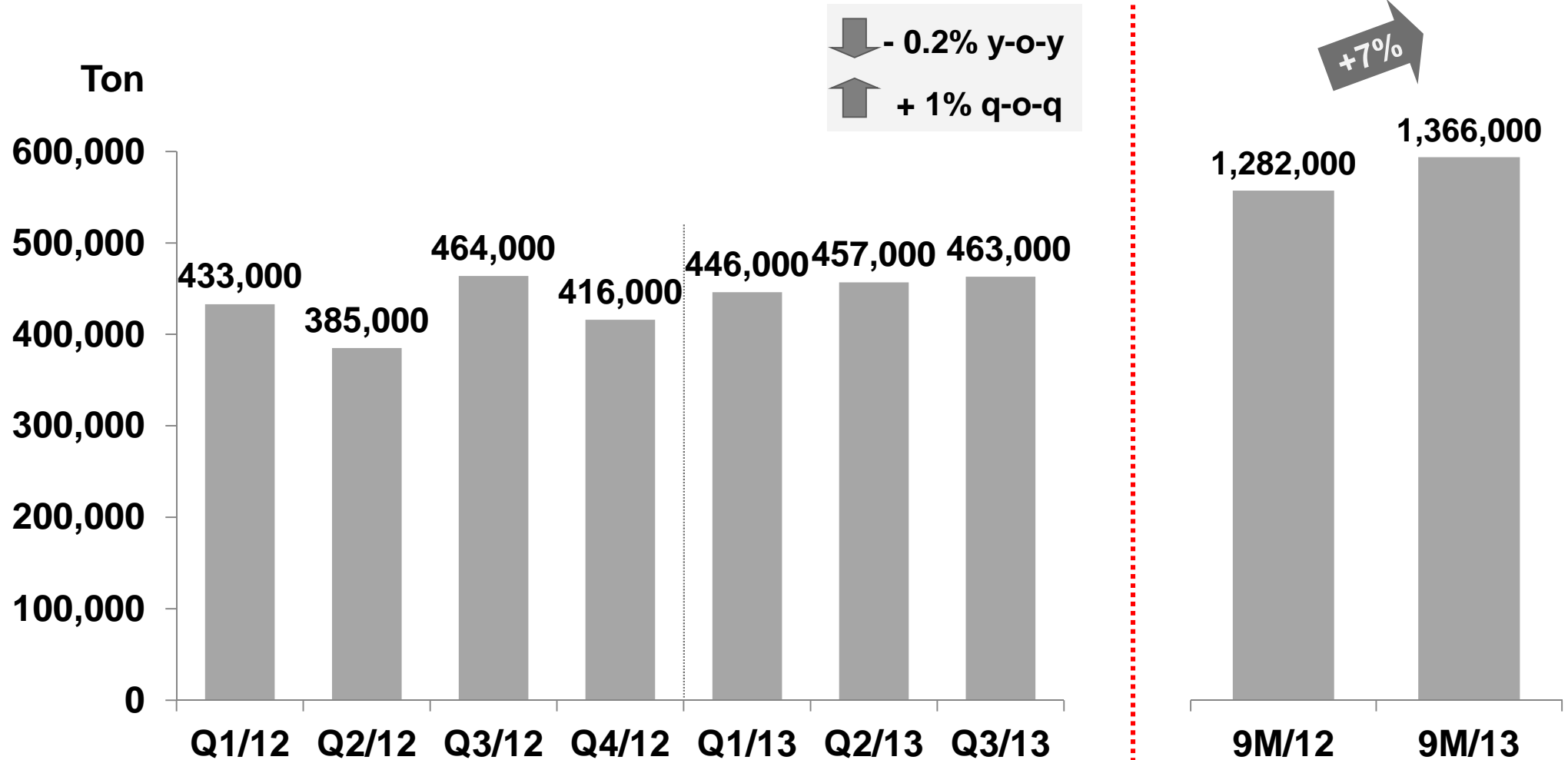
*Note: BD and MMA prices refer to SEA regional prices, PTA prices refer to Asian regional prices*

# Polyolefins Sales Volume

Stable volume q-o-q, with increased export primarily to China.



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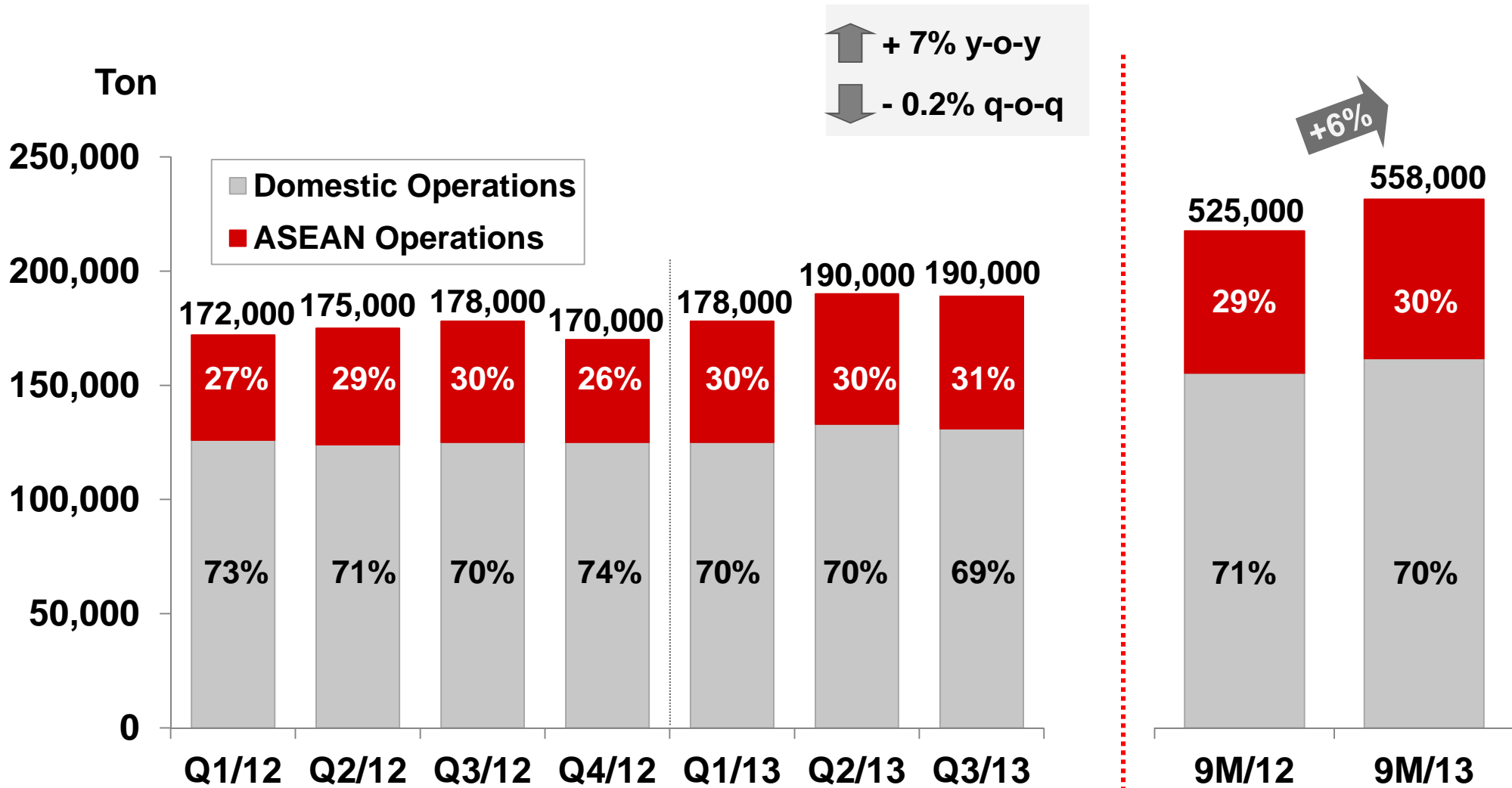


# PVC Sales Volume

Stable volume q-o-q, with resilient demand in Thailand and ASEAN.



slide 40

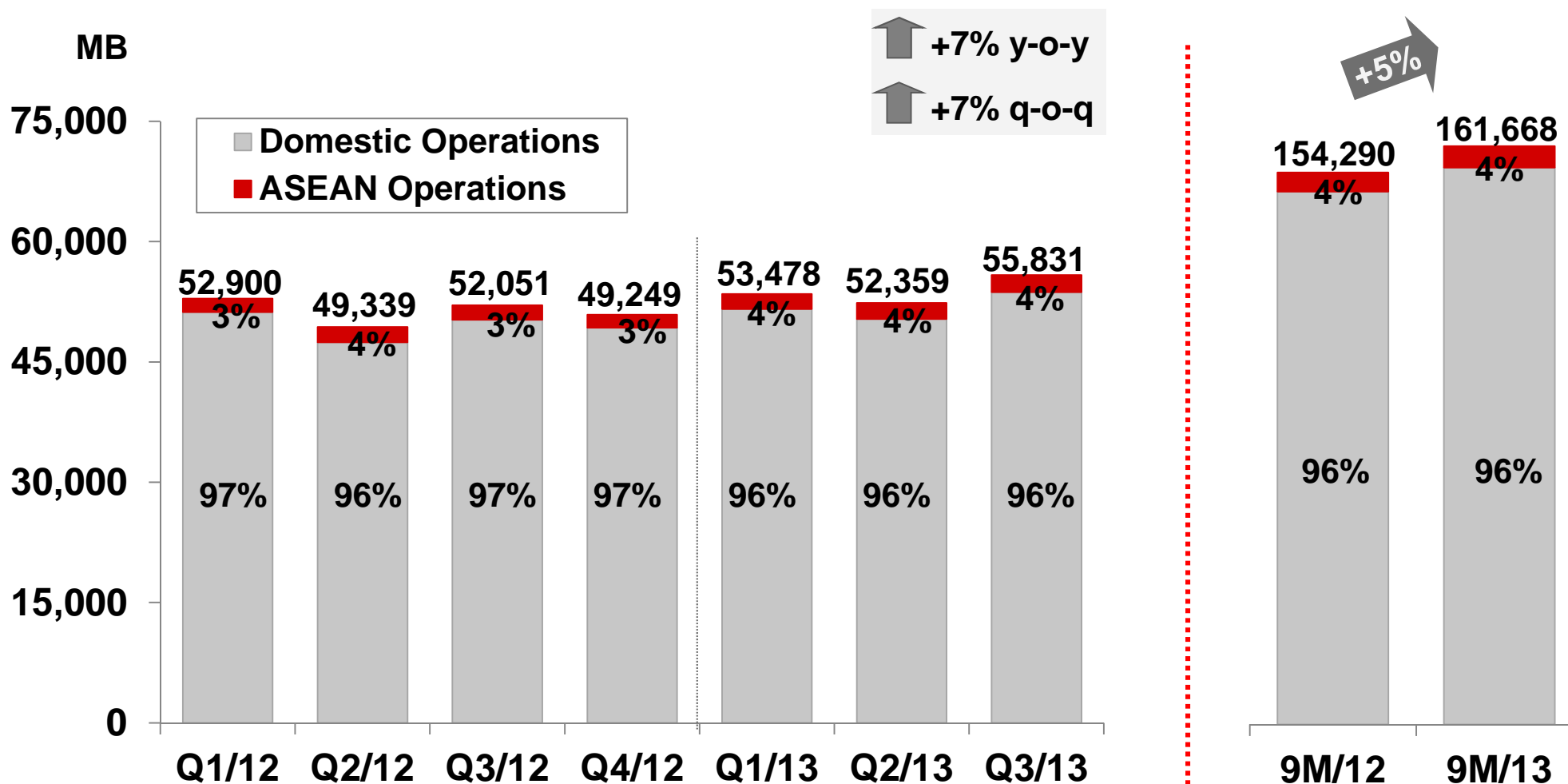


*Note: \*ASEAN Operations = Sales volume from PVC operations in Vietnam and Indonesia*



# Revenue from Sales

Revenue increased 7% q-o-q, attributed to higher product prices and sales volume.



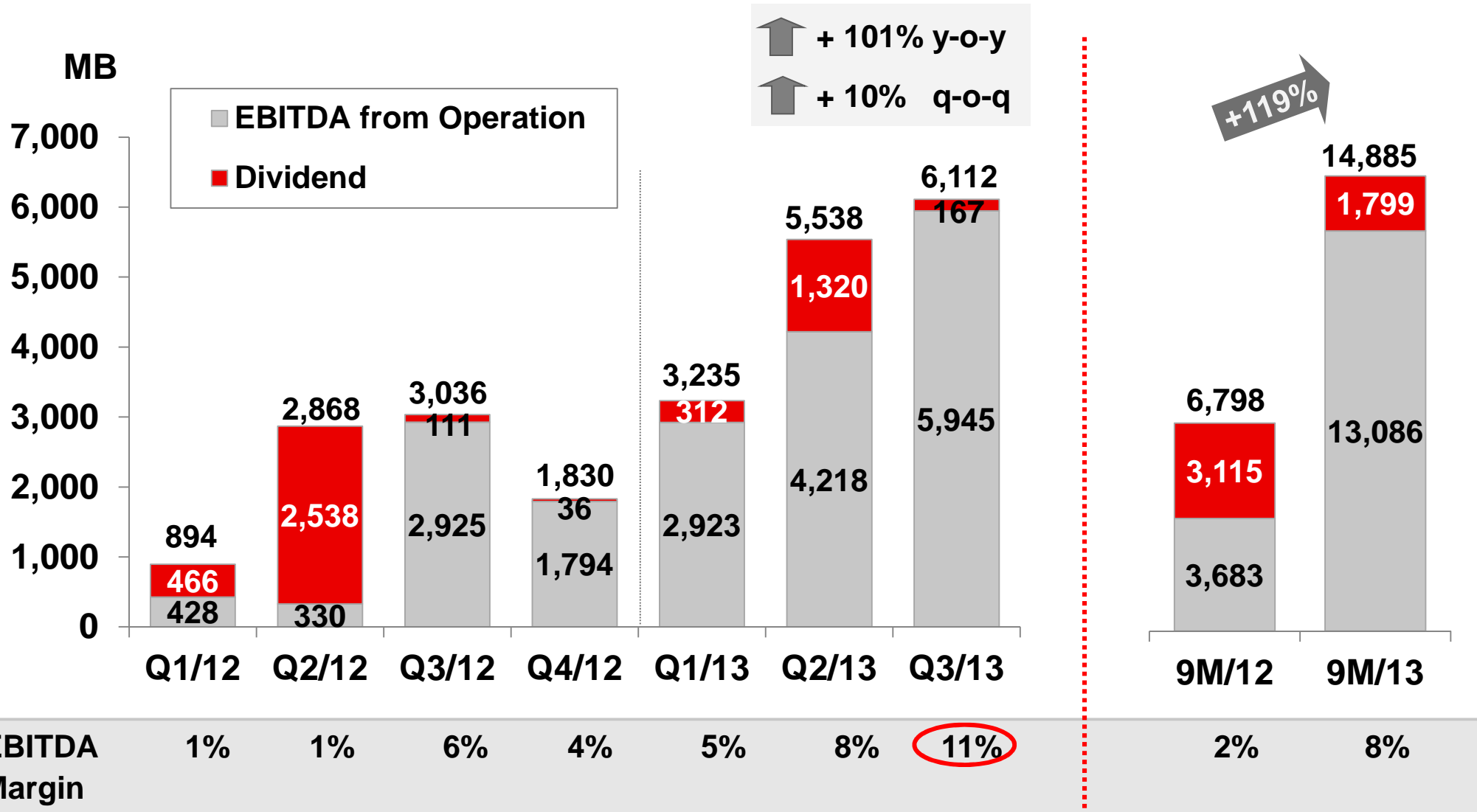
*Note: \* ASEAN operations = Sales revenue from PVC operations in Vietnam and Indonesia*

# EBITDA

EBITDA increased 101% y-o-y, attributed to rising overall margin.



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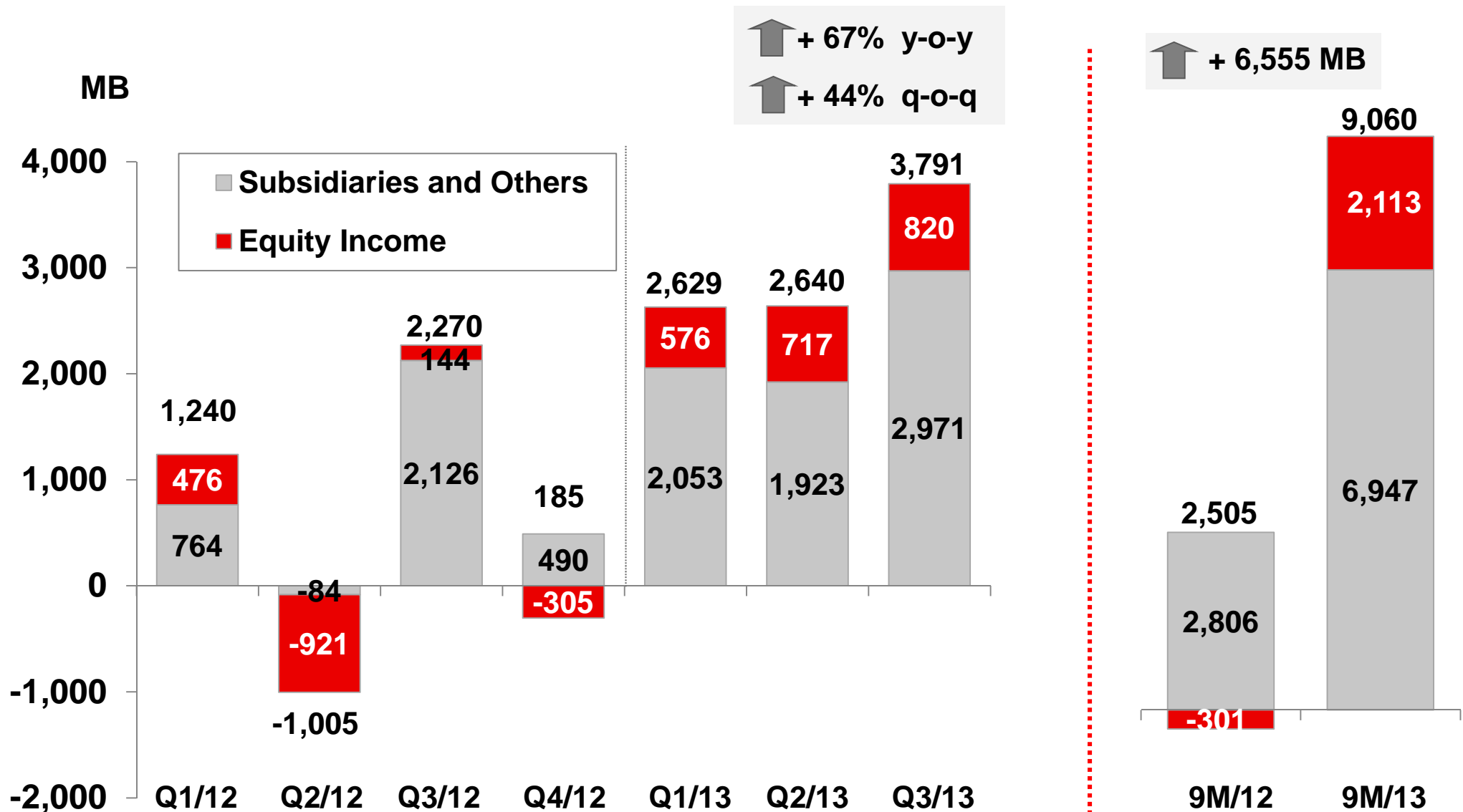
*Note: EBITDA = EBITDA from Operations + Dividend from Associated Companies*

# Profit for the Period

Profit for the Period increased 67% y-o-y, following higher overall margin and improved performance of associated companies.



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## Outlook:

- Seasonal demand softness pre-holiday season, while additional supply is expected following plant turnarounds in Q3/13.
- **Map Ta Phut Olefins (MOC):** 45-day cracker shutdown for scheduled maintenance in late Q4/13.

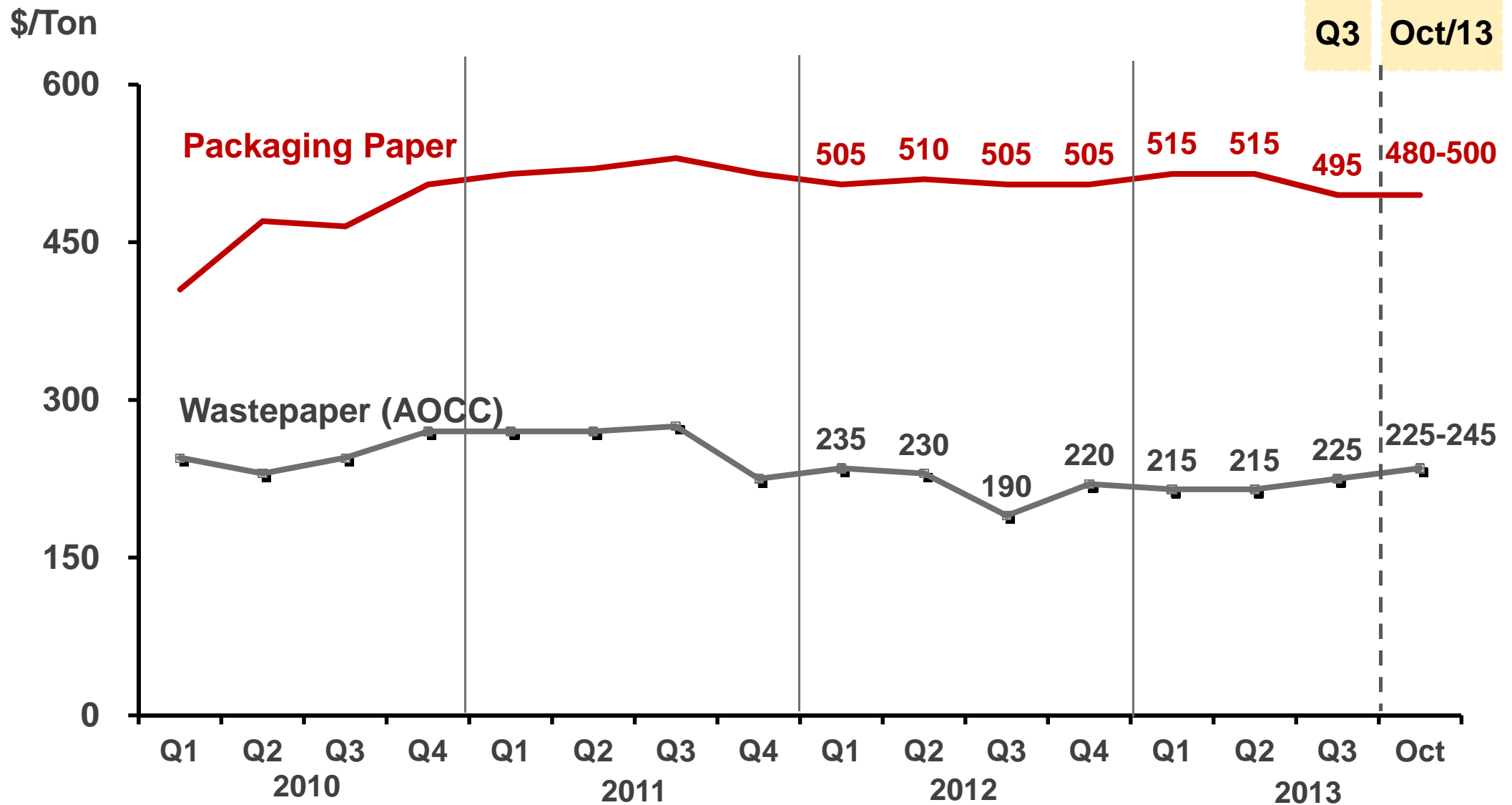
## Project Update:

- **Long Son Petrochemical Project (46% SCG stake):** Sumitomo Mitsui Banking Corporation was appointed as financial adviser, while Bank of Tokyo-Mitsubishi UFJ and Japan Bank for International Cooperation have committed to providing financial support. Project value is approximately \$4.5 billion, and construction is expected over a 4-year period once funding has been secured.
- **Chandra Asri Petrochemical (30% SCG stake):** \$130 million equity rights issue for the cracker expansion in H2/15 and the synthetic rubber JV with Michelin – once approved by shareholders.

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# Packaging Paper

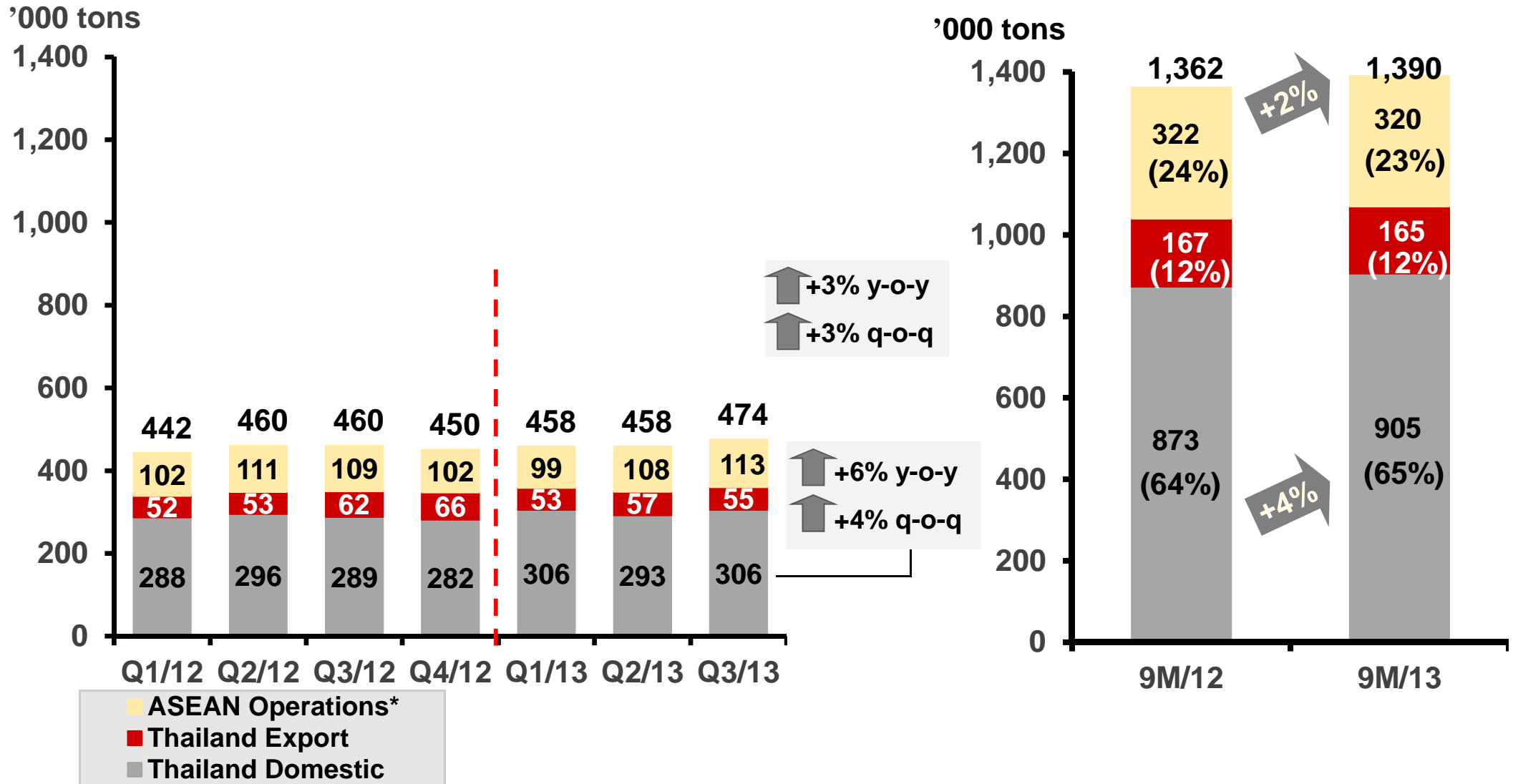
AOCC prices picked up owing to Chinese paper producers' stock replenishment. Packaging paper prices weakened, due to regional demand softness.



Note: regional prices

# Packaging Paper:

Domestic sales volume rose 6% y-o-y from healthy demand in food & beverage and consumer products segments.



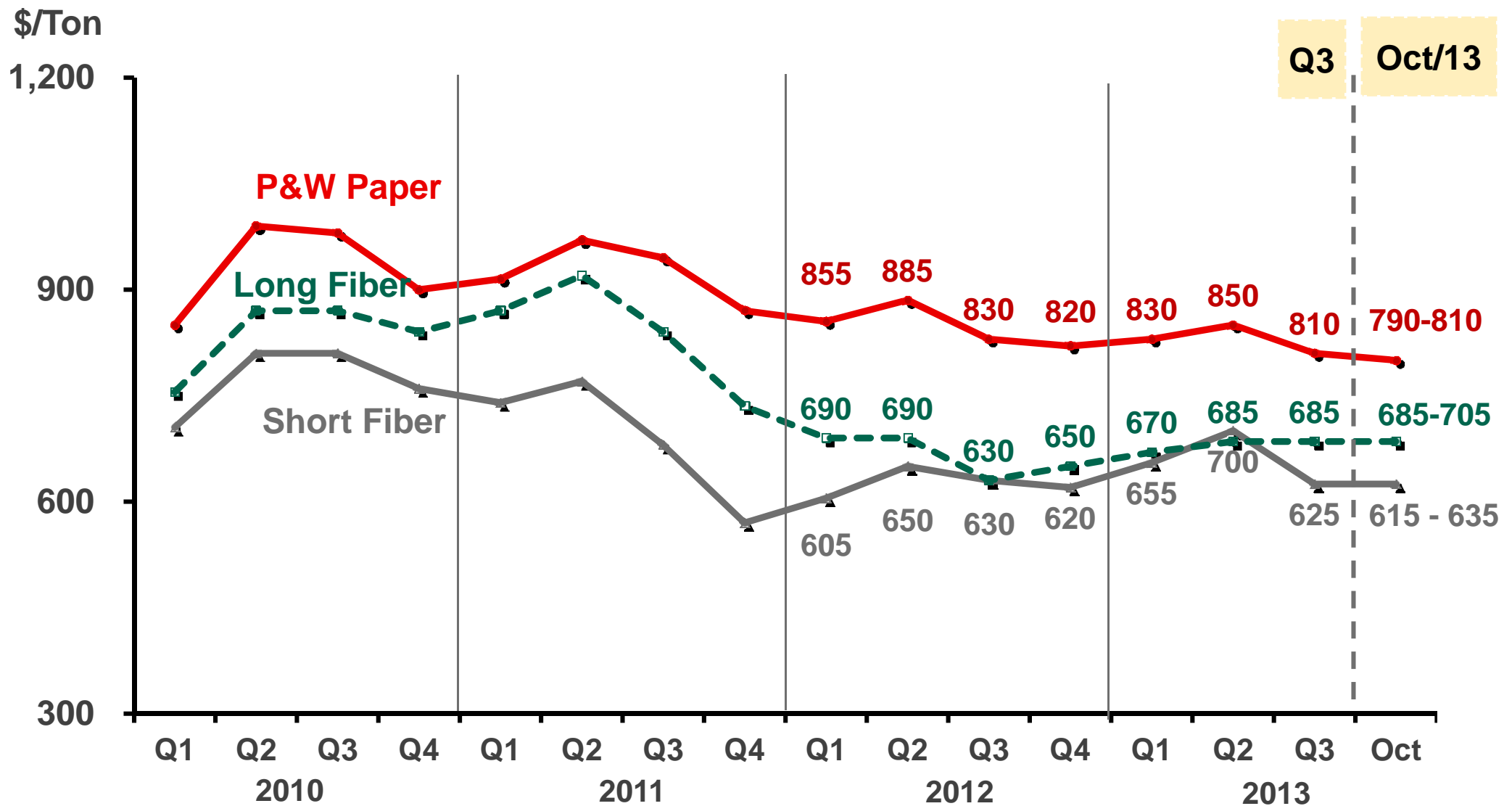
**Note:** \*Sales Volume from Philippines and Vietnam

# Fibrous (Printing & Writing Paper)

Short-fiber pulp prices fell sharply from price competition in the Chinese market, while long-fiber prices maintained. Regional paper prices followed suit, with continued declining regional demand.



slide 48

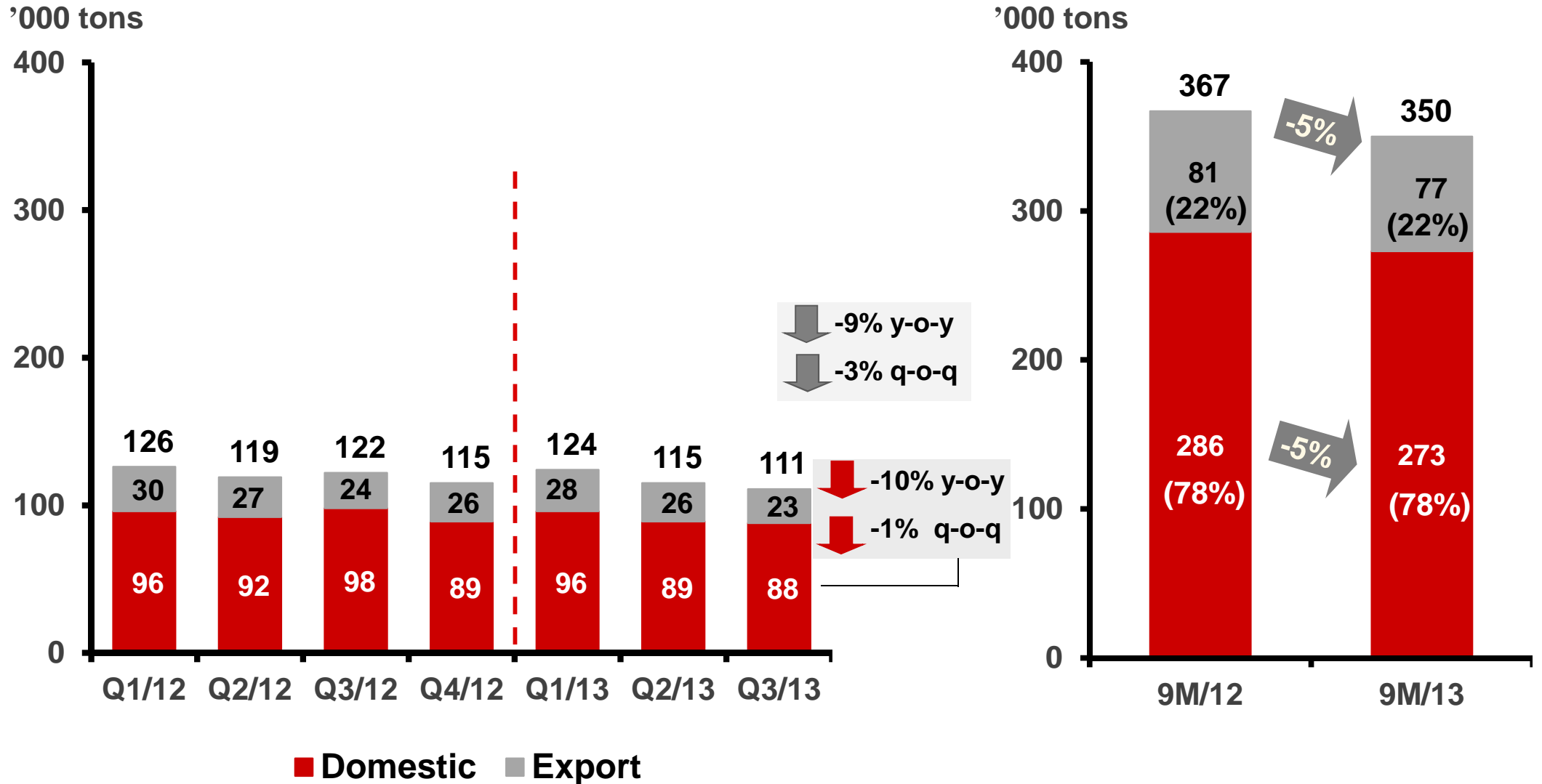


*Note: regional prices*



# Fibrous (Printing & Writing Paper)

Domestic sales volume decreased y-o-y from demand softness in publication and commercial materials segment.

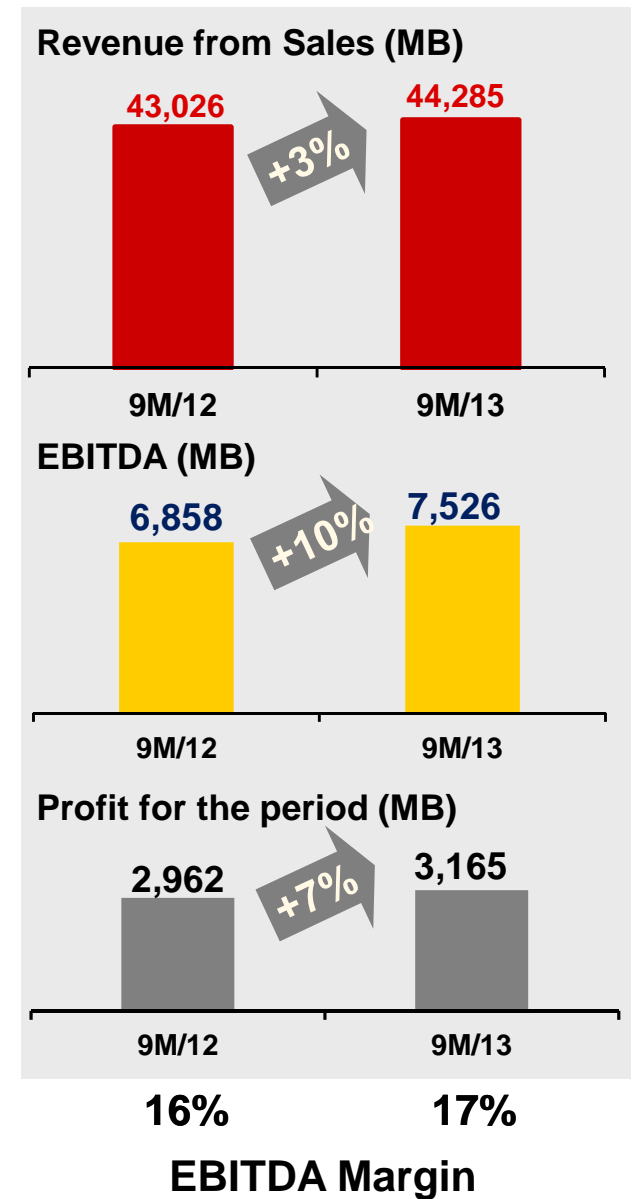
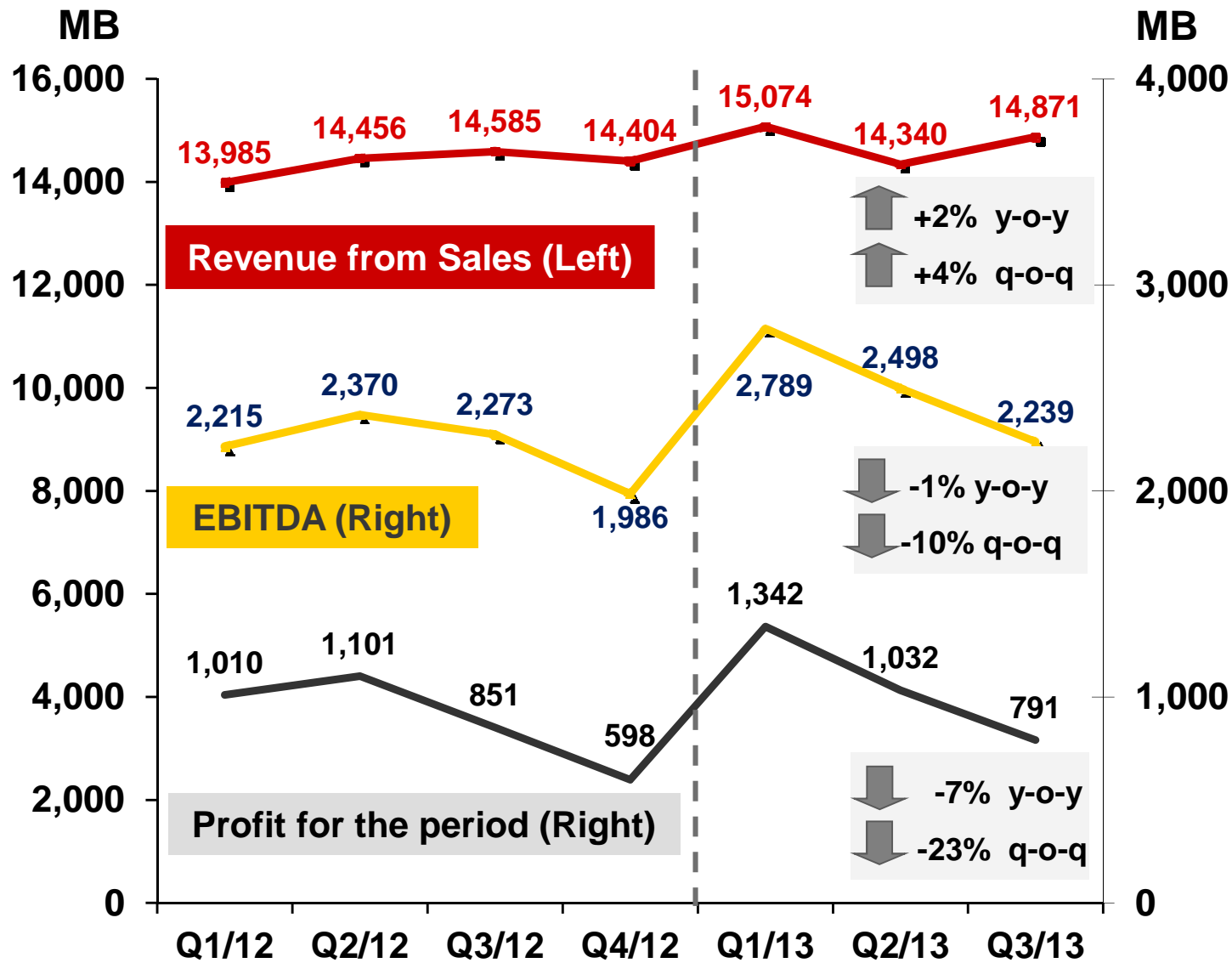


# Financials

Declining financials q-o-q, mainly from price and margin pressure in both chains, coupled with lower sales volume of the Fibrous Chain. Performance for 9M/13 improved from higher sales volume and improved efficiency in the Packaging Chain.



slide 50



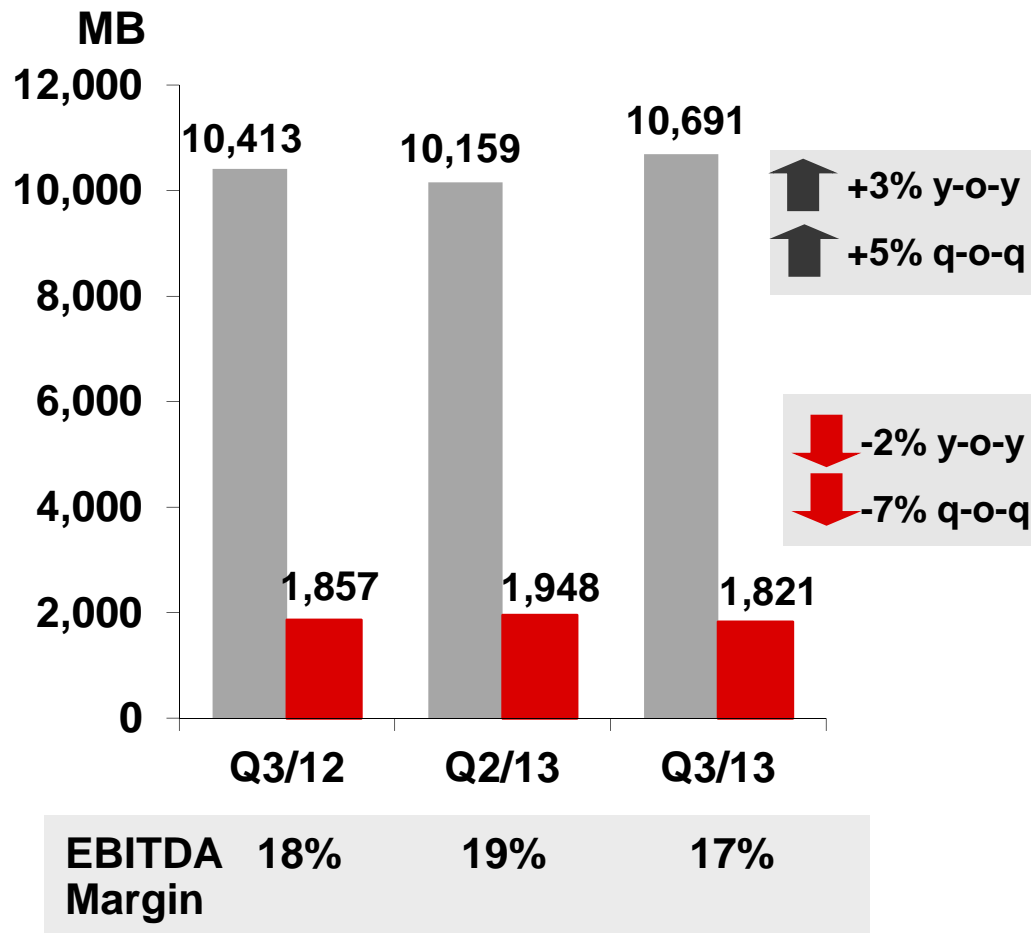
# Business Segments

Lower results in the Packaging Chain and the Fibrous Chain q-o-q, mainly due to price and margin pressure in both chains, coupled with lower sales volume of the Fibrous Chain.

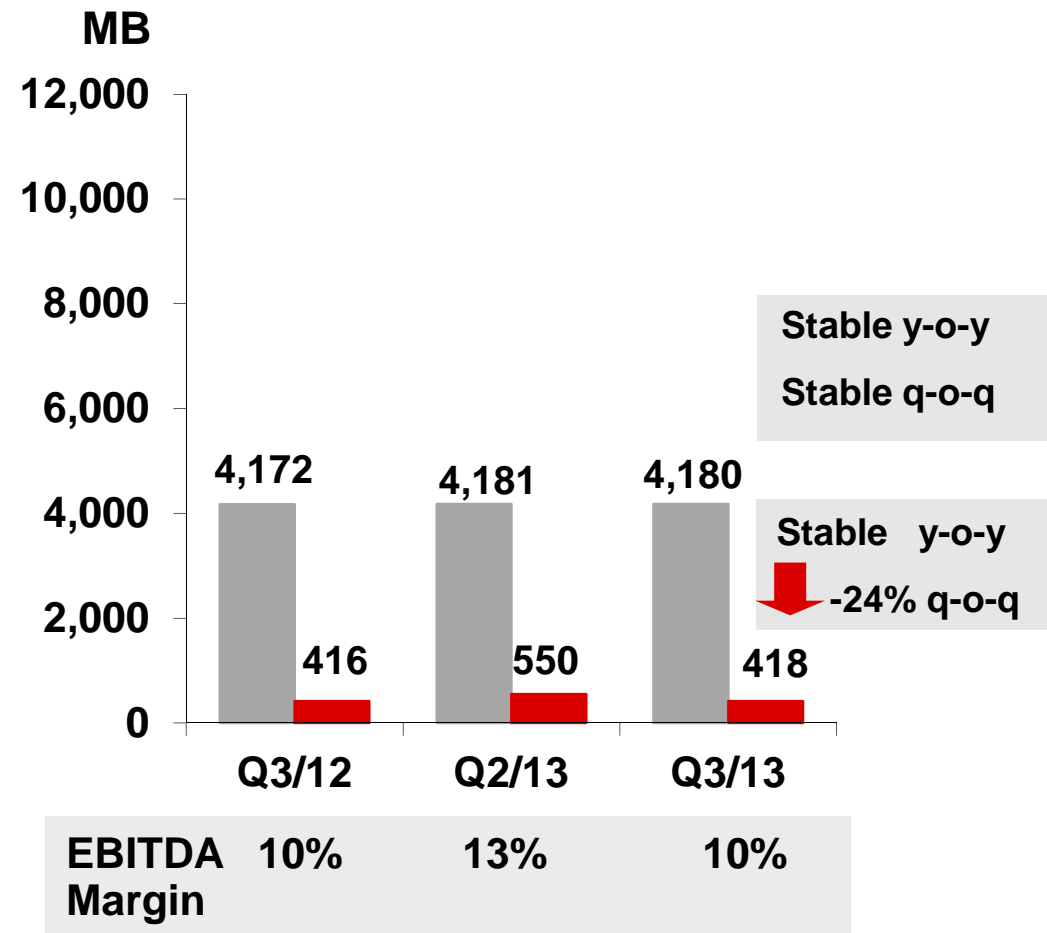


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## Packaging Chain



## Fibrous Chain



Revenue from Sales
  EBITDA

## Outlook:

### -Packaging Chain

- Wastepaper: Regional prices expected to hike, mainly due to higher Chinese orders to meet year-end quotas.
- Paper prices expected to remain under pressure from seasonal demand softness at year-end.

### -Fibrous (Printing & Writing) Chain

- Short-fiber pulp prices expected to maintain. Long-fiber pulp prices expected to firm up, due to tight supply from major producers' maintenance downtime in North America and Europe. Intensified regional competition and oversupply continue to put pressure on paper prices.

## Project updates:

- Thai Containers Group (SCG Paper stake of 70%) acquired a 90% stake in PT Primacorr Mandiri (Indonesia) in Sep/13 (37,000 tons/year), boosting SCG Paper's total box capacity to 1,013,000 tons/year.
- SCG Paper signed a Memorandum of Understanding with Nippon Paper Industries (NPI) to form a strategic joint venture in SCG Paper's Fibrous Chain (NPI's equity injection for a 30% stake), expected to conclude within Q2/14.
- Smooth and faster-than-plan startup of Dissolving Grade Pulp line and VKPC's debottleneck.
- Approx. 1-month maintenance downtime of Paperboard line's debottleneck in Kanchanaburi in Q4/13.

- I. Consolidated Results
  - Q3/13 Consolidated Results
  - 9M/13 Summary
  - Financial Updates
- II. SCG Cement - Building Materials
- III. SCG Chemicals
- IV. SCG Paper
- V. Summary

*Thank You*

For further details, please contact [invest@scg.co.th](mailto:invest@scg.co.th)