Markets Updates

Thailand, Myanmar, Laos & Cambodia

Chantana Sukumanont
Marketing & Sales
Siam City Cement PCL.

ปูนซีเมนต์นครหลวง
SIAM CITY CEMENT

Contents

- **Market Overview: Thailand, Myanmar, Laos & Cambodia**
  - Macro Economic Outlooks: Overview and By Country
  - Cement Market Overview

- **Construction Trends: Thailand, Myanmar, Laos & Cambodia**
  - Cement Demand Trends
  - Market Demand Trends

- **Conclusion**

- **Q & A**

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Macro Economic Outlook

Southeast Asia Region consists of 10 countries

Overview

- Economic expanded by **6%** in 2006
- Estimated growth of **5.6%** in 2007, and **5.9%** in 2008
- Inflation forecasted to soften from **7.1%** to **4.2%**
- Robust import growth: **Indonesia**
- Rising export growth: **Cambodia, Lao, Vietnam**
- Investment weaken: **Indonesia, Philippines, Thailand**

Risk

- Challenges to sustainable growth & social development.
- Factors: Price volatility, disruption in oil supplies, geopolitical and security risks, and avian flu pandemic.

Thailand and Neighboring Countries

- **Thailand** :Economic slowdown
- **Cambodia** :Strong expansion; exports growth
- **Lao** :Moderate decrease in growth
- **Myanmar** :Modest economic pickup; elusive stability

Source: Asian Development Bank Outlook, 2007

Thailand and Myanmar (1/2)

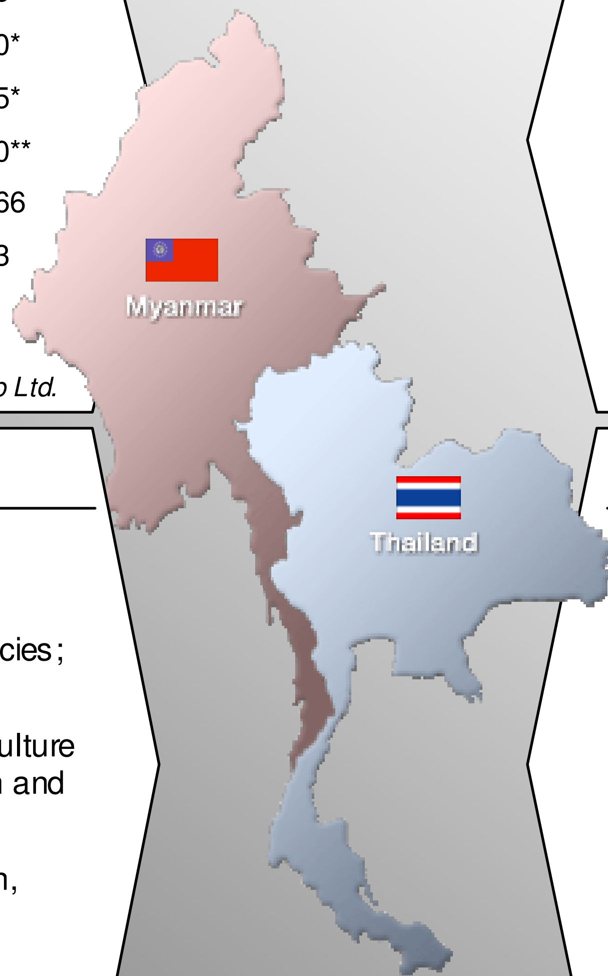
Key Indicators	2006	2007e
GDP	7.0	5.5*
Interest	17.0	17.0*
Inflation	26.3	37.5*
Cement demand (mio.t)	3.5	4.0**
Cement per capita (kg)	64.46	73.66
Population (mio.)	54.3	54.3

*Source: * IMF & Myanmar's Ministry of Financial National Development and Planning*

***National Development Company Group Ltd.*

Business Environment

- Continued macroeconomic fragility and sharp downturn projected in 2007.
- Structural weaknesses in domestic policies; fiscal deficits & dual exchange rate.
- Economic development; focus on agriculture production, gas exports, oil exploration and hydropower generation.
- Investment constrained by high inflation, projected 37.5%
- Impact on population and currency depreciation



Key Indicators	2006	2007e
GDP	5.0	4.0 – 5.0
Interest	7.5 – 8.0	6.5 – 7.5
Inflation	4.7	2.5 – 3.5
Cement demand (mio.t)	27.5	27.5
Cement per capita (kg)	425.0	425.0
Population (mio.)	64.76	64.76

Source: Bank of Thailand

Business Environment

- Political instability and uncertainties in economic outlook
- Private investment slow down continue; fragile investor and consumer confidence. Mega projects will be delayed.
- Domestic demand expected to be flat; while exports expected to grow
- Highly competitive environment
- Lower interest rates.
- New houses in greater BKK is estimated at –5% y-o-y.

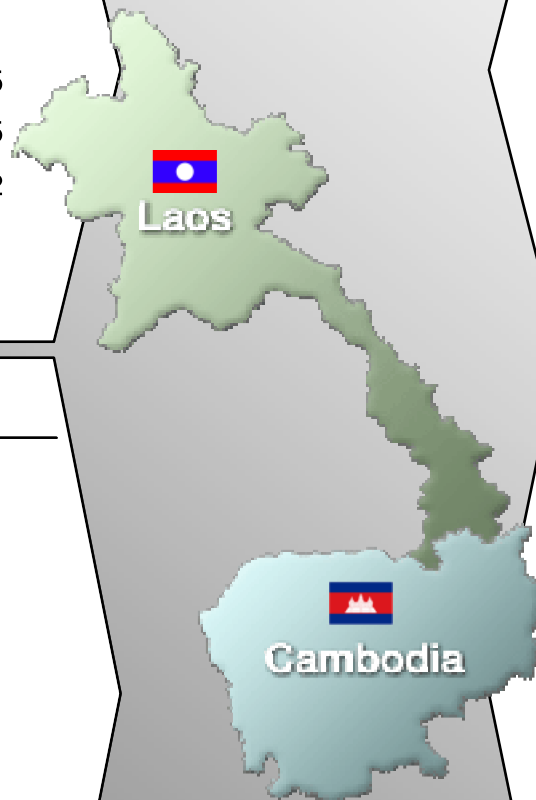
Laos and Cambodia (2/2)

Key Indicators (Laos)	2006	2007e
GDP	7.3	6.6
Interest	6.0 – 7.0	4.0
Inflation	7.7	5.0
Cement demand (mio.t)	0.7	0.75
Cement per capita (kg)	124.55	133.45
Population (mio.)	5.62	5.62

Source: World Bank and Bank of Laos P.D.R.

Business Environment (Laos)

- Macroeconomic stability maintained and robust economic growth.
- Foreign investments in mining and hydro-power, exports and tourism growth.
- Private and public sectors development sustained.
- Relatively low inflation rate.
- Poverty reduction.



Key Indicators (Cambodia)	2006	2007e
GDP	8.9	6.5
Interest	15.0	14.0
Inflation	5.0	4.0
Cement Demand (mio.t)	2.3	2.3
Cement per capita (kg)	166.67	166.67
Population (mio)	13.8	13.8

Source: World Bank

Business Environment (Cambodia)

- Stable and promising in 2006; economic short break expected in 3Q'07 and 1st half of 08, due to the General Election.
- Solid garment exports, strong tourism; slowdown in construction and agriculture expansion.
- Interest rate decreased to 12-14 %, due to political stability. Inflation projected to fall.
- High oil prices and terrorism; threats of political climate and economic environment.
- Environment of unfair competitions still persist, but Hun Sen announced to fight against corruption in 2007

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Cement Market Overview

Overview	Thailand	Myanmar	Laos	Cambodia
Suppliers				
• Local producers	• SCI, SCCC, TPIPL, Asia&JCC, Cemex, TPCC, Samakkee	• MCI, MEC, Elephant brand, AAA brand, Tiger Head	• LCC1, LCC2, LCI	-
• Importers	-	• SCT, SCCC, China cement	• SCT, SCCC, TPIPL, ASIA&JCC,China, Vietnam	• SCT, SCCC, TPIPL, Asia&JCC
Cement Type				
• Bag (%)	• 65%	• 100%	• 80%	• 100%
• Bulk (%)	• 35%		• 20%	
2007 Capacity (mio.t)	• 56.3 (cement production only 76% of total capacity)	• 2.0	• 0.6	• 0.8 (Cement plant of SCI expected to be operational in July 2007)
Total Demand	27.5	4.0	0.75	2.3
• Domestic	• 27.5	• 2.0	• 0.6	• 0
• Import	• 0	• 1.5 – 2.0	• 0.2	• 2.3
• Export (mio.t)	• 15.3 (to U.S.A., Europe, Middle East and Vietnam)	• 0	• 0.05 – 0.1 (to Thailand's border, specific provinces)	• 0

SCCC = Siam City Cement Pcl.
JCC = Jalaprathan Cement Co., Ltd.
SCT = Siam Cement Trading Co., Ltd.
MCI = Myanma Ceramics Industries
Tiger brand = Tiger Head Cement
SCI = Siam Cement Industry.
Cemex = Cemex (Thailand) Co., Ltd.
LCC1 = Lao Cement Co., Ltd.1
MEC = Myanmar Economic Corporation
TPIPL = TPI Polene Pcl.
TPCC = Thai Pride Cement Co.,Ltd.
LCC2 = Lao Cement Co., Ltd.2
Elephant brand = Mandalay Cement Industries Co., Ltd.
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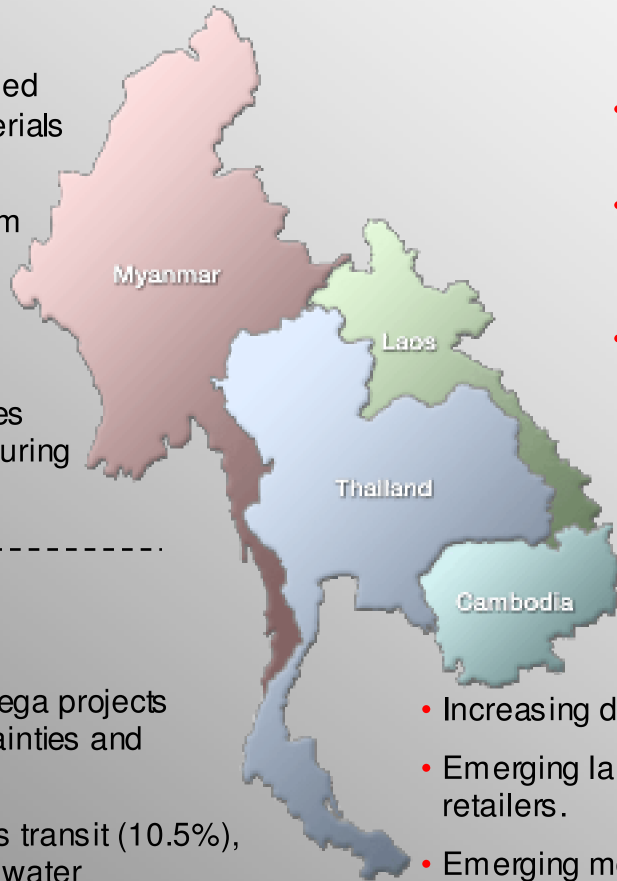
Construction Trends

Myanmar

- The new capital, "Naypyitaw" caused large demand of construction materials
- An increase in domestic cement production and import demand from Thailand up to 40,000 TPM
- Great demand in infrastructure development.
- The biggest "Salawin" Dam requires cement approx. 300,000 mio ton during 2008 - 2012



Laos

- Continued investments in Nam Theun 2 hydro-power construction and mining projects.
- Construction of four-five dams planned during 2007-2012; Nam Theun 1, Xesed 2, Nam Ngum 3, Nam Ngeab,etc
- The Greater Mekong Sub region cooperation program will encourage trade, transport, and cross-border agreements

Thailand

- Delay in $42 billion government mega projects investment, due to political uncertainties and government's revision.
- The projects mainly target on mass transit (10.5%), housing (8.2%) , transport (7.8%), water resources(5.1%), and others (68.6%).
- The investment will encourage cement capacity steel and construction materials expansion.

Cambodia

- Increasing demand for concrete / bagged cement
- Emerging large wholesalers in key provinces catering to small retailers.
- Emerging modern trade format in Phnom Penh and Siem Reap
- Construction is growing, but exceeding demand in industrial estates, residential projects.
- Slight changes in overall product mix for OPC vs mixed cement in previous years.
- Purely OPC for all applications.

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Source: Asian Development Outlook, 2006 and Siam City Cement PCL.

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Conclusion

- Thai market will depends largely on political environment in the next 6 months, turnaround after re-election at best.
- Thai business sector needs to focus on price & margin management and cost discipline. More efforts should be placed on export to maintain/increase asset utilization.
- More developed market in Cambodia compared with Laos and Myanmar. Strong opportunities in Cambodia for cement and other construction-related industry.
- Moderate growth in Laos with stable environment, local cement capacity is close to self-sufficiency. Hydropower project is the driver for cement consumption growth.
- Myanmar short term demand is strong. Long term prospect depends on political-economics policy.

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Q & A