

13. Financial Statements

Summary of Auditor's Report

Auditor's Office: KPMG Phoomchai Audit Ltd.

Names of Auditors: Mr. Supot Singhasaneh
Auditor Number 2826 or
Mr. Winid Silamongkol
Auditor Number 3378 or
Mr. Charoen Phosamritlert
Auditor Number 4068 or
Ms. Sureerat Thongarunsang
Auditor Number 4409

From the audits carried out upon the generally accepted standards, the auditors formed the opinion that the financial statements of the Siam Cement Public Company Limited and subsidiaries present fairly, in all material respects, the financial position as at December 31, 2013 2012 and 2011, the financial performance and cash flows for the years then ended in accordance with Thai Financial Reporting Standards.

Consolidated Financial Statements and Financial Ratios

of

The Siam Cement Public Company Limited and Subsidiaries

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013, 2012 AND 2011

(Million Baht)

Assets	2013	%	2012	%	2011	%
Current assets						
Cash and cash equivalents	17,434	4.0	25,064	6.3	22,680	6.1
Temporary investments	6,984	1.6	7,677	1.9	7,205	1.9
Trade and other receivables	49,453	11.2	42,877	10.8	40,657	10.9
Short-term loans to related parties	146	0.0	137	0.0	154	0.0
Inventories	55,557	12.6	48,890	12.4	41,838	11.2
Other current assets	5,556	1.3	4,621	1.2	4,230	1.1
Total current assets	135,130	30.7	129,266	32.7	116,764	31.2
Non-current assets						
Available-for-sale investments	11,137	2.5	12,048	3.0	25,638	6.9
Investments in associates	74,843	17.0	64,964	16.4	54,773	14.7
Investments in jointly-controlled entities	4,346	1.0	611	0.2	974	0.3
Other long-term investments	3,478	0.8	3,286	0.8	3,229	0.9
Long-term loans to related parties	143	0.0	137	0.0	401	0.1
Investment properties	1,535	0.3	1,474	0.4	1,595	0.4
Property, plant and equipment	183,589	41.7	165,292	41.8	156,683	41.9
Goodwill	10,300	2.3	3,801	1.0	2,511	0.7
Intangible assets	6,279	1.4	4,870	1.2	4,011	1.1
Deferred tax assets	4,604	1.0	4,301	1.1	2,903	0.8
Other non-current assets	5,052	1.1	5,523	1.4	4,307	1.2
Total non-current assets	305,306	69.3	266,307	67.3	257,025	68.8
Total assets	440,436	100.0	395,573	100.0	373,789	100.0

Note: The figures for year 2012 and 2011 are restated for comparative purpose with 2013.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013, 2012 AND 2011

(Million Baht)

Liabilities and shareholders' equity	2013	%	2012	%	2011	%
Current liabilities						
Bank overdrafts and short-term loans from financial institutions	12,917	2.9	13,771	3.5	20,058	5.4
Trade and other payables	51,211	11.6	45,471	11.5	36,273	9.7
Current portion of long-term debts	5,859	1.3	5,218	1.3	4,305	1.2
Current portion of debentures	14,963	3.4	29,911	7.6	39,910	10.7
Short-term loans from related parties	88	0.0	105	0.0	93	0.0
Income tax payable	2,596	0.6	2,304	0.6	4,177	1.1
Other current liabilities	2,101	0.5	1,950	0.5	1,635	0.4
Total current liabilities	89,735	20.4	98,730	25.0	106,451	28.5
Non-current liabilities						
Long-term debts	26,929	6.1	30,298	7.7	28,156	7.5
Debentures	126,174	28.6	96,273	24.3	69,839	18.7
Deferred tax liabilities	2,773	0.6	2,472	0.6	1,562	0.4
Employee benefit liabilities	6,123	1.4	5,566	1.4	3,899	1.0
Other non-current liabilities	1,680	0.4	1,111	0.3	913	0.2
Total non-current liabilities	163,679	37.2	135,720	34.3	104,369	27.9
Total liabilities	253,414	57.5	234,450	59.3	210,820	56.4
Shareholders' equity						
Share capital						
Authorised share capital	1,600		1,600		1,600	
Issued and paid-up share capital	1,200	0.3	1,200	0.3	1,200	0.3
Retained earnings						
Appropriated						
Legal reserve	160	0.0	160	0.0	160	0.0
General reserve	10,516	2.4	10,516	2.7	10,516	2.8
Unappropriated	156,031	35.4	137,500	34.8	128,738	34.4
Other components of equity	(6,115)	(1.4)	(6,190)	(1.6)	(415)	(0.1)
Total equity attributable to owners of the parent	161,792	36.7	143,186	36.2	140,199	37.5
Non-controlling interests	25,230	5.7	17,937	4.5	22,770	6.1
Total shareholders' equity	187,022	42.5	161,123	40.7	162,969	43.6
Total liabilities and shareholders' equity	440,436	100.0	395,573	100.0	373,789	100.0

Note: The figures for year 2012 and 2011 are restated for comparative purpose with 2013.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

(Million Baht)

	2013	%	2012	%	2011	%
Revenue from sales	434,251	100.0	407,601	100.0	368,579	100.0
Cost of sales	(363,096)	(83.6)	(353,696)	(86.8)	(315,811)	(85.7)
Gross profit	71,155	16.4	53,905	13.2	52,768	14.3
Other income	13,141	3.0	10,737	2.7	10,894	3.0
Profit before expenses	84,296	19.4	64,642	15.9	63,662	17.3
Selling expenses	(15,598)	(3.6)	(15,845)	(3.9)	(14,378)	(3.9)
Administrative expenses	(24,434)	(5.6)	(20,673)	(5.1)	(18,760)	(5.1)
Total expenses	(40,032)	(9.2)	(36,518)	(9.0)	(33,138)	(9.0)
Profit from operations	44,264	10.2	28,124	6.9	30,524	8.3
Share of profit of associates and jointly-controlled entities	6,546	1.5	1,561	0.4	6,774	1.8
Profit before finance costs and income tax expense	50,810	11.7	29,685	7.3	37,298	10.1
Finance costs	(8,193)	(1.9)	(6,321)	(1.6)	(6,048)	(1.6)
Profit before income tax expense	42,617	9.8	23,364	5.7	31,250	8.5
Income tax expense	(5,003)	(1.2)	(4,742)	(1.1)	(7,504)	(2.1)
Profit for the year	37,614	8.6	18,622	4.6	23,746	6.4
Profit (loss) attributable to						
Owners of the parent	36,522	8.4	23,580	5.8	27,281	7.4
Non-controlling interests	1,092	0.2	(4,958)	(1.2)	(3,535)	(1.0)
	37,614	8.6	18,622	4.6	23,746	6.4
Basic earnings per share (in Baht)						
Attributable to owners of the parent	30.44		19.65		22.73	

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	(Million Baht)		
	2013	2012	2011
Profit for the year	37,614	18,622	23,746
Other comprehensive income			
Foreign currency translation differences	(664)	(751)	192
Net change in fair value of available-for-sale investments	169	821	(3,041)
Defined benefit plan actuarial gains (losses)	(28)	(1,287)	39
Share of other comprehensive income of associates and jointly-controlled entities	177	(108)	(122)
Income tax on other comprehensive income	4	243	1,223
Other comprehensive income for the year, net of income tax	(342)	(1,082)	(1,709)
Total comprehensive income for the year	<u>37,272</u>	<u>17,540</u>	<u>22,037</u>
Total comprehensive income (loss) attributable to			
Owners of the parent	36,197	22,635	25,678
Non-controlling interests	1,075	(5,095)	(3,641)
	<u>37,272</u>	<u>17,540</u>	<u>22,037</u>

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	(Million Baht)		
	2013	2012	2011
Cash flows from operating activities			
Profit for the year	37,614	18,622	23,746
Adjustments for			
Depreciation and amortisation	15,718	14,047	13,208
Interest income	(1,048)	(1,328)	(1,894)
Interest expense	7,503	7,409	7,001
Unrealised gain on foreign currency exchange	(50)	(196)	(843)
Allowance for decline in value of inventories (reversal)	35	14	(244)
Dividend income	(4,894)	(4,414)	(2,668)
Employee benefit expense	754	743	523
Share of profit of associates and jointly-controlled entities	(6,546)	(1,561)	(6,774)
Income tax expense	5,003	4,742	7,504
Gain on revaluation of investments and others	(2,261)	(674)	(2,981)
Profit provided by operating activities before changes in			
operating assets and liabilities	51,828	37,404	36,578
Decrease (increase) in operating assets			
Trade and other receivables	(1,133)	(3,798)	(6,960)
Inventories	(4,460)	(6,436)	(4,217)
Other current assets	(479)	(372)	231
Other non-current assets	(13)	357	231
Net increase in operating assets	(6,085)	(10,249)	(10,715)

Note: The figures for year 2012 and 2011 are restated for comparative purpose with 2013.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	(Million Baht)		
	2013	2012	2011
Increase (decrease) in operating liabilities			
Trade and other payables	2,446	7,606	3,505
Other current liabilities	(81)	329	237
Employee benefit liabilities	(330)	(416)	(532)
Other non-current liabilities	248	193	31
Net increase in operating liabilities	2,283	7,712	3,241
Cash generated from the operations	48,026	34,867	29,104
Income tax paid	(5,491)	(6,686)	(6,151)
Net cash provided by operating activities	42,535	28,181	22,953
Cash flows from investing activities			
Interest received	1,100	1,432	1,765
Dividends received	7,649	9,002	7,058
Short-term investments	702	(414)	(998)
Available-for-sale investments	(11,583)	(14,027)	(44,321)
Investments in associates, jointly-controlled entities and other companies	(11,049)	(12,472)	(14,003)
Net cash outflow on acquisition of subsidiaries	(7,726)	(4,428)	(4,217)
Proceeds from sales and return of investments	13,250	29,236	29,811
Income tax paid from sales of investments	(11)	(816)	(7,215)
Purchases of property, plant and equipment	(28,965)	(17,938)	(13,409)
Proceeds from sales of property, plant and equipment	177	242	182
Purchases of Intangible assets	(1,748)	(453)	(761)
Payments received on loans to (loans to) related parties	(2)	189	8
Currency translation differences	(456)	(305)	7
Net cash used in investing activities	(38,662)	(10,752)	(46,093)

Note: The figures for year 2012 and 2011 are restated for comparative purpose with 2013.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

(Million Baht)

	2013	2012	2011
Cash flows from financing activities			
Borrowings			
Interest paid	(7,643)	(7,327)	(6,976)
Increase (decrease) in bank overdrafts and short-term loans			
from financial institutions	(2,941)	(6,291)	11,061
Proceeds from (payments of) short-term loans from related parties	(79)	12	(64)
Proceeds from long-term debts	8,398	7,865	5,002
Payments of long-term debts	(10,675)	(5,406)	(11,309)
Proceeds from (payments of) finance lease	(679)	(529)	361
Proceeds from issuance of debentures	44,922	56,410	24,921
Redemption of debentures	(29,968)	(39,977)	(24,905)
Net increase (decrease) in borrowings	1,335	4,757	(1,909)
Dividends paid			
Dividends paid to owners of the parent	(17,922)	(13,774)	(16,188)
Dividends paid to non-controlling interests	(747)	(688)	(1,880)
Total dividends paid	(18,669)	(14,462)	(18,068)
Acquisition and increase in capital of non-controlling interests	5,831	(5,340)	1,970
Net cash used in financing activities	(11,503)	(15,045)	(18,007)
Net increase (decrease) in cash and cash equivalents	(7,630)	2,384	(41,147)
Cash and cash equivalents at beginning of the year	25,064	22,680	63,827
Cash and cash equivalents at end of the year	17,434	25,064	22,680
Supplementary information for cash flows			
Non-cash transactions			
Outstanding payable from purchases of property, plant, equipment and intangible assets	1,407	265	82

Note: The figures for year 2012 and 2011 are restated for comparative purpose with 2013.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

		Consolidated Financial Statements		
		2013	2012	2011
LIQUIDITY RATIO				
Current Ratio	(Times)	1.51	1.31	1.10
Quick Ratio	(Times)	0.72	0.70	0.60
Cash Flow Liquidity	(Times)	0.45	0.27	0.24
Accounts Receivable Turnover	(Times)	11.10	11.32	12.15
Collection Period	(Days)	32	32	30
Inventory Turnover	(Times)	17.69	19.36	19.91
Inventory Turnover Period	(Days)	20	19	18
Accounts Payable Turnover	(Times)	9.71	11.66	13.06
Payment Period	(Days)	37	31	28
Cash Cycle	(Days)	15	20	20
PROFITABILITY RATIO				
Gross Profit Margin	(%)	16.39	13.22	14.32
Net Profit Margin *	(%)	8.05	5.62	7.06
Return on Equity	(%)	23.95	16.64	19.96
EFFICIENCY RATIO				
Return on Total Assets	(%)	8.74	6.13	7.44
Return on Fixed Assets	(%)	29.62	23.09	26.09
Assets Turnover **	(Times)	1.09	1.09	1.05
FINANCIAL POLICY RATIO				
Debt to Equity Ratio	(Times)	1.35	1.46	1.29
Interest Coverage Ratio	(Times)	5.86	5.52	4.81
Cash Flow Adequacy	(Times)	1.01	0.84	0.71
Dividend Payout Ratio	(%)	50.93	55.98	55.07

Note

* Net Profit Margin = Profit for the Year / Total Revenue

** Assets Turnover = Total Revenue / Total Assets (Average)

Financial Statements and Financial Ratios

of

The Siam Cement Public Company Limited

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013, 2012 AND 2011

(Million Baht)

Assets	2013	%	2012	%	2011	%
Current assets						
Cash and cash equivalents	1,726	0.7	15,686	7.6	16,589	9.0
Temporary investments	6,984	3.0	7,487	3.6	7,205	3.9
Other receivables	2,923	1.2	2,254	1.1	3,265	1.8
Short-term loans to related parties	96,941	41.0	72,573	34.9	56,764	30.7
Other current assets	875	0.4	870	0.4	855	0.5
Total current assets	109,449	46.3	98,870	47.6	84,678	45.9
Non-current assets						
Available-for-sale investments	10,461	4.4	11,448	5.5	25,115	13.6
Investments in associates	573	0.3	572	0.3	704	0.4
Investments in subsidiaries	105,380	44.6	89,724	43.2	67,338	36.5
Other long-term investments	3,257	1.4	3,257	1.5	3,217	1.7
Long-term loans to related parties	-	-	92	-	565	0.3
Investment properties	1,917	0.8	1,644	0.8	1,549	0.8
Property, plant and equipment	3,052	1.3	1,151	0.6	683	0.4
Intangible assets	1,841	0.8	620	0.3	582	0.3
Other non-current assets	324	0.1	318	0.2	282	0.2
Total non-current assets	126,805	53.7	108,826	52.4	100,035	54.1
Total assets	236,254	100.0	207,696	100.0	184,712	100.0

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013, 2012 AND 2011

(Million Baht)

Liabilities and shareholders' equity	2013	%	2012	%	2011	%
Current liabilities						
Short-term loans from financial institutions	6,500	2.8	-	-	-	-
Other payables	644	0.3	496	0.2	373	0.2
Current portion of debentures	15,000	6.3	30,000	14.4	40,000	21.7
Short-term loans from related parties	5,306	2.2	5,513	2.7	5,177	2.8
Accrued interest expense	1,332	0.6	1,225	0.6	1,127	0.6
Income tax payable	38	-	6	-	1,079	0.6
Other current liabilities	229	0.1	205	0.1	171	0.1
Total current liabilities	29,049	12.3	37,445	18.0	47,926	26.0
Non-current liabilities						
Debentures	126,500	53.5	96,500	46.5	70,000	37.8
Deferred tax liabilities	383	0.2	506	0.3	464	0.3
Employee benefit liabilities	518	0.2	486	0.2	197	0.1
Other non-current liabilities	1,038	0.4	463	0.2	345	0.2
Total non-current liabilities	128,439	54.3	97,955	47.2	71,005	38.4
Total liabilities	157,488	66.6	135,400	65.2	118,931	64.4
Shareholders' equity						
Share capital						
Authorised share capital	1,600		1,600		1,600	
Issued and paid-up share capital	1,200	0.50	1,200	0.6	1,200	0.6
Retained earnings						
Appropriated						
Legal reserve	160	0.1	160	0.1	160	0.1
General reserve	10,516	4.5	10,516	5.0	10,516	5.7
Unappropriated	64,085	27.1	57,567	27.7	51,733	28.0
Other components of equity	2,805	1.2	2,852	1.4	2,172	1.2
Total shareholders' equity	78,766	33.4	72,296	34.8	65,781	35.6
Total liabilities and shareholders' equity	236,254	100.0	207,696	100.0	184,712	100.0

THE SIAM CEMENT PUBLIC COMPANY LIMITED
INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	(Million Baht)					
	2013	%	2012	%	2011	%
Revenues						
Dividend income	23,456	77.0	18,283	73.7	13,150	58.3
Intellectual property income	2,929	9.6	2,825	11.4	2,565	11.4
Management fees for administration	2,226	7.3	2,078	8.4	1,898	8.4
Other income	1,857	6.1	1,616	6.5	4,935	21.9
Total revenues	30,468	100.0	24,802	100.0	22,548	100.0
Expenses						
Administrative expenses	2,297	7.5	2,084	8.4	1,902	8.4
Profit before finance costs and income tax expense	28,171	92.5	22,718	91.6	20,646	91.6
Finance costs	3,446	11.3	2,691	10.8	2,105	9.3
Profit before income tax expense	24,725	81.2	20,027	80.8	18,540	82.3
Income tax expense	285	1.0	377	1.5	1,709	7.6
Profit for the year	24,440	80.2	19,650	79.3	16,831	74.7
Basic earnings per share (in Baht)	20.37		16.37		14.03	

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	(Million Baht)		
	2013	2012	2011
Profit for the year	24,440	19,650	16,831
Other comprehensive income			
Gains (losses) on remeasuring available-for-sale investments	(59)	745	(3,447)
Defined benefit plan actuarial gains (losses)	-	(51)	7
Income tax on other comprehensive income	11	(55)	1,230
Other comprehensive income for the year, net of income tax	(48)	639	(2,210)
Total comprehensive income for the year	24,392	20,289	14,621

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	(Million Baht)		
	2013	2012	2011
Cash flows from operating activities			
Profit for the year	24,440	19,650	16,831
Adjustments for			
Depreciation and amortisation	140	74	88
Interest income	(4,181)	(3,879)	(4,432)
Interest expense	5,496	5,291	5,140
Unrealised loss (gain) on foreign currency exchange	430	(69)	(1,283)
Dividend income	(23,455)	(18,283)	(13,150)
Employee benefit expense	53	286	44
Income tax expense	285	377	1,709
Gain on sales of assets and others	(790)	(177)	(3,065)
Profit provided by operating activities before changes in operating assets and liabilities	2,418	3,270	1,883
Decrease (increase) in operating assets			
Other receivables	(267)	(218)	244
Other current assets	(5)	(14)	(15)
Other non-current assets	(13)	(2)	11
Net decrease (increase) in operating assets	(285)	(234)	240
Increase (decrease) in operating liabilities			
Other payables	86	122	44
Other current liabilities	14	37	91
Employee benefit liabilities	(11)	(50)	(61)
Other non-current liabilities	51	74	186
Net increase in operating liabilities	140	183	260
Cash generated from the operations	2,273	3,219	2,383
Income tax paid	(364)	(648)	(323)
Net cash provided by operating activities	1,909	2,571	2,060

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	(Million Baht)		
	2013	2012	2011
Cash flows from investing activities			
Interest received	4,208	3,937	4,300
Dividends received	23,485	19,325	12,116
Temporary investments	512	(224)	(998)
Available-for-sale investments	(11,583)	(14,027)	(44,321)
Investments in subsidiaries, associates and other company	(15,657)	(22,452)	(14,118)
Proceeds from sales and return of investments	12,841	28,951	29,710
Income tax paid from sales of investments	-	(816)	(7,030)
Purchases of property, plant and equipment and intangible assets	(3,384)	(677)	(870)
Proceeds from sales of property, plant and equipment and intangible assets	75	72	74
Loans to related parties	(24,327)	(15,441)	(274)
Net cash used in investing activities	(13,830)	(1,352)	(21,411)
Cash flows from financing activities			
Borrowings			
Interest paid	(5,409)	(5,192)	(5,202)
Increase in Short-term loans from financial institutions	6,500	-	-
Proceeds from (Payments of) short-term loans from related parties	(208)	344	334
Proceeds from issuance of debentures	45,000	56,500	25,000
Redemption of debentures	(30,000)	(40,000)	(25,000)
Net increase (decrease) in borrowings	15,883	11,652	(4,868)
Dividends paid	(17,922)	(13,774)	(16,188)
Net cash used in financing activities	(2,039)	(2,122)	(21,056)
Net decrease in cash and cash equivalents	(13,960)	(903)	(40,407)
Cash and cash equivalents at beginning of the year	15,686	16,589	56,995
Cash and cash equivalents at end of the year	1,726	15,686	16,589

FINANCIAL RATIOS OF THE SIAM CEMENT PUBLIC COMPANY LIMITED

		Financial Statements		
		2013	2012	2011
<u>LIQUIDITY RATIO</u>				
Current Ratio	(Times)	3.77	2.64	1.77
Quick Ratio	(Times)	0.30	0.62	0.50
Cash Flow Liquidity	(Times)	0.06	0.06	0.06
<u>PROFITABILITY RATIO</u>				
Net Profit Margin	(%)	80.21	79.23	74.65
Return on Equity	(%)	32.36	28.46	31.48
<u>EFFICIENCY RATIO</u>				
Return on Total Assets	(%)	11.01	10.01	9.90
Assets Turnover	(Times)	0.14	0.13	0.13
<u>FINANCIAL POLICY RATIO</u>				
Debt to Equity Ratio	(Times)	2.00	1.87	1.81
Interest Coverage Ratio	(Times)	1.64	2.10	2.79
Cash Flow Adequacy	(%)	76.13	67.64	102.13
Dividend Payout Ratio	(%)	76.10	67.18	89.12

14. Management Discussion and Analysis

Operating Results and Financial Status of The Siam Cement Public Company Limited and its Subsidiaries

Business Overviews

In 2013, SCG's revenue from sales increased 7% from the previous year to 434,251 Million Baht with growths in all business units. EBITDA increased 34% to 61,265 Million Baht. Similarly, profit for the year increased 55% to 36,522 Million Baht, benefiting from the recovery of chemicals margin, and higher domestic demand of cement products.

Share of profit of associates for 2013 amounted to 6,546 Million Baht, an increase of 4,985 Million Baht from the previous year with details as follows:

- SCG Chemicals associates: Share of gain amounted to 2,774 Million Baht, recovered from the loss of 606 Million Baht in the previous year, attributable to better margins from the chemicals associates.
- Other associates: Share of profit amounted to 3,772 Million Baht, increased 1,605 Million Baht from the previous year, mainly from the other associates which were affected by the flood in the first half of 2012.

Total dividends received in 2013 was 7,707 Million Baht, down 3% from the previous year, with details as follows: a) 2,813 Million Baht from "Associated" companies (20%-50% stake), and b) 4,894 Million Baht from "Other" companies (less than 20% stake).

Operating Results of Strategic Business Segments

SCG Cement-Building Materials

In 2013, domestic demand for cement and building materials increased from the previous year driven by growth in government and private investment. Domestic demand for cement rose 7%, resulting in an increase in domestic sales whereas export sales declined. Meanwhile, sales of building materials grew steadily, attributable to the continued development of high value added products and services (HVA) to address customer needs. Demand for cement and building materials in ASEAN saw a steady growth on the back of a rise in domestic and foreign investment as a result of the government's efforts to encourage foreign investment.

In 2013, revenue from sales increased 13% from the previous year to 174,642 Million Baht on volume growth in addition to the acquisition of Prime Group, a leading ceramic tiles producer in Vietnam, including consolidation of Siam Sanitary Ware Co., Ltd. and The Siam Sanitary Fittings Co., Ltd. EBITDA increased 14% from the previous year to 26,274 Million Baht, and profit for the year increased 23% to 16,092 Million Baht.

SCG Chemicals

In 2013, the chemicals business continued to see improving margins as the global economy showed signs of recovery, following difficult margins in 2012. The average prices of polyethylene and polypropylene resins were 1,488 and 1,519 USD per ton, an increase of 7% and 4%, respectively. Meanwhile, prices of Naphtha, main feedstock, was 922 USD per ton, a decrease of 3% from the previous year on the back of falling crude oil prices triggered by the growing supply in the U.S. This resulted in wider product-to-feed margins compared to the year before.

In 2013, revenue from sales increased 3% from the previous year to 209,997 Million Baht. EBITDA increased 136% from the previous year to 20,342 Million Baht, likewise, profit for the year which increased 320% from the previous year to 11,292 Million Baht, as a result of the recovery of chemicals margin.

SCG Paper

In 2013, revenue from sales increased 3% from the previous year to 59,135 Million Baht, mainly attributed to higher sales volume and improved efficiency in the Packaging Chain, in addition to the acquisition of Dyna Packs Co., Ltd. and Orient Containers Co., Ltd., and PT Primacorr Mandiri (Indonesia). EBITDA increased 7% to 9,473 Million Baht, likewise, profit for the year increased 1% from the previous year to 3,587 Million Baht.

Packaging Chain: Total sales volume increased 3% from the previous year, following rising demand for packaging paper and corrugated containers in the ASEAN region in response to the growing economy.

Fibrous Chain: Total sales volume increased 7% from the year before as a result of the higher sales of pulp. However, printing & writing paper sales volume dropped due to more production capacity added to the market and less demand in Thailand market.

Financial Status

Assets

Total assets of SCG as at December 31, 2013 was 440,436 Million Baht, with an increase of 11% from the previous year. Key components of total assets were property, plant and equipment at 42%, current assets at 31% and investments at 21%. Ranking of asset values by business segments are SCG Chemicals, SCG Cement-Building Materials, and SCG Paper, respectively.

Current assets: amounted to 135,130 Million Baht as at December 31, 2013, with an increase of 5% from the previous year, comprising largely of inventories, trade and other receivables and cash and cash equivalents. At December 31, 2013, SCG's working capital was 55,896 Million Baht with working capital days at 48 days.

Cash and cash under management: amounted to 29,667 Million Baht as at December 31, 2013, a drop of 8,866 Million Baht from the previous year following continued CAPEX and Investments.

Investments in associates and jointly-controlled entities: amounted to 79,188 Million Baht as at December 31, 2013, an increase of 13,613 Million Baht or 21% from the previous year, with reasons as follows:

- Increase in investments amounted to 10,871 Million Baht, mainly from SCG Chemicals' acquisition of Bangkok Synthetics Co., Ltd. (BST), a manufacturer of raw materials for synthetic rubber in Thailand, and PT Chandra Asri Petrochemical Tbk., a leading petrochemical company in Indonesia.
- Increase from share of profit using equity method amounted to 6,546 Million Baht.
- Decrease from dividends received amounted to 2,813 Million Baht.
- Decrease from the change status of associates to subsidiaries amounted to 1,049 Million Baht of Siam Sanitary Ware Co., Ltd. and The Siam Sanitary Fittings Co., Ltd.

Property, plant and equipment: amounted to 183,589 Million Baht as at December 31, 2013, an increase of 18,297 Million Baht or 11% from the previous year due to the CAPEX and business acquisition during the year.

Liabilities

Total liabilities as at December 31, 2013 amounted to 253,414 Million Baht, an increase of 8% from the previous year. During the year, SCG issued new debentures which amounted to 45,000 Million Baht to replace the matured debentures of 30,000 Million Baht and to support future investments. Finance costs were 8,193 Million Baht, an increase of 1,872 Million Baht from last year.

Net debt (interest-bearing debt less cash and cash under management) of SCG as at December 31, 2013 increased 20,220 Million Baht from the previous year to 157,263 Million Baht from investing in CAPEX and Investments of 50,064 Million Baht, mainly from investing in Bangkok Synthetics Co., Ltd. (BST) and PT Chandra Asri Petrochemical Tbk., including the acquisition of Prime Group.

Liquidity

At the end of year 2013, SCG had cash and cash equivalents amounted 17,434 Million Baht, a decrease of 7,630 Million Baht from last year. As a consequence of cash flows provided by operating activities amounted 42,535 Million Baht, meanwhile, cash flows used in investing activities amounted to 38,662 Million Baht, mainly from the CAPEX and M&A activities. Moreover, cash flows used in financing activities was 11,503 Million Baht, mainly from dividend payment.

Regarding the liquidity ratios, SCG earned a current ratio of 1.5 times while the cash flow liquidity was 0.5 times. SCG's Cash Cycle was 15 days (average collection period + inventory turnover period - average payment period). The cash flows and liquidity ratios ensured that SCG possessed adequate liquidity for business operation, accompanying with overdraft accounts with various banks for 6,500 Million Baht.

Financial Ratios

In 2013, current ratio registered 1.5 times and net debt to EBITDA ratio decreased to 2.6 times, compared to 3.0 times in last year. At the end of 2013, debt to equity ratio decreased to 1.4 times, compared to 1.5 times in last year.

CAPEX

SCG's 2013 CAPEX & Investment amounted to 50,064 Million Baht, increased 2,588 Million Baht from the previous year, following continued CAPEX and M&A activities.

From the financial position and performance of 2013, the Board of Directors considered proposing the Annual General Meeting of Shareholders for approval of 2013 dividend payment of 15.5 Baht per share,

representing a dividend payout ratio of 51% of consolidated profit for the year. SCG has already paid an interim dividend of 5.5 Baht per share on August 29, 2013 and an interim dividend for the SCG's 100 Year Anniversary of 3.0 Baht per share on November 28, 2013. The final dividend will be paid at the amount of 7.0 Baht per share on April 24, 2014.

In summary, SCG continues to maintain solid financial position and performance with growth in all business units. SCG pledges to expand its business operations and to continue to advance its competitive edge by operating its business in a sustainable development approach, through learning and swift adjustment in anticipation of changing circumstances. SCG, under the principles of good corporate governance, focuses on achieving a balance in economic, social, and environmental development. Moreover, SCG has focused on promoting research and development (R&D), realizing that R&D is a key contributing factor to enhancing the organization's capabilities to gear up for competition in ASEAN. Throughout its 100 years of operation, SCG has pledged to drive innovation in products, services, and processes to accommodate customer needs, uplift people's quality of life as well as contribute to a better environment and sustainable society in pursuit of becoming an ASEAN sustainable business leader in accordance with SCG vision, with a firm belief in the potential of the ASEAN Economic Community (AEC) to support strong and sustainable growth.