

13. Financial Statements

Summary of Auditor's Report

Auditor's Office: KPMG Phoomchai Audit Ltd.

Names of Auditors: Mr. Winid Silamongkol
Certified Public Accountant Registration No. 3378 or
Ms. Sureerat Thongarunsang
Certified Public Accountant Registration No. 4409 or
Ms. Pornthip Rimdusit
Certified Public Accountant Registration No. 5565

From the audits carried out upon the generally accepted standards, the auditors formed the opinion that the consolidated financial statements of the Siam Cement Public Company Limited and its subsidiaries present fairly, in all material respects, the consolidated financial position as at December 31, 2014 2013 and 2012, the consolidated financial performance and consolidated 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 2014, 2013 AND 2012

(Million Baht)

Assets	2014	%	2013	%	2012	%
Current assets						
Cash and cash equivalents	19,031	4.1	17,434	4.0	25,064	6.3
Temporary investments	8,023	1.7	6,984	1.6	7,677	1.9
Trade and other receivables	51,842	11.1	49,453	11.2	42,877	10.8
Short-term loans to related parties	115	0.0	146	0.0	137	0.0
Inventories	52,747	11.3	55,557	12.6	48,890	12.4
Other current assets	6,240	1.3	5,556	1.3	4,621	1.2
Total current assets	137,998	29.6	135,130	30.7	129,266	32.7
Non-current assets						
Available-for-sale investments	8,385	1.8	11,137	2.5	12,048	3.0
Investments in associates	77,310	16.6	74,843	17.0	64,964	16.4
Investments in jointly-controlled entities	5,039	1.1	4,346	1.0	611	0.2
Other long-term investments	3,078	0.7	3,478	0.8	3,286	0.8
Long-term loans to related parties	149	0.0	143	0.0	137	0.0
Investment properties	1,636	0.4	1,535	0.3	1,474	0.4
Property, plant and equipment	205,085	44.0	183,842	41.7	165,292	41.8
Goodwill	10,799	2.3	10,300	2.3	3,801	1.0
Intangible assets	7,044	1.5	6,279	1.4	4,870	1.2
Deferred tax assets	4,261	0.9	4,604	1.0	4,301	1.1
Other non-current assets	5,039	1.1	5,052	1.1	5,523	1.4
Total non-current assets	327,825	70.4	305,559	69.3	266,307	67.3
Total assets	465,823	100.0	440,689	100.0	395,573	100.0

Note: The figures for year 2013 are restated for comparative purpose with year 2014.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014, 2013 AND 2012

(Million Baht)

Liabilities and shareholders' equity	2014	%	2013	%	2012	%
Current liabilities						
Bank overdrafts and short-term loans from financial institutions	12,509	2.7	12,917	2.9	13,771	3.5
Trade and other payables	45,080	9.7	51,211	11.6	45,471	11.5
Current portion of long-term debts	8,139	1.7	5,916	1.3	5,218	1.3
Current portion of debentures	24,885	5.3	14,963	3.4	29,911	7.6
Short-term loans from related parties	90	0.0	88	0.0	105	0.0
Income tax payable	2,025	0.4	2,596	0.6	2,304	0.6
Other current liabilities	2,790	0.6	2,101	0.5	1,950	0.5
Total current liabilities	95,518	20.5	89,792	20.4	98,730	25.0
Non-current liabilities						
Long-term debts	24,219	5.2	27,373	6.2	30,298	7.7
Debentures	126,207	27.1	126,174	28.6	96,273	24.3
Deferred tax liabilities	2,366	0.5	2,785	0.6	2,472	0.6
Employee benefit liabilities	6,331	1.4	6,123	1.4	5,566	1.4
Other non-current liabilities	1,865	0.4	1,680	0.4	1,111	0.3
Total non-current liabilities	160,988	34.6	164,135	37.2	135,720	34.3
Total liabilities	256,506	55.1	253,927	57.6	234,450	59.3
Shareholders' equity						
Share capital						
Authorized 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	2.3	10,516	2.4	10,516	2.7
Unappropriated	174,573	37.5	155,777	35.3	137,500	34.8
Other components of equity	(9,166)	(2.0)	(6,114)	(1.4)	(6,190)	(1.6)
Total equity attributable to owners of the parent	177,283	38.1	161,539	36.7	143,186	36.2
Non-controlling interests	32,034	6.9	25,223	5.7	17,937	4.5
Total shareholders' equity	209,317	44.9	186,762	42.4	161,123	40.7
Total liabilities and shareholders' equity	465,823	100.0	440,689	100.0	395,573	100.0

Note: The figures for year 2013 are restated for comparative purpose with year 2014.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012

(Million Baht)

	2014	%	2013	%	2012	%
Revenue from sales	487,545	100.0	434,251	100.0	407,601	100.0
Cost of sales	(409,431)	(84.0)	(363,096)	(83.6)	(353,696)	(86.8)
Gross profit	78,114	16.0	71,155	16.4	53,905	13.2
Other income	9,924	2.0	13,141	3.1	10,737	2.7
Profit before expenses	88,038	18.0	84,296	19.5	64,642	15.9
Selling expenses	(17,313)	(3.6)	(15,598)	(3.6)	(15,845)	(3.9)
Administrative expenses	(27,639)	(5.7)	(24,434)	(5.6)	(20,673)	(5.1)
Total expenses	(44,952)	(9.3)	(40,032)	(9.2)	(36,518)	(9.0)
Profit from operations	43,086	8.7	44,264	10.3	28,124	6.9
Share of profit of associates and jointly-controlled entities	6,108	1.3	6,546	1.5	1,561	0.4
Profit before finance costs and income tax expense	49,194	10.0	50,810	11.8	29,685	7.3
Finance costs	(7,266)	(1.5)	(8,193)	(1.9)	(6,321)	(1.6)
Profit before income tax expense	41,928	8.5	42,617	9.9	23,364	5.7
Income tax expense	(4,968)	(1.0)	(5,003)	(1.2)	(4,742)	(1.1)
Profit for the year	36,960	7.5	37,614	8.7	18,622	4.6
Profit (loss) attributable to						
Owners of the parent	33,615	6.9	36,522	8.4	23,580	5.8
Non-controlling interests	3,345	0.6	1,092	0.3	(4,958)	(1.2)
	36,960	7.5	37,614	8.7	18,622	4.6
Basic earnings per share (in Baht)						
Attributable to owners of the parent	28.01		30.44		19.65	

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012

	(Million Baht)		
	2014	2013	2012
Profit for the year	36,960	37,614	18,622
Other comprehensive income			
Foreign currency translation differences	(430)	(664)	(751)
Gains (losses) on remeasuring available-for-sale investments	(2,078)	169	821
Defined benefit plan actuarial gain (losses)	100	(28)	(1,287)
Share of other comprehensive income of associates and jointly-controlled entities	(392)	177	(108)
Income tax on other comprehensive income	412	4	243
Other comprehensive income for the year, net of income tax	(2,388)	(342)	(1,082)
Total comprehensive income for the year	<u>34,572</u>	<u>37,272</u>	<u>17,540</u>
Total comprehensive income (loss) attributable to			
Owners of the parent	31,349	36,197	22,635
Non-controlling interests	3,223	1,075	(5,095)
	<u>34,572</u>	<u>37,272</u>	<u>17,540</u>

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012

	(Million Baht)		
	2014	2013	2012
Cash flows from operating activities			
Profit for the year	36,960	37,614	18,622
Adjustments for			
Depreciation and amortization	18,062	15,718	14,047
Interest income	(795)	(1,048)	(1,328)
Interest expense	8,001	7,503	7,409
Unrealized gain on foreign currency exchange	(156)	(50)	(196)
Allowance for decline in value of inventories	512	35	14
Dividend income	(4,054)	(4,894)	(4,414)
Employee benefit expense	691	754	743
Share of profit of associates and jointly-controlled entities	(6,108)	(6,546)	(1,561)
Income tax expense	4,968	5,004	4,742
Gain on revaluation of investments and others	219	(2,299)	(674)
Profit provided by operating activities before changes in operating assets and liabilities	58,300	51,791	37,404
Decrease (increase) in operating assets			
Trade and other receivables	(1,303)	(1,133)	(3,798)
Inventories	2,303	(4,460)	(6,436)
Other current assets	(581)	(479)	(372)
Other non-current assets	(240)	(13)	357
Net decrease (increase) in operating assets	179	(6,085)	(10,249)

Note: The figures for year 2013 are restated for comparative purpose with year 2014.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012

	(Million Baht)		
	2014	2013	2012
Increase (decrease) in operating liabilities			
Trade and other payables	(6,277)	2,446	7,606
Other current liabilities	576	(81)	329
Employee benefit liabilities	(319)	(330)	(416)
Other non-current liabilities	(216)	248	193
Net increase (decrease) in operating liabilities	(6,236)	2,283	7,712
Cash generated from the operations	52,243	47,989	34,867
Income tax paid	(5,073)	(5,491)	(6,686)
Net cash provided by operating activities	47,170	42,498	28,181
Cash flows from investing activities			
Interest received	754	1,100	1,432
Dividends received	9,399	7,649	9,002
Temporary investments	(1,046)	702	(414)
Available-for-sale investments	(20,446)	(11,583)	(14,027)
Investments in associates, jointly-controlled entities and other companies	(2,661)	(11,049)	(12,472)
Net cash outflow on acquisition of subsidiaries	(1,112)	(7,726)	(4,428)
Proceeds from sales and return of investments	21,652	13,250	29,236
Income tax paid from sales of investments	-	(11)	(816)
Purchases of property, plant and equipment	(39,498)	(28,914)	(17,938)
Proceeds from sales of property, plant and equipment	378	177	242
Purchases of intangible assets	(1,206)	(1,748)	(453)
Loans to related parties	(5)	(3)	189
Currency translation differences	(304)	(456)	(305)
Net cash used in investing activities	(34,095)	(38,612)	(10,752)

Note: The figures for year 2013 are restated for comparative purpose with year 2014.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012

	(Million Baht)		
	2014	2013	2012
Cash flows from financing activities			
Borrowings			
Interest paid	(8,240)	(7,643)	(7,327)
Decrease in bank overdrafts and short-term loans			
from financial institutions	(455)	(2,941)	(6,291)
Proceeds from (payments of) short-term loans from related parties	(55)	(79)	12
Proceeds from long-term debts	8,578	8,398	7,865
Payments of long-term debts	(8,219)	(10,675)	(5,406)
Payments of finance lease	(793)	(691)	(529)
Proceeds from issuance of debentures	24,919	44,922	56,410
Redemption of debentures	(14,964)	(29,968)	(39,977)
Net increase in borrowings	771	1,323	4,757
Dividends paid			
Dividends paid to owners of the parent	(14,956)	(17,922)	(13,774)
Dividends paid to non-controlling interests	(886)	(747)	(688)
Total dividends paid	(15,842)	(18,669)	(14,462)
Acquisition and increase in capital of non-controlling interests	3,593	5,830	(5,340)
Net cash used in financing activities	(11,478)	(11,516)	(15,045)
Net increase (decrease) in cash and cash equivalents	1,597	(7,630)	2,384
Cash and cash equivalents at beginning of the year	17,434	25,064	22,680
Cash and cash equivalents at end of the year	19,031	17,434	25,064
Supplementary information for cash flows			
Non-cash transactions			
Accrued dividend income	205	205	210
Outstanding payable from purchases of property, plant, equipment and intangible assets	1,508	1,407	82

Note: The figures for year 2013 are restated for comparative purpose with year 2014.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

		Consolidated Financial Statements		
		2014	2013	2012
LIQUIDITY RATIO				
Current Ratio	(Times)	1.44	1.50	1.31
Quick Ratio	(Times)	0.71	0.72	0.70
Cash Flow Liquidity	(Times)	0.51	0.45	0.27
Accounts Receivable Turnover	(Times)	11.90	11.09	11.32
Collection Period	(Days)	30	32	32
Inventory Turnover	(Times)	18.85	17.68	19.36
Inventory Turnover Period	(Days)	19	20	19
Accounts Payable Turnover	(Times)	11.24	9.71	11.66
Payment Period	(Days)	32	37	31
Cash Cycle	(Days)	17	15	20
PROFITABILITY RATIO				
Gross Profit Margin	(%)	16.02	16.39	13.22
Net Profit Margin *	(%)	6.68	8.05	5.62
Return on Equity	(%)	19.84	23.97	16.64
EFFICIENCY RATIO				
Return on Total Assets	(%)	7.42	8.73	6.13
Return on Fixed Assets	(%)	26.24	29.59	23.09
Assets Turnover **	(Times)	1.11	1.09	1.09
FINANCIAL POLICY RATIO				
Debt to Equity Ratio	(Times)	1.23	1.36	1.46
Interest Coverage Ratio	(Times)	7.19	5.86	5.52
Cash Flow Adequacy	(Times)	0.90	1.01	0.84
Dividend Payout Ratio	(%)	44.62	50.93	55.98

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 2014, 2013 AND 2012

	(Million Baht)					
Assets	2014	%	2013	%	2012	%
Current assets						
Cash and cash equivalents	6,543	2.6	1,726	0.7	15,686	7.6
Temporary investments	7,970	3.2	6,984	3.0	7,487	3.6
Other receivables	4,861	2.0	2,923	1.2	2,254	1.1
Short-term loans to related parties	103,593	41.8	96,941	41.0	72,573	34.9
Other current assets	318	0.1	875	0.4	870	0.4
Total current assets	123,285	49.7	109,449	46.3	98,870	47.6
Non-current assets						
Available-for-sale investments	7,944	3.2	10,461	4.4	11,448	5.5
Investments in associates	577	0.3	573	0.3	572	0.3
Investments in subsidiaries	105,394	42.5	105,380	44.6	89,724	43.2
Other long-term investments	3,030	1.2	3,257	1.4	3,257	1.5
Long-term loans to related parties	-	-	-	-	92	-
Investment properties	1,960	0.8	1,917	0.8	1,644	0.8
Property, plant and equipment	3,297	1.3	3,052	1.3	1,151	0.6
Intangible assets	2,287	0.9	1,841	0.8	620	0.3
Deferred tax assets	19	-	-	-	-	-
Other non-current assets	320	0.1	324	0.1	318	0.2
Total non-current assets	124,828	50.3	126,805	53.7	108,826	52.4
Total assets	248,113	100.0	236,254	100.0	207,696	100.0

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014, 2013 AND 2012

	(Million Baht)					
Liabilities and shareholders' equity	2014	%	2013	%	2012	%
Current liabilities						
Short-term loans from financial institutions	-	-	6,500	2.8	-	-
Other payables	463	0.2	644	0.3	496	0.2
Current portion of debentures	25,000	10.1	15,000	6.3	30,000	14.4
Short-term loans from related parties	5,742	2.3	5,306	2.2	5,513	2.7
Accrued interest expense	1,435	0.6	1,332	0.6	1,225	0.6
Income tax payable	12	-	38	-	6	-
Other current liabilities	302	0.1	229	0.1	205	0.1
Total current liabilities	32,954	13.3	29,049	12.3	37,445	18.0
Non-current liabilities						
Debentures	126,500	51.0	126,500	53.5	96,500	46.5
Deferred tax liabilities	-	-	383	0.2	506	0.3
Employee benefit liabilities	549	0.2	518	0.2	486	0.2
Other non-current liabilities	1,548	0.6	1,038	0.4	463	0.2
Total non-current liabilities	128,597	51.8	128,439	54.3	97,955	47.2
Total liabilities	161,551	65.1	157,488	66.6	135,400	65.2
Shareholders' equity						
Share capital						
Authorized share capital	1,600		1,600		1,600	
Issued and paid-up share capital	1,200	0.50	1,200	0.5	1,200	0.6
Retained earnings						
Appropriated						
Legal reserve	160	0.1	160	0.1	160	0.1
General reserve	10,516	4.2	10,516	4.5	10,516	5.0
Unappropriated	73,356	29.6	64,085	27.1	57,568	27.7
Other components of equity	1,330	0.5	2,805	1.2	2,852	1.4
Total shareholders' equity	86,562	34.9	78,766	33.4	72,296	34.8
Total liabilities and shareholders' equity	248,113	100.0	236,254	100.0	207,696	100.0

THE SIAM CEMENT PUBLIC COMPANY LIMITED
INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012

(Million Baht)

	2014	%	2013	%	2012	%
Revenues						
Dividend income	22,762	78.6	23,456	77.0	18,283	73.7
Intellectual property income	3,113	10.8	2,929	9.6	2,825	11.4
Management fees for administration	2,418	8.3	2,226	7.3	2,078	8.4
Other income	672	2.3	1,857	6.1	1,616	6.5
Total revenues	28,965	100.0	30,468	100.0	24,802	100.0
Expenses						
Administrative expenses	2,489	8.6	2,297	7.5	2,084	8.4
Profit before finance costs and income tax expense	26,476	91.4	28,171	92.5	22,718	91.6
Finance costs	1,862	6.4	3,446	11.3	2,691	10.8
Profit before income tax expense	24,614	85.0	24,725	81.2	20,027	80.8
Income tax expense	384	1.4	285	1.0	377	1.5
Profit for the year	24,230	83.6	24,440	80.2	19,650	79.3
Basic earnings per share (in Baht)	20.19		20.37		16.37	

THE SIAM CEMENT PUBLIC COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012

	(Million Baht)		
	2014	2013	2012
Profit for the year	24,230	24,440	19,650
Other comprehensive income			
Gains (losses) on remeasuring available-for-sale investments	(1,843)	(59)	745
Defined benefit plan actuarial losses	(5)	-	(51)
Income tax on other comprehensive income	370	11	(55)
Other comprehensive income for the year, net of income tax	(1,478)	(48)	639
Total comprehensive income for the year	22,752	24,392	20,289

THE SIAM CEMENT PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012

	(Million Baht)		
	2014	2013	2012
Cash flows from operating activities			
Profit for the year	24,230	24,440	19,650
Adjustments for			
Depreciation and amortization	457	140	74
Interest income	(4,791)	(4,181)	(3,879)
Interest expense	6,076	5,496	5,291
Unrealized loss (gain) on foreign currency exchange	32	430	(69)
Dividend income	(22,762)	(23,455)	(18,283)
Employee benefit expense	45	53	286
Income tax expense	384	285	377
Gain on sales of assets and others	(27)	(790)	(177)
Profit provided by operating activities before changes in			
operating assets and liabilities	3,644	2,418	3,270
Decrease (increase) in operating assets			
Other receivables	(2)	(267)	(218)
Other current assets	823	(5)	(14)
Other non-current assets	6	(13)	(2)
Net decrease (increase) in operating assets	827	(285)	(234)
Increase (decrease) in operating liabilities			
Other payables	(180)	86	122
Other current liabilities	71	14	37
Employee benefit liabilities	(17)	(11)	(50)
Other non-current liabilities	530	51	74
Net increase in operating liabilities	404	140	183
Cash generated from the operations	4,875	2,273	3,219
Income tax paid	(285)	(364)	(648)
Net cash provided by operating activities	4,590	1,909	2,571

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012

	(Million Baht)		
	2014	2013	2012
Cash flows from investing activities			
Interest received	4,774	4,208	3,937
Dividends received	20,362	23,485	19,325
Temporary investments	(993)	512	(224)
Available-for-sale investments	(20,446)	(11,583)	(14,027)
Investments in associates, subsidiaries and other company	(61)	(15,657)	(22,452)
Proceeds from sales and return of investments	21,643	12,841	28,951
Income tax paid from sales of investments	(157)	-	(816)
Purchases of property, plant and equipment and intangible assets	(1,262)	(3,384)	(677)
Proceeds from sales of property, plant and equipment and intangible assets	96	75	72
Loans to related parties	(6,747)	(24,327)	(15,441)
Net cash provided by (used in) investing activities	17,209	(13,830)	(1,352)
Cash flows from financing activities			
Borrowings			
Interest paid	(5,962)	(5,409)	(5,192)
Increase (decrease) in Short-term loans from financial institutions	(6,500)	6,500	-
Proceeds from (Payments of) short-term loans from related parties	436	(208)	344
Proceeds from issuance of debentures	25,000	45,000	56,500
Redemption of debentures	(15,000)	(30,000)	(40,000)
Net increase (decrease) in borrowings	(2,026)	15,883	11,652
Dividends paid	(14,956)	(17,922)	(13,774)
Net cash used in financing activities	(16,982)	(2,039)	(2,122)
Net increase (decrease) in cash and cash equivalents	4,817	(13,960)	(903)
Cash and cash equivalents at beginning of the year	1,726	15,686	16,589
Cash and cash equivalents at end of the year	6,543	1,726	15,686
Supplementary information for cash flows			
Non-cash transactions			
Accrued dividend income	2,605	205	235
Outstanding payable from purchases of intangible assets	63	125	-

FINANCIAL RATIOS OF THE SIAM CEMENT PUBLIC COMPANY LIMITED

		Financial Statements		
		2014	2013	2012
<u>LIQUIDITY RATIO</u>				
Current Ratio	(Times)	3.74	3.77	2.64
Quick Ratio	(Times)	0.44	0.30	0.62
Cash Flow Liquidity	(Times)	0.15	0.06	0.06
<u>PROFITABILITY RATIO</u>				
Net Profit Margin *	(%)	83.65	80.21	79.23
Return on Equity	(%)	29.31	32.36	28.46
<u>EFFICIENCY RATIO</u>				
Return on Total Assets	(%)	10.00	11.01	10.01
Assets Turnover **	(Times)	0.12	0.14	0.13
<u>FINANCIAL POLICY RATIO</u>				
Debt to Equity Ratio	(Times)	1.87	2.00	1.87
Interest Coverage Ratio	(Times)	3.67	1.64	2.10
Cash Flow Adequacy	(%)	61.96	76.13	67.64
Dividend Payout Ratio	(%)	61.91	76.10	67.18

Note

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

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

14. Management Discussion and Analysis

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

Business Overviews

In 2014, SCG's revenue from sales increased 12% from the previous year to 487,545 Million Baht and EBITDA increased 9% from the previous year to 66,493 Million Baht, with gains in all business units. However, profit for the year decreased 8% to 33,615 Million Baht, attributed to the Q4/2014 inventory loss adjustment of 2,960 Million Baht in the chemicals business due to the lower crude oil prices in the global market, and lower earnings from the PVC chain. In addition, in the previous year, the cement-building materials business registered a gain on fair value adjustment of investment in Siam Sanitary Ware Co., Ltd. and The Siam Sanitary Fittings Co., Ltd., and a gain on investment sold in TOTO Manufacturing (Thailand) Co., Ltd., totaling 1,701 Million Baht.

Share of profit of associates for 2014 amounted to 6,108 Million Baht, a decrease of 438 Million Baht or a drop of 7% from the previous year with details as follows:

- SCG Chemicals associates: Share of gain amounted to 2,795 Million Baht, which was restively flat from the previous year.
- Other associates: Share of profit amounted to 3,313 Million Baht, decreased 459 Million Baht or dropped 12% from the previous year, mainly from lower sales in the other associates.

Total dividends received in 2014 was 9,399 Million Baht, an increase of 22% y-o-y or 1,692 Million Baht, details as follows: a) 5,345 Million Baht from "Associated" companies (20%-50% stake), and b) 4,054 Million Baht from "Other" companies (less than 20% stake).

Operating Results of Strategic Business Segments

SCG Cement-Building Materials

In 2014, demand for cement in Thailand held generally stable while exports to the ASEAN countries increased from the previous year.

Demand for building materials in Thailand witnessed some growth slowdown compared to the year before due to the lack of consumer confidence and sagging prices of agricultural commodities. Nevertheless, SCG Cement-Building Materials managed to maintain its leadership status in the building product business through the continued development of high value added products and services to better address customer needs. Demand for building materials in ASEAN saw a steady growth driven by the expansion of the construction sector in the region, especially Myanmar, Vietnam, and Cambodia

where the governments promoted scores of large-scale infrastructure projects. Examples included the special economic zone development project in Myanmar, the new airport construction project in Hanoi, Vietnam, the deep sea port construction project in Cambodia, and the construction of roads and rail lines to connect major cities in the region. Meanwhile, construction projects in Indonesia slackened in the third quarter in light of concerns about the Indonesian election results. All in all, the overall market in Indonesia saw a moderate growth due to the construction projects in response to the national development plan.

In 2014, revenue from sales increased 6% from the previous year to 185,423 Million Baht, driven by the ASEAN operations in addition to the previous year acquisition of Prime Group, a leading ceramic tiles producer in Vietnam, including the increase of share portions in Siam Sanitary Ware Co., Ltd. and The Siam Sanitary Fittings Co., Ltd. Likewise, EBITDA amounted to 26,683 Million Baht, a slight growth of 2% from the previous year, while profit for the year decreased 18% to 13,180 Million Baht, attributed largely to the previous year gain on fair value adjustment of investment in Siam Sanitary Ware Co., Ltd. and The Siam Sanitary Fittings Co., Ltd., and gain on investment sold in TOTO Manufacturing (Thailand) Co., Ltd., totaling 1,701 Million Baht.

SCG Chemicals

The petrochemical industry in 2014 continued to recover as the U.S. economy had signs of recovery, despite the Chinese and European economic slowdown. The average prices of polyethylene and polypropylene resins were 1,544 USD per ton and 1,560 USD per ton, an increase of 4% and 3%, respectively. Meanwhile, the average price of naphtha, our primary feed, was 861 USD per ton, a decrease of 7% from the previous year due to falling crude oil price triggered by growing supply in the market. This resulted in wider product-to-feed margins compared to the year earlier.

On competition, the price of commodity resin is volatile and cyclical to global market price and oil price, which determines the cost of our primary feed. Consequently, SCG Chemicals aims to consistently develop high value added products (HVA) to minimize impacts from the volatility during the down cycle and increase overall competitiveness.

In 2014, revenue from sales increased 18% from the previous year to 248,118 Million Baht, benefiting from higher sales volume in polyolefin. EBITDA increased 29% from the previous year to 26,142 Million Baht, partly resulting from increased dividend from associates. Profit for the year registered 12,461 Million Baht, an increase of 10% from the previous year, due to higher margin in general.

SCG Paper

2014 saw a minor growth in the demand for corrugated containers on the back of Thailand's modest economic recovery. However, demand in ASEAN witnessed a continued growth, prompting corrugated containers manufacturers in the region to continue expanding their production capacities, resulting in intense price competition. As a consequence, it was imperative that manufacturers drive innovations and leverage their operating performance to better address customer demand and enhance competitiveness while, at the same time, maintaining their profitability in a sustainable manner.

Thailand's demand for printing & writing paper in 2014 relapsed to a 11% decline especially coated paper used in the printing of magazines which was increasingly replaced by electronic media. Nevertheless, imports dropped by 17% from the previous year due to currency fluctuations and stagnant market in Thailand.

In 2014, revenue from sales increased 9% from the previous year to 64,614 Million Baht, mainly attributed to higher sales volume in both the Packaging Chain and the Fibrous Chain. EBITDA amounted to 9,718 Million Baht, up 3% from the previous year, while profit for the year decreased 4% to 3,448 Million Baht, mainly due to higher depreciation and finance cost. Despite the challenges during the year, such as product price competition, and higher prices of raw materials, the paper business's profitability remain resilient from the previous year.

Packaging Chain: Total sales volume rose 11% compared to 2013 due to the increasing demand for packaging paper and corrugated containers, especially in ASEAN, which recorded a 4% growth in response to the growing economy.

Fibrous Chain: Total sales volume increased by 6% compared to 2013, attributable to the higher sales volume of dissolving pulp as well as the higher export of printing & writing paper.

Financial Status

Assets

Total assets of SCG as at December 31, 2014 was 465,823 Million Baht, with an increase of 6% from the previous year. Key components of total assets were property, plant and equipment at 44%, current assets at 30% and investments at 20%. Ranking of asset values by business segments are SCG Chemicals, SCG Cement-Building Materials, and SCG Paper, respectively.

Current assets: amounted to 137,998 Million Baht as at December 31, 2014, with an increase of 2% from the previous year, comprising largely of inventories, trade and other receivables and cash and cash

equivalents. At December 31, 2014, SCG's working capital was 59,712 Million Baht with working capital days at 46 days.

Cash and cash under management: amounted to 31,643 Million Baht as at December 31, 2014, increase 1,976 Million Baht from the previous year, despite the CAPEX and Investments of 45,030 Million Baht during the year.

Investments in associates and jointly-controlled entities: amounted to 82,348 Million Baht as at December 31, 2014, an increase of 3,160 Million Baht or 4% from the previous year, with reasons as follows:

- Increase from share of profit using equity method amounted to 6,108 Million Baht.
- Increase in investments amounted to 2,447 Million Baht, mainly from a capital increase of Long Son Petrochemicals Co., Ltd., a petrochemicals complex joint-venture in Vietnam in the chemicals business. In addition, during the year, the cement-building materials had formed the joint-venture with Florim Ceramiche S.p.A., one of the leading global ceramic players, to invest in Maker - Manifatture Ceramiche S.r.l., the production facilities of high-end ceramics in Italy. Including the acquisition of Prepack Thailand Co., Ltd. in the paper business, an integrated producer and service provider of flexible packaging products.
- Increase from the change status of other company to associate amounted to 355 Million Baht of Lysando AG, a research and development company, in Liechtenstein.
- Decrease from dividends received amounted to 5,345 Million Baht.

Property, plant and equipment: amounted to 205,085 Million Baht as at December 31, 2014, an increase of 21,243 Million Baht or 12% from the previous year due to the CAPEX during the year.

Liabilities

Total liabilities as at December 31, 2014 amounted to 256,506 Million Baht, flat from the previous year. During the year, SCG issued new debentures which amounted to 25,000 Million Baht to replace the matured debentures of 15,000 Million Baht and to support future investments. Finance costs were 7,266 Million Baht, a decrease of 927 Million Baht from last year due to the foreign exchange gain.

Net debt (interest-bearing debt less cash and cash under management) of SCG as at December 31, 2014 increased 6,642 Million Baht from the previous year to 164,406 Million Baht from investing in CAPEX and Investments of 45,030 Million Baht, mainly from the investment in plant construction projects, the capital increase in Long Son Petrochemicals Co., Ltd., the form of the joint-venture in Maker - Manifatture Ceramiche S.r.l., including the acquisition of Prepack Thailand Co., Ltd.

As the end of year 2014, SCG had commitments and contingent liabilities that had not been yet recorded in the consolidated financial statements. The commitments included commitments for purchase of raw materials, land, construction, machinery installation, System Development Project, forward contracts and swap contracts with various banks both domestic and abroad in order to prevent the risk of overseas investment, loans repayment, payment of goods, machinery and equipment, and also received payment as disclosed in note 35 to the financial statements pages 202-204 of the Annual Report 2014.

The Ability of Asset Management

Trade and other receivables stated in the invoice less allowance for doubtful accounts were assessed by analyzing payment histories and expectations of the debtors' future payment. The normal credit term granted to customers of the Group was 15 - 90 days. As at December 31, 2014, the overdue balance amounted 1,011 Million Baht had credit guarantee by financial institutions (2014: 1,155 Million Baht), as disclosed in note 7 to the financial statements pages 171-172 of the Annual Report 2014.

In 2014, SCG already recorded all slow-moving and obsolesce stocks in the Financial Statement and also impairment in investments and Goodwill which were shown in Annual report 2014, note to financial statements part, no.8, no.10-11 and no.14 in page 172, 174-178 and page 181 respectively,

Liquidity and Adequacy of Capital

At the end of year 2014, SCG had cash and cash equivalents amounted 19,031 Million Baht, an increase of 1,597 Million Baht from last year. As a consequence of cash flows provided by operating activities amounted 47,170 Million Baht. Meanwhile, cash flows used in investing activities amounted to 34,096 Million Baht from the CAPEX and M&A activities. Moreover, cash flows used in financing activities was 11,478 Million Baht mainly from dividend payment.

Regarding the liquidity ratios, SCG earned a current ratio of 1.4 times while the cash flow liquidity was 0.5 times. SCG's Cash Cycle was 17 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, ability of making payment, compliance with the loan conditions, as well as obtaining additional source of funds, and accompanying with overdraft accounts with various banks for 5,700 Million Baht.

Financial Ratios

In 2014, current ratio registered 1.4 times and net debt to EBITDA ratio decreased to 2.5 times, compared to 2.6 times in last year. At the end of 2014, debt to equity ratio was at 1.2 times, compared to 1.4 times in last year.

CAPEX

In 2014, CAPEX & Investment amounted to 45,030 Million Baht, of which 54% was from SCG Cement-Building Materials, 27% from SCG Paper, 15% from SCG Chemicals and 4% from Other. The forecasted 2015 CAPEX & Investment is approximately 50,000 Million Baht to 60,000 Million Baht. Over the period of 2015 to 2019, 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 Million Baht to 250,000 Million Baht.

From the financial position and performance of 2014, the Board of Directors considered proposing the Annual General Meeting of Shareholders for approval of 2014 dividend payment of 12.5 Baht per share, representing a dividend payout ratio of 45% of consolidated profit for the year. SCG has already paid an interim dividend of 5.5 Baht per share on August 28, 2014. The final dividend will be paid at the amount of 7.0 Baht per share on April 23, 2015.

Factors Affecting the Future Operations

In summary, SCG continues to maintain solid financial position and performance with growth in all business units, albeit the risks from highly volatile oil prices in the global market. The increase in earnings was driven by the ASEAN operations, resulting from ASEAN economies maintained their steady growth pace anchored by government infrastructure investment. These favourable factors contributed to SCG's exports and business operations in the ASEAN region in 2014.

Throughout its 100 years of operations, SCG has conducted business in tune with the sustainable development approach under good corporate governance principles, with a resolution to further the development to drive sustainable growth and prosperity in ASEAN. Its demonstration of readiness to deal with changing social and economic circumstances combined with prudent business operations under the key risk management indicated in article 3. Risk Management pages 44-55. As a result, SCG can achieve its objectives and goals, decrease the effect, enhance an opportunity to seek operations of new businesses, and swift adjustment has enabled SCG to grow steadily and gain a competitive edge. SCG is resolved to pledge to driving innovation development, with a conviction that the promotion of research and development is a key to driving a wide array of innovation in products and services to uplift people's quality of life as well as contribute to a better environment and sustainable society. With a belief that by doing so, SCG will prosper as a role model organization, and so will Thailand, along with ASEAN in tandem with SCG Vision.