

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, 2015 2014 and 2013, 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 STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015, 2014 AND 2013

(Million Baht)

Assets	2015	%	2014	%	2013	%
Current assets						
Cash and cash equivalents	16,078	3.2	19,031	4.1	17,434	4.0
Temporary investments	18,510	3.6	8,023	1.7	6,984	1.6
Trade and other receivables	54,294	10.6	51,841	11.1	49,453	11.2
Short-term loans	126	0.0	116	0.0	146	0.0
Inventories	52,898	10.4	52,747	11.3	55,557	12.6
Other current assets	6,490	1.3	6,240	1.3	5,556	1.3
Total current assets	148,396	29.1	137,998	29.6	135,130	30.7
Non-current assets						
Available-for-sale investments	9,316	1.8	8,385	1.8	11,137	2.5
Investments in associates	86,076	16.9	77,310	16.6	74,843	17.0
Investments in joint ventures	4,814	0.9	5,039	1.1	4,346	1.0
Other long-term investments	3,066	0.6	3,078	0.7	3,478	0.8
Long-term loans	162	0.0	153	0.0	143	0.0
Investment properties	1,236	0.2	1,636	0.4	1,535	0.3
Property, plant and equipment	230,932	45.3	205,473	44.1	183,842	41.7
Goodwill	11,524	2.3	10,799	2.3	10,300	2.3
Intangible assets	7,667	1.5	7,169	1.5	6,279	1.4
Deferred tax assets	2,767	0.5	4,261	0.9	4,604	1.0
Other non-current assets	4,025	0.8	4,522	1.0	5,052	1.1
Total non-current assets	361,585	70.9	327,825	70.4	305,559	69.3
Total assets	509,981	100.0	465,823	100.0	440,689	100.0

Note: The figures for years 2013 and 2014 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015, 2014 AND 2013

(Million Baht)

Liabilities and shareholders' equity	2015	%	2014	%	2013	%
Current liabilities						
Bank overdrafts and short-term loans from financial institutions	16,191	3.2	12,509	2.7	12,917	2.9
Trade and other payables	48,833	9.6	45,080	9.7	51,211	11.6
Current portion of long-term debts	6,935	1.4	8,139	1.7	5,916	1.3
Current portion of debentures	49,904	9.8	24,885	5.3	14,963	3.4
Short-term loans	182	0.0	90	0.0	88	0.0
Income tax payable	2,207	0.4	2,025	0.4	2,596	0.6
Other current liabilities	3,065	0.6	2,790	0.6	2,101	0.5
Total current liabilities	127,317	25.0	95,518	20.5	89,792	20.4
Non-current liabilities						
Long-term debts	13,350	2.6	24,219	5.2	27,373	6.2
Debentures	116,202	22.8	126,207	27.1	126,174	28.6
Deferred tax liabilities	2,125	0.4	2,366	0.5	2,785	0.6
Employee benefit obligations	6,690	1.3	6,331	1.4	6,123	1.4
Other non-current liabilities	1,291	0.3	1,865	0.4	1,680	0.4
Total non-current liabilities	139,658	27.4	160,988	34.6	164,135	37.2
Total liabilities	266,975	52.3	256,506	55.1	253,927	57.6
Shareholders' equity						
Share capital						
Authorized share capital - Ordinary share	1,600		1,600		1,600	
Issued and paid-up share capital - Ordinary share	1,200	0.2	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	2.1	10,516	2.3	10,516	2.4
Unappropriated	202,440	39.7	174,573	37.5	155,777	35.3
Other components of shareholders' equity	(8,155)	(1.6)	(9,166)	(2.0)	(6,114)	(1.4)
Total equity attributable to owners of the parent	206,161	40.4	177,283	38.1	161,539	36.7
Non-controlling interests	36,845	7.2	32,034	6.9	25,223	5.7
Total shareholders' equity	243,006	47.7	209,317	44.9	186,762	42.4
Total liabilities and shareholders' equity	509,981	100.0	465,823	100.0	440,689	100.0

Note: The figures for year 2013 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

(Million Baht)

	2015	%	2014	%	2013	%
Revenue from sales	439,614	100.0	487,545	100.0	434,251	100.0
Cost of sales	(341,511)	(77.7)	(409,431)	(84.0)	(363,096)	(83.6)
Gross profit	98,103	22.3	78,114	16.0	71,155	16.4
Other income	10,134	2.3	9,924	2.1	13,141	3.0
Profit before expenses	108,237	24.6	88,038	18.1	84,296	19.4
Selling expenses	(17,671)	(4.0)	(17,313)	(3.6)	(15,598)	(3.6)
Administrative expenses	(31,990)	(7.3)	(27,639)	(5.7)	(24,435)	(5.6)
Total expenses	(49,661)	(11.3)	(44,952)	(9.3)	(40,033)	(9.2)
Profit from operations	58,576	13.3	43,086	8.8	44,263	10.2
Share of profit of associates and joint ventures	10,293	2.3	6,108	1.3	6,546	1.5
Profit before finance costs and income tax expense	68,869	15.6	49,194	10.1	50,809	11.7
Finance costs	(9,076)	(2.1)	(7,266)	(1.5)	(8,193)	(1.9)
Profit before income tax expense	59,793	13.5	41,928	8.6	42,616	9.8
Income tax expense	(6,077)	(1.4)	(4,968)	(1.0)	(5,003)	(1.1)
Profit for the year	53,716	12.1	36,960	7.6	37,613	8.7
Profit attributable to						
Owners of the parent	45,400	10.3	33,615	6.9	36,522	8.4
Non-controlling interests	8,316	1.8	3,345	0.7	1,091	0.3
	53,716	12.1	36,960	7.6	37,613	8.7
Basic earnings per share (in Baht)						
Attributable to owners of the parent	37.83		28.01		30.44	

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	(Million Baht)		
	2015	2014	2013
Profit for the year	53,716	36,960	37,613
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial gains (losses)	(203)	100	(28)
Share of other comprehensive income of associates and joint ventures	(54)	35	(47)
Income tax on other comprehensive income relating to items that will not be reclassified	40	1	6
Items that will be reclassified to profit or loss when specific conditions are met			
Foreign currency translation differences	123	(430)	(664)
Gains (losses) on remeasuring available-for-sale investments	(88)	(2,078)	169
Share of other comprehensive income of associates and joint ventures	919	(427)	224
Income tax on other comprehensive income relating to items that will be reclassified	18	411	(2)
Other comprehensive income for the year, net of income tax	755	(2,388)	(342)
Total comprehensive income for the year	54,471	34,572	37,271
Total comprehensive income attributable to			
Owners of the parent	46,430	31,349	36,196
Non-controlling interests	8,041	3,223	1,075
	54,471	34,572	37,271

Note: The figures for years 2013 and 2014 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	(Million Baht)		
	2015	2014	2013
Cash flows from operating activities			
Profit for the year	53,716	36,960	37,613
Adjustments for			
Depreciation and amortization	20,770	18,062	15,718
Interest income	(924)	(795)	(1,048)
Interest expense	7,868	8,000	7,503
Unrealized gain on foreign currency exchange	(118)	(156)	(50)
Allowance for decline in value of inventories (reversal)	(707)	512	35
Dividend income	(2,427)	(4,054)	(4,894)
Employee benefit expense	542	691	754
Share of profit of associates and joint ventures	(10,293)	(6,108)	(6,546)
Income tax expense	6,077	4,968	5,004
Gain on sales of investments, impairment loss on goodwill and investments, and others	(1,289)	219	(2,299)
Profit provided by operating activities before changes in operating assets and liabilities	73,215	58,299	51,790
Decrease (increase) in operating assets			
Trade and other receivables	(1,874)	(1,333)	(1,133)
Inventories	709	2,304	(4,460)
Other current assets	697	(581)	(479)
Other non-current assets	220	209	(13)
Net decrease (increase) in operating assets	(248)	599	(6,085)

Note: The figures for years 2013 and 2014 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

(Million Baht)

	2015	2014	2013
Increase (decrease) in operating liabilities			
Trade and other payables	1,372	(6,531)	2,447
Other current liabilities	285	576	(81)
Employee benefit obligations	(293)	(319)	(330)
Other non-current liabilities	(994)	(220)	247
Net increase (decrease) in operating liabilities	370	(6,494)	2,283
Cash generated from the operations	73,337	52,404	47,988
Income tax paid	(5,590)	(4,915)	(5,491)
Net cash provided by operating activities	67,747	47,489	42,497
Cash flows from investing activities			
Interest received	830	754	1,101
Dividends received	5,728	9,399	7,649
Temporary investments	(10,481)	(1,046)	702
Available-for-sale investments	(33,541)	(20,446)	(11,583)
Investments in associates, joint ventures and other companies	(406)	(2,661)	(11,050)
Net cash outflow on acquisition of subsidiaries	(1,486)	(1,112)	(7,726)
Proceeds from sales and return of investments	35,079	21,652	13,250
Income tax paid from sales of investments	(371)	(157)	(11)
Purchases of property, plant and equipment	(41,684)	(39,628)	(28,914)
Proceeds from sales of property, plant and equipment	249	378	177
Purchases of intangible assets	(1,386)	(1,268)	(1,748)
Payments received from loans to related and other parties	90	25	(2)
Currency translation differences	(421)	(304)	(456)
Net cash used in investing activities	(47,800)	(34,414)	(38,611)

Note: The figures for years 2013 and 2014 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

(Million Baht)

	2015	2014	2013
Cash flows from financing activities			
Borrowings			
Interest paid	(8,072)	(8,240)	(7,643)
Increase (decrease) in bank overdrafts and short-term loans			
from financial institutions	3,346	(455)	(2,941)
Proceeds from (payments of) short-term loans	27	(55)	(79)
Proceeds from long-term debts	2,825	8,578	8,398
Payments of long-term debts	(15,231)	(8,219)	(10,675)
Payments of finance lease	(48)	(793)	(691)
Proceeds from issuance of debentures	39,900	24,919	44,922
Redemption of debentures	(24,886)	(14,964)	(29,968)
Net increase (decrease) in borrowings	(2,139)	771	1,323
Dividends paid			
Dividends paid to owners of the parent	(17,350)	(14,956)	(17,922)
Dividends paid to non-controlling interests	(3,912)	(886)	(747)
Total dividends paid	(21,262)	(15,842)	(18,669)
Acquisition and increase in capital of non-controlling interests	501	3,593	5,830
Net cash used in financing activities	(22,900)	(11,478)	(11,516)
Net increase (decrease) in cash and cash equivalents	(2,953)	1,597	(7,630)
Cash and cash equivalents at beginning of the year	19,031	17,434	25,064
Cash and cash equivalents at end of the year	16,078	19,031	17,434
Supplementary information for cash flows			
Non-cash transactions			
Accrued dividend income	42	205	205
Outstanding payable from purchases of property, plant and equipment and intangible assets	3,826	1,750	1,407

Note: The figures for years 2013 and 2014 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

		Consolidated Financial Statements		
		2015	2014	2013
LIQUIDITY RATIO				
Current Ratio	(Times)	1.17	1.44	1.50
Quick Ratio	(Times)	0.61	0.71	0.72
Cash Flow Liquidity	(Times)	0.61	0.51	0.45
Accounts Receivable Turnover	(Times)	10.35	11.90	11.09
Collection Period	(Days)	35	30	32
Inventory Turnover	(Times)	16.04	18.85	17.68
Inventory Turnover Period	(Days)	22	19	20
Accounts Payable Turnover	(Times)	10.05	11.24	9.71
Payment Period	(Days)	36	32	37
Cash Cycle	(Days)	21	17	15
PROFITABILITY RATIO				
Gross Profit Margin	(%)	22.32	16.02	16.39
Net Profit Margin *	(%)	9.87	6.68	8.05
Return on Equity	(%)	23.68	19.84	23.97
EFFICIENCY RATIO				
Return on Total Assets	(%)	9.31	7.42	8.73
Return on Fixed Assets	(%)	29.91	26.21	29.59
Assets Turnover **	(Times)	0.94	1.11	1.09
FINANCIAL POLICY RATIO				
Debt to Equity Ratio	(Times)	1.10	1.23	1.36
Interest Coverage Ratio	(Times)	8.08	7.23	5.86
Cash Flow Adequacy	(Times)	1.03	0.91	1.01
Dividend Payout Ratio	(%)	42.29	44.62	50.93

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 2015, 2014 AND 2013

	(Million Baht)					
Assets	2015	%	2014	%	2013	%
Current assets						
Cash and cash equivalents	4,795	1.8	6,543	2.6	1,726	0.7
Temporary investments	16,284	6.2	7,970	3.2	6,984	3.0
Other receivables	2,492	0.9	4,861	2.0	2,923	1.2
Short-term loans	113,847	43.1	103,593	41.8	96,941	41.0
Other current assets	691	0.2	318	0.1	875	0.4
Total current assets	138,109	52.2	123,285	49.7	109,449	46.3
Non-current assets						
Available-for-sale investments	8,886	3.4	7,944	3.2	10,461	4.4
Investments in associates	577	0.3	577	0.3	573	0.3
Investments in subsidiaries	105,403	39.9	105,394	42.5	105,380	44.6
Other long-term investments	3,030	1.1	3,030	1.2	3,257	1.4
Investment properties	1,953	0.7	1,960	0.8	1,917	0.8
Property, plant and equipment	3,373	1.3	3,297	1.3	3,052	1.3
Intangible assets	2,656	1.0	2,287	0.9	1,841	0.8
Deferred tax assets	-	-	19	-	-	-
Other non-current assets	295	0.1	320	0.1	324	0.1
Total non-current assets	126,174	47.8	124,828	50.3	126,805	53.7
Total assets	264,282	100.0	248,113	100.0	236,254	100.0

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015, 2014 AND 2013

(Million Baht)

Liabilities and shareholders' equity	2015	%	2014	%	2013	%
Current liabilities						
Short-term loans from financial institutions	-	-	-	-	6,500	2.8
Other payables	691	0.3	463	0.2	644	0.3
Current portion of debentures	50,000	18.9	25,000	10.1	15,000	6.3
Short-term loans	4,127	1.6	5,742	2.3	5,306	2.2
Accrued interest expense	1,557	0.6	1,435	0.6	1,332	0.6
Income tax payable	-	-	12	-	38	-
Other current liabilities	334	0.1	302	0.1	229	0.1
Total current liabilities	56,708	21.5	32,954	13.3	29,049	12.3
Non-current liabilities						
Debentures	116,500	44.0	126,500	51.0	126,500	53.5
Deferred tax liabilities	109	-	-	-	383	0.2
Employee benefit obligations	648	0.2	549	0.2	518	0.2
Other non-current liabilities	1,389	0.5	1,548	0.6	1,038	0.4
Total non-current liabilities	118,646	44.7	128,597	51.8	128,439	54.3
Total liabilities	175,354	66.2	161,551	65.1	157,488	66.6
Shareholders' equity						
Share capital						
Authorized share capital - Ordinary share	1,600		1,600		1,600	
Issued and paid-up share capital - Ordinary share	1,200	0.50	1,200	0.50	1,200	0.5
Retained earnings						
Appropriated						
Legal reserve	160	0.1	160	0.1	160	0.1
General reserve	10,516	4.0	10,516	4.2	10,516	4.5
Unappropriated	75,784	28.7	73,356	29.6	64,085	27.1
Other components of shareholders' equity	1,268	0.5	1,330	0.5	2,805	1.2
Total shareholders' equity	88,928	33.8	86,562	34.9	78,766	33.4
Total liabilities and shareholders' equity	264,282	100.0	248,113	100.0	236,254	100.0

THE SIAM CEMENT PUBLIC COMPANY LIMITED

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	(Million Baht)					
	2015	%	2014	%	2013	%
Revenues						
Dividend income	18,576	70.0	22,762	78.6	23,456	77.0
Intellectual property income	2,988	11.3	3,113	10.8	2,929	9.6
Management fees for administration	2,208	8.3	2,418	8.3	2,226	7.3
Other income	2,772	10.4	672	2.3	1,857	6.1
Total revenues	26,543	100.0	28,965	100.0	30,468	100.0
Expenses						
Administrative expenses	2,725	10.3	2,489	8.6	2,297	7.5
Profit before finance costs and income tax expense	23,818	89.7	26,476	91.4	28,171	92.5
Finance costs	3,612	13.6	1,862	6.4	3,446	11.3
Profit before income tax expense	20,207	76.1	24,614	85.0	24,725	81.2
Income tax expense	382	1.5	384	1.4	285	1.0
Profit for the year	19,825	74.6	24,230	83.6	24,440	80.2
Basic earnings per share (in Baht)	16.52		20.19		20.37	

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	(Million Baht)		
	2015	2014	2013
Profit for the year	19,825	24,230	24,440
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial losses	(59)	(5)	-
Income tax on other comprehensive income relating to items that will not be reclassified	12	1	-
Items that will be reclassified to profit or loss when specific conditions are met			
Losses on remeasuring available-for-sale investments	(77)	(1,843)	(59)
Income tax on other comprehensive income relating to items that will be reclassified	15	369	11
Other comprehensive income for the year, net of income tax	(109)	(1,478)	(48)
Total comprehensive income for the year	19,716	22,752	24,392

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	(Million Baht)		
	2015	2014	2013
Cash flows from operating activities			
Profit for the year	19,825	24,230	24,440
Adjustments for			
Depreciation and amortization	599	457	140
Interest income	(5,215)	(4,791)	(4,181)
Interest expense	6,664	6,076	5,496
Unrealized loss (gain) on foreign currency exchange	(68)	32	430
Dividend income	(18,576)	(22,762)	(23,455)
Employee benefit expense	93	45	53
Income tax expense	382	384	285
Gain on sales of other long-term investment and others	(1,873)	(27)	(790)
Profit provided by operating activities before changes in operating assets and liabilities	1,830	3,644	2,418
Decrease (increase) in operating assets			
Other receivables	106	(2)	(267)
Other current assets	(107)	823	(5)
Other non-current assets	26	6	(13)
Net decrease (increase) in operating assets	25	827	(285)
Increase (decrease) in operating liabilities			
Other payables	238	(180)	86
Other current liabilities	32	71	14
Employee benefit obligations	(53)	(17)	(11)
Other non-current liabilities	(284)	530	51
Net increase (decrease) in operating liabilities	(67)	404	140
Cash generated from the operations	1,787	4,875	2,273
Income tax paid	(399)	(285)	(364)
Net cash provided by operating activities	1,388	4,590	1,909

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	(Million Baht)		
	2015	2014	2013
Cash flows from investing activities			
Interest received	5,142	4,774	4,208
Dividends received	20,957	20,362	23,485
Temporary investments	(8,258)	(993)	512
Available-for-sale investments	(33,541)	(20,446)	(11,583)
Investments in associates, subsidiaries and other company	(9)	(61)	(15,657)
Proceeds from sales and return of investments	34,741	21,643	12,841
Income tax paid from sales of investments	(371)	(157)	-
Purchases of property, plant and equipment and intangible assets	(1,099)	(1,262)	(3,384)
Proceeds from sales of property, plant and equipment and intangible assets	16	96	75
Loans to related parties	(10,208)	(6,747)	(24,327)
Net cash provided by (used in) investing activities	7,370	17,209	(13,830)
Cash flows from financing activities			
Borrowings			
Interest paid	(6,541)	(5,962)	(5,409)
Increase (decrease) in short-term loans from financial institutions	-	(6,500)	6,500
Proceeds from (Payments of) short-term loans	(1,615)	436	(208)
Proceeds from issuance of debentures	40,000	25,000	45,000
Redemption of debentures	(25,000)	(15,000)	(30,000)
Net increase (decrease) in borrowings	6,844	(2,026)	15,883
Dividends paid	(17,350)	(14,956)	(17,922)
Net cash used in financing activities	(10,506)	(16,982)	(2,039)
Net increase (decrease) in cash and cash equivalents	(1,748)	4,817	(13,960)
Cash and cash equivalents at beginning of the year	6,543	1,726	15,686
Cash and cash equivalents at end of the year	4,795	6,543	1,726
<i>Supplementary information for cash flows</i>			
Non-cash transactions			
Accrued dividend income	18	2,605	205
Accrued income for implementation project	125	7	-
Outstanding payable from purchases of property, plant, equipment and intangible assets	14	91	125

FINANCIAL RATIOS OF THE SIAM CEMENT PUBLIC COMPANY LIMITED

		Financial Statements		
		2015	2014	2013
LIQUIDITY RATIO				
Current Ratio	(Times)	2.44	3.74	3.77
Quick Ratio	(Times)	0.37	0.44	0.30
Cash Flow Liquidity	(Times)	0.03	0.15	0.06
PROFITABILITY RATIO				
Net Profit Margin *	(%)	74.69	83.65	80.21
Return on Equity	(%)	22.59	29.31	32.36
EFFICIENCY RATIO				
Return on Total Assets	(%)	7.74	10.00	11.01
Assets Turnover **	(Times)	0.10	0.12	0.14
FINANCIAL POLICY RATIO				
Debt to Equity Ratio	(Times)	1.97	1.87	2.00
Interest Coverage Ratio	(Times)	1.49	3.67	1.64
Dividend Payout Ratio	(%)	96.85	61.91	76.10

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

Business Overviews

SCG's profit for the year increased attributed to the healthy chemicals earning, while revenue from sales decreased, largely due to lower chemicals prices, following the continued drop in crude oil prices in the global market since the end of last year.

In 2015, SCG's revenue from sales decreased 10% from the previous year to 439,614 Million Baht, largely due to lower chemicals prices, following the continued drop in crude oil prices in the global market since the end of last year. However, EBITDA increased 24% from the previous year to 82,690 Million Baht. Likewise, profit for the year increased 35% to 45,400 Million Baht on better earning in the chemicals business, reflecting higher margin and lower inventory loss adjustment from last year, despite the domestic weakness in the cement-building materials operations, due to the stagnant domestic market recovery.

In 2015, SCG's gross profit margin was 22.3%, an increase of 6.3% y-o-y. SCG's net profit margin was 9.9%, an increase of 3.2% y-o-y, on better earning in the chemicals business. And SCG's return on equity was 23.7%, an increase of 3.9% y-o-y.

Share of profit of associates and joint ventures for 2015 amounted to 10,293 Million Baht, an increase of 4,185 Million Baht from the previous year with details as follows:

- SCG Chemicals associates: Share of gain amounted to 7,199 Million Baht, increased 4,404 Million Baht from the previous year, attributed to better margin from the chemicals associates.
- Other associates: Share of profit amounted to 3,094 Million Baht, decreased 219 Million Baht or dropped 7% from the previous year.

Total dividends received in 2015 was 5,771 Million Baht, a decrease of 39% y-o-y or 3,628 Million Baht, details as follows: a) 3,344 Million Baht from "Associated" companies (20%-50% stake), and b) 2,427 Million Baht from "Other" companies (less than 20% stake).

Continued solid financials, with cash and cash under management amounted to 40,279 Million Baht as at December 31, 2015, while amounted 31,643 Million Baht as at December 31, 2014, despite the CAPEX and Investments of 45,194 Million Baht during the year.

Operating Results of Strategic Business Segments

SCG Cement-Building Materials

In 2015, revenue from sales decreased 3% from the previous year to 178,988 Million Baht, due to the stagnant domestic market recovery in Thailand and lower domestic cement prices. This resulted in the drop of 9% from the previous year in EBITDA to 24,395 Million Baht. Similarly, profit for the year decreased 22% from the previous year to 10,250 Million Baht due to lower EBITDA and increased depreciation. SCG Cement-Building Materials focuses on business expansion in ASEAN to accommodate the growing demand driven by the development of infrastructure in the ASEAN countries.

In 2015, domestic demand for cement remained at the same level as in the previous year, largely attributable to government investments. Whereas cement demand from household users and the private sector retracted, exports saw modest growth compared to last year.

The domestic demand for building products continued to slow down due to the lack of consumer confidence and declining purchasing power, triggered by sagging prices of agricultural commodities and prolonged drought. Nonetheless, 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 accommodate consumer needs. While the demand for building products in the ASEAN region underwent significant growth, propelled by the expansion of the cement and building material markets in many countries, especially Cambodia and the Philippines where the governments promoted various large-scale infrastructure projects. Central to these included the Southern Economic Corridor, a road in Cambodia that connects to other countries in the Greater Mekhong Subregion, and the policy to promote housing development in the Philippines. In Myanmar and Vietnam, the growth was spurred by private investment projects such as factories, housing, hotels, and commercial buildings that grew continuously. However, the construction business in Indonesia was under downward pressure on the back of the delays of several government investment projects.

SCG Cement-Building Materials expanded cement capacity in Cambodia by another 900,000 tons per year with an investment of 5,000 Million Baht. Production began in the third quarter of 2015, resulting in a combined capacity of 2 million tons annually in Cambodia. Moreover, the company constructed a grey cement plant with an annual capacity of 1.8 million tons at Sukabumi, a city in West Java, Indonesia. With a capital investment of 11,000 Million Baht, the plant started commercial operations in the fourth quarter of 2015.

SCG Chemicals

In 2015, revenue from sales decreased 19% from the previous year to 200,433 Million Baht on lower chemicals prices, following the drop in crude oil prices despite higher plastic resin sales volume. However, EBITDA increased 64% from the previous year to 42,900 Million Baht and profit for the year registered 28,488 Million Baht, an increase of 129% from the previous year, benefiting from better margin as a result of cheaper feedstock prices.

In 2015, the petrochemical industry entered an upward cycle with demand outstripping supply, resulting in wider product-to-feed margins. This contributed to the overall improved performance of SCG Chemicals. Prices of naphtha, the main feed, averaged 491 USD per ton, a drop of 43% from the previous year owing to a fall in crude oil prices. The average prices of polyethylene and polypropylene resins were 1,237 and 1,159 USD per ton, declines of 20% and 26% year-on-year, respectively. In spite of lower product prices, the plummeted feedstock prices provided larger cost advantage, leading to wider product-to-feed margins.

To counteract the high volatility in petrochemical business, SCG Chemicals has developed a vast array of high value-added products and services (HVA), which are less prone to price fluctuations. Examples include plastic resins that can withstand extremely low and high temperatures for food packaging and plastic resins that can be used to produce high-pressure pipe for natural gas distribution and mining. In addition, the company also utilizes its know-how and expertise in petrochemical operations to drive numerous innovations and services. Chief among them are high-emissivity coatings for energy savings in industrial furnaces, inspection robots for machinery and plant condition assessment, consulting service for maintenance works and major turnarounds of petrochemical plants, as well as inspection and certification of flowmeters for distribution pipes. These endeavors are designed to enhance the company's sustainable competitiveness.

SCG Packaging

In 2015, revenue from sales increased 10% from the previous year to 70,907 Million Baht, following increased export sales volume in both the Packaging Chain and the Fibrous Chain. EBITDA amounted to 10,831 Million Baht, up 11% from the previous year, similarly, profit for the year increased slightly to 3,463 Million Baht. Additionally, in the fourth quarter of 2015, the business had gained on divestment of Thai British Security Printing Public Company Limited (TBSP).

Packaging business Chain: Total sales volume rose 11% compared to 2014, due to rising demand for packaging and packaging paper, especially in the ASEAN region, which grew by 4%.

Fibrous business Chain: Total sales volume similar to the last year from a demand of printing & writing paper in Thailand.

In 2015, domestic demand for corrugated containers witnessed a modest growth in the wake of the economic weakens. However, demand in ASEAN grew continuously, especially in Vietnam, prompting corrugated container manufacturers in the region to continue expanding their production capacities, resulting in an intense price competition. Consequently, it reminded a challenge for manufacturers to streamline their operations to better address customer needs and maintain sustainable business growth.

Domestic demand for packaging paper remained stable compared to the previous year whereas demand in ASEAN increased steadily with continued capacity expansion of manufacturers in the region.

Domestic demand for printing & writing paper dropped mainly from substitution of digital media, especially in promotional materials and magazine segment. In addition, imports of printing & writing paper in 2015 increased from the previous year as a result of the anti-dumping measures of the U.S. that prompted Chinese and Indonesian manufacturers to adjust their marketing strategies, aggressively tapping into the ASEAN markets.

In 2015, the company rebranded from SCG Paper to SCG Packaging on June 2, 2015 to reflect the company's strategic focus toward the constantly-growing packaging business in tandem with the corporate goal to expand the packaging business in ASEAN. Emphasis was placed on providing sustainable total packaging solutions to customers through the ongoing development of wide-ranging high quality packaging products and services including flexible packaging. The company expanded flexible packaging business in ASEAN to address the growing demand in food and consumer products segments. This is achieved by acquiring an 80% stake in Tin Thanh Packing Joint Stock Company (BATICO), a major flexible packaging manufacturer in Vietnam with an annual Production capacity of 230 million sq.meter. SCG Packaging also increased its stake in Prepack Thailand Co., Ltd. from 22% to 72% to reaffirm its strong presence as a total packaging solutions provider.

Financial Status

Assets

Continued solid financials, with cash and cash under management of 40,279 Million Baht.

Total assets of SCG as at December 31, 2015 was 509,981 Million Baht, with an increase of 9% from the previous year. Key components of total assets were property, plant and equipment at 45%, current assets at 29% and investments at 20%. Ranking of asset values by business segments are SCG Cement-Building Materials, SCG Chemicals, and SCG Packaging, respectively.

Current assets: amounted to 148,396 Million Baht as at December 31, 2015, with an increase of 8% from the previous year, comprising largely of trade and other receivables, inventories, short-term investments, and cash and cash equivalents. At December 31, 2015, SCG's working capital was 60,998 Million Baht with working capital days at 50 days.

Cash and cash under management: amounted to 40,279 Million Baht as at December 31, 2015, increase 8,636 Million Baht from the previous year, despite the CAPEX and Investments of 45,194 Million Baht during the year.

Investments in associates and joint ventures: amounted to 90,890 Million Baht as at December 31, 2015, an increase of 8,542 Million Baht or 10% from the previous year, with reasons as follows:

- Increase from share of profit using equity method amounted to 10,293 Million Baht.
- Increase in investments amounted to 1,134 Million Baht, during the year, the cement-building materials had formed the joint venture with Siam Global House Public Company Limited to invest in a modern trade, Global House International Company Limited.
- Decrease from the change in status of associate to subsidiary amounted to 291 Million Baht of Prepack Thailand Co., Ltd., a leading producer of flexible packaging products in Thailand.
- Decrease from dividends received amounted to 3,344 Million Baht.

Property, plant and equipment: amounted to 230,932 Million Baht as at December 31, 2015, an increase of 25,459 Million Baht or 12% from the previous year due to the CAPEX during the year.

Liabilities

Net debt decreased 1,921 Million Baht, resulting from an increase in operating cash inflow, despite high CAPEX during the year.

Total liabilities as at December 31, 2015 amounted to 266,975 Million Baht, an increase of 4% from the previous year. During the year, SCG had issued new debentures totaling 40,000 Million Baht to replace the matured debentures of 25,000 Million Baht and to support the operation, plus the future investments. Finance costs were 9,076 Million Baht, an increase of 1,810 Million Baht from last year due to the foreign exchange loss.

Net debt (interest-bearing debt less cash and cash under management) of SCG as at December 31, 2015 decreased 1,921 Million Baht from the previous year to 162,485 Million Baht, resulting from an increase in EBITDA, despite the CAPEX and Investments of 45,194 Million Baht, mainly from the investment in the cement plant construction projects in Myanmar, Indonesia, Laos and Cambodia, including the acquisition of Prepack Thailand Co., Ltd. and Tin Thanh Packing Joint Stock Company (BATICO), a top manufacturer of flexible packaging products in Vietnam.

As the end of year 2015, SCG had commitments and contingent liabilities that had been disclosed in note 36 to the financial statements pages 206-208 of the Annual Report 2015. The significant commitments and contingent liabilities included commitments for purchase of raw material contracts, purchasing land, construction and installation of machinery and implementation project, forward contracts and swap contracts with several local and foreign banks to hedge against the risk from foreign investment, payment of borrowings, payment for goods, machinery and equipment purchased, and money received from sales of goods.

The Ability of Asset Management

Trade and other receivables: stated at their invoice value less allowance for doubtful accounts which were assessed on analysis of payment histories and future expectations of receivable payment. The normal credit term granted by the Group was 15 - 90 days. As at December 31, 2015, the outstanding overdue amounts of accounts receivable have credit bank guarantees amounting to 1,159 Million Baht (2014: 1,011 Million Baht), as disclosed in note 6 to the financial statements pages 172 of the Annual Report 2015.

Inventories: in 2015, SCG doesn't have significant deteriorated or obsolete inventories as disclosed in note 7 to the financial statements pages 173 of the Annual Report 2015.

Investments in associates and joint ventures: in 2015, SCG recorded impairment of investment amounted 87 Million Baht or 0.1% of total Investments in associates and joint ventures as at January 1, 2015 which amounted 82,348 Million Baht. The movements for the year using the equity method were disclosed in note 10 to the financial statements pages 175-178 of the Annual Report 2015.

Goodwill and intangible assets: In the second quarter of 2015, the Group recognized the impairment loss on goodwill of an investment in a subsidiary of SCG Chemicals of 412 Million Baht, which presented under the caption of "Administrative expenses" in the consolidated income statement. For the purpose of impairment testing, the recoverable amount of goodwill was based on its value in use and was determined by discounting the future cash flows for the period of five years using weighted average cost of capital of the Group as disclosed in note 15 to the financial statements pages 184 of the Annual Report 2015.

Liquidity and Adequacy of Capital

At the end of year 2015, SCG had cash and cash equivalents amounted 16,078 Million Baht, a decrease of 2,953 Million Baht from previous year. As a consequence of cash flows provided by operating activities amounted 67,747 Million Baht. Meanwhile, cash flows used in investing activities amounted to 47,800 Million Baht mainly from the CAPEX and investment activities. Moreover, cash flows used in financing activities was 22,900 Million Baht mainly from dividend payment.

Regarding the liquidity ratios, SCG registered a current ratio of 1.2 times while the cash flow liquidity was 0.6 times. SCG's Cash Cycle was 21 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 lines with several banks amounting to approximately 5,700 Million Baht as disclosed in note 18 to the financial statements pages 187 of the Annual Report 2015.

Financial Ratios

SCG's financial ratios remain solid.

In 2015, current ratio registered 1.2 times and net debt to EBITDA ratio decreased to 2.0 times, compared to 2.5 times in the last year. At the end of 2015, debt to equity ratio was at 1.1 times, compared to 1.2 times in the last year.

In 2015, SCG's gross profit margin was 22.3%, an increase of 6.3% y-o-y. SCG's net profit margin was 9.9%, an increase of 3.2% y-o-y, on better earning in the chemicals business. And SCG's return on equity was 23.7%, an increase of 3.9% y-o-y.

In 2015, SCG's return on assets was 9.3%, an increase of 1.9% y-o-y while SCG's return on fixed assets was 29.9%, an increase of 3.7% y-o-y reflecting more efficiency in SCG's assets management.

CAPEX & Investment

In 2015, CAPEX & Investment amounted to 45,194 Million Baht, of which 60% was from SCG Cement-Building Materials, 25% from SCG Packaging, 11% from SCG Chemicals and 4% from Other. The forecasted 2016 CAPEX & Investment is approximately 50,000 Million Baht. For the period of 2016 to 2020, 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 to 250,000 Million Baht.

From the financial position and performance of 2015, the Board of Directors considered proposing the Annual General Meeting of Shareholders for approval of 2015 dividend payment of 16.00 Baht per share, representing a dividend payout ratio of 42% of consolidated profit for the year. SCG has already paid an interim dividend of 7.50 Baht per share on August 27, 2015. The final dividend will be paid at the amount of 8.50 Baht per share on April 28, 2016.

Factors Affecting the Future Operations

In 2015, SCG continues to maintain solid financial position and 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. However, for business's readiness in order to deal with changing social and economic circumstances combined with prudent business operations, SCG has continuously raised risk management awareness throughout the organization as we believe that risk management is a crucial tool that allows the company to cope with uncertainties which are becoming more complex and more severe than in the past. This past year, SCG's risk management emphasis has extended beyond downside risk protection to help the organization exploring new business opportunities and making decision for new investments. The key risks affecting the future operations such as safety health and environment risk, reputation and intellectual property risk, hazard risk, input risk, process risk, financial risk, business environment risk and emerging risk had been indicated including risk management and mitigation plans in article 3. Risk Management pages 48-63. 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 committed to continuously creating innovative products and services which can help uplift people's quality of life and contribute to a better environmental 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.