

13. Financial Statements

Summary of Auditor's Report

Auditor's Office: KPMG Phoomchai Audit Ltd.

Names of Auditors:

Financial Statements	Names of Auditors
Consolidated financial statements for the year ended 31 December 2017	Mr. Winid Silamongkol Certified Public Accountant Registration No. 3378
Consolidated financial statements for the year ended 31 December 2016	Mr. Winid Silamongkol Certified Public Accountant Registration No. 3378
Consolidated financial statements for the year ended 31 December 2015	Mr. Winid Silamongkol Certified Public Accountant Registration No. 3378

From the audits carried out upon the Thai Standards on Auditing, 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 - December 31, 2017, 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 its Subsidiaries

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017, 2016 AND 2015

in million Baht

Assets	2017	%	2016	%	2015	%
Current assets						
Cash and cash equivalents	43,937	7.6	27,709	5.1	16,078	3.2
Current investments	12,971	2.3	13,089	2.4	18,510	3.6
Trade and other current receivables	55,407	9.6	51,473	9.5	54,294	10.6
Short-term loans	152	0.0	167	0.0	126	0.0
Inventories	57,650	10.1	53,335	10.0	52,898	10.4
Other current assets	1,471	0.3	5,534	1.0	6,490	1.3
Non-current assets classified as held for sale	31	0.0	5,319	1.0	-	-
Total current assets	171,619	29.9	156,626	29.0	148,396	29.1
Non-current assets						
Investments held as available for sale	7,162	1.3	6,348	1.2	9,316	1.8
Investments in associates	95,346	16.6	90,811	16.8	86,076	16.9
Investments in joint ventures	2,985	0.5	4,687	0.9	4,814	0.9
Other long-term investments	2,976	0.5	2,866	0.5	3,066	0.6
Other non-current receivables	5,245	0.9	2,947	0.6		
Long-term loans	123	0.0	124	0.0	162	0.0
Investment property	1,492	0.3	1,307	0.2	1,236	0.2
Property, plant and equipment	248,847	43.4	245,183	45.4	230,932	45.3
Goodwill	17,477	3.1	11,657	2.2	11,524	2.3
Other intangible assets	11,403	2.0	8,762	1.6	7,667	1.5
Deferred tax assets	6,274	1.1	5,918	1.1	2,767	0.6
Other non-current assets	2,463	0.4	2,452	0.5	4,025	0.8
Total non-current assets	401,793	70.1	383,062	71.0	361,585	70.9
Total assets	573,412	100.0	539,688	100.0	509,981	100.0

Note: The figures for year 2016 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017, 2016 AND 2015

in million Baht

Liabilities and shareholders' equity	2017	%	2016	%	2015	%
Current liabilities						
Bank overdrafts and short-term borrowings						
from financial institutions	19,586	3.4	15,601	2.9	16,191	3.2
Trade and other current payables	46,056	8.0	48,553	9.0	48,833	9.6
Current portion of long-term borrowings	4,787	0.8	4,642	0.9	6,935	1.4
Current portion of debentures	39,918	7.0	44,889	8.3	49,904	9.8
Short-term borrowings	197	0.0	204	0.0	182	0.0
Current income tax payable	2,955	0.6	2,943	0.6	2,207	0.4
Other current liabilities	2,508	0.4	1,236	0.2	3,065	0.6
Total current liabilities	116,007	20.2	118,068	21.9	127,317	25.0
Non-current liabilities						
Long-term borrowings	3,459	0.6	7,634	1.4	13,350	2.6
Debentures	141,216	24.6	121,225	22.5	116,202	22.8
Deferred tax liabilities	2,318	0.5	3,025	0.5	2,125	0.4
Non-current provisions for employee benefits	7,573	1.3	7,184	1.3	6,690	1.3
Other non-current liabilities	1,014	0.2	934	0.2	1,291	0.3
Total non-current liabilities	155,580	27.2	140,002	25.9	139,658	27.4
Total liabilities	271,587	47.4	258,070	47.8	266,975	52.4
Shareholders' equity						
Share capital						
Authorized share capital - Ordinary share	<u>1,600</u>		<u>1,600</u>		<u>1,600</u>	
Issued and paid share capital - Ordinary share	1,200	0.2	1,200	0.2	1,200	0.2
Retained earnings						
Appropriated						
Legal reserve	160	0.0	160	0.0	160	0.0
General reserve	10,516	2.0	10,516	2.0	10,516	2.1
Unappropriated	270,132	47.0	237,993	44.1	202,440	39.7
Other components of shareholders' equity	(20,910)	(3.7)	(9,846)	(1.8)	(8,155)	(1.6)
Total equity attributable to owners of the parent	261,098	45.5	240,023	44.5	206,161	40.4
Non-controlling interests	40,727	7.1	41,595	7.7	36,845	7.2
Total shareholders' equity	301,825	52.6	281,618	52.2	243,006	47.6
Total liabilities and shareholders' equity	573,412	100.0	539,688	100.0	509,981	100.0

Note: The figures for year 2016 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017, 2016 AND 2015

in million Baht

	2017	%	2016	%	2015	%
Revenue from sales	450,921	100.0	423,442	100.0	439,614	100.0
Cost of sales	(349,307)	(77.5)	(319,021)	(75.3)	(341,511)	(77.7)
Gross profit	101,614	22.5	104,421	24.7	98,103	22.3
Other income	13,316	3.0	10,787	2.5	10,134	2.4
Profit before expenses	114,930	25.5	115,208	27.2	108,237	24.7
Distribution costs	(23,566)	(5.2)	(23,978)	(5.7)	(17,671)	(4.0)
Administrative expenses	(29,010)	(6.4)	(26,253)	(6.2)	(31,990)	(7.3)
Total expenses	(52,576)	(11.6)	(50,231)	(11.9)	(49,661)	(11.3)
Profit from operations	62,354	13.9	64,977	15.3	58,576	13.4
Finance costs	(7,112)	(1.6)	(7,573)	(1.7)	(9,076)	(2.1)
Share of profit of associates and joint ventures	18,212	4.0	17,933	4.2	10,293	2.3
Profit before income tax	73,454	16.3	75,337	17.8	59,793	13.6
Tax expense	(5,694)	(1.3)	(4,618)	(1.1)	(6,077)	(1.4)
Profit for the year	67,760	15.0	70,719	16.7	53,716	12.2
Profit attributable to						
Owners of the parent	55,041	12.2	56,084	13.2	45,400	10.3
Non-controlling interests	12,719	2.8	14,635	3.5	8,316	1.9
	67,760	15.0	70,719	16.7	53,716	12.2
Basic earnings per share (in Baht)						
Attributable to owners of the parent	45.87		46.74		37.83	

Note: The figures for year 2016 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017, 2016 AND 2015

	in million Baht		
	2017	2016	2015
Profit for the year	67,760	70,719	53,716
Other comprehensive income			
Components of other comprehensive income			
that will be reclassified to profit or loss			
Exchange differences on translating financial statement	(8,766)	(731)	123
Gains on remeasuring investments held as available for sale	66	912	(88)
Reversal of remeasuring investments held as available for sale	(1,693)	(410)	-
Share of other comprehensive income of associates and joint ventures	(1,059)	77	919
Income tax relating to components of other comprehensive income			
that will be reclassified to profit or loss	326	(131)	18
Total components of other comprehensive income			
that will be reclassified to profit or loss	(11,126)	(283)	972
Components of other comprehensive income			
that will not be reclassified to profit or loss			
Defined benefit plan actuarial losses	(156)	(149)	(203)
Share of other comprehensive income of associates and joint ventures	2	(19)	(54)
Income tax relating to components of other comprehensive income			
that will not be reclassified to profit or loss	34	28	40
Total components of other comprehensive income			
that will not be reclassified to profit or loss	(120)	(140)	(217)
Other comprehensive income for the year, net of tax	(11,246)	(423)	755
Total comprehensive income for the year	56,514	70,296	54,471
Total comprehensive income attributable to			
Owners of the parent	45,127	55,857	46,430
Non-controlling interests	11,387	14,439	8,041
	56,514	70,296	54,471

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017, 2016 AND 2015

	in million Baht		
	2017	2016	2015
Cash flows from operating activities			
Profit for the year	67,760	70,719	53,716
Adjustments for			
Tax expense	5,694	4,618	6,077
Depreciation and amortization	23,282	22,710	20,770
Loss (reversal) on inventories devaluation	73	129	(707)
Employee benefit expense	896	913	542
Unrealized gain on foreign currency exchange	(85)	(224)	(118)
Share of profit of associates and joint ventures	(18,212)	(17,933)	(10,293)
Dividend income	(1,952)	(2,821)	(2,427)
Interest income	(811)	(818)	(924)
Interest expense	6,874	7,209	7,868
Gain on sales of investments and others	(3,731)	(744)	(1,620)
Cash flows generated from operations			
before changes in operating assets and liabilities	79,788	83,758	72,884
Decrease (increase) in operating assets			
Trade and other current receivables	(6,667)	2,452	(1,874)
Inventories	(4,875)	(386)	709
Other current assets	262	315	697
Other non-current assets	(206)	321	220
Net decrease (increase) in operating assets	(11,486)	2,702	(248)

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017, 2016 AND 2015

	in million Baht		
	2017	2016	2015
Increase (decrease) in operating liabilities			
Trade and other current payables	(1,507)	(3,743)	1,372
Other current liabilities	7	460	285
Provisions for employee benefits	(603)	(417)	(293)
Other non-current liabilities	246	(82)	(994)
Net increase (decrease) in operating liabilities	(1,857)	(3,782)	370
Net cash flows generated from operations	66,445	82,678	73,006
Income tax paid	(5,753)	(7,007)	(5,590)
Net cash flows provided by operating activities	60,692	75,671	67,416
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	(4,364)	(544)	(1,486)
Investments in associates and joint ventures	(4,061)	(28)	(406)
Proceeds from sales of investments	30,802	41,056	35,079
Current investments	(19,438)	(34,996)	(42,860)
Investments held as available for sale and other long-term investment	(2,137)	(2,558)	(1,162)
Proceeds from sales of property, plant and equipment	1,399	545	249
Acquisition of property, plant and equipment	(22,396)	(30,685)	(41,684)
Acquisition of intangible assets	(3,312)	(1,329)	(1,386)
Proceeds from repayment of loans to related parties	23	-	-
Dividends received	18,329	12,864	5,728
Interest received	846	864	830
Income tax paid from sales of investments	(813)	-	(371)
Net cash flows used in investing activities	(5,122)	(14,811)	(47,469)

THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017, 2016 AND 2015

	in million Baht		
	2017	2016	2015
Cash flows from financing activities			
Proceeds from changes in ownership interests in subsidiaries			
that do not result in a loss of control	154	2,060	501
Payments of changes in ownership interests in subsidiaries			
that do not result in a loss of control	(3,352)	(2,259)	-
Proceeds from (payments of) borrowings			
Proceeds from (payments of) bank overdrafts and			
short-term borrowings from financial institutions	2,726	(899)	3,373
Proceeds from long-term borrowings	962	1,450	2,825
Payments of long-term borrowings	(12,132)	(9,943)	(15,231)
Payments of finance lease liabilities	(160)	(82)	(48)
Proceeds from issuance of debentures	59,950	49,969	39,900
Redemption of debentures	(44,929)	(49,961)	(24,886)
Net increase (decrease) in borrowings	6,417	(9,466)	5,933
Dividends paid			
Dividends paid to owners of the parent	(22,800)	(20,399)	(17,350)
Dividends paid to non-controlling interests	(11,585)	(11,516)	(3,912)
Total dividends paid	(34,385)	(31,915)	(21,262)
Interest paid	(7,534)	(7,596)	(8,072)
Net cash flows used in financing activities	(38,700)	(49,176)	(22,900)
Net increase (decrease) in cash and cash equivalents	16,870	11,684	(2,953)
Effect of exchange rate changes on cash and cash equivalents	(642)	(53)	
Cash and cash equivalents at beginning of the year	27,709	16,078	19,031
Cash and cash equivalents at end of the year	43,937	27,709	16,078
Supplementary information for cash flows			
Non-cash transactions			
Account payables from purchase of assets	2,523	4,304	3,826
Accrued investments	1,728	237	117

FINANCIAL RATIOS OF THE SIAM CEMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

		Consolidated Financial Statements		
		2017	2016	2015
Liquidity Ratio				
Current Ratio	(Times)	1.48	1.33	1.17
Quick Ratio	(Times)	0.89	0.69	0.61
Cash Flow Liquidity	(Times)	0.52	0.62	0.61
Accounts Receivable Turnover	(Times)	10.06	9.88	10.35
Collection Period	(Days)	36	36	35
Inventory Turnover	(Times)	16.36	15.43	16.04
Inventory Turnover Period	(Days)	22	23	22
Accounts Payable Turnover	(Times)	11.15	9.60	10.05
Payment Period	(Days)	32	38	36
Cash Cycle	(Days)	26	21	21
Profitability Ratio				
Gross Profit Margin	(%)	22.53	24.66	22.32
Net Profit Margin *	(%)	11.41	12.40	9.87
Return on Equity	(%)	21.97	25.14	23.68
Efficiency Ratio				
Return on Total Assets	(%)	9.89	10.69	9.31
Return on Fixed Assets	(%)	31.21	32.65	29.91
Assets Turnover **	(Times)	0.87	0.86	0.94
Financial Policy Ratio				
Debt to Equity Ratio	(Times)	0.90	0.92	1.10
Interest Coverage Ratio	(Times)	9.34	10.92	8.83
Cash Flow Adequacy	(Times)	0.94	0.93	1.03
Dividend Payout Ratio	(%)	41.42	40.65	42.29

Note:

* Net Profit Margin = Profit for the year attributable to owners of the parent / 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
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017, 2016 AND 2015

	in million Baht					
Assets	2017	%	2016	%	2015	%
Current assets						
Cash and cash equivalents	32,035	11.2	15,894	5.9	4,795	1.8
Current investments	9,429	3.3	9,834	3.6	16,284	6.2
Other current receivables	2,267	0.8	2,334	0.9	2,594	1.0
Short-term loans	95,749	33.4	103,121	38.0	113,847	43.1
Other current assets	232	0.1	16	-	588	0.2
Non-current assets classified as held for sale	-	-	3,203	1.2	-	-
Total current assets	139,712	48.8	134,402	49.6	138,108	52.3
Non-current assets						
Investments held as available for sale	7,158	2.4	6,344	2.3	8,886	3.4
Investments in associates	373	0.1	373	0.1	578	0.2
Investments in subsidiaries	128,182	44.7	118,749	43.7	105,403	39.9
Other long-term investments	3,030	1.1	3,030	1.1	3,030	1.1
Investment property	1,927	0.7	1,939	0.7	1,953	0.7
Property, plant and equipment	3,166	1.1	3,235	1.2	3,373	1.3
Other intangible assets	2,613	0.9	2,756	1.0	2,656	1.0
Deferred tax assets	228	0.1	-	-	-	-
Other non-current assets	262	0.1	805	0.3	295	0.1
Total non-current assets	146,939	51.2	137,231	50.4	126,174	47.7
Total assets	286,651	100.0	271,633	100.0	264,282	100.0

Note: The figures for year 2016 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017, 2016 AND 2015

	in million Baht					
Liabilities and shareholders' equity	2017	%	2016	%	2015	%
Current liabilities						
Other current payables	1,172	0.4	836	0.3	691	0.3
Accrued interest expense	1,468	0.5	1,436	0.5	1,556	0.6
Current portion of debentures	40,000	14.0	45,000	16.6	50,000	18.9
Short-term borrowings	6,375	2.2	6,658	2.5	4,127	1.6
Current income tax payable	-	-	4	-	-	-
Other current liabilities	73	-	71	-	334	0.1
Total current liabilities	49,088	17.1	54,005	19.9	56,708	21.5
Non-current liabilities						
Debentures	141,500	49.4	121,500	44.7	116,500	44.0
Deferred tax liabilities	-	-	126	-	109	-
Non-current provisions for employee benefits	701	0.2	679	0.3	648	0.2
Other non-current liabilities	1,216	0.4	1,391	0.5	1,389	0.5
Total non-current liabilities	143,417	50.0	123,696	45.5	118,646	44.7
Total liabilities	192,505	67.1	177,701	65.4	175,354	66.2
Shareholders' equity						
Share capital						
Authorized share capital - Ordinary share	1,600		1,600		1,600	
Issued and paid share capital - Ordinary share	1,200	0.4	1,200	0.4	1,200	0.5
Retained earnings						
Appropriated						
Legal reserve	160	0.1	160	0.1	160	0.1
General reserve	10,516	3.7	10,516	3.9	10,516	4.0
Unappropriated	82,235	28.7	80,609	29.7	75,784	28.7
Other components of shareholders' equity	35	-	1,447	0.5	1,268	0.5
Total shareholders' equity	94,146	32.9	93,932	34.6	88,928	33.8
Total liabilities and shareholders' equity	286,651	100.0	271,633	100.0	264,282	100.0

Note: The figures for year 2016 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED
INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

in million Baht

	2017	%	2016	%	2015	%
Revenues						
Dividend income	22,876	74.5	24,067	76.3	18,576	70.0
Intellectual property income	2,744	8.9	2,808	8.9	2,988	11.3
Management fees for administration	2,556	8.3	2,550	8.1	2,208	8.3
Other income	2,559	8.3	2,121	6.7	2,771	10.4
Total revenues	30,735	100.0	31,546	100.0	26,543	100.0
Expenses						
Administrative expenses	(3,466)	(11.3)	(3,556)	(11.3)	(2,725)	(10.3)
Finance costs	(2,484)	(8.1)	(2,435)	(7.7)	(3,611)	(13.6)
Total expenses	(5,950)	(19.4)	(5,991)	(19.0)	(6,336)	(23.9)
Profit before income tax	24,785	80.6	25,555	81.0	20,207	76.1
Tax expense	(349)	(1.1)	(329)	(1.0)	(382)	(1.4)
Profit for the year	24,436	79.5	25,226	80.0	19,825	74.7
Basic earnings per share (in Baht)	20.36		21.02		16.52	

Note: The figures for year 2016 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

	in million Baht		
	2017	2016	2015
Profit for the year	24,436	25,226	19,825
Other comprehensive income			
Components of other comprehensive income			
that will be reclassified to profit or loss			
Gains on remeasuring investments held as available for sale	66	800	(77)
Reversal of remeasuring investments held as available for sale	(1,831)	(577)	-
Income tax relating to components of other comprehensive			
income that will be reclassified to profit or loss	353	(45)	15
Total components of other comprehensive income			
that will be reclassified to profit or loss	(1,412)	178	(62)
Components of other comprehensive income			
that will not be reclassified to profit or loss			
Defined benefit plan actuarial losses	(14)	(3)	(59)
Income tax relating to components of other comprehensive			
income that will not be reclassified to profit or loss	3	1	12
Total components of other comprehensive income			
that will not be reclassified to profit or loss	(11)	(2)	(47)
Other comprehensive income for the year, net of tax	(1,423)	176	(109)
Total comprehensive income for the year	23,013	25,402	19,716

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

	in million Baht		
	2017	2016	2015
Cash flows from operating activities			
Profit for the year	24,436	25,226	19,825
Adjustments for			
Tax expense	349	329	382
Depreciation and amortization	843	779	599
Employee benefit expense	61	64	93
Unrealized loss (gain) on foreign currency exchange	15	7	(69)
Dividend income	(22,876)	(24,067)	(18,576)
Interest income	(4,173)	(4,619)	(5,215)
Interest expense	6,098	6,486	6,664
Gain on sales of investments and others	(1,964)	(1,371)	(1,873)
Cash flows generated from operations			
before changes in operating assets and liabilities	2,789	2,834	1,830
Decrease (increase) in operating assets			
Other current receivables	(54)	199	106
Other current assets	7	20	(108)
Other non-current assets	2	4	26
Net decrease (increase) in operating assets	(45)	223	24
Increase (decrease) in operating liabilities			
Other current payables	144	(174)	238
Other current liabilities	7	6	32
Provisions for employee benefits	(58)	(35)	(53)
Other non-current liabilities	(70)	(105)	(284)
Net increase (decrease) in operating liabilities	23	(308)	(67)
Net cash flows generated from operations	2,767	2,749	1,787
Income tax received (paid)	623	(336)	(399)
Net cash flows provided by operating activities	3,390	2,413	1,388

Note: The figures for year 2016 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

	in million Baht		
	2017	2016	2015
Cash flows from investing activities			
Investments in associates, subsidiaries and other companies	(9,433)	(13,345)	(9)
Proceeds from sales of investments	27,798	40,042	34,741
Current investments	(22,711)	(29,923)	(40,637)
Investments held as available for sale	(2,027)	(2,558)	(1,162)
Acquisition of property, plant and equipment and intangible assets	(519)	(532)	(1,083)
Proceeds from repayment of loans to (loans to) related parties	7,372	10,725	(10,208)
Dividends received	22,865	24,063	20,957
Interest received	4,239	4,684	5,142
Income tax paid from sales of investments	(683)	-	(371)
Net cash flows provided by investing activities	26,901	33,156	7,370
Cash flows from financing activities			
Proceeds from (payments of) borrowings			
Proceeds from (payments of) short-term borrowings from related parties	(283)	2,530	(1,615)
Proceeds from issuance of debentures	60,000	50,000	40,000
Redemption of debentures	(45,000)	(50,000)	(25,000)
Net increase in borrowings	14,717	2,530	13,385
Dividends paid	(22,800)	(20,398)	(17,350)
Interest paid	(6,067)	(6,602)	(6,541)
Net cash flows used in financing activities	(14,150)	(24,470)	(10,506)
Net increase (decrease) in cash and cash equivalents	16,141	11,099	(1,748)
Cash and cash equivalents at beginning of the year	15,894	4,795	6,543
Cash and cash equivalents at end of the year	32,035	15,894	4,795

Note: The figures for year 2016 are reclassified.

FINANCIAL RATIOS OF THE SIAM CEMENT PUBLIC COMPANY LIMITED

		Financial Statements		
		2017	2016	2015
<u>LIQUIDITY RATIO</u>				
Current Ratio	(Times)	2.85	2.49	2.44
Quick Ratio	(Times)	0.84	0.48	0.37
Cash Flow Liquidity	(Times)	0.07	0.04	0.03
<u>PROFITABILITY RATIO</u>				
Net Profit Margin *	(%)	79.51	79.97	74.69
Return on Equity	(%)	25.98	27.59	22.59
<u>EFFICIENCY RATIO</u>				
Return on Total Assets	(%)	8.75	9.41	7.74
Assets Turnover **	(Times)	0.11	0.12	0.10
<u>FINANCIAL POLICY RATIO</u>				
Debt to Equity Ratio	(Times)	2.04	1.89	1.97
Interest Coverage Ratio	(Times)	1.11	1.13	0.49
Dividend Payout Ratio	(%)	93.30	90.38	96.85

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 revenue from sales increased largely due to higher chemicals product prices, while profit for the year decreased mainly from the weakness in the domestic cement-building materials operations, following the continued market softness.

In 2017, SCG's revenue from sales increased 6% from the previous year to 450,921 Million Baht, largely due to higher chemicals product prices. EBITDA increased 4% from the previous year to 102,080 Million Baht, benefiting from the dividend income from associates. Profit for the year registered 55,041 Million Baht a decreased of 2% from the previous year, mainly from the weakness in the domestic cement-building materials operations, following the continued market softness.

In 2017, SCG's gross profit margin was 22.5%, a decrease of 2.1% from the previous year. SCG's net profit margin was 11.4%, a decrease of 1% from the previous year and SCG's return on equity was 22%, a decrease of 3.2% from the previous year.

Share of profit of associates and joint ventures for 2017 amounted to 18,212 Million Baht, an increase of 279 Million Baht from the previous year with details as follows:

- SCG Chemicals associates: Share of profit amounted to 14,826 Million Baht, increased 606 Million Baht from the previous year.
- Other associates: Share of profit amounted to 3,386 Million Baht, decreased 327 Million Baht from the previous year.

Total dividends received in 2017 was 18,396 Million Baht, an increase of 42% from the previous year or 5,446 Million Baht, details as follows: a) 16,444 Million Baht from "Associated" companies (20%-50% stake), and b) 1,952 Million Baht from "Other" companies (less than 20% stake).

Continued solid financials, with cash and cash under management amounted to 64,129 Million Baht as at December 31, 2017, while amounted 47,252 Million Baht as at December 31, 2016, despite the CAPEX and Investments of 46,088 Million Baht, which was lower than expected, in light of the delayed implementation of the key chemicals project in Vietnam.

Operating Results of Strategic Business Segments

SCG Cement-Building Materials

In 2017, revenue from sales increased 3% from the previous year to 175,255 Million Baht, attributed to the contribution of the newly expanded ASEAN operations. While EBITDA decreased 6% from the previous year to 22,319 Million Baht, following weaker demand in the Thai market. Similarly, profit for the year decreased 15% from the previous year to 7,230 Million Baht.

In 2017, Domestic demand for cement declined compared with 2016. Domestic demand came from government infrastructure projects, while demand from the household and private sectors witnessed some growth slowdown. Cement exports increased compared with the previous year.

Domestic demand for cement and building materials fell due to lower consumer confidence and declining purchasing power. However, SCG Cement-Building Materials managed to maintain its leadership status in the building materials market through the continued development of high value-added products and services.

Overall, business operations in ASEAN grew at a satisfactory rate, thanks to the expansion of the cement and building materials markets in several countries. Cambodia, in particular, witnessed a steady growth driven by housing and commercial building projects and the government's large-scale infrastructure projects, such as the road network. In Myanmar, the growing construction market was led by private direct investment, especially in special economic zones. The Vietnam construction market grew slightly due to government investment in large projects such as bridges and sea ports. Meanwhile, the Philippines government increased infrastructure spending to spur growth in its local construction industry and domestic economy. Similarly, the construction market in Indonesia picked up from last year as a result of the government's continuous investment in infrastructure, including toll roads, airports, dams and high-speed trains.

SCG Chemicals

In 2017, revenue from sales increased 10% from the previous year to 206,280 Million Baht, mainly from the higher chemicals product prices. EBITDA also increased 6% from last year to 64,461 Million Baht from higher dividend income from associates. Profit for the year remained stable at 42,007 Million Baht. Subsidiaries performance slightly dropped from higher naphtha cost and strong Thai Baht, despite gain on investment sales. However, equity income from associates slightly improved.

The price of naphtha, the main feedstock, increased 24% from the previous year following the increase of crude oil price due to OPEC and Non-OPEC production cut at the beginning of the year to rebalance the market and geopolitical uncertainties. However, polyethylene (PE) prices increased only slightly, resulting in a decrease of PE-naphtha gap. Polypropylene (PP) and PVC prices increased following the increase of feedstock prices, leading to wider margins of both PP and PVC.

Nevertheless, overall petrochemical industry experienced an upturn in 2017, which aligned with improved global economy, despite uncertainties of feedstock prices and additional supply of products from the United States. SCG Chemicals is equipped to handle these uncertainties by improving competitiveness through research and development on high value-added products. This effort, together with higher price of by-products from the use of naphtha as feedstock increased in the beginning of the year, resulted in satisfying operating result of SCG Chemicals.

SCG Packaging

In 2017, revenue from sales increased 9% from the previous year to 81,455 Million Baht and EBITDA increased 14% to 12,431 Million Baht from higher sales volume of packaging paper and sales of Thai Union Paper Public Company Limited's assets. Profit for the year increased 32% from the previous year to 4,719 Million Baht.

Packaging Business Chain: Total sales volume was up 8% compared to 2016 from capacity expansion in Vietnam and owing to increasing demand for packaging paper and corrugated containers, especially in ASEAN which grew 5% from the previous year.

Fibrous Business Chain: Total sales volume of printing and writing paper fell 8% compared to 2016, due to a decline in export sales and a steady decline in domestic demand.

Domestic demand for paper packaging and corrugated containers in 2017 continued to increase owing to higher-than-expected exports. Demand in ASEAN grew moderately in line with regional economic expansion and a growth in export-oriented manufacturing. Paper packaging and corrugated container manufacturers in the region continued to increase production capacity. With heightened competition, it is a challenge for manufacturers to increase organizational efficiency in order to meet the needs of customers and maintain a competitive edge sustainably.

In 2017, domestic demand for printing and writing paper declined mainly due to the growth of digital media, particularly in the areas of promotional materials and magazines. Meanwhile, imports of coated paper and copier paper increased compared with the previous year. The copier paper industry remained highly competitive due to severe price competition from Chinese and Indonesian manufacturers.

Expanded business portfolio in Display Packaging to serve the premium packaging market. This was achieved by acquiring a 75% stake in Precision Print Co, Ltd., a company specializing in the manufacturing and offset printing of folding cartons that are used in industries ranging from cosmetics to supplementary food. This investment will enhance SCG Packaging's overall portfolio while further strengthening its position as a total packaging solution provider.

Financial Status

Assets

Continued solid financials, with cash and cash under management of 64,129 Million Baht.

Total assets of SCG as at December 31, 2017 was 573,412 Million Baht, with an increase of 6% from the previous year. Key components of total assets were property, plant and equipment at 43%, current assets at 30% and investments at 19%. Ranking of asset values by business segments are SCG Cement-Building Materials, SCG Chemicals, and SCG Packaging, respectively.

Current assets: amounted to 171,619 Million Baht as at December 31, 2017, with an increase of 10% from the previous year, comprising largely of inventories, trade and other current receivables, cash and cash equivalents, and current investments. At December 31, 2017, SCG's working capital was 73,573 Million Baht with working capital days at 59 days.

Cash and cash under management: amounted to 64,129 Million Baht as at December 31, 2017, increase 16,877 Million Baht from the previous year, despite CAPEX and investments of 46,088 Million Baht during the year which is lower than expected, due to delay in the chemicals project in Vietnam.

Investments in associates and joint ventures: amounted to 98,331 Million Baht as at December 31, 2017, an increase of 2,833 Million Baht or 3% from the previous year with the following reasons:

- Increase from share of profit using equity method amounted to 18,212 Million Baht, attributed to healthy earnings from the chemicals associates.
- Decrease from dividends received amounted to 16,444 Million Baht mainly from the chemicals associates' dividend income.

In addition, significant movements during the year on investments in associates and joint ventures were as follows:

- Increase from additional investments totaling 4,061 Million Baht which is capital increase of the chemicals in PT Chandra Asri Petrochemical Tbk., the manufacturing of raw materials for plastic resins in Indonesia and the cement-building materials in Global House International Co., Ltd., the holding company investing in building materials and home improvement products distribution business.
- Decrease from disposals totaling 1,328 Million Baht, during the year, the chemicals had sold the entire 22% stake in Tien Phong Plastics Joint Stock Company, the manufacturing and sale of PVC pipes in Northern Vietnam, the packaging had divested all of its 17% stake in Rengo Packaging Malaysia Sdn. Bhd., a producer of corrugated boxes in Malaysia. Additionally, the other segment had sold its all 30% stakes in Maxion Wheels (Thailand) Co., Ltd., a leading manufacturer of automotive wheels in Thailand.
- Decrease from the change in status of joint venture to subsidiary amounted to 2,061 Million Baht from the additional share acquisition of 25% portion in Long Son Petrochemicals Co., Ltd., the first petrochemicals complex in Vietnam, resulting in the increase in ownership interests to 71%.

Property, plant and equipment: amounted to 248,847 Million Baht as at December 31, 2017, an increase of 3,664 Million Baht due to the CAPEX and investments during the year.

Liabilities

Net debt decreased 1,909 Million Baht, resulting from an increase in operating cash inflow, despite the CAPEX and Investments during the year.

Total liabilities as at December 31, 2017 amounted to 271,587 Million Baht, an increase of 5% from the previous year. During the year, SCG had issued new debentures totaling 60,000 Million Baht to replace the matured debentures of 45,000 Million Baht and 15,000 Million Baht to support operations and future investments. Finance costs were 7,112 Million Baht, a decrease of 461 Million Baht from last year.

Net debt (interest-bearing debt less cash and cash under management) of SCG as at December 31, 2017 decreased 1,909 Million Baht from the previous year to 145,034 Million Baht, resulting from an increase in EBITDA, while significant cash outflow during 2017 amounted to 94,573 Million Baht, comprising CAPEX and investments of 46,088 Million Baht including the acquisition of the integrated cement operator in Vietnam and the capital increase in the petrochemical operator in Indonesia, dividend payments of 34,385 Million Baht, interest payment of 7,534 Million Baht and corporate tax of 6,566 Million Baht.

At the end of year 2017, SCG had commitments and contingent liabilities that had been disclosed in note 36 to the financial statements pages 234-235 of the Annual Report 2017. The significant commitments and contingent liabilities included commitments for purchase of raw material contracts, purchasing land, construction and installation of machinery and implementation project, information technology services, rental and service agreements, forward contracts and swap contracts with several local and foreign banks.

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, 2017, the outstanding overdue amounts of accounts receivable have credit bank guarantees amounting to 823 Million Baht (2016: 1,191 Million Baht) as disclosed in note 6 to the financial statements pages 199 of the Annual Report 2017.

In 2017, SCG doesn't have significant deteriorated or obsolete inventories and impairment of investments as disclosed in note 7 and note 11 to the financial statements pages 200 and pages 202-205 of the Annual Report 2017 respectively.

Goodwill and intangible assets: In the third quarter of 2017, the Group has recognized the impairment loss on goodwill of an investment in a subsidiary of SCG Cement-Building Materials of 210 Million Baht, which is included in administrative expenses in the consolidated income statement as disclosed in note 16 to the financial statements pages 210 of the Annual Report 2017.

Liquidity and Adequacy of Capital

At the end of year 2017, SCG had cash and cash equivalents amounted 43,937 Million Baht, an increase of 16,227 Million Baht from previous year. As a consequence of cash flows provided by operating activities amounted 60,692 Million Baht. Meanwhile, cash flows used in investing activities amounted to 5,122 Million Baht mainly from the CAPEX and investment activities. Moreover, cash flows used in financing activities was 38,700 Million Baht mainly from dividend payment.

Regarding the liquidity ratios, SCG registered a current ratio of 1.5 times while the cash flow liquidity was 0.5 times. SCG's Cash Cycle was 26 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 7,831 Million Baht as disclosed in note 18 to the financial statements pages 213 of the Annual Report 2017.

Financial Ratios

SCG's financial ratios remain solid.

In 2017, current ratio registered 1.5 times increased from 1.3 times in the previous year and net debt to EBITDA ratio registered 1.4 times decreased from 1.5 times in the previous year. At the end of 2017, debt to equity ratio remained at 0.9 times.

In 2017, SCG's gross profit margin was 22.5%, a decrease of 2.1% from the previous year. SCG's net profit margin was 11.4%, a decrease of 1% from the previous year. SCG's return on equity was 22%, a decrease of 3.2% from the previous year. SCG's return on total assets was 9.9%, a decrease of 0.8% from the previous year. And SCG's return on fixed assets was 31.2%, a decrease of 1.4% from the previous year.

From the financial position and performance of 2017, the Board of Directors considered proposing the Annual General Meeting of Shareholders for approval of 2017 dividend payment of 19.00 Baht per share, representing a dividend payout ratio of 41% of consolidated profit for the year. SCG has already paid an interim dividend of 8.50 Baht per share on August 24, 2017. The final dividend will be paid at the amount of 10.50 Baht per share on April 20, 2018.

CAPEX & Investment

In 2017, CAPEX & Investment amounted to 46,088 Million Baht, of which 49% was from SCG Cement-Building Materials, 26% from SCG Chemicals, 17% from SCG Packaging and 8% from others. This is lower than expected, due to delay in the Chemicals project in Vietnam, however, the expected CAPEX & Investment in 2018 is approximately 60,000 Million Baht.

R&D Spending and Innovation Development

In 2017, SCG invested 4,178 Million Baht in R&D, representing 0.9% of total sales revenue. We aim to develop innovation that create significant business impact, including product and service innovation, process innovation as well as business model innovation.

SCG put emphasis on developing innovation strategy and portfolio that align with both short term and long term business strategy. We develop technology roadmap for planning long term technology development and also focus on innovation management process as well as IP management. Furthermore, to increase speed of technology development and commercialization, we collaborate with many leading universities and research institutes, both in Thailand and other countries. We aim to deliver product and service that are differentiate from others and create more value to the business.

SCG has recently established a Corporate Venture Capital (CVC) under the name AddVentures to invest in potential startups domestically and globally. Such investments will enhance SCG capabilities to utilize external innovations and digital technology to strengthen its competitiveness and provide better products and services to consumers. It plans to invest directly in startups and also in venture capital funds that are related to SCG's business strategy. SCG also initiated an Internal Startups Program for its employees to encourage and build an entrepreneurial mindset, and to be potential New Business Models for SCG.

Examples of SCG innovation include "Active AIRFlow system" a home ventilation solution, "Geoluxe®" a breakthrough Pyrolithic Stone™ combining the noble beauty of natural marble with superior technical performance, "OptiBreath©" a packaging solution for exported fruits and vegetables that extends the shelf life, corrugated containers for different types of parcels with integrated solutions, and a super thin and high-strength High-Density Polyethylene (HDPE).

Continuous investment in R&D and Innovation is the key to increase SCG competitive advantage. In 2017 SCG has revenue from sales for High-Value Added (HVA) products and services amounted 175,541 Million Baht, accounting for 39% total sales revenue.

Factors Affecting the Future Operations

The global economic fundamentals showed slight growth in 2017 driven by growth-friendly fiscal policies and steadily expanding global trade primarily in the United States, the European Union, Japan and China coupled with a favorable economic environment and diminishing risks.

The ASEAN economy expanded steadily, particularly in Vietnam which focused primarily on the promotion of investment and trade liberalization, making its economy one of the most attractive in the region. The country with the largest population in ASEAN like Indonesia benefited from higher government spending and healthy household consumption, which has positively affected the country's economy. The Philippines maintained a consistent economic growth rate. While Thailand's neighbouring nations including Myanmar, Lao PDR and Cambodia enjoyed economic advantages derived from the foreign direct investment.

For Thailand, the economy growth beat market expectations. The National Economic and Social Development Board (NESDB) has projected that Thailand's 2017 GDP growth will expand by 3.9% (as at 20 November, 2017) as a result of government spending on infrastructure and stimulus packages on top of the recovery of export market although the market softness in the first half of the year.

Despite improvements in economic performance from the previous year, SCG faced challenges that affected the business operations ranging from the high costs of raw materials in petrochemicals and packaging businesses, the rise of energy cost to strong Thai currency compounded with the fierce competition in the region especially in the cement business. Thus, SCG put the focus on embracing agile and adaptive business approach to keep up with the fast-paced and turbulent environment. SCG not only restructured the organization to enhance business performance but also expanded the embedment of Integrated Business Excellence (IBE) System to improve the efficiency of the production system and provide the effective management throughout the value chains. The transformative approaches brought about streamline operations, increase productivity, reduce costs and increase revenues. In addition, to improve SCG's competitive advantage, R&D has been promoted to constantly develop high value-added (HVA) products and services to be more responsive to consumer demands and support business expansion in the region.

SCG focuses on adopting an open innovation strategy to enable SCG to address demand of today's consumers. For instance, the Open Innovation Center was set up to collaborate with various sectors and startups worldwide, for developing high-capability innovation in Materials, Clean Tech and Sensor & Internet of Things (IoT). The establishment of a pilot plant allows the Company to jointly carried out collaborative research with a university in China with strong expertise. The efforts enable the scaling up of production capacity of Functional Material under the trademark CIERRA™ as a consequence of the creation of innovation derived from successful R&D collaboration with The University of Oxford in 2016. Furthermore, SCG established AddVentures, a Corporate Venture Capital (CVC), to invest in startups relating to SCG's

businesses. Examples include investment in startups that focus on digital and logistics businesses to allow customers to have access to SCG Logistics' delivery trucks, offering a more convenient and faster service with more than 7,000 trucks throughout the ASEAN region. Moreover, SCG aims to promote innovation processes utilizing digital technologies into the organization. SCG has adopted digital technology to enhance its business proficiency such as automation & robotics to be used in the production and maintenance which succeeded in providing further services to serve customer needs internationally such as the Netherlands, other digital technologies such as automated storage/retrieval system (AS/RS), in addition to the integration of The IoT into the inventory management to ensure speed, convenience, and operation safety to ensure that SCG is leaping towards Industry 4.0.

In addition, SCG has also put its focus on employee's skill development program to help tackle potential challenges and expand their work horizon to support consumer demand and overseas business expansion.

SCG believes that effective Enterprise Risk Management contributes to the achievement of business goals, ensures the organization's ability to cope with uncertainties and the various risk aspects becoming increasingly complex and severe. SCG has also continuously raised risk management awareness throughout the organization and aims for better risk management efficiency of strategic formulation, operation, and decisions regarding new investments to add value to the organization and stakeholders which will contribute to SCG's sustainable growth. The key risks affecting the future operations such as safety health and environment risk, compliance risk, reputation and intellectual property risk, hazard risk, input risk, process risk, business environment risk and emerging risk had been disclosed in article 3. Risk Management pages 42-50.