

## 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 2018	Mr. Winid Silamongkol Certified Public Accountant Registration No. 3378
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

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, 2016 - December 31, 2018, 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 2018, 2017 and 2016

	in million Baht					
Assets	2018	%	2017	%	2016	%
<b>Current assets</b>						
Cash and cash equivalents	28,789	4.9	43,937	7.6	27,709	5.1
Current investments	21,593	3.7	12,971	2.3	13,089	2.4
Trade and other current receivables	63,915	10.9	55,407	9.6	51,473	9.5
Short-term loans	169	0.0	152	0.0	167	0.0
Inventories	60,817	10.3	57,650	10.1	53,335	10.0
Other current assets	1,862	0.3	1,471	0.3	5,534	1.0
Non-current assets classified as held for sale	126	0.0	31	0.0	5,319	1.0
<b>Total current assets</b>	<b>177,271</b>	<b>30.1</b>	<b>171,619</b>	<b>29.9</b>	<b>156,626</b>	<b>29.0</b>
<b>Non-current assets</b>						
Investments held as available for sale	7,492	1.3	7,162	1.3	6,348	1.2
Investments in associates	98,316	16.6	95,346	16.6	90,811	16.8
Investments in joint ventures	1,061	0.2	2,985	0.5	4,687	0.9
Other long-term investments	3,396	0.6	2,976	0.5	2,866	0.5
Other non-current receivables	13,788	2.3	5,245	0.9	2,947	0.6
Long-term loans	107	0.0	123	0.0	124	0.0
Investment property	1,717	0.3	1,492	0.3	1,307	0.2
Property, plant and equipment	247,466	42.0	248,847	43.4	245,183	45.4
Goodwill	19,886	3.4	17,477	3.1	11,657	2.2
Other intangible assets	11,183	1.9	11,403	2.0	8,762	1.6
Deferred tax assets	5,073	0.8	6,274	1.1	5,918	1.1
Other non-current assets	3,031	0.5	2,463	0.4	2,452	0.5
<b>Total non-current assets</b>	<b>412,516</b>	<b>69.9</b>	<b>401,793</b>	<b>70.1</b>	<b>383,062</b>	<b>71.0</b>
<b>Total assets</b>	<b>589,787</b>	<b>100.0</b>	<b>573,412</b>	<b>100.0</b>	<b>539,688</b>	<b>100.0</b>

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 2018, 2017 and 2016

in million Baht

Liabilities and shareholders' equity	2018	%	2017	%	2016	%
<b>Current liabilities</b>						
Bank overdrafts and short-term borrowings						
from financial institutions	21,752	3.7	19,586	3.4	15,601	2.9
Trade and other current payables	48,992	8.3	46,056	8.0	48,553	9.0
Current portion of long-term borrowings	679	0.1	4,787	0.8	4,642	0.9
Current portion of debentures	31,430	5.3	39,918	7.0	44,889	8.3
Short-term borrowings	272	0.1	197	0.0	204	0.0
Current income tax payable	2,399	0.4	2,955	0.6	2,943	0.6
Other current liabilities	2,276	0.4	2,508	0.4	1,236	0.2
<b>Total current liabilities</b>	<b>107,800</b>	<b>18.3</b>	<b>116,007</b>	<b>20.2</b>	<b>118,068</b>	<b>21.9</b>
<b>Non-current liabilities</b>						
Long-term borrowings	1,586	0.3	3,459	0.6	7,634	1.4
Debentures	149,729	25.4	141,216	24.6	121,225	22.5
Deferred tax liabilities	2,155	0.4	2,318	0.5	3,025	0.5
Non-current provisions for employee benefits	9,348	1.5	7,573	1.3	7,184	1.3
Other non-current liabilities	1,300	0.2	1,014	0.2	934	0.2
<b>Total non-current liabilities</b>	<b>164,118</b>	<b>27.8</b>	<b>155,580</b>	<b>27.2</b>	<b>140,002</b>	<b>25.9</b>
<b>Total liabilities</b>	<b>271,918</b>	<b>46.1</b>	<b>271,587</b>	<b>47.4</b>	<b>258,070</b>	<b>47.8</b>
<b>Shareholders' equity</b>						
Share capital						
Authorized share capital - Ordinary share	<b>1,600</b>		<b>1,600</b>		<b>1,600</b>	
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	1.9	10,516	2.0	10,516	2.0
Unappropriated	290,939	49.3	270,132	47.0	237,993	44.1
Other components of shareholders' equity	(25,718)	(4.4)	(20,910)	(3.7)	(9,846)	(1.8)
<b>Total equity attributable to owners of the parent</b>	<b>277,097</b>	<b>47.0</b>	<b>261,098</b>	<b>45.5</b>	<b>240,023</b>	<b>44.5</b>
Non-controlling interests	40,772	6.9	40,727	7.1	41,595	7.7
<b>Total shareholders' equity</b>	<b>317,869</b>	<b>53.9</b>	<b>301,825</b>	<b>52.6</b>	<b>281,618</b>	<b>52.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>589,787</b>	<b>100.0</b>	<b>573,412</b>	<b>100.0</b>	<b>539,688</b>	<b>100.0</b>

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 2018, 2017 and 2016

in million Baht

	2018	%	2017	%	2016	%
Revenue from sales	478,438	100.0	450,921	100.0	423,442	100.0
Cost of sales	(383,463)	(80.1)	(349,307)	(77.5)	(319,021)	(75.3)
<b>Gross profit</b>	<b>94,975</b>	<b>19.9</b>	<b>101,614</b>	<b>22.5</b>	<b>104,421</b>	<b>24.7</b>
Other income	11,823	2.4	13,316	3.0	10,787	2.5
<b>Profit before expenses</b>	<b>106,798</b>	<b>22.3</b>	<b>114,930</b>	<b>25.5</b>	<b>115,208</b>	<b>27.2</b>
Distribution costs	(23,541)	(4.9)	(23,566)	(5.2)	(23,978)	(5.7)
Administrative expenses	(31,552)	(6.6)	(29,010)	(6.4)	(26,253)	(6.2)
<b>Total expenses</b>	<b>(55,093)</b>	<b>(11.5)</b>	<b>(52,576)</b>	<b>(11.6)</b>	<b>(50,231)</b>	<b>(11.9)</b>
<b>Profit from operations</b>	<b>51,705</b>	<b>10.8</b>	<b>62,354</b>	<b>13.9</b>	<b>64,977</b>	<b>15.3</b>
Finance costs	(6,836)	(1.4)	(7,112)	(1.6)	(7,573)	(1.7)
Share of profit of associates and joint ventures	15,047	3.1	18,212	4.0	17,933	4.2
<b>Profit before income tax</b>	<b>59,916</b>	<b>12.5</b>	<b>73,454</b>	<b>16.3</b>	<b>75,337</b>	<b>17.8</b>
Tax expense	(7,269)	(1.5)	(5,694)	(1.3)	(4,618)	(1.1)
<b>Profit for the year</b>	<b>52,647</b>	<b>11.0</b>	<b>67,760</b>	<b>15.0</b>	<b>70,719</b>	<b>16.7</b>
Profit attributable to						
Owners of the parent	44,748	9.3	55,041	12.2	56,084	13.2
Non-controlling interests	7,899	1.7	12,719	2.8	14,635	3.5
	<b>52,647</b>	<b>11.0</b>	<b>67,760</b>	<b>15.0</b>	<b>70,719</b>	<b>16.7</b>
<b>Basic earnings per share (in Baht)</b>						
Attributable to owners of the parent	<b>37.29</b>		<b>45.87</b>		<b>46.74</b>	

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 2018, 2017 and 2016

	in million Baht		
	2018	2017	2016
Profit for the year	52,647	67,760	70,719
Other comprehensive income			
Components of other comprehensive income			
that will be reclassified to profit or loss			
Exchange differences on translating financial statement	(3,124)	(8,766)	(731)
Gains (losses) on remeasuring investments held as available for sale	(42)	66	912
Reversal of remeasuring investments held as available for sale	-	(1,693)	(410)
Share of other comprehensive income of associates and joint ventures	318	(1,059)	77
Income tax relating to components of other comprehensive income			
that will be reclassified to profit or loss	8	326	(131)
Total components of other comprehensive income			
that will be reclassified to profit or loss	(2,840)	(11,126)	(283)
Components of other comprehensive income			
that will not be reclassified to profit or loss			
Defined benefit plan actuarial losses	(1,393)	(156)	(149)
Share of other comprehensive income of associates and joint ventures	(6)	2	(19)
Income tax relating to components of other comprehensive income			
that will not be reclassified to profit or loss	211	34	28
Total components of other comprehensive income			
that will not be reclassified to profit or loss	(1,188)	(120)	(140)
Other comprehensive income for the year, net of tax	(4,028)	(11,246)	(423)
Total comprehensive income for the year	48,619	56,514	70,296
Total comprehensive income attributable to			
Owners of the parent	41,350	45,127	55,857
Non-controlling interests	7,269	11,387	14,439
	48,619	56,514	70,296

The Siam Cement Public Company Limited and its Subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2018, 2017 and 2016

	in million Baht		
	2018	2017	2016
<b>Cash flows from operating activities</b>			
Profit for the year	52,647	67,760	70,719
<i>Adjustments for</i>			
Tax expense	7,269	5,694	4,618
Depreciation and amortization	23,747	23,282	22,710
Loss on inventories devaluation	289	73	129
Employee benefit expense	1,261	896	913
Unrealized gain on foreign currency exchange	(33)	(85)	(224)
Share of profit of associates and joint ventures	(15,047)	(18,212)	(17,933)
Dividend income	(2,479)	(1,952)	(2,821)
Interest income	(956)	(811)	(818)
Interest expense	6,601	6,874	7,209
Loss on impairment of assets	1,509	553	475
Gain on sales of investments and others	(2,588)	(4,284)	(1,219)
<b>Cash flows generated from operations</b>			
before changes in operating assets and liabilities	72,220	79,788	83,758
<b>Decrease (increase) in operating assets</b>			
Trade and other current receivables	(2,760)	(6,667)	2,452
Inventories	(3,039)	(4,875)	(386)
Other assets	(166)	56	636
<b>Net decrease (increase) in operating assets</b>	<b>(5,965)</b>	<b>(11,486)</b>	<b>2,702</b>

The Siam Cement Public Company Limited and its Subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2018, 2017 and 2016

	in million Baht		
	2018	2017	2016
<i><b>Increase (decrease) in operating liabilities</b></i>			
Trade and other current payables	2,281	(1,507)	(3,743)
Provisions for employee benefits	(782)	(603)	(417)
Other liabilities	485	253	378
<b>Net increase (decrease) in operating liabilities</b>	<b>1,984</b>	<b>(1,857)</b>	<b>(3,782)</b>
<b>Net cash flows generated from operations</b>	<b>68,239</b>	<b>66,445</b>	<b>82,678</b>
Income tax paid	(6,552)	(5,753)	(7,007)
<b>Net cash flows provided by operating activities</b>	<b>61,687</b>	<b>60,692</b>	<b>75,671</b>
<i><b>Cash flows from investing activities</b></i>			
Proceeds from sales of subsidiaries, net cash outflow	1,141	-	-
Acquisition of subsidiaries, net of cash acquired	(3,844)	(4,364)	(544)
Investments in associates and joint ventures	(2,779)	(4,061)	(28)
Proceeds from sales of investments	51,790	30,802	41,056
Current investments	(55,068)	(19,438)	(34,996)
Investments held as available for sale and other long-term investments	(3,035)	(2,137)	(2,558)
Proceeds from sales of property, plant and equipment	621	1,399	545
Acquisition of property, plant and equipment	(33,591)	(22,396)	(30,685)
Acquisition of intangible assets	(982)	(3,312)	(1,329)
Proceeds from (payment of) repayment of loans	(4)	23	-
Dividends received	13,611	18,329	12,864
Interest received	852	846	864
Income tax paid from sales of investments	(288)	(813)	-
<b>Net cash flows used in investing activities</b>	<b>(31,576)</b>	<b>(5,122)</b>	<b>(14,811)</b>



The Siam Cement Public Company Limited and its Subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2018, 2017 and 2016

	in million Baht		
	2018	2017	2016
<b><i>Cash flows from financing activities</i></b>			
Proceeds from changes in ownership interests in subsidiaries			
that do not result in a loss of control	377	154	2,060
Payments of changes in ownership interests in subsidiaries			
that do not result in a loss of control	(4,203)	(3,352)	(2,259)
<b><i>Proceeds from (payments of) borrowings</i></b>			
Proceeds from (payments of) bank overdrafts and short-term borrowings	2,118	2,726	(899)
Proceeds from long-term borrowings	448	962	1,450
Payments of long-term borrowings	(6,322)	(12,132)	(9,943)
Payments of finance lease liabilities	(177)	(160)	(82)
Proceeds from issuance of debentures	39,913	59,950	49,969
Redemption of debentures	(39,888)	(44,929)	(49,961)
<b>Net increase (decrease) in borrowings</b>	<b>(3,908)</b>	<b>6,417</b>	<b>(9,466)</b>
<b>Dividends paid</b>			
Dividends paid to owners of the parent	(22,800)	(22,800)	(20,399)
Dividends paid to non-controlling interests	(7,425)	(11,585)	(11,516)
<b>Total dividends paid</b>	<b>(30,225)</b>	<b>(34,385)</b>	<b>(31,915)</b>
Interest paid	(7,027)	(7,534)	(7,596)
<b>Net cash flows used in financing activities</b>	<b>(44,986)</b>	<b>(38,700)</b>	<b>(49,176)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(14,875)</b>	<b>16,870</b>	<b>11,684</b>
Effect of exchange rate changes on cash and cash equivalents	(273)	(642)	(53)
Cash and cash equivalents at beginning of the year	43,937	27,709	16,078
<b>Cash and cash equivalents at end of the year</b>	<b>28,789</b>	<b>43,937</b>	<b>27,709</b>

### Financial ratios of The Siam Cement Public Company Limited and its Subsidiaries

		Consolidated Financial Statements		
		2018	2017	2016
<b>Liquidity Ratio</b>				
Current Ratio	(Times)	1.64	1.48	1.33
Quick Ratio	(Times)	0.92	0.89	0.69
Cash Flow Liquidity	(Times)	0.55	0.52	0.62
Accounts Receivable Turnover	(Times)	9.83	10.06	9.88
Collection Period	(Days)	37	36	36
Inventory Turnover	(Times)	17.43	16.36	15.43
Inventory Turnover Period	(Days)	21	22	23
Accounts Payable Turnover	(Times)	12.09	11.15	9.60
Payment Period	(Days)	30	32	38
Cash Cycle	(Days)	28	26	21
<b>Profitability Ratio</b>				
Gross Profit Margin	(%)	19.85	22.53	24.66
Net Profit Margin	(%)	8.86	11.41	12.40
Return on Equity	(%)	16.63	21.97	25.14
<b>Efficiency Ratio</b>				
Return on Total Assets	(%)	7.69	9.89	10.69
Return on Fixed Assets	(%)	27.05	31.21	32.65
Assets Turnover	(Times)	0.87	0.87	0.86
<b>Financial Policy Ratio</b>				
Debt to Equity Ratio	(Times)	0.86	0.90	0.92
Interest Coverage Ratio	(Times)	9.98	9.34	10.92
Cash Flow Adequacy	(Times)	0.78	0.94	0.93
Net debt to Ebitda	(Times)	1.70	1.42	1.50
Current Interest-bearing Debt to				
Total Interest-bearing Debt	(Times)	0.26	0.31	0.34
Borrowings from financial institutions to Debt	(Times)	0.09	0.10	0.11
B/E to Interest-bearing Debt*	(Times)	-	-	-
Dividend Payout Ratio	(%)	48.27	41.42	40.65

\* The Company has no bill of exchange (B/E).

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 2018, 2017 AND 2016

	in million Baht					
Assets	2018	%	2017	%	2016	%
<b>Current assets</b>						
Cash and cash equivalents	14,128	4.9	32,035	11.2	15,894	5.9
Current investments	15,271	5.3	9,429	3.3	9,834	3.6
Other current receivables	1,910	0.7	2,267	0.8	2,334	0.9
Short-term loans	106,722	36.8	95,749	33.4	103,121	38.0
Other current assets	572	0.2	232	0.1	16	-
Non-current assets classified as held for sale	-	-	-	-	3,203	1.2
<b>Total current assets</b>	<b>138,603</b>	<b>47.9</b>	<b>139,712</b>	<b>48.8</b>	<b>134,402</b>	<b>49.6</b>
<b>Non-current assets</b>						
Investments held as available for sale	7,490	2.5	7,158	2.4	6,344	2.3
Investments in associates	373	0.1	373	0.1	373	0.1
Investments in subsidiaries	132,752	45.8	128,182	44.7	118,749	43.7
Other long-term investments	3,030	1.0	3,030	1.1	3,030	1.1
Investment property	1,916	0.7	1,927	0.7	1,939	0.7
Property, plant and equipment	2,861	1.0	3,166	1.1	3,235	1.2
Other intangible assets	2,270	0.8	2,613	0.9	2,756	1.0
Deferred tax assets	361	0.1	228	0.1	-	-
Other non-current assets	266	0.1	262	0.1	805	0.3
<b>Total non-current assets</b>	<b>151,319</b>	<b>52.1</b>	<b>146,939</b>	<b>51.2</b>	<b>137,231</b>	<b>50.4</b>
<b>Total assets</b>	<b>289,922</b>	<b>100.0</b>	<b>286,651</b>	<b>100.0</b>	<b>271,633</b>	<b>100.0</b>

Note: The figures for year 2016 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED  
STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018, 2017 AND 2016

	in million Baht					
Liabilities and shareholders' equity	2018	%	2017	%	2016	%
<b>Current liabilities</b>						
Other current payables	812	0.3	1,172	0.4	836	0.3
Accrued interest expense	1,385	0.5	1,468	0.5	1,436	0.5
Current portion of debentures	31,500	10.9	40,000	14.0	45,000	16.6
Short-term borrowings	8,403	2.9	6,375	2.2	6,658	2.5
Current income tax payable	-	-	-	-	4	-
Other current liabilities	77	-	73	-	71	-
<b>Total current liabilities</b>	<b>42,177</b>	<b>14.6</b>	<b>49,088</b>	<b>17.1</b>	<b>54,005</b>	<b>19.9</b>
<b>Non-current liabilities</b>						
Debentures	150,000	51.7	141,500	49.4	121,500	44.7
Deferred tax liabilities	-	-	-	-	126	-
Non-current provisions for employee benefits	825	0.3	701	0.2	679	0.3
Other non-current liabilities	1,238	0.4	1,216	0.4	1,391	0.5
<b>Total non-current liabilities</b>	<b>152,063</b>	<b>52.4</b>	<b>143,417</b>	<b>50.0</b>	<b>123,696</b>	<b>45.5</b>
<b>Total liabilities</b>	<b>194,240</b>	<b>67.0</b>	<b>192,505</b>	<b>67.1</b>	<b>177,701</b>	<b>65.4</b>
<b>Shareholders' equity</b>						
Share capital						
Authorized share capital						
- Ordinary	1,600		1,600		1,600	
Issued and paid share capital						
- Ordinary	1,200	0.4	1,200	0.4	1,200	0.4
Retained earnings						
Appropriated						
Legal reserve	160	0.1	160	0.1	160	0.1
General reserve	10,516	3.6	10,516	3.7	10,516	3.9
Unappropriated	83,804	28.9	82,235	28.7	80,609	29.7
Other components of shareholders' equity	2	-	35	-	1,447	0.5
<b>Total shareholders' equity</b>	<b>95,682</b>	<b>33.0</b>	<b>94,146</b>	<b>32.9</b>	<b>93,932</b>	<b>34.6</b>
<b>Total liabilities and shareholders' equity</b>	<b>289,922</b>	<b>100.0</b>	<b>286,651</b>	<b>100.0</b>	<b>271,633</b>	<b>100.0</b>

Note: The figures for year 2016 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED  
INCOME STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

	in million Baht					
	2018	%	2017	%	2016	%
<b>Revenues</b>						
Dividend income	24,907	73.5	22,876	66.7	24,067	69.0
Intellectual property income	2,553	7.5	2,744	8.0	2,808	8.1
Management fees for administration and service income	5,715	16.9	6,096	17.8	5,879	16.8
Other income	712	2.1	2,559	7.5	2,121	6.1
<b>Total revenues</b>	<b>33,887</b>	<b>100.0</b>	<b>34,275</b>	<b>100.0</b>	<b>34,875</b>	<b>100.0</b>
<b>Expenses</b>						
Administrative expenses	(7,205)	(21.2)	(7,006)	(20.5)	(6,885)	(19.7)
Finance costs	(2,329)	(6.9)	(2,484)	(7.2)	(2,435)	(7.0)
<b>Total expenses</b>	<b>(9,534)</b>	<b>(28.1)</b>	<b>(9,490)</b>	<b>(27.7)</b>	<b>(9,320)</b>	<b>(26.7)</b>
<b>Profit before income tax</b>	<b>24,353</b>	<b>71.9</b>	<b>24,785</b>	<b>72.3</b>	<b>25,555</b>	<b>73.3</b>
Tax income (expense)	103	0.3	(349)	(1.0)	(329)	(1.0)
<b>Profit for the year</b>	<b>24,456</b>	<b>72.2</b>	<b>24,436</b>	<b>71.3</b>	<b>25,226</b>	<b>72.3</b>
<b>Basic earnings per share (in Baht)</b>	<b>20.38</b>		<b>20.36</b>		<b>21.02</b>	

Note: The figures for year 2017 and 2016 are reclassified.

THE SIAM CEMENT PUBLIC COMPANY LIMITED  
STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

	in million Baht		
	2018	2017	2016
Profit for the year	24,456	24,436	25,226
Other comprehensive income			
Components of other comprehensive income			
that will be reclassified to profit or loss			
Gains (losses) on remeasuring investments held			
as available for sale	(42)	66	800
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	8	353	(45)
Total components of other comprehensive income			
that will be reclassified to profit or loss	(34)	(1,412)	178
Components of other comprehensive income			
that will not be reclassified to profit or loss			
Defined benefit plan actuarial losses	(108)	(14)	(3)
Income tax relating to components of other comprehensive			
income that will not be reclassified to profit or loss	21	3	1
Total components of other comprehensive income			
that will not be reclassified to profit or loss	(87)	(11)	(2)
Other comprehensive income for the year, net of tax	(121)	(1,423)	176
Total comprehensive income for the year	24,335	23,013	25,402

THE SIAM CEMENT PUBLIC COMPANY LIMITED  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

	in million Baht		
	2018	2017	2016
<b>Cash flows from operating activities</b>			
Profit for the year	24,456	24,436	25,226
<b>Adjustments for</b>			
Tax expense (income)	(103)	349	329
Depreciation and amortization	871	843	779
Employee benefit expense	60	61	64
Unrealized loss on foreign currency exchange	3	15	7
Dividend income	(24,907)	(22,876)	(24,067)
Interest income	(4,147)	(4,173)	(4,619)
Interest expense	5,981	6,098	6,486
Gain on sales of investments and others	(138)	(1,964)	(1,371)
<b>Cash flows generated from operations</b>			
<b>before changes in operating assets and liabilities</b>	<b>2,076</b>	<b>2,789</b>	<b>2,834</b>
<b>Decrease (increase) in operating assets</b>			
Other current receivables	397	(54)	199
Other assets	(33)	9	24
<b>Net decrease (increase) in operating assets</b>	<b>364</b>	<b>(45)</b>	<b>223</b>
<b>Increase (decrease) in operating liabilities</b>			
Other current payables	(48)	144	(174)
Provisions for employee benefits	(50)	(58)	(35)
Other liabilities	32	(63)	(99)
<b>Net increase (decrease) in operating liabilities</b>	<b>(66)</b>	<b>23</b>	<b>(308)</b>
<b>Net cash flows generated from operations</b>	<b>2,374</b>	<b>2,767</b>	<b>2,749</b>
Income tax received (paid)	(311)	623	(336)
<b>Net cash flows provided by operating activities</b>	<b>2,063</b>	<b>3,390</b>	<b>2,413</b>

Note: The figures for year 2016 are reclassified.



**THE SIAM CEMENT PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016**

	in million Baht		
	2018	2017	2016
<b>Cash flows from investing activities</b>			
Investments in associates, subsidiaries and other companies	(4,571)	(9,433)	(13,345)
Proceeds from sales of investments	48,913	27,798	40,042
Current investments	(52,343)	(22,711)	(29,923)
Investments held as available for sale	(2,616)	(2,027)	(2,558)
Acquisition of property, plant and equipment, and intangible assets	(554)	(519)	(532)
Proceeds from repayment of loans to (loans to) related parties	(10,972)	7,372	10,725
Dividends received	24,886	22,865	24,063
Interest received	4,120	4,239	4,684
Income tax paid from sales of investments	-	(683)	-
<b>Net cash flows provided by investing activities</b>	<b>6,863</b>	<b>26,901</b>	<b>33,156</b>
<b>Cash flows from financing activities</b>			
<b>Proceeds from (payments of) borrowings</b>			
Proceeds from (payments of) short-term borrowings from related parties	2,028	(283)	2,530
Proceeds from issuance of debentures	40,000	60,000	50,000
Redemption of debentures	(40,000)	(45,000)	(50,000)
<b>Net increase in borrowings</b>	<b>2,028</b>	<b>14,717</b>	<b>2,530</b>
Dividends paid	(22,800)	(22,800)	(20,398)
Interest paid	(6,061)	(6,067)	(6,602)
<b>Net cash flows used in financing activities</b>	<b>(26,833)</b>	<b>(14,150)</b>	<b>(24,470)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(17,907)</b>	<b>16,141</b>	<b>11,099</b>
Cash and cash equivalents at beginning of the year	32,035	15,894	4,795
<b>Cash and cash equivalents at end of the year</b>	<b>14,128</b>	<b>32,035</b>	<b>15,894</b>

Note: The figures for year 2016 are reclassified.

## FINANCIAL RATIOS OF THE SIAM CEMENT PUBLIC COMPANY LIMITED

		Financial Statements		
		2018	2017	2016
<b><u>LIQUIDITY RATIO</u></b>				
Current Ratio	(Times)	3.29	2.85	2.49
Quick Ratio	(Times)	0.70	0.84	0.48
Cash Flow Liquidity	(Times)	0.05	0.07	0.04
<b><u>PROFITABILITY RATIO</u></b>				
Net Profit Margin	(%)	72.17	71.29	72.33
Return on Equity	(%)	25.77	25.98	27.59
<b><u>EFFICIENCY RATIO</u></b>				
Return on Total Assets	(%)	8.48	8.75	9.41
Assets Turnover	(Times)	0.12	0.12	0.13
<b><u>FINANCIAL POLICY RATIO</u></b>				
Debt to Equity Ratio	(Times)	2.03	2.04	1.89
Interest Coverage Ratio	(Times)	1.02	1.11	1.13
Net debt to Ebitda	(Times)	1.68	1.55	1.32
Current Interest-bearing Debt to				
Total Interest-bearing Debt	(Times)	0.21	0.25	0.30
Borrowings from financial institutions to Debt*	(Times)	-	-	-
B/E to Interest-bearing Debt**	(Times)	-	-	-
Dividend Payout Ratio	(%)	88.32	93.30	90.38

Note:

\* The Company has no borrowing from financial institutions.

\*\* The Company has no bill of exchange (B/E).

## 14. Management Discussion and Analysis

### Operating Results and Financial Status

#### Business Overviews

SCG's revenue from sales increased due to higher sales volume in every Business Unit, while Profit for the year decreased mainly from higher feedstock costs of Chemicals Business following the oil price in the global market and lower equity income from associated companies.

In 2018, SCG's revenue from sales increased 6% from the previous year to 478,438 Million Baht, due to higher sales volume in every Business Unit. While EBITDA decreased 15% from the previous year to 86,641 Million Baht and Profit for the year registered 44,748 Million Baht a decrease of 19% from the previous year, following the lower chemicals earnings and the asset impairments in Cement-Building Materials business.

In 2018, SCG's gross profit margin was 19.9%, a decrease of 2.7% from the previous year. SCG's net profit margin was 8.9%, a decrease of 2.5% from the previous year and SCG's return on equity was 16.6%, a decrease of 5.3% from the previous year.

Share of profit of associates and joint ventures for 2018 amounted to 15,047 Million Baht, a decrease of 3,165 Million Baht from the previous year with details as follows:

- Chemicals associates: Share of profit amounted to 11,183 Million Baht, decreased 3,643 Million Baht from the previous year.
- Other associates: Share of profit amounted to 3,864 Million Baht, increased 478 Million Baht from the previous year.

Total dividends received in 2018 was 13,668 Million Baht, an decrease of 26% from the previous year or 4,729 Million Baht, details as follows: a) 11,189 Million Baht from "Associated" companies (20%-50% stake), and b) 2,479 Million Baht from "Other" companies (less than 20% stake).

Continued solid financials, with cash and cash under management amounted to 57,937 Million Baht as at December 31, 2018, while amounted 64,129 Million Baht as at December 31, 2017, despite the CAPEX and Investments of 45,817 Million Baht.

### Operating Results of Strategic Business Segments

#### **Cement-Building Materials Business**

In 2018, revenue from sales increased 4% from the previous year to 182,952 Million Baht, with the operational expansion of Thailand and international. EBITDA slightly decreased 1% from the previous year to 21,244 Million Baht and Profit for the year declined 7% from the previous year to 5,984 Million Baht, mainly from the asset impairments in the Q3/18.

Year 2018 witnessed several challenges in business operations as the result of the rapidly changing external environment. These include the more highly intense market competition compared to the previous year, the volatile global economy, the escalating us-China trade war over tariffs against each other, Chinese manufacturers advancing into ASEAN markets, and the changing needs of home owners towards

purchasing building materials from distributor outlets that offer a wider array of products and integrated services.

Domestic demand for cement in 2018 rose when compared to the previous year, largely came from government investment projects. Likewise, demand for cement in ASEAN recorded moderate growth, fueled by government infrastructure projects.

Focused on offering products and services that satisfy the latent needs of customers in each market along with developing a new construction solution business for customers and driving development of products that address home building needs, both interior and exterior, to ensure maximum safety, comfort, and well-being. On top of this was implementing digital-enabled technologies to allow for borderless customer base expansion and adopting robots and automation in multiple production processes to substitute human resources, which help enhance safety and work efficiency.

### **Chemicals Business**

In 2018, revenue from sales increased 7% from the previous year to 221,538 Million Baht on higher product prices and sales volume. However, EBITDA dropped 28% from the previous year to 46,117 Million Baht while Profit for the year declined by 29% from the previous year to 29,166 Million Baht due to higher feedstock costs and lower equity income from associated companies.

The price of Naphtha, the main feedstock, increased 24% from the previous year following crude oil price uptrend due to OPEC's production cut and concerns amid us sanctions on Iranian exports. Although, overall demand for petrochemical industry continued to grow in 2018, global economic conditions were affected by uncertainties such as the us-China trade war, resulting in world market prices fluctuation. The gaps of product price and raw material for Polypropylene (PP) and PVC slightly declined, while that of Polyethylene (PE) increased compared to the previous year. Chemicals Business continues to focus on research and development, creating high value-added products and services in order to reduce the impact from market volatility, and capacity expansion projects in ASEAN in response to the growing demand in the region.

### **Packaging Business**

In 2018, revenue from sales increased 7% from the previous year to 87,255 Million Baht and EBITDA increased 20% from the previous year to 14,866 Million Baht. Similarly, Profit for the year increased 36% from the previous year to 6,319 Million Baht mainly from enhanced margin and cost saving initiatives.

- **Packaging Chain:** Total sales volume grew 1% compared to the previous year due to improved export sales, especially to the ASEAN which saw demand grow 5% from 2017.
- **Fibrous Chain:** Total sales volume of printing and writing paper dropped 4% compared to 2017, mainly due to a steady decline in domestic sales, particularly from Publication and Commercial segment.

Domestic demand for paper packaging and corrugated containers continued to increase especially in the first nine months of 2018. However, the US-China trade war became intense and finally impacted in the

fourth quarter, leading to a soften of demand which resulted in an increased of 3% y-o-y. Moreover, the ongoing US-China trade war may cause some manufacturers of paper packaging and corrugated containers to move their production bases in or out of the region.

Domestic demand for printing and writing paper dropped continuously in 2018 mainly due to printed media being edged out by digital media, especially Publication and Commercials segment. Meanwhile, imports of coated paper and copy paper decreased y-o-y. On the contrary, pulp capacity in global market remained stable while demand for pulp grow moderately, causing a steady pulp.

## Financial Status

### Assets

**Continued solid financials, with cash and cash under management of 57,937 Million Baht.**

Total assets of SCG as at December 31, 2018 was 589,787 Million Baht, with an increase of 3% from the previous year. Key components of total assets were property, plant and equipment at 42%, current assets at 30% and investments at 19%. Ranking of asset values by business segments are Cement-Building Materials Business, Chemicals Business, and Packaging Business, respectively.

**Current assets:** amounted to 177,271 Million Baht as at December 31, 2018, with an increase of 3% from the previous year, comprising largely of trade and other current receivables, inventories, cash and cash equivalents, and current investments. At December 31, 2018, SCG's working capital was 76,687 Million Baht with working capital days at 57 days.

**Cash and cash under management:** amounted to 57,937 Million Baht as at December 31, 2018, decreased 6,192 Million Baht from the previous year, with CAPEX and investments of 45,817 Million Baht during the year.

**Investments in associates and joint ventures:** amounted to 99,377 Million Baht as at December 31, 2018, an increase of 1,046 Million Baht or 1% from the previous year with the following reasons:

- Increased from share of net profit of investments using equity method amounted to 15,047 Million Baht, attributed to earnings from the chemicals associates.
- Decreased from dividends received amounted to 11,189 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:

- Increased from investments in Cement-Building Materials Business totaling 2,760 Million Baht.
- Decreased from disposals of investments in associates and joint venture in Chemicals Business totaling 4,120 Million Baht.
- Decreased from the change in status of associate to subsidiary in Chemicals Business amounted to 1,158 Million Baht.

**Property, plant and equipment:** amounted to 247,466 Million Baht as at December 31, 2018, a decrease of 1,381 Million Baht from the previous year.

#### Liabilities

**Net debt increased 2,477 Million Baht from CAPEX and Investments during the year.**

Total liabilities as at December 31, 2018 amounted to 271,918 Million Baht, close to the previous year. During the year, SCG had issued new debentures totaling 40,000 Million Baht to replace the matured debentures of 40,000 Million Baht. Finance costs were 6,836 Million Baht, a decrease of 276 Million Baht from the previous year.

Net debt (interest-bearing debt less cash and cash under management) of SCG as at December 31, 2018 increased 2,477 Million Baht from the previous year to 147,511 Million Baht. EBITDA generation of 86,641 Million Baht while significant cash outflow during 2018 amounted to 89,909 Million Baht, comprising CAPEX and investments of 45,817 Million Baht mainly from the petrochemicals project in Vietnam, dividend payments of 30,225 Million Baht, interest payment of 7,027 Million Baht and corporate tax of 6,840 Million Baht.

At the end of year 2018, SCG had commitments and contingent liabilities that had been disclosed in note 35 to the financial statements pages 245-246 of the Annual Report 2018. 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.

Shareholders' equity as at December 31, 2018 amounted to 317,869 Million Baht, comprising Equity attributable to owners of the parent of 277,097 Million Baht, book value 230.9 Baht per share, and Non-controlling interests of 40,772 Million Baht.

#### 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, 2018, the outstanding overdue amounts of accounts receivable have credit bank guarantees amounting to 1,008 Million Baht (2017: 823 Million Baht) as disclosed in note 6 to the financial statements pages 207 of the Annual Report 2018.

In 2018, SCG doesn't have significant deteriorated or obsolete inventories and impairment of investments as disclosed in note 7 and note 9 to the financial statements pages 208 and pages 210-213 of the Annual Report 2018 respectively.

**Goodwill and intangible assets:** In the third quarter of 2018, the Group has recognized the impairment loss on goodwill of an investment in subsidiaries of Cement-Building Materials Business of 815 Million Baht, which is included in administrative expenses in the consolidated income statement as disclosed in note 14 to the financial statements pages 218 of the Annual Report 2018.

### Liquidity and Adequacy of Capital

At the end of year 2018, SCG had cash and cash equivalents amounted 28,789 Million Baht, an decrease of 15,148 Million Baht from previous year. As a consequence of cash flows provided by operating activities amounted 61,687 Million Baht. Meanwhile, cash flows used in investing activities amounted to 31,576 Million Baht mainly from the CAPEX and investment activities. Moreover, cash flows used in financing activities was 44,985 Million Baht mainly from dividend payment.

Regarding the liquidity ratios, SCG registered a current ratio of 1.6 times while the cash flow liquidity was 0.6 times. SCG's Cash Cycle was 28 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 8,734 Million Baht as disclosed in note 17 to the financial statements pages 221 of the Annual Report 2018.

### Financial Ratios

**SCG's financial ratios remain solid.**

In 2018, current ratio registered 1.6 times increased from 1.5 times in the previous year and net debt to EBITDA ratio registered 1.7 times increased from 1.4 times in the previous year. At the end of 2018, debt to equity ratio remained at 0.9 times.

In 2018, SCG's gross profit margin was 19.9%, a decrease of 2.7% from the previous year. SCG's net profit margin was 8.9%, a decrease of 2.5% from the previous year. SCG's return on equity was 16.6%, a decrease of 5.3% from the previous year. SCG's return on total assets was 7.7%, a decrease of 2.2% from the previous year. And SCG's return on fixed assets was 27.1.2%, a decrease of 4.1% from the previous year.

From the financial position and performance of 2018, the Board of Directors considered proposing the Annual General Meeting of Shareholders for approval of 2018 dividend payment of 18.00 Baht per share, representing a dividend payout ratio of 48% of consolidated profit for the year. SCG has already paid an interim dividend of 8.50 Baht per share on August 22, 2018. The final dividend will be paid at the amount of 9.50 Baht per share on April 19, 2019.

### CAPEX & Investment

In 2018, CAPEX & Investment amounted to 45,817 Million Baht, of which 55% was from Chemicals Business, 25% from Cement-Building Materials Business, 17% from Packaging Business and 3% from others. The expected FY2019 CAPEX & Investment will increase up to +60,000 MB mainly from ongoing Petrochemicals Complex construction in Vietnam, brownfield expansions, and other efficiency and maintenance projects.

### R&D Spending and Innovation Development

In 2018, SCG invested 4,674 Million Baht in R&D, representing 1.0% 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 puts 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 Fund of Funds and potential startups domestically and globally in order to enhance competitive advantages through digital technology and deep technology such as advanced materials, smart living, and industry 4.0. In 2018, the company invested in 9 startups, relating to SCG's business strategy, and invested in 5 Fund of Funds. Also, the company engaged in more than 70 collaboration projects which have been working with startups for adopting new innovations and digital technologies in order to strengthen its core businesses and create new business models. SCG also initiated an Internal Startups Program for its employees to encourage and build an entrepreneurial mindset, and aim at searching for new business opportunities and potential new business models for SCG.

Examples of SCG innovation includes “ Ultra-high Performance Concrete” a high-technical performance building materials together with noble structure design for better construction solution and prolonged lifetime structure, “Multilayer Laminated: Mono Material” a recyclable plastic packaging with high strength and moisture proof, and a new super thin and high-strength High-Density Polyethylene (HDPE).

SCG also focuses on intellectual property management (IP management) in the whole process, starting from IP Creation from the early stage of R&D, IP Protection for infringement risk management, to IP Commercialization. At the end of 2018, SCG has 562 active registered patents, which include 156 invention patents, 108 petty patents, and 298 product design patents.

Continuous investment in R&D and Innovation is the key to increase SCG competitive advantages. In 2018 SCG had revenue from sales of High-Value Added (HVA) products and services amounted 184,965 Million Baht, representing 39% of total sales revenue.

#### **Factors Affecting the Future Operations**

The global economy in 2018 was volatile, particularly in the second half, as noted by the trade war, rising interest rates, political tensions in numerous countries, and oil price fluctuations brought on by trade sanctions in the middle-east. The majority of the ASEAN economies witnessed healthy economic growth in the first half of 2018, and was noted by sound economic fundamentals, investments in infrastructure projects, and the expansion export growths.

In Thailand, the economic expansion in the first half was noted by the growth in manufacturing sector. However, the second half of the year witnessed signs of emerging risks from stagnant exports to the slowdown in foreign tourist arrivals. Nevertheless, the domestic demand for construction and building materials in the second half of the year continued to see increased demand which was attributed to the Thai government's infrastructure investment projects.



In the efforts to maintain SCG's continued competitiveness, the company remains focuses on two key strategies in order to cope with future risks and uncertainty: 1) Financial Stability and 2) Long-term Growth.

SCG aims to increase its operational efficiency through investments in renewable energy. For example, the installation of floating solar farm is able to generated electrical power of 38 megawatts, allowing for decreased requirement for externally sourced by approximately 200 Million Baht per year. Furthermore, by securing the coal volume contracts, SCG is able to manage its energy costs more effectively. In terms of large investment projects, SCG has begun the construction of the Long son Petrochemicals Company Limited in Vietnam, or LSP. The total project investment value is \$5.4 billion or 173,000 Million Baht, and SCG has already secured the \$3.2 billion loan or 110,000 Million Baht with 6 domestic and foreign financial institutions on August 3, 2018. This loan will ensure that there is sufficient capital for the project's construction to continue as planned.

Circular economy: SCG places full emphasis on maximizing the utilization of resources throughout the value chain, including manufacturing, consumption and recovery. Embracing the Circular economy provides balanced business growth, while creating awareness and behavioral changes for both the company and all stakeholders alike.

SCG has also put its focus on employee's skill development program to help tackle potential challenges and work with the passion to deliver "Better solutions," according to our promise "Passion for Better."

SCG believes that effective enterprise risk Management contributes to the achievement of business goals and ensures the organization to actively manage increasingly complex and severe uncertainties. SCG also continuously promotes 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. 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, business environment risk and emerging risk had been disclosed in article 3. Risk Management pages 45-55.