

## 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 2019	Mr. Vairoj Jindamaneepitak Certified Public Accountant Registration No. 3565
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

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, 2017 - December 31, 2019, 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 2019, 2018 and 2017

in million Baht

Assets	2019	%	2018	%	2017	%
<b>Current assets</b>						
Cash and cash equivalents	27,627	4.4	28,789	4.9	43,937	7.6
Current investments	16,595	2.6	21,593	3.7	12,971	2.3
Trade and other current receivables	62,166	9.8	63,915	10.9	55,407	9.6
Short-term loans	151	0.0	169	0.0	152	0.0
Inventories	56,411	8.9	60,817	10.3	57,650	10.1
Other current assets	1,248	0.2	1,862	0.3	1,471	0.3
Non-current assets classified as held for sale	188	0.0	126	0.0	31	0.0
<b>Total current assets</b>	<b>164,386</b>	<b>25.9</b>	<b>177,271</b>	<b>30.1</b>	<b>171,619</b>	<b>29.9</b>
<b>Non-current assets</b>						
Investments held as available for sale	1,510	0.2	7,492	1.3	7,162	1.3
Investments in associates	93,175	14.7	98,316	16.6	95,346	16.6
Investments in joint ventures	1,177	0.2	1,061	0.2	2,985	0.5
Other long-term investments	4,171	0.7	3,396	0.6	2,976	0.5
Other non-current receivables	8,710	1.4	13,788	2.3	5,245	0.9
Long-term loans	93	0.0	107	0.0	123	0.0
Investment property	1,622	0.3	1,717	0.3	1,492	0.3
Property, plant and equipment	305,986	48.2	247,466	42.0	248,847	43.4
Goodwill	34,301	5.4	19,886	3.4	17,477	3.1
Other intangible assets	11,754	1.8	11,183	1.9	11,403	2.0
Deferred tax assets	4,618	0.7	5,073	0.8	6,274	1.1
Other non-current assets	3,230	0.5	3,031	0.5	2,463	0.4
<b>Total non-current assets</b>	<b>470,347</b>	<b>74.1</b>	<b>412,516</b>	<b>69.9</b>	<b>401,793</b>	<b>70.1</b>
<b>Total assets</b>	<b>634,733</b>	<b>100.0</b>	<b>589,787</b>	<b>100.0</b>	<b>573,412</b>	<b>100.0</b>

The Siam Cement Public Company Limited and its Subsidiaries

Consolidated statement of financial position

As at 31 December 2019, 2018 and 2017

in million Baht

Liabilities and shareholders' equity	2019	%	2018	%	2017	%
<b>Current liabilities</b>						
Bank overdrafts and short-term borrowings						
from financial institutions	18,797	3.0	21,752	3.7	19,586	3.4
Trade and other current payables	55,887	8.8	48,992	8.3	46,056	8.0
Current portion of long-term borrowings	2,850	0.4	679	0.1	4,787	0.8
Current portion of debentures	49,935	7.9	31,430	5.3	39,918	7.0
Short-term borrowings	470	0.1	272	0.1	197	0.0
Current income tax payable	2,190	0.3	2,399	0.4	2,955	0.6
Other current liabilities	1,376	0.2	2,276	0.4	2,508	0.4
<b>Total current liabilities</b>	<b>131,505</b>	<b>20.7</b>	<b>107,800</b>	<b>18.3</b>	<b>116,007</b>	<b>20.2</b>
<b>Non-current liabilities</b>						
Long-term borrowings	30,614	4.8	1,586	0.3	3,459	0.6
Debentures	124,748	19.7	149,729	25.4	141,216	24.6
Deferred tax liabilities	4,717	0.7	2,155	0.4	2,318	0.5
Non-current provisions for employee benefits	14,195	2.3	9,348	1.5	7,573	1.3
Other non-current liabilities	1,211	0.2	1,300	0.2	1,014	0.2
<b>Total non-current liabilities</b>	<b>175,485</b>	<b>27.7</b>	<b>164,118</b>	<b>27.8</b>	<b>155,580</b>	<b>27.2</b>
<b>Total liabilities</b>	<b>306,990</b>	<b>48.4</b>	<b>271,918</b>	<b>46.1</b>	<b>271,587</b>	<b>47.4</b>
<b>Shareholders' equity</b>						
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	1.6	10,516	1.9	10,516	2.0
Unappropriated	301,995	47.6	290,939	49.3	270,132	47.0
Other components of shareholders' equity	(33,656)	(5.3)	(25,718)	(4.4)	(20,910)	(3.7)
<b>Total equity attributable to owners of the parent</b>	<b>280,215</b>	<b>44.1</b>	<b>277,097</b>	<b>47.0</b>	<b>261,098</b>	<b>45.5</b>
Non-controlling interests	47,528	7.5	40,772	6.9	40,727	7.1
<b>Total shareholders' equity</b>	<b>327,743</b>	<b>51.6</b>	<b>317,869</b>	<b>53.9</b>	<b>301,825</b>	<b>52.6</b>
<b>Total liabilities and shareholders' equity</b>	<b>634,733</b>	<b>100.0</b>	<b>589,787</b>	<b>100.0</b>	<b>573,412</b>	<b>100.0</b>

The Siam Cement Public Company Limited and its Subsidiaries

Consolidated income statement

For the year ended 31 December 2019, 2018 and 2017

in million Baht

	2019	%	2018	%	2017	%
Revenue from sales	437,980	100.0	478,438	100.0	450,921	100.0
Cost of sales	(355,752)	(81.2)	(383,463)	(80.1)	(349,307)	(77.5)
<b>Gross profit</b>	<b>82,228</b>	<b>18.8</b>	<b>94,975</b>	<b>19.9</b>	<b>101,614</b>	<b>22.5</b>
Other income	8,847	2.0	11,823	2.4	13,316	3.0
<b>Profit before expenses</b>	<b>91,075</b>	<b>20.8</b>	<b>106,798</b>	<b>22.3</b>	<b>114,930</b>	<b>25.5</b>
Distribution costs	(22,905)	(5.2)	(23,541)	(4.9)	(23,566)	(5.2)
Administrative expenses	(31,459)	(7.2)	(31,552)	(6.6)	(29,010)	(6.4)
Employee benefit expense from the amended severance pay of the Labor Law	(2,538)	(0.6)	-	-	-	-
<b>Total expenses</b>	<b>(56,902)</b>	<b>(13.0)</b>	<b>(55,093)</b>	<b>(11.5)</b>	<b>(52,576)</b>	<b>(11.6)</b>
<b>Profit from operations</b>	<b>34,173</b>	<b>7.8</b>	<b>51,705</b>	<b>10.8</b>	<b>62,354</b>	<b>13.9</b>
Finance costs	(6,442)	(1.5)	(6,836)	(1.4)	(7,112)	(1.6)
Share of profit of associates and joint ventures	11,632	2.7	15,047	3.1	18,212	4.0
<b>Profit before income tax</b>	<b>39,363</b>	<b>9.0</b>	<b>59,916</b>	<b>12.5</b>	<b>73,454</b>	<b>16.3</b>
Tax expense	(6,167)	(1.4)	(7,269)	(1.5)	(5,694)	(1.3)
<b>Profit for the year</b>	<b>33,196</b>	<b>7.6</b>	<b>52,647</b>	<b>11.0</b>	<b>67,760</b>	<b>15.0</b>
Profit attributable to						
<b>Owners of the parent</b>	<b>32,014</b>	<b>7.3</b>	<b>44,748</b>	<b>9.3</b>	<b>55,041</b>	<b>12.2</b>
Non-controlling interests	1,182	0.3	7,899	1.7	12,719	2.8
	<b>33,196</b>	<b>7.6</b>	<b>52,647</b>	<b>11.0</b>	<b>67,760</b>	<b>15.0</b>
<b>Basic earnings per share (in Baht)</b>						
Attributable to owners of the parent	26.68		37.29		45.87	

The Siam Cement Public Company Limited and its Subsidiaries

Consolidated statement of comprehensive income

For the year ended 31 December 2019, 2018 and 2017

	in million Baht		
	2019	2018	2017
Profit for the year	33,196	52,647	67,760
Other comprehensive income			
Components of other comprehensive income			
that will be reclassified to profit or loss			
Exchange differences on translating financial statement	(7,007)	(3,124)	(8,766)
Gains (losses) on remeasuring investments held as available for sale	38	(42)	66
Reversal of remeasuring investments held as available for sale	-	-	(1,693)
Share of other comprehensive income of associates and joint ventures	(1,513)	318	(1,059)
Income tax relating to components of other comprehensive income			
that will be reclassified to profit or loss	(8)	8	326
Total components of other comprehensive income			
that will be reclassified to profit or loss	(8,490)	(2,840)	(11,126)
Components of other comprehensive income			
that will not be reclassified to profit or loss			
Defined benefit plan actuarial losses	(1,396)	(1,393)	(156)
Share of other comprehensive income of associates and joint ventures	(100)	(6)	2
Income tax relating to components of other comprehensive income			
that will not be reclassified to profit or loss	257	211	34
Total components of other comprehensive income			
that will not be reclassified to profit or loss	(1,239)	(1,188)	(120)
Other comprehensive income for the year, net of tax	(9,729)	(4,028)	(11,246)
Total comprehensive income for the year	23,467	48,619	56,514
Total comprehensive income attributable to			
Owners of the parent	23,029	41,350	45,127
Non-controlling interests	438	7,269	11,387
	23,467	48,619	56,514

The Siam Cement Public Company Limited and its Subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2019, 2018 and 2017

	in million Baht		
	2019	2018	2017
<b>Cash flows from operating activities</b>			
Profit for the year	33,196	52,647	67,760
<i>Adjustments for</i>			
Tax expense	6,167	7,269	5,694
Depreciation and amortization	23,932	23,747	23,282
Loss on inventories devaluation	255	289	73
Employee benefit expense	4,478	1,261	896
Unrealized gain on foreign currency exchange	(119)	(33)	(85)
Share of profit of associates and joint ventures	(11,632)	(15,047)	(18,212)
Dividend income	(1,890)	(2,479)	(1,952)
Interest income	(937)	(956)	(811)
Interest expense	6,466	6,601	6,874
Loss on impairment of assets	853	1,509	553
Loss (gain) on sales of investments and others	669	(2,588)	(4,284)
<b>Cash flows generated from operations</b>			
before changes in operating assets and liabilities	61,438	72,220	79,788
<b>Decrease (increase) in operating assets</b>			
Trade and other current receivables	5,975	(2,760)	(6,667)
Inventories	6,325	(3,039)	(4,875)
Other assets	404	(166)	56
<b>Net decrease (increase) in operating assets</b>	12,704	(5,965)	(11,486)

The Siam Cement Public Company Limited and its Subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2019, 2018 and 2017

	in million Baht		
	2019	2018	2017
<i><b>Increase (decrease) in operating liabilities</b></i>			
Trade and other current payables	(6,429)	2,281	(1,507)
Provisions for employee benefits	(1,111)	(782)	(603)
Other liabilities	(665)	485	253
<b>Net increase (decrease) in operating liabilities</b>	<b>(8,205)</b>	<b>1,984</b>	<b>(1,857)</b>
<b>Net cash flows generated from operations</b>	<b>65,937</b>	<b>68,239</b>	<b>66,445</b>
Income tax paid	(6,121)	(6,552)	(5,753)
<b>Net cash flows provided by operating activities</b>	<b>59,816</b>	<b>61,687</b>	<b>60,692</b>
<i><b>Cash flows from investing activities</b></i>			
Proceeds from sales of subsidiaries	180	1,141	-
Acquisition of subsidiaries, net of cash acquired	(24,469)	(3,844)	(4,364)
Investments in associates and joint ventures	(1,648)	(2,779)	(4,061)
Proceeds from sales of investments	62,049	51,790	30,802
Current investments	(42,092)	(55,068)	(19,438)
Investments held as available for sale and other long-term investments	(7,614)	(3,035)	(2,137)
Proceeds from sales of property, plant and equipments	655	621	1,399
Acquisition of property, plant and equipment	(48,057)	(33,591)	(22,396)
Acquisition of intangible assets	(1,358)	(982)	(3,312)
Proceeds from (payment of) repayment of loans	26	(4)	23
Dividends received	16,213	13,611	18,329
Interest received	1,061	852	846
Income tax paid from sales of investments	-	(288)	(813)
<b>Net cash flows used in investing activities</b>	<b>(45,054)</b>	<b>(31,576)</b>	<b>(5,122)</b>



The Siam Cement Public Company Limited and its Subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2019, 2018 and 2017

	in million Baht		
	2019	2018	2017
<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	467	377	154
Payments of changes in ownership interests in subsidiaries			
that do not result in a loss of control	(234)	(4,203)	(3,352)
<b><i>Proceeds from (payments of) borrowings</i></b>			
Proceeds from (payments of) bank overdrafts and short-term borrowings	(5,486)	2,118	2,726
Proceeds from long-term borrowings	26,794	448	962
Payments of long-term borrowings	(2,090)	(6,322)	(12,132)
Payments of finance lease liabilities	(118)	(177)	(160)
Proceeds from issuance of debentures	24,905	39,913	59,950
Redemption of debentures	(31,382)	(39,888)	(44,929)
<b>Net increase (decrease) in borrowings</b>	<b>12,623</b>	<b>(3,908)</b>	<b>6,417</b>
<b>Dividends paid</b>			
Dividends paid to owners of the parent	(19,799)	(22,800)	(22,800)
Dividends paid to non-controlling interests	(973)	(7,425)	(11,585)
<b>Total dividends paid</b>	<b>(20,772)</b>	<b>(30,225)</b>	<b>(34,385)</b>
Interest paid and front-end fee	(7,366)	(7,027)	(7,534)
<b>Net cash flows used in financing activities</b>	<b>(15,282)</b>	<b>(44,986)</b>	<b>(38,700)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(520)</b>	<b>(14,875)</b>	<b>16,870</b>
Effect of exchange rate changes on cash and cash equivalents	(642)	(273)	(642)
Cash and cash equivalents at beginning of the year	28,789	43,937	27,709
<b>Cash and cash equivalents at end of the year</b>	<b>27,627</b>	<b>28,789</b>	<b>43,937</b>

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

		Consolidated Financial Statements		
		2019	2018	2017
<b>Liquidity Ratio</b>				
Current Ratio	(Times)	1.25	1.64	1.48
Quick Ratio	(Times)	0.67	0.92	0.89
Cash Flow Liquidity	(Times)	0.50	0.55	0.52
Accounts Receivable Turnover	(Times)	9.27	9.83	10.06
Collection Period	(Days)	39	37	36
Inventory Turnover	(Times)	16.29	17.43	16.36
Inventory Turnover Period	(Days)	22	21	22
Accounts Payable Turnover	(Times)	11.48	12.09	11.15
Payment Period	(Days)	31	30	32
Cash Cycle	(Days)	30	28	26
<b>Profitability Ratio</b>				
Gross Profit Margin	(%)	18.77	19.85	22.53
Net Profit Margin	(%)	6.98	8.86	11.41
Return on Equity	(%)	11.49	16.63	21.97
<b>Efficiency Ratio</b>				
Return on Total Assets	(%)	5.23	7.69	9.89
Return on Fixed Assets	(%)	19.70	27.05	31.21
Assets Turnover	(Times)	0.75	0.87	0.87
<b>Financial Policy Ratio</b>				
Debt to Equity Ratio	(Times)	0.94	0.86	0.90
Interest Coverage Ratio	(Times)	10.24	9.98	9.34
Cash Flow Adequacy	(Times)	0.92	0.78	0.94
Net debt to Ebitda	(Times)	2.42	1.70	1.42
Current Interest-bearing Debt to				
Total Interest-bearing Debt	(Times)	0.32	0.26	0.31
Borrowings from financial institutions to Debt	(Times)	0.17	0.09	0.10
B/E to Interest-bearing Debt*	(Times)	-	-	-
Dividend Payout Ratio	(%)	52.48	48.27	41.42

\* 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

Statement Of Financial Position

As at 31 December 2019, 2018 and 2017

in million Baht

Assets	2019	%	2018	%	2017	%
<b>Current assets</b>						
Cash and cash equivalents	11,691	4.1	14,128	4.9	32,035	11.2
Current investments	9,437	3.3	15,271	5.3	9,429	3.3
Other current receivables	1,578	0.6	1,910	0.7	2,267	0.8
Short-term loans	114,661	40.5	106,722	36.8	95,749	33.4
Other current assets	207	0.1	572	0.2	232	0.1
<b>Total current assets</b>	<b>137,574</b>	<b>48.6</b>	<b>138,603</b>	<b>47.9</b>	<b>139,712</b>	<b>48.8</b>
<b>Non-current assets</b>						
Investments held as available for sale	1,508	0.6	7,490	2.5	7,158	2.4
Investments in associates	373	0.1	373	0.1	373	0.1
Investments in subsidiaries	133,048	47.0	132,752	45.8	128,182	44.7
Other long-term investments	3,030	1.1	3,030	1.0	3,030	1.1
Investment property	1,904	0.7	1,916	0.7	1,927	0.7
Property, plant and equipment	2,584	0.9	2,861	1.0	3,166	1.1
Other intangible assets	2,287	0.8	2,270	0.8	2,613	0.9
Deferred tax assets	333	0.1	361	0.1	228	0.1
Other non-current assets	350	0.1	266	0.1	262	0.1
<b>Total non-current assets</b>	<b>145,417</b>	<b>51.4</b>	<b>151,319</b>	<b>52.1</b>	<b>146,939</b>	<b>51.2</b>
<b>Total assets</b>	<b>282,991</b>	<b>100.0</b>	<b>289,922</b>	<b>100.0</b>	<b>286,651</b>	<b>100.0</b>

The Siam Cement Public Company Limited  
Statement Of Financial Position  
As at 31 December 2019, 2018 and 2017

	in million Baht					
Liabilities and shareholders' equity	2019	%	2018	%	2017	%
<b>Current liabilities</b>						
Other current payables	861	0.3	812	0.3	1,172	0.4
Accrued interest expense	1,283	0.5	1,385	0.5	1,468	0.5
Current portion of debentures	50,000	17.7	31,500	10.9	40,000	14.0
Short-term borrowings	6,569	2.3	8,403	2.9	6,375	2.2
Other current liabilities	75	-	77	-	73	-
<b>Total current liabilities</b>	<b>58,788</b>	<b>20.8</b>	<b>42,177</b>	<b>14.6</b>	<b>49,088</b>	<b>17.1</b>
<b>Non-current liabilities</b>						
Debentures	125,000	44.2	150,000	51.7	141,500	49.4
Non-current provisions for employee benefits	1,205	0.4	825	0.3	701	0.2
Other non-current liabilities	1,306	0.4	1,238	0.4	1,216	0.4
<b>Total non-current liabilities</b>	<b>127,511</b>	<b>45.0</b>	<b>152,063</b>	<b>52.4</b>	<b>143,417</b>	<b>50.0</b>
<b>Total liabilities</b>	<b>186,299</b>	<b>65.8</b>	<b>194,240</b>	<b>67.0</b>	<b>192,505</b>	<b>67.1</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	3.7	10,516	3.6	10,516	3.7
Unappropriated	84,784	30.0	83,804	28.9	82,235	28.7
Other components of shareholders' equity	32	-	2	-	35	-
<b>Total shareholders' equity</b>	<b>96,692</b>	<b>34.2</b>	<b>95,682</b>	<b>33.0</b>	<b>94,146</b>	<b>32.9</b>
<b>Total liabilities and shareholders' equity</b>	<b>282,991</b>	<b>100.0</b>	<b>289,922</b>	<b>100.0</b>	<b>286,651</b>	<b>100.0</b>

The Siam Cement Public Company Limited

Income Statement

For the years ended 31 December 2019, 2018 and 2017

in million Baht

	2019	%	2018	%	2017	%
<b>Revenues</b>						
Dividend income	20,303	69.6	24,907	73.5	22,876	66.7
Intellectual property income	2,704	9.3	2,553	7.5	2,744	8.0
Management fees for administration and service income	5,706	19.5	5,715	16.9	6,096	17.8
Other income	461	1.6	712	2.1	2,559	7.5
<b>Total revenues</b>	<b>29,174</b>	<b>100.0</b>	<b>33,887</b>	<b>100.0</b>	<b>34,275</b>	<b>100.0</b>
<b>Expenses</b>						
Administrative expenses	(6,300)	(21.6)	(7,205)	(21.2)	(7,006)	(20.5)
Employee benefit expenses from the amended severance pay of the Labor Law	(266)	(0.9)	-	-	-	-
Finance costs	(1,559)	(5.3)	(2,329)	(6.9)	(2,484)	(7.2)
<b>Total expenses</b>	<b>(8,125)</b>	<b>(27.8)</b>	<b>(9,534)</b>	<b>(28.1)</b>	<b>(9,490)</b>	<b>(27.7)</b>
<b>Profit before income tax</b>	<b>21,049</b>	<b>72.2</b>	<b>24,353</b>	<b>71.9</b>	<b>24,785</b>	<b>72.3</b>
Tax income (expense)	(174)	(0.6)	103	0.3	(349)	(1.0)
<b>Profit for the year</b>	<b>20,875</b>	<b>71.6</b>	<b>24,456</b>	<b>72.2</b>	<b>24,436</b>	<b>71.3</b>
<b>Basic earnings per share (in Baht)</b>	<b>17.40</b>		<b>20.38</b>		<b>20.36</b>	

The Siam Cement Public Company Limited  
Statement of comprehensive income  
For the years ended 31 December 2019, 2018 and 2017

	in million Baht		
	2019	2018	2017
Profit for the year	20,875	24,456	24,436
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	38	(42)	66
Reversal of remeasuring investments held as available for sale	-	-	(1,831)
Income tax relating to components of other comprehensive			
income that will be reclassified to profit or loss	(8)	8	353
Total components of other comprehensive income			
that will be reclassified to profit or loss	30	(34)	(1,412)
Components of other comprehensive income			
that will not be reclassified to profit or loss			
Defined benefit plan actuarial losses	(120)	(108)	(14)
Income tax relating to components of other comprehensive			
income that will not be reclassified to profit or loss	24	21	3
Total components of other comprehensive income			
that will not be reclassified to profit or loss	(96)	(87)	(11)
Other comprehensive income for the year, net of tax	(66)	(121)	(1,423)
Total comprehensive income for the year	20,809	24,335	23,013

The Siam Cement Public Company Limited

Statement of cash flows

For the years ended 31 December 2019, 2018 and 2017

	in million Baht		
	2019	2018	2017
<b>Cash flows from operating activities</b>			
Profit for the year	20,875	24,456	24,436
<b>Adjustments for</b>			
Tax expense (income)	174	(103)	349
Depreciation and amortization	730	871	843
Employee benefit expense	378	60	61
Unrealized loss (gain) on foreign currency exchange	(10)	3	15
Dividend income	(20,303)	(24,907)	(22,876)
Interest income	(4,479)	(4,147)	(4,173)
Interest expense	5,700	5,981	6,098
Gain on sales of investments and others	(13)	(138)	(1,964)
<b>Cash flows generated from operations</b>			
before changes in operating assets and liabilities	3,052	2,076	2,789
<b>Decrease (increase) in operating assets</b>			
Other current receivables	236	397	(54)
Other assets	3	(33)	9
<b>Net decrease (increase) in operating assets</b>	239	364	(45)
<b>Increase (decrease) in operating liabilities</b>			
Other current payables	(20)	(48)	144
Provisions for employee benefits	(95)	(50)	(58)
Other liabilities	(119)	32	(63)
<b>Net increase (decrease) in operating liabilities</b>	(234)	(66)	23
<b>Net cash flows generated from operations</b>	3,057	2,374	2,767
Income tax received (paid)	(108)	(311)	623
<b>Net cash flows provided by operating activities</b>	2,949	2,063	3,390



The Siam Cement Public Company Limited

Statement of cash flows

For the years ended 31 December 2019, 2018 and 2017

	in million Baht		
	2019	2018	2017
<b>Cash flows from investing activities</b>			
Investments in subsidiaries	(296)	(4,571)	(9,433)
Proceeds from sales of investments	59,207	48,913	27,798
Current investments	(40,189)	(52,343)	(22,711)
Investments held as available for sale	(6,826)	(2,616)	(2,027)
Acquisition of property, plant and equipment, and intangible assets	(257)	(554)	(519)
Proceeds from repayment of loans to (loans to) related parties	(7,939)	(10,972)	7,372
Dividends received	20,305	24,886	22,865
Interest received	4,545	4,120	4,239
Income tax paid from sales of investments	-	-	(683)
<b>Net cash flows provided by investing activities</b>	<b>28,550</b>	<b>6,863</b>	<b>26,901</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	(1,834)	2,028	(283)
Proceeds from issuance of debentures	25,000	40,000	60,000
Redemption of debentures	(31,500)	(40,000)	(45,000)
<b>Net increase (decrease) in borrowings</b>	<b>(8,334)</b>	<b>2,028</b>	<b>14,717</b>
Dividends paid	(19,799)	(22,800)	(22,800)
Interest paid	(5,803)	(6,061)	(6,067)
<b>Net cash flows used in financing activities</b>	<b>(33,936)</b>	<b>(26,833)</b>	<b>(14,150)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,437)</b>	<b>(17,907)</b>	<b>16,141</b>
Cash and cash equivalents at beginning of the year	14,128	32,035	15,894
<b>Cash and cash equivalents at end of the year</b>	<b>11,691</b>	<b>14,128</b>	<b>32,035</b>

### Financial ratios of The Siam Cement Public Company Limited

		Financial Statements		
		2019	2018	2017
<b>Liquidity Ratio</b>				
Current Ratio	(Times)	2.34	3.29	2.85
Quick Ratio	(Times)	0.36	0.70	0.84
Cash Flow Liquidity	(Times)	0.06	0.05	0.07
<b>Profitability Ratio</b>				
Net Profit Margin	(%)	71.55	72.17	71.29
Return on Equity	(%)	21.70	25.77	25.98
<b>Efficiency Ratio</b>				
Return on Total Assets	(%)	7.29	8.48	8.75
Assets Turnover	(Times)	0.10	0.12	0.12
<b>Financial Policy Ratio</b>				
Debt to Equity Ratio	(Times)	1.93	2.03	2.04
Interest Coverage Ratio	(Times)	1.96	1.02	1.11
Net debt to Ebitda	(Times)	1.90	1.68	1.55
Current Interest-bearing Debt to				
Total Interest-bearing Debt	(Times)	0.31	0.21	0.25
Borrowings from financial institutions to Debt*	(Times)	-	-	-
B/E to Interest-bearing Debt**	(Times)	-	-	-
Dividend Payout Ratio	(%)	80.48	88.32	93.30

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 decreased mainly from lower chemicals product prices and profit for the year also decreased mainly due to the decline in performance from the Chemicals business in light of continued trade war concerns and market volatility which resulted in decreased margins.

In 2019, SCG's revenue from sales decreased 8% from the previous year to 437,980 Million Baht, due to the aforementioned drop in Chemical prices. While EBITDA decreased 13% from the previous year to 74,960 Million Baht attributed to the lower chemicals earnings which outweighed EBITDA improvements seen at both, the Cement-Building Materials and Packaging businesses. Profit for the year registered 32,014 Million Baht a decrease of 28% from the previous year and profit before recognition of severance pay adjustment registered at 34,049 Million Baht a decrease of 24% from the previous year.

In 2019, SCG's gross profit margin was 18.8%, a decrease of 1.1% from the previous year. SCG's net profit margin was 7.0%, a decrease of 1.9% from the previous year and SCG's return on equity was 11.5%, a decrease of 5.1% from the previous year.

Share of profit of associates and joint ventures for 2019 amounted to 11,632 Million Baht, a decrease of 3,415 Million Baht from the previous year with details as follows:

- Chemicals associates: Share of profit amounted to 7,225 Million Baht, decreased 3,958 Million Baht from the previous year.
- Other associates: Share of profit amounted to 4,407 Million Baht, increased 543 Million Baht from the previous year.

Total dividends received in 2019 was 16,208 Million Baht, an increase of 19% from the previous year or 2,540 Million Baht, details as follows: a) 14,318 Million Baht from "Associated" companies (20%-50% stake), and b) 1,890 Million Baht from "Other" companies (less than 20% stake).

Continued solid financials, with cash and cash under management amounted to 45,729 Million Baht as at December 31, 2019, while amounted 57,937 Million Baht as at December 31, 2018, despite the CAPEX and Investments of 77,475 Million Baht.

### Operating Results of Strategic Business Segments

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

In 2019, revenue from sales increased 1% from the previous year to 184,690 Million Baht, mostly driven by the growth of distribution and retail businesses. EBITDA grew by 3% from the previous year to 20,991 Million Baht and profit for the year increased 3% from the previous year to 5,455 Million Baht. However, if we were to exclude severance pay adjustment and ceramic business restructuring expenses, EBITDA would

increase 5% from the previous year to 21,461 Million Baht and profit would increase 29% from the previous year to 6,809 Million Baht.

Cement -Building Materials Business has transformed its business model from being a “product maker” to being a creator of innovative products, services, and total solutions to elevate the home and construction industry. Chief among them are construction solutions that allow technicians and builders to work quickly, efficiently, and cost-effectively by using advanced technology ,for example, Building Information Modeling (BIM), a 3D model-based process that ensures efficient planning of the materials and construction techniques, resulting in effective budgetary control, less excess materials, and faster project completion.

Cement- Building Materials Business is also committed to providing living solutions to fulfill the application needs of homeowners to ensure superb living comfort, reduce the amount of heat inside the house, reduce energy consumption, and improve safety for home residents of all ages.

### **Chemicals Business**

In 2019, revenue from sales decreased 20% from the previous year to 177,634 Million Baht due to lower product prices. EBITDA dropped 29% from the previous year to 32,258 Million Baht and profit for the year declined by 46% from the previous year to 15,480 Million Baht as a result of lower product margins as well as lower equity income from Associates.

Chemicals Business witnessed several challenges in the previous year brought on by the global economic slowdown and new supply coming onto the market from greenfield petrochemical facilities amid weak demand. To drive sales, enabling Chemicals Business to grow robustly once more, SCG has pledged to continuously build and gain competitive advantage, repositioning itself from a maker of commodity chemicals to a supplier of high value-added products and services. Chemicals Business also strives toward becoming a Service & Solution Provider, delivering solutions that satisfy the needs of customers more promptly and that are different from competitor offerings.

### **Packaging Business**

In 2019, revenue from sales increased 2% from the previous year to 89,070 Million Baht while revenue from Integrated packaging chain grew 5% from the previous year. EBITDA increased 3% from the previous year to 15,036 Million Baht. Profit for the year dropped 13% from the previous year to 5,268 Million Baht due to lower margin of Fibrous chain, higher financial cost, and higher depreciation expense.

The accelerated growth of e-commerce and consumer products has propelled a rising demand for packaging, resulting in the Packaging Business' robust operating results, especially in ASEAN, which is one of the world's largest potential markets. To build and maintain momentum, Packaging Business has transformed itself into a Packaging Solutions Provider, offering a diverse range of products and services to integrate itself into the customer's daily life. On top of this, is to also boost sales of packaging among rapidly-growing industries and to deliver solutions that meet the special needs of customers. Examples are design and printing solutions, smart packaging solutions, and product and service solutions that are environmentally-friendly.

## Financial Status

### Assets

**Continued solid financials, with cash and cash under management of 45,729 Million Baht.**

Total assets of SCG as at December 31, 2019 was 634,733 Million Baht, with an increase of 8% from the previous year. Key components of total assets were property, plant and equipment at 48%, current assets at 26%, investments at 16% and other non-current assets at 10%. Ranking of asset values by business segments are Chemicals Business, Cement- Building Materials Business, and Packaging Business, respectively.

**Current assets:** amounted to 164,386 Million Baht as at December 31, 2019, with a decrease of 7% from the previous year, comprising largely of trade and other current receivables, inventories, cash and cash equivalents, and current investments. At December 31, 2019, SCG's working capital was 70,626 Million Baht with working capital days at 60 days.

**Cash and cash under management:** amounted to 45,729 Million Baht as at December 31, 2019, decreased 12,208 Million Baht from the previous year, with CAPEX and investments of 77,475 Million Baht during the year.

**Investments in associates and joint ventures:** amounted to 94,352 Million Baht as at December 31, 2019, a decreased of 5,024 Million Baht or 5% from the previous year with the following reasons :

- Decreased from dividends received amounted to 14,318 Million Baht mainly from the Chemicals associates' dividend income.
- Increased from share of net profit of investments using equity method amounted to 11,632 Million Baht, attributed to earnings from the Chemicals associates.

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 1,648 Million Baht.
- Decreased from disposals of investments in associates in Chemicals Business totaling 2,146 Million Baht.
- Decreased from exchange differences on translating financial statement amounted to 1,271 Million Baht.

**Property, plant and equipment:** amounted to 305,986 Million Baht as at December 31, 2019, an increase of 58,520 Million Baht from the previous year from project constructions and acquisitions in 2019.

### Liabilities

**Net debt increased 34,173 Million Baht from project constructions and acquisitions in 2019.**

Total liabilities as at December 31, 2019 amounted to 306,990 Million Baht an increase of 13% from the previous. During the year, SCG had issued new debentures totaling 25,000 Million Baht to replace the

matured debentures. Finance costs were 6,442 Million Baht, a decrease of 394 Million Baht from the previous year.

Net debt (interest-bearing debt less cash and cash under management) of SCG as at December 31, 2019 increased 34,173 Million Baht from the previous year to 181,684 Million Baht. EBITDA generation of 74,960 Million Baht while significant cash outflow during 2019 amounted to 111,734 Million Baht, comprising CAPEX and investments of 77,475 Million Baht, dividend payments of 20,772 Million Baht, interest payment of 7,366 Million Baht and corporate tax of 6,121 Million Baht.

At the end of year 2019, SCG had commitments and contingent liabilities that had been disclosed in note 34 to the financial statements pages 265-267 of the Annual Report 2019. 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, currency forward contracts, currency swap contracts, raw material and energy hedging contracts and interest rate swap contracts

Shareholders' equity as at December 31, 2019 amounted to 327,743 Million Baht, comprising Equity attributable to owners of the parent of 280,215 Million Baht, book value 233.5 Baht per share, and Non-controlling interests of 47,528 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, 2019, the outstanding overdue amounts of accounts receivable have credit bank guarantees amounting to 1,275 Million Baht (2018: 1,008 Million Baht) as disclosed in note 6 to the financial statements pages 226-227 of the Annual Report 2019.

In 2019, 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 228 and pages 230-233 of the Annual Report 2019 respectively.

#### **Liquidity and Adequacy of Capital**

At the end of year 2019, SCG had cash and cash equivalents amounted 27,627 Million Baht, an decrease of 1,162 Million Baht from previous year. As a consequence of cash flows provided by operating activities amounted 59,816 Million Baht. Meanwhile, cash flows used in investing activities amounted to 45,054 Million Baht mainly from the CAPEX and investment activities. Moreover, cash flows used in financing activities was 15,282 Million Baht mainly from dividend payment.

Regarding the liquidity ratios, SCG registered a current ratio of 1.3 times while the cash flow liquidity was 0.5 times. SCG's cash cycle was 30 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 7,975 Million Baht as disclosed in note 17 to the financial statements pages 241 of the Annual Report 2019.

### **Financial Ratios**

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

In 2019, current ratio registered 1.3 times decreased from 1.6 times in the previous year and net debt to EBITDA ratio registered 2.4 times increased from 1.7 times in the previous year. At the end of 2019, debt to equity ratio remained at 0.9 times.

In 2019, SCG's gross profit margin was 18.8%, a decrease of 1.1% from the previous year. SCG's net profit margin was 7.0%, a decrease of 1.9% from the previous year. SCG's return on equity was 11.5%, a decrease of 5.1% from the previous year. SCG's return on total assets was 5.2%, a decrease of 2.5% from the previous year. And SCG's return on fixed assets was 19.7%, a decrease of 7.4% from the previous year.

in the light of the coronavirus 2019 outbreak, the Board of Directors' meeting on March 18, 2020 resolved to postpone the 2020 Annual General Meeting of Shareholders indefinitely and cancel the meeting date and the agenda items for the 2020 Annual General Meeting of Shareholders, previously scheduled for April 1, 2020. The Board of Directors has also approved the payment of interim dividends in lieu of the payment of annual dividends it intended to propose to the 2020 Annual General Meeting of Shareholders for approval in order to diminish any impact of the indefinite postponement on the shareholders. The interim dividend payment rate of 7.00 Baht per share combined with the rate of 7.00 Baht per share for the first half of 2019, approved by the Board of Directors on July 26, 2019, will bring the total dividend payment to 14.00 Baht per share. The dividends are derived from the Company's profit in 2019, and the Board of Directors will not propose any annual dividend payment for 2019. In addition, the dividend payment of 14.00 Baht per share was 52% of profit or 49% of profit before recognition of severance pay adjustment.

### **CAPEX & Investment**

In 2019, CAPEX & Investment amounted to 77,475 Million Baht, of which 43% was from Packaging Business, 42% from Chemicals Business, 13% from Cement-Building Materials Business, and 2% from others. FY2020 CAPEX & Investment are expected to be 60,000 – 70,000 MB, consisting mainly of committed Petrochemicals Complex construction in Vietnam, brownfield expansions, and other efficiency and maintenance projects.

### **R&D Spending and Innovation Development**

In 2019, SCG invested 5,663 Million Baht in R&D of technology and innovation, representing 1.3% of total sales revenue. We aim to develop comprehensive 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 improving R&D of 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 in terms of Open Innovation; for example, cooperate

with Chinese Academy of Sciences – CAS in establishing “SCG-CAS ICCB Innovation Hub”. As a result, SCG is able to access World-class technology and innovation to develop product and services that promptly serve customers’ need all over ASEAN, creates more value to business along with improves quality of life for the people in the society. In the long term, this open innovation aims to strengthen the capability and enhance knowledge of innovation development SCG has been working on.

Moreover, 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 2019, the company invested in 13 startups, relating to SCG’s business strategy. Also, the company engaged in more than 22 commercial partnership projects 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 aims at searching for new business opportunities and potential new business models for SCG.

Examples of SCG innovation includes the new super thin and high strength High-Density Polyethylene (HDPE) that can withstand higher pressure, use lesser plastics materials, the “Multilayer Laminated: Mono Material” a recyclable plastic packaging with high strength and moisture proof in accordance to the Circular Economy and SCG Circular way to maximize the value of resources. For Cement-Building Materials Business, SCG is applying BIM (Building Information Modelling) Technology, to enhance the construction design quality and optimize materials usage. This is a part of the business strategy to raise overall construction standard, Including the services & solution innovations, both Construction solution and Living solution for contractors and home owners together with developing Active OMNI-Channel for integrating online and offline customer’s experience which customers can access to variety of SCG products and services at anytime, anywhere

SCG also focuses on the whole process of intellectual property management (IP management), starting from IP Creation from the early stage of R&D, IP Protection for infringement risk management, to IP Commercialization that will increase the business value of IP utilization. At the end of 2019, SCG has 749 active registered patents, which include 283 invention patents, 109 petty patents, and 357 product design patents.

Continuous investment in R&D and Innovation is the key to increase SCG competitive advantages. In 2019, SCG had revenue from sales of High-Value Added (HVA) products and services amounted 179,181 Million Baht, representing 41% of total sales revenue.

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

Transformation is the best solution in any business today in the face of unprecedented disruption in technology, changing consumer lifestyles, and the entry of new highly capable competitors from within and across industries. This has been compounded by the volatile global economy triggered by the U.S.-China trade war, conflicts in the Middle East, fluctuating world oil prices, and the depletion of natural resources due to overconsumption. Meanwhile, the Thai economy has witnessed modest growth, attributed partly to the high level of household debt, and the strong Thai baht, which continues to soar significantly more than many major currencies, putting downward pressure on the Thai export sector. The delay in the formation of the new



government and in the budget bill as well as the looming worst drought in 50 years add to the Thai economy's challenges.

Despite last year's economic instability prompted by uncontrollable external factors, SCG strives to handle the challenges via transforming its business model and human resources to enable them to understand and address customers' latent needs, create innovations, and deliver products, services, and solutions that satisfy the demand of each and every group of customers promptly. SCG believes the strategies can enhance long-term competitiveness and create sustainable growth for SCG.

SCG believes that effective enterprise risk management significantly contributes to the achievement of business goals, ensure the organizations' ability to adapt to changes, enable not only to capture business opportunities and respond to changing customer needs but also cope with uncertainties and risks that have grown increasingly complex and severe. Besides, SCG continues to raise risk management awareness throughout the organization consistently and aims for better risk management efficiency of strategy formulation, operation and decisions on new investments to create value to the organizations, shareholders, and all stakeholders. The key risks affecting the future operations such as safety health and environment risk, compliance risk, reputation risk, hazard risk, production cost risk, process risk, business environment risk and emerging risk had been disclosed in article 3. Risk Management pages 46-58.