

PART 3**Financial Statements and Operating Results****13. Significant Financial Information****(A) Report of Independent Auditor and Opinions**

Report of independent auditor certified by EY Office Limited of the Company and its subsidiaries for the years ended 31 December 2018, 2017 and 2016 was expressed an unqualified opinion on the financial position of Siam City Cement Public Company Limited and its subsidiaries and the results of operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

(B) Financial Statements

- Consolidated Statements of Financial Position
- Consolidated Income Statements and Consolidated Statements of Comprehensive Income
- Consolidated Statements of Cash Flows
- Consolidated Financial Ratios

(B) Consolidated Statements of Financial Position

(Unit : Million Baht)

| | 2018 | | 2017 | | 2016 | |
|---|---------------|-------------|---------------|-------------|---------------|-------------|
| | Amount | % | Amount | % | Amount | % |
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | 2,647 | 3% | 1,707 | 2% | 3,530 | 6% |
| Trade and other receivables | 5,433 | 7% | 5,828 | 8% | 5,216 | 8% |
| Derivative receivables | 5 | - | - | - | 84 | - |
| Inventories | 4,873 | 6% | 3,901 | 5% | 3,065 | 5% |
| Advance payments for purchases of goods | 303 | - | 334 | - | 202 | - |
| Other current assets | 361 | - | 238 | - | 398 | 1% |
| TOTAL CURRENT ASSETS | 13,622 | 16% | 12,008 | 15% | 12,495 | 20% |
| NON-CURRENT ASSETS | | | | | | |
| Restricted bank deposits | 12 | - | 13 | - | 14 | - |
| Investment in joint venture | 1,985 | 2% | 1,912 | 2% | 1,476 | 2% |
| Investments in associated companies | 2,041 | 4% | 2,030 | 3% | 1,911 | 3% |
| Other investment | - | - | - | - | - | - |
| Investment properties | 315 | - | 352 | - | - | - |
| Property, plant and equipment | 35,459 | 45% | 37,463 | 46% | 29,257 | 47% |
| Assets not used in operations | 65 | - | 61 | - | 445 | 1% |
| Goodwill | 14,585 | 19% | 15,058 | 19% | 4,137 | 7% |
| Intangible assets | 10,309 | 13% | 11,486 | 14% | 11,628 | 19% |
| Deferred tax assets | 882 | 1% | 797 | 1% | 741 | 1% |
| Other non-current assets | 288 | - | 286 | - | 241 | - |
| TOTAL NON-CURRENT ASSETS | 65,941 | 84% | 69,458 | 85% | 49,850 | 80% |
| TOTAL ASSETS | 79,563 | 100% | 81,466 | 100% | 62,345 | 100% |

(B) Consolidated Statements of Financial Position (continued)

(Unit : Million Baht)

| | 2018 | | 2017 | | 2016 | |
|---|---------------|------------|---------------|------------|---------------|------------|
| | Amount | % | Amount | % | Amount | % |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term loans from related financial institution | 160 | - | 140 | - | 10,599 | 17% |
| Bank overdrafts and short-term loans from other financial institutions | 3,968 | 5% | 4,740 | 6% | 5,861 | 10% |
| Trade and other payables | 5,626 | 7% | 4,510 | 6% | 3,949 | 7% |
| Current portion of long-term loans from related financial institution | 90 | - | 180 | - | 239 | - |
| Current portion of long-term loans from other financial institutions | 342 | - | 318 | - | 263 | - |
| Current portion of liabilities under finance lease agreements | 10 | - | 27 | - | - | - |
| Current portion of debentures | - | - | - | - | 3,999 | 7% |
| Derivative payables | 16 | - | 36 | - | 119 | - |
| Income tax payable | 613 | 1% | 685 | 1% | 801 | 1% |
| Deferred revenue | 781 | 1% | 832 | 1% | 802 | 1% |
| Accrued electricity | 254 | - | 238 | - | 278 | 1% |
| Other accrued expenses | 1,476 | 2% | 1,716 | 2% | 1,308 | 2% |
| Other current liabilities | 244 | - | 205 | - | 247 | - |
| TOTAL CURRENT LIABILITIES | 13,580 | 16% | 13,627 | 16% | 28,465 | 46% |
| NON-CURRENT LIABILITIES | | | | | | |
| Long-term loans from related financial institution - net of current portion | - | - | 90 | - | 270 | 1% |
| Long-term loans from other financial institution - net of current portion | 7,371 | 9% | 7,359 | 9% | 155 | - |
| Liabilities under finance lease agreements - net of current portion | 17 | - | 26 | - | - | - |
| Debentures | 18,966 | 24% | 18,961 | 23% | 5,988 | 10% |
| Provision for long-term employee benefits | 2,151 | 3% | 2,142 | 3% | 2,012 | 3% |
| Provision for site restoration and decommissioning costs | 128 | - | 128 | - | 70 | - |
| Deferred tax liabilities | 2,669 | 4% | 3,180 | 5% | 3,263 | 5% |
| Other non-current liabilities | 140 | - | 14 | - | 6 | - |
| TOTAL NON-CURRENT LIABILITIES | 31,442 | 40% | 31,900 | 40% | 11,764 | 19% |
| TOTAL LIABILITIES | 45,022 | 56% | 45,527 | 56% | 40,229 | 65% |

(B) Consolidated Statements of Financial Position (continued)

(Unit : Million Baht)

| | 2018 | | 2017 | | 2016 | |
|---|---------------|-------------|---------------|-------------|---------------|-------------|
| | Amount | % | Amount | % | Amount | % |
| SHAREHOLDERS' EQUITY | | | | | | |
| Share capital | | | | | | |
| Registered | | | | | | |
| 298,000,000 ordinary shares of Baht 10 each | | | | | | |
| (31 December 2016 and 2015: | | | | | | |
| 280,000,000 ordinary shares of Baht 10 each) | 2,980 | | 2,980 | | 2,800 | |
| Issued and fully paid up | | | | | | |
| 298,000,000 ordinary shares of Baht 10 each | | | | | | |
| (31 December 2016 and 2015: | | | | | | |
| 230,000,000 ordinary shares of Baht 10 each) | 2,980 | 4% | 2,980 | 4% | 2,300 | 4% |
| Share premium | 26,413 | 33% | 26,413 | 32% | 10,106 | 16% |
| Retained earnings | | | | | | |
| Appropriated - statutory reserve | 300 | - | 300 | - | 300 | - |
| Unappropriated | 8,425 | 11% | 7,768 | 10% | 9,381 | 15% |
| Other components of shareholders' equity | (5,088) | (6%) | (2,997) | (4%) | 28 | - |
| Equity attributable to owners of the Company | 33,030 | 42% | 34,464 | 42% | 22,115 | 35% |
| Non-controlling interests of the subsidiaries | 1,511 | 2% | 1,475 | 2% | 1 | - |
| TOTAL SHAREHOLDERS' EQUITY | 34,541 | 44% | 35,939 | 44% | 22,116 | 35% |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 79,563 | 100% | 81,466 | 100% | 62,345 | 100% |

(B) Consolidated Income Statements and Consolidated Statements of Comprehensive Income

(Unit : Million Baht)

| | 2018 | | 2017 | | 2016 | |
|---|---------------|-------------|---------------|-------------|---------------|-------------|
| | Amount | % | Amount | % | Amount | % |
| Revenues | | | | | | |
| Net sales and service income | 44,764 | 99% | 43,634 | 99% | 34,192 | 98% |
| Dividend income | - | - | - | - | 8 | - |
| Gain on disposal of investment | - | - | - | - | 435 | 1% |
| Gain on exchange | - | - | 50 | - | 59 | - |
| Other income | 276 | 1% | 201 | 1% | 202 | 1% |
| Total Revenues | 45,040 | 100% | 43,885 | 100% | 34,896 | 100% |
| Expenses | | | | | | |
| Cost of sales and services | 29,300 | 64% | 29,187 | 66% | 21,237 | 61% |
| Selling and distribution expenses | 8,248 | 18% | 7,470 | 17% | 6,078 | 17% |
| Administrative expenses | 2,150 | 5% | 2,461 | 6% | 1,884 | 5% |
| Loss on exchange | 62 | - | - | - | - | - |
| Other expenses | 270 | 1% | 514 | 1% | 195 | 1% |
| Total expenses | 40,030 | 88% | 39,632 | 90% | 29,394 | 84% |
| Profit before share of profit from investments in joint venture and associated companies, finance cost and income tax expenses | 5,010 | 12% | 4,253 | 10% | 5,502 | 16% |
| Share of profit from investments in joint venture and associated companies | 330 | 1% | 126 | - | 83 | - |
| Profit before finance cost and income tax expenses | 5,340 | 13% | 4,379 | 10% | 5,585 | 16% |
| Finance cost | (1,350) | (3%) | (1,295) | (3%) | (730) | (2%) |
| Profit before income tax expenses | 3,990 | 10% | 3,084 | 7% | 4,855 | 14% |
| Income tax expenses | (569) | (2%) | (852) | (2%) | (968) | (3%) |
| Profit for the year | 3,421 | 8% | 2,232 | 5% | 3,887 | 11% |
| Profit attributable to: | | | | | | |
| Equity holders of the Company | 3,022 | 7% | 1,818 | 4% | 3,887 | 11% |
| Non-controlling interests of the subsidiaries | 399 | 1% | 414 | 1% | - | - |
| | 3,421 | 8% | 2,232 | 5% | 3,887 | 11% |
| Basic earnings per share | | | | | | |
| Profit attributable to equity holders of the Company | 10.14 | | 6.59 | | 16.33 | |
| Weighted average number of ordinary shares (Million shares) | 298 | | 276 | | 238 | |

(B) Consolidated Income Statements and Consolidated Statements of Comprehensive Income (continued) (Unit : Million Baht)

| | 2018 | 2017 | 2016 |
|---|---------|---------|-------|
| Profit for the year | 3,421 | 2,232 | 3,887 |
| Other comprehensive income: | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i> | | | |
| Exchange differences on translation of financial statements in foreign currency | (2,082) | (3,179) | 20 |
| Share of other comprehensive income of associated company - exchange differences on translation of financial statements in foreign currency | (20) | (27) | (25) |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods | (2,102) | (3,206) | (5) |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i> | | | |
| Actuarial gain (loss) - net of tax | 21 | (31) | (408) |
| Share of other comprehensive income of associated companies - actuarial gain (loss) | (1) | (2) | - |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods | 20 | (33) | (408) |
| Other comprehensive income for the year | (2,082) | (3,239) | (413) |
| Total comprehensive income for the year | 1,339 | (1,007) | 3,474 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | 951 | (1,241) | 3,474 |
| Non-controlling interests of the subsidiaries | 388 | 234 | - |
| | 1,339 | (1,007) | 3,474 |

(B) Consolidated Statements of Cash Flows

(Unit : Million Baht)

| | 2018 | | 2017 | | 2016 | |
|--|--------------|-------------|--------------|-------------|--------------|-------------|
| | Amount | % | Amount | % | Amount | % |
| Cash flows from operating activities | | | | | | |
| Profit before tax | 3,990 | 100% | 3,084 | 100% | 4,855 | 100% |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: | | | | | | |
| Share of profit from investment in joint venture and associated companies | (330) | (8%) | (126) | (4%) | (83) | (2%) |
| Dividend income | - | - | - | - | (8) | - |
| Depreciation and amortization | 3,268 | 82% | 2,964 | 96% | 1,967 | 41% |
| Increase (decrease) in allowance for doubtful accounts and reduction of inventory to net realisable value | 67 | 2% | (21) | (1%) | 6 | - |
| Gain from a bargain purchase | - | - | - | - | (58) | (1%) |
| Gain on disposal of other investment | - | - | - | - | (435) | (9%) |
| Increase in allowance for impairment loss on property, plant and equipment and assets not used in operation | 2 | - | 164 | 5% | 35 | 1% |
| Loss on disposals/write-off of property, plant and equipment, assets not used in operation and intangible assets | 258 | 6% | 201 | 7% | 132 | 3% |
| Provision for long-term employee benefits and other provisions | 218 | 5% | 179 | 6% | 165 | 3% |
| Amortisation of deferred income from grants related to assets | (6) | - | - | - | - | - |
| Unrealised loss (gain) on exchange | (19) | - | (77) | (2%) | (90) | (2%) |
| Interest income | (39) | (1%) | (56) | (2%) | (44) | (1%) |
| Interest expenses | 1,212 | 30% | 1,162 | 38% | 550 | 11% |
| Profit from operating activities before changes in operating assets and liabilities | 8,623 | 216% | 7,474 | 243% | 6,992 | 144% |
| Operating assets (increase) decrease : | | | | | | |
| Trade and other receivables | 357 | 9% | (319) | (10%) | (174) | (3%) |
| Inventories | (1,002) | (25%) | (150) | (5%) | 253 | 5% |
| Advance payments for purchases of goods | 31 | 1% | (132) | (4%) | (176) | (4%) |
| Other current assets | (85) | (2%) | 270 | 9% | 178 | 4% |
| Other non-current assets | - | - | - | - | 37 | 1% |
| Operating liabilities increase (decrease) : | | | | | | |
| Trade and other payables | 1,218 | 31% | (413) | 13% | (1) | - |
| Accrued expenses and other current liabilities | (289) | (7%) | (768) | (25%) | (293) | (6%) |
| Other non-current liabilities | (2) | - | - | - | - | - |
| Provision for long-term employee benefits | (129) | (3%) | (142) | (5%) | (64) | (1%) |
| Provision for site restoration | (4) | - | (2) | - | (2) | - |
| Cash from operating activities | 8,718 | 220% | 5,818 | 190% | 6,750 | 140% |
| Cash received from interest income | 37 | 1% | 55 | 2% | 48 | 1% |
| Cash paid for interest expenses | (964) | (24%) | (857) | (28%) | (518) | (11%) |
| Cash paid for income tax | (802) | (20%) | (1,066) | (35%) | (1,106) | (23%) |
| Net cash from operating activities | 6,989 | 177% | 3,950 | 129% | 5,174 | 107% |

(B) Consolidated Statements of Cash Flows (continued)

(Unit : Million Baht)

| | 2018 | | 2017 | | 2016 | |
|--|----------------|--------------|-----------------|---------------|-----------------|---------------|
| | Amount | % | Amount | % | Amount | % |
| Cash flows from investing activities | | | | | | |
| Cash paid for investment in subsidiary and | | | | | | |
| Proceeds from sales of investment in subsidiary | | | | | | |
| Decrease in restricted bank deposits | - | - | - | - | 167 | 3% |
| Proceeds from disposal of property, plant and equipment | | | | | | |
| and assets not used in operation | 62 | 2% | 62 | 2% | 6 | - |
| Proceeds from disposals of intangible assets | - | - | - | - | - | - |
| Increase in advance payments for investments in subsidiary and | | | | | | |
| joint venture | | | | | | |
| Cash paid for business acquisition | (204) | (5%) | - | - | - | - |
| Net cash paid for acquisitions of subsidiaries | - | - | (13,441) | (436%) | (14,682) | (302%) |
| Increase in investment in joint venture | - | - | (627) | (20%) | (1,085) | (22%) |
| Increase in investment in associated company | | | | | | |
| Cash received from land deposit | 25 | 1% | - | - | - | - |
| Proceed from disposal of other investment | - | - | - | - | 590 | 12% |
| Cash received from grants related to assets | 129 | 3% | - | - | - | - |
| Acquisitions of property, plant and equipment | (2,217) | (56%) | (3,022) | (98%) | (3,244) | (67%) |
| Acquisitions of intangible assets | (237) | (6%) | (378) | (12%) | (368) | (8%) |
| Decrease (increase) in other non-current assets | (2) | - | 5 | - | 39 | 1% |
| Cash paid for liabilities in relation to acquisition of subsidiary | - | - | (3,802) | (123%) | - | - |
| Dividend received | 224 | 6% | 170 | 6% | 192 | 4% |
| De(In)crease in minority interest in consolidated sub. | | | | | | |
| Net cash used in investing activities | (2,220) | (55%) | (21,033) | (681%) | (18,385) | (379%) |
| Cash flows from financing activities | | | | | | |
| Net increase (decrease) in short-term loans from related financial | 20 | 1% | (10,459) | (339%) | 10,369 | 214% |
| Net increase (decrease) in bank overdrafts and short-term loans from | | | | | | |
| other financial institutions | (756) | (19%) | (2,391) | (78%) | 5,054 | 104% |
| Repayment of long-term loans from related financial institution | (180) | (5%) | (239) | (8%) | (500) | (10%) |
| Increase in long-term loans from other financial institution | 398 | 10% | 7,163 | 232% | - | - |
| Repayment of long-term loans from other financial institutions | (328) | (8%) | (443) | (14%) | (729) | (15%) |
| Repayment of other long-term loans | - | - | - | - | (336) | (7%) |
| Cash paid for redemption of debentures | | | | | | |
| Cash paid for liabilities under finance lease agreements | (52) | (1%) | (24) | (1%) | - | - |
| Net cash received from issuance of debentures | - | - | 12,969 | 421% | 3,990 | 82% |
| Cash paid for redemption of debentures | - | - | (4,000) | (130%) | - | - |
| Net cash received from issuance of new ordinary shares | - | - | 16,986 | 551% | - | - |
| Dividend paid | (2,737) | (69%) | (3,922) | (127%) | (3,450) | (71%) |
| Payment of long-term liabilities for concession | | | | | | |
| Cash paid for interest expenses | (212) | (5%) | (299) | (10%) | - | - |
| Cash paid for interest expenses | | | | | | |
| Net cash from (used in) financing activities | (3,847) | (96%) | 15,341 | 497% | 14,398 | 297% |
| Increase (decrease) in translation adjustments | 18 | - | (80) | (3%) | 7 | - |
| Net increase (decrease) in cash and cash equivalents | 939 | 24% | (1,822) | (59%) | 1,194 | 25% |
| Cash and cash equivalents at beginning of year | 1,707 | 42% | 3,530 | 114% | 2,329 | 48% |
| Effect of change in foreign exchange rate on cash at banks | 1 | - | (2) | - | 7 | - |
| Cash and cash equivalents at end of year | 2,647 | 66% | 1,706 | 55% | 3,530 | 73% |

(B) Consolidated Statements of Cash Flows (continued)

(Unit : Million Baht)

| | 2018 | | 2017 | | 2016 | |
|---|--------|---|--------|---|--------|---|
| | Amount | % | Amount | % | Amount | % |
| Supplemental disclosures of cash flows information : | | | | | | |
| Non-cash related transactions : | | | | | | |
| Acquisitions of equipment under finance lease agreements | 24 | | 14 | | - | |
| Payables from acquisitions of property, plant and equipment and intangible assets | 506 | | 609 | | 191 | |
| Transferred investment properties to asset held for sales | | | | | | |
| Increase in property, plant and equipment from change in provision for site restoration and decommissioning costs | 37 | | - | | - | |
| Transferred property, plant and equipment to intangible assets | 199 | | 5 | | 130 | |
| Transferred property, plant and equipment to assets not used in operations | 4 | | - | | - | |
| Transferred assets not used in operations to investment properties | - | | 352 | | - | |
| Transferred intangible assets to property, plant and equipment | 6 | | 18 | | - | |

(C) Financial Ratio of Siam City Cement Public Company Limited and its subsidiaries

| | | 2018 | 2017 | 2016 |
|---|-------|------|------|--------|
| | | Unit | | |
| Liquidity ratios | | | | |
| Current ratio | Times | 1.00 | 0.88 | 0.44 |
| Quick ratio | Times | 0.59 | 0.55 | 0.31 |
| Cash flows from operating activities to current liabilities ratio | Times | 0.51 | 0.19 | 0.89 |
| Accounts receivable turnover | Times | 7.95 | 8.45 | 8.23 |
| Days receivable outstanding | Days | 45 | 43 | 44 |
| Inventory turnover | Times | 6.68 | 8.38 | 10.60 |
| Days inventory outstanding | Days | 54 | 43 | 34 |
| Accounts payable turnover | Times | 5.78 | 6.90 | 6.89 |
| Days payable outstanding | Days | 62 | 52 | 52 |
| Profitability ratios | | | | |
| Gross profit margin | % | 35 | 33 | 38 |
| Operating profit margin | % | 12 | 10 | 15 |
| Cash flows from operating activities on net income margin | % | 231 | 217 | 133 |
| Net income margin | % | 7 | 4 | 11 |
| Return on shareholders' equity | % | 9 | 6 | 19 |
| Efficiency ratios | | | | |
| Return on assets | % | 7 | 6 | 16 |
| Return on fixed assets | % | 22 | 21 | 37 |
| Total assets turnover | Times | 0.56 | 0.61 | 1.01 |
| Financial policy ratios | | | | |
| Debt - to - equity ratio | Times | 1.30 | 1.27 | 1.82 |
| Interest coverage ratio | Times | 4.41 | 3.77 | 10.15 |
| Cash flows from operating activities to capital expenditure ratio | Times | 1.19 | 0.35 | (0.99) |

14. Management Discussion and Analysis

The following management discussion and analysis is intended to provide the reader with sufficient business insight to understand the financial position of the company and should be read in conjunction with our financial statements and the accompanying notes.

Group Performance: The SCCC Group reported a net income of 3,022 million Baht for the year 2018, an increase of 66 percent over prior year. This is primarily achieved through commercial improvements and a successful execution of business recovery plan to generate cost savings and efficiencies.

Thailand economic growth remained robust at 4.2 percent, while domestic cement demand growth was uneven as the cement consumption was sluggish during the first half but a recovery was experienced in the second half to register a moderate growth of about 3 percent for the full year 2018. Border sales to Laos and Myanmar were impacted by oversupply situation in those countries. Nonetheless, clinker export was increased to the region and China contributing to the group's profitability particularly with higher FOB prices helped by tightening supply due to Chinese government cement industrial reform policy.

The Overseas business units continued to contribute to the Group performance. Strong demand growth rates of 10 percent, 10 percent and 15 percent respectively experienced in Vietnam, Cambodia and Bangladesh cement markets. Sri Lanka cement consumption however contracted, because of political instability and disruptions from droughts and floods. However, the rise of imported raw material costs and foreign currency depreciation experienced by all the above countries neutralize the positive impact to the bottom line. Our Joint Venture in Cambodia successfully sold over 1.8 million tons of cement, which turned into a healthy foothold of 26 percent market share.

Ready-mixed concrete domestic sales volume remained steady. While production and operating costs impacted by an increase of raw material and cartage costs. Aggregate sales volume increased by 19 percent year on year driven by new production capacity added with the installation of Line 2 at Suphanburi.

Trading business reported strong performance in its first year of operation and contributed to over 3.4 billion Baht in third party sales to the Group net sales. The international trading business volume expanded through the export of clinker, import and export of mineral components and solid fuels among customers in Asia Pacific and West Africa regions.

Fiber cement and aerated concrete products business encountered weak market demand due to the delay in launching of new residential and commercial construction projects.

During the year 2018, the Group acquired a specialized industrial cleaning service business which enhanced its capability to provide a comprehensive waste management solution including industrial, chemical and mechanical cleaning services. Revenue contributed by the business unit recorded at over one billion Baht for the year.

Analysis of Financial Performance

Revenues

The Revenue from core business was uplifted by systematic management of product value proposition, product portfolio and selected segment for volume penetration. The Group managed to increase revenue by over one billion baht through the above initiatives. The Revenue from overseas business units contributed to 35 percent of the Group net sales representing a decline in the proportion partly due to stronger revenue contribution from domestic business while pricing was subdued in the overseas markets which was partly impacted by foreign currency depreciation, particularly in Sri Lanka.

Revenue Structure

(Unit : Million Baht)

| For the year ended December 31 | | | | |
|--------------------------------|--------|--------|-------|------------|
| | 2018 | 2017 | +/- | +/- (%) |
| Revenues | | | | |
| Net sales | 44,764 | 43,634 | 1,130 | 3% |
| Gain on exchange | - | 50 | (50) | (100%) |
| Other income | 276 | 201 | 75 | 37% |
| Total Revenues | 45,040 | 43,885 | 1,155 | 3% |

The Cement business segment contributed to 68 percent of the net sales while, Ready mix concrete and aggregates segment accounted for about 18 percent. Both segments are primarily serving the residential, commercial and infrastructure construction sectors. Though domestic cement consumption recorded a modest recovery of 3 percent year on year, the volume growth during the second half have been accelerating at a much higher growth rate indicating a gradual emergence of a solid demand growth cycle.

Expenses

The Expenses have been controlled despite of an increase in coal prices, oil prices and other raw material costs. The Cost of goods sold and services were kept at last years' level despite higher volume sold and the cost escalation.

(Unit : Million Baht)

| For the year ended December 31 | | | | |
|-----------------------------------|--------|--------|-------|------------|
| | 2018 | 2017 | +/- | +/- (%) |
| Expenses | | | | |
| Cost of goods sold and services | 29,300 | 29,187 | 113 | 0% |
| Selling and distribution expenses | 8,248 | 7,470 | 778 | 10% |
| Administrative expenses | 2,150 | 2,461 | (311) | (13%) |
| Loss on exchange | 62 | - | 62 | - |
| Other expenses | 270 | 514 | (244) | (47%) |
| Total expenses | 40,030 | 39,632 | 398 | 1% |

SCCC Group has been implementing a business recovery plan since 2017, the plan encompassed numerous programs from revenue generation and product portfolio optimization to comprehensive cost management initiatives. Cement plant at Saraburi was running at over 87 percent efficiency. Fuel cost was brought down through an increase use of alternative fuel and raw materials. The Thermal Substitute Rate of 11 percent (+93 percent increase year on year) was achieved while improving the fuel mix with an optimal combination of different coal types with lignite and pet coke. Overseas business units experienced very high imported raw material cost from the tightening supply situation and adverse impact from sharp currency depreciation, these negative effects negated the savings achieved in the cost of goods sold and services.

Selling and distribution expenses increased mainly due to sales and marketing development activities coupled with promotional and brand building initiatives in overseas markets, while transportation cost too increased because of diesel price hike over 20 percent year on year and freight cost on exports.

Administrative and other expenses were considerably decreased by fixed cost management initiatives launched as part of the abovementioned business recovery plan.

Depreciation, Interest and Tax

The depreciation and amortization expenses were increased by +10 percent to 3,268 million Baht due to capital expenditure. The finance cost marginally increased by 4 percent to 1,350 million Baht. The income taxes were reduced by 33 percent to 569 million Baht due to deferred tax adjustments and lower taxable profits in some overseas units.

(Unit : Million Baht)

| For the year ended December 31 | | | | |
|--------------------------------------|-------|-------|-------|------------|
| | 2018 | 2017 | +/- | +/- (%) |
| Depreciation, Interest and Tax | | | | |
| Depreciation and amortization | 3,268 | 2,964 | 304 | 10% |
| Finance cost | 1,350 | 1,295 | 55 | 4% |
| Income tax expenses | 569 | 852 | (283) | (33%) |
| Total depreciation, interest and tax | 5,187 | 5,111 | 76 | 1% |

Analysis of Financial Position

Net Working Capital

The Group Net Working Capital amounted to 6.3 percent of net sales as compared to 6.9 percent last year. This improvement was achieved despite of increasing credit terms to customers due to the growth of the B2B segment and higher inventories held to mitigate fuel cost escalation.

| | Unit | 2018 | 2017 |
|------------------------------|-------|------|------|
| Accounts receivable turnover | Times | 7.95 | 8.45 |
| Days receivable outstanding | Days | 45 | 43 |
| Inventory turnover | Times | 6.68 | 8.38 |
| Days inventory | Days | 54 | 43 |
| Accounts payable turnover | Times | 5.78 | 6.90 |
| Days payable outstanding | Days | 62 | 52 |

The Management launched many focused initiatives to optimize the Net Working Capital during the year as part of the business recovery plan. Days inventory was increased in the interest of securing better cost of fuel which led to inventory buildup. Days payable was improved to mitigate the longer days of inventory and cover higher accounts receivable.

Investments

The investments were reduced by a rigorous scrutiny of capital expenditure (CAPEX) and approval of select number of projects which are either needed for sustaining the operation or cash generative.

Financial investments

The Group acquired a specialized industrial cleaning service business at a purchase price of 204 million Baht. The acquisition enhanced the capabilities of its waste management solution business where hydro and mechanical cleaning procedures to industrial, chemical and mechanical cleaning services were added.

Investments in Property, Plant and Equipment and Intangible Assets (Net)

The Group spend CAPEX to maintain the machinery and equipment and/or to expand output or enhance efficiency of the facilities to assure the most optimized level of operation.

(Unit : Million Baht)

| | As of December 31 | | | |
|-------------------------------|-------------------|--------|---------|------------|
| | 2018 | 2017 | +/- | +/- (%) |
| Property, plant and equipment | 35,459 | 37,463 | (2,004) | (5%) |
| Intangible assets | 10,309 | 11,486 | (1,177) | (10%) |
| Other non-current assets | 288 | 286 | 2 | 1% |

CAPEX spending in the normal course of business totaled 2,216 million Baht. Some of the key CAPEX projects during 2018 are listed below;

- Packing plant modernization of 55 million Baht
- Roller press system for Raw Mill 5 at Plant 1 of 53 million Baht
- Silo expansion at Suratthani terminal of 44 million Baht
- Vietnam kiln capacity upgrade from 4,600tpd to 5,000tpd of 28,500 million VND
- Vietnam dry fly ash feeding system of 26,125 million VND
- Sri Lanka ready mix concrete plant construction of 270 million LKR

Since the overseas business units operated under different functional currencies, they were subjected to currency translation in to Thai Baht, and the result of such currency translation of assets in overseas business units amounted to a negative value of 897 million Baht for the year.

Provision for asset disposals, impairment and write-off amounting to 313 million Baht was recorded during the year. Depreciation charges for the year was 2,828 million Baht.

Intangible assets consisted of mining concession, computer software, customer relationship, brands, right to use of assets are similar except a negative value of 1,170 million Baht as a result

of currency translation of the intangible assets in overseas business units. The Amortization charges for the year was 437 million Baht.

Funding

As at 31 December 2018, the capital structure of the Group consisted of net financial debt at 28,277 million Baht (gross financial debt amount 30,924 million Baht deducted with cash and cash equivalents amount 2,647 million Baht) and shareholders' equity of 34,541 million Baht. This represents a net financial debt to equity ratio of 0.82 times which was reduced over the year since the recent acquisition financing.

Long Term and Short-Term Debt

The gross financial debt included debentures consisting of a series of unsubordinated and unsecured debentures at varying maturity which are prudently spread across to avoid concentration risk as mentioned below;

| Issued date | Amount Million Baht | Due date |
|---------------|------------------------|------------------------|
| 14 June 2013 | 2,000 | 2020 |
| 29 April 2016 | 4,000 | 2024, 2026 |
| 9 May 2017 | 13,000 | 2020, 2024, 2027, 2029 |

The proceed of debenture was mainly used to finance the acquisitions of overseas business units in the recent years.

In addition, the Group carried long term loans from financial institutions amounting 7,371 million Baht and short-term loan facilities of 4,561 million Baht.

Shareholder's equity

As at 31 December 2018, the shareholders' equity amounted to 34,541 million Baht (2017: 35,939 million Baht). The equity consists of accumulated reserves, share premium and retained earnings amounting to 35,138 million Baht. In addition, a negative currency translation adjustment of 5,088 million Baht is recorded which was increased by 2,090 million Baht due to the currency depreciation experienced by our overseas subsidiaries.

Analysis of Cash Flow Statement

The Group reported a cash and cash equivalent balance of 2,647 million Baht as at 31 December 2018 which is used to maintain sufficient liquidity for the operations. Net cash generated from operating activities was 6,989 million Baht (2017: 3,950 million Baht) thanks to the higher profits and cash generated from operating activities and better net working capital management.

Net cash outflows from investing activities amounted to 2,220 million Baht (2017: 21,033 million Baht) which was mainly related to capital expenditure.

Net cash outflows from financing activities of 3,847 million Baht (2017: net cash inflows 15,341 million Baht) was primarily related to the total dividend paid amounting to 2,737 million Baht during the year.