

## Part 3

### Financial Position and Operating Results

#### 13. Significant financial information

##### 13.1 Summarized financial statement table

#### Summarized past operation results and financial position (please see details in consolidated financial statement)

Significant financial information	2018	2017	2016
<b>Consolidated income statement</b> (million Baht)			
Income from sale	1,232	932	1,013
Costs and expenses	805		859
Earnings before interest, taxes, depreciation and amortization (EBITDA) including dividend receivables from subsidiaries		201	255
Profit for the year*	163	222	138
<b>Consolidated statement of financial position (million Baht)</b>			
Assets	2,527	2,470	2,141
Liabilities	236	252	272
Shareholders' equity	2,290	2,218	1,869
Parent company shareholders' equity	2,290	2,218	1,869
<b>Financial ratio</b>			
Number of shares issued (million shares)**	5,204	4,752	4,285
Book value per share (Baht)	0.44	0.47	0.44
Profit per share (Baht)	0.03	0.05	0.03
Dividend payable per share (Baht)	***0.015	0.045	0.008
Liquidity ratio (times)	9.28	9.42	5.86
Gross profit rate (%)	35%	35%	38%
Net profit rate (%)	13%	24%	14%
Shareholders' return rate (%)	7.2%	10.9%	9.8%
Total rate of return from assets (%)	6.5%	12.3%	10.1%
Debt to equity ratio (times)	0.10	0.11	0.15

Statement of Financial Position	Consolidated financial statement as per audit report					
	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	131,919	5	103,530	4	83,136	4
Temporary investment	-		394,614	16	442,233	
Trade and other account receivables	156,185	6	141,946	6	172,378	8
Short-term loans	-		-		-	
Inventories	1,646,482	66	1,266,968	51	817,308	38
<b>Total current assets</b>	<b>1,934,586</b>	<b>77</b>	<b>1,907,058</b>	<b>77</b>	<b>1,515,055</b>	<b>71</b>
<b>Non-current assets</b>						
Land held for development	19,933	1	19,933	1	19,933	1
Real estate for investment	48,795	2	46,460	2	49,090	2
Property, plant and equipment	466,117	18	445,699	18	496,769	23
Intangible assets	2,274	0	1,126	0	1,382	
Deferred tax assets	8,383	0	9,538	0	8,376	
Non-operating assets	32,820	1	35,768	1	47,957	2
Other non-current assets	13,904	1	4,219	0	2,3338	
<b>Total non-current assets</b>	<b>592,226</b>	<b>23</b>	<b>562,743</b>	<b>23</b>	<b>625,845</b>	<b>29</b>
<b>Total assets</b>	<b>2,526,812</b>	<b>100</b>	<b>2,469,801</b>	<b>100</b>	<b>2,140,900</b>	<b>100</b>
<b>Liabilities and shareholders' equity</b>						
<b>Current liabilities</b>						
Bank overdrafts and short-term loans from financial institutions	2,034	0	1,119	0	762	0
Trade and other account payables	183,301	7	185,897	8	242,018	11
Short-term loans	-		-		-	
Long-term liabilities due within one year	3,112	0	108	0	569	0
Accrued income tax	20,049	1	15,420	1	15,083	1
<b>Total current liabilities</b>	<b>208,496</b>	<b>8</b>	<b>202,544</b>	<b>8</b>	<b>258,432</b>	<b>12</b>

<b>Non-current liabilities</b>						
Long-term loans	-	-	-	-	-	-
Financial lease liabilities	5,100	0	-	-	139	0
Deferred tax liabilities	5,737	0	5,200	0	4,972	0
Employee benefit obligations	15,398		16,092	1	7,184	0
Other non-current liabilities	1,551		28,275	1	1,555	0
<b>Total non-current liabilities</b>	<b>27,786</b>		<b>49,567</b>	<b>2</b>	<b>13,850</b>	<b>1</b>
<b>Total liabilities</b>	<b>236,282</b>		<b>252,111</b>	<b>10</b>	<b>272,282</b>	<b>13</b>
<b>Shareholders' equity</b>						
<b>Share capital</b>						
Authorized share capital	557,000	22	557,000		546,316	26
Issued and paid-up capital	520,435	21	475,160		428,550	20
Premium on ordinary shares	1,286,265	51	1,187,566		1,067,908	50
<b>Retained earnings</b>						
Appropriated						
Legal reserve	55,700	2	55,700	2	54,632	3
Unappropriated	433,76	17	497,861	20	320,583	15
Other components of equity	(12,966)	(1)	(5,992)	(0)	(5,992)	
Non-controlling interests	7,330	0	7,395	0	2,937	
<b>Total shareholders' equity</b>	<b>2,290,530</b>	<b>91</b>	<b>2,217,690</b>	<b>90</b>	<b>1,868,618</b>	<b>87</b>
<b>Total shareholders' equity</b>	<b>2,526,812</b>	<b>100</b>	<b>2,469,801</b>	<b>100</b>	<b>2,140,900</b>	<b>100</b>

(Unit : thousand Baht)

Statement of comprehensive income	Consolidated financial statement as per audit report					
	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Income from sales and services	1,231,534		932,113	100	1,012,981	100
Cost of sales and services	(805,372)		(604,327)	(65)	(629,125)	(62)
<b>Gross profit</b>	426,162		327,786	35	383,856	38
Other income						
Profit from sales of Land	-		132,594	14	-	
Profit from sales of real estate for investment	-		7,223	1	-	
Others	20,640		22,686	2	21,755	2
Selling expenses	(157,563)		(127,486)	(14)	(118,083)	(12)
Administrative expenses	(79,766)		(78,472)	(8)	(112,282)	(11)
Financial cost	(2,659)		(290)	(0)	(1,754)	(0)
<b>Profit before income tax</b>	206,814		284,041	30	173,492	17
Income tax expenses	(43,771)		(59,923)	(6)	(35,390)	(3)
<b>Profit for the year</b>	163,043		224,118	24	138,102	14
Other comprehensive income (expense)	-		(2,247)	(0)	-	
<b>Total comprehensive income for the year</b>	163,043		221,871	21	138,102	14
Other comprehensive income	-		(6,974)	(1)		
<b>Total comprehensive loss for the year</b>	163,043		214,897	23	138,102	14
<b>Share of profit (loss)</b>						
Part of the company	163,105		223,306	24	138,144	14
Equity of non-controlling interests	(62)		(1,435)	(0)	(42)	0
Total profit for the year	163,043		221,871	24	138,02	14
<b>Total Share of profit (loss)</b>						
Part of the company	163,105		216,332	23	138,144	14
Equity of non-controlling interests	(62)		(1,435)	(0)	(42)	0
<b>Total profit for the year</b>	163,043		214,897	23	138,102	14
<b>Basic earnings per share</b>	0.03		0.05		0.03	

(Unit : thousand Baht)

Statement of changes in shareholders' equity	Consolidated financial statement as per audit report		
	2018	2017	2016
<b>Share capital</b>			
Balance at the beginning of the year	475,160	428,550	213,958
Ordinary share purchase	-	-	213,958
Stock dividend	42,275	46,610	634
<b>Balance at the end of the year</b>	<b>520,435</b>	<b>475,160</b>	<b>428,550</b>
<b>Share premium</b>			
Balance at the beginning of the year	1,187,566	1,067,908	319,825
Increase during the year	98,699	119,658	748,083
<b>Balance at the end of the year</b>	<b>1,286,265</b>	<b>1,187,566</b>	<b>1,067,908</b>
<b>Retained earnings</b>			
<b>Appropriated</b>			
Balance at the beginning of the year	55,700	54,632	32,413
Legal reserve	-	1,068	22,219
<b>Balance at the end of the year</b>	<b>55,700</b>	<b>55,700</b>	<b>54,632</b>
<b>Unappropriated</b>			
Balance at the beginning of the year	497,861	320,583	375,822
Impact from adoption of new accounting policy on income tax			
Legal reserve	-	(1,068)	(22,219)
Stock dividend			
Dividend paid	(234,174)	(37,986)	(171,164)
Comprehensive profit for the year	163,105	216,332	138,144
<b>Balance at the end of the year</b>	<b>426,792</b>	<b>497,861</b>	<b>320,583</b>
<b>Other components of shareholders' equity</b>			
<b>Difference from changes in investment proportion in subsidiaries</b>			
Balance at the beginning of the year	(5,992)	(5,992)	(5,992)
Increase during the year	-	-	-
<b>Balance at the end of the year</b>	<b>(5,992)</b>	<b>(5,992)</b>	<b>(5,992)</b>
<b>Total shareholders' equity</b>	<b>2,283,200</b>	<b>2,210,295</b>	<b>1,865,681</b>

(Unit : thousand Baht)

Statement of cash flows	Consolidated financial statement as per audit report		
	2018	2017	2016
<b>Cash flows from operating activities</b>			
<b>Profit before income tax</b>	<b>206,814</b>	<b>284,041</b>	<b>173,492</b>
Adjustment		(2,247)	
Profit from changes in investment value		(1,948)	(2,830)
Doubtful accounts	54	76	7,706
Reserve for obsolete products	187		
Amortized withholding income tax	53,378	60,046	-
Depreciation		-	64,105
Loss on obsolete goods		(929)	14,569
Gain from sales of real estate for investment		(7,223)	-
(Profit) loss from disposal of tangible assets		316	(4,980)
	(319)		
Gain from sales of equipment		(132,594)	-
Intangible asset amortization	697	685	656
Employee benefit provision	1,266	450	482
Dividend received	-	-	-
Interest payable expenses	2,501	289	1,754
<b>Profit from operating activities before changes in assets and operating liabilities</b>	<b>264,578</b>	<b>200,962</b>	<b>254,954</b>
(Increase) decrease in components of operating assets			
Trade and other account receivables	(14,293)	29,964	(41,278)
Inventories	(384,308)	(455,429)	(378,660)
Land held for development	-	-	-
Other non- assets	(1,845)	(520)	
Other non-current assets	(5,679)	(1,881)	676
(Increase) decrease in components of operating liabilities			
Trade and other account payables	(56,797)	(10,856)	87,123
Employee benefit obligations		-	-

Other non-current liabilities	(4)	26,720	130
<b>Cash generated (paid) from operation</b>	<b>(198,348)</b>	<b>(211,040)</b>	<b>(77,055)</b>
Cash paid, interest paid	(2,121)	(38)	1,506
Cash Benefits Employee	(2,341)	(510)	
Income tax paid	(37,451)	(58,777)	(45,905)
<b>Net cash generated from (paid in) operating activities</b>	<b>(240,261)</b>	<b>(270,365)</b>	<b>(124,466)</b>
<b>Cash flows from investment activities</b>	394,613	49,568	(439,404)
Proceeds from sales of temporary investment		974	-
(Increase) decrease in short-term loan		12,000	-
Proceeds from sales of real estate for investment	(36,158)	(7,159)	(39,380)
Cash paid for purchase of tangible assets	1,883		5,888
Proceeds from sales of equipment			44,992
<b>Net cash generated from (paid in) investment activities</b>	<b>360,338</b>	<b>152,221</b>	<b>(427,904)</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	915	357	(172,670)
Increase (decrease) in short-term loans	-	-	-
Increase (decrease) in long-term loans	-	-	(73,750)
Payments for financial lease liabilities	(2,401)	(600)	(14,117)
Proceeds from share capital increase	-	-	960,412
Proceeds from share capital increase Subsidiary	-	10,500	3,000
Proceeds from Warrant	143,974	166,268	2,263
Dividends paid	(234,175)	(37,987)	(171,165)
<b>Net cash generated from (paid in) financial activities</b>	<b>(91,687)</b>	<b>138,538</b>	<b>533,973</b>
Net increase (decrease) in cash and cash equivalents	28,390	20,394	(18,396)
Cash and cash equivalents as at 1 January	103,530	83,136	101,532
<b>Cash and cash equivalents as at 31 December</b>	<b>131,920</b>	<b>103,530</b>	<b>83,136</b>

Financial ratio	2018	2017	2016
<b>Liquidity Ratio</b>			
Liquidity ratio (time)	9.28	9.42	5.86
Liquidity quick ratio (time)	1.38	3.16	2.70
Trade account receivable turnover ratio (time)	11.17	8.02	8.90
Average debt collection time (day)	32.68	45.52	41.00
Inventory turnover ratio (time)	0.55	0.78	1.34
Average goods selling time (day)	660.20	465.60	271.53
Account payable turnover ratio (time)	4.36	3.82	4.83
Debt repayment time (day)	83.66	95.59	75.52
Cash Cycle (day)	609.22	415.53	237.01
<b>Profitability Ratio</b>			
Gross profit rate (%)	34.6%	35.2%	37.9%
Net profit rate (%)	13.2%	24.0%	13.6%
Shareholder return rate (%)	7.2%	10.9%	9.8%
<b>Efficiency Ratio</b>			
Rate of return on total assets (%)	6.5%	12.3%	10.1%
Tangible asset turnover ratio (time)	2.70	1.98	2.01
Total assets turnover ratio (time)	0.49	0.40	0.58
<b>Financial Ratio</b>			
Rate of debt to equity ratio (time)	0.10	0.11	0.15
Interest solvency ratio (time)	78.81	983.94	99.91



## 14. Management Discussion and Analysis (MD&A)

### Management Discussion and Analysis for the 2018 operating results (consolidated financial statement)

#### DCON Products Public Company Limited and Subsidiaries

#### 1. Operating result analysis for 2018 consolidated financial statement compared with the 2017

##### 1.1 Income from sale and service provision

In the year 2018 and 2017, the Company had revenues from sales and services of Baht 1,231.53 million and Baht 932.11 million, respectively. The total revenue was down by Baht 299.42 million or 32.1%. The segment of construction materials business decreased by Baht 106.78 million or 12.4%. Real estate business decreased Baht 192.63 million or 270.9%. The decline in construction materials was due to a decrease in sales volume of 10% and an average selling price of 2%. The decrease in real estate sales was due to the economic downturn. The real estate sector has slowed.

In 2018, the Company had revenue from sales of unused land. Amounting to Baht 192.63 million

	Unit : Million Baht			
	2018	2017	Difference	
			Increase (decrease)	%
1.1.Income from sale and service provision				
1.1.1 Construction materials	967.78	861.00	106.78	12.4
1.1.2 Real estate business	263.75	71.11	192.63	270.9
1.1.3 Total income	1,231.53	932.11	299.42	32.1

Proportions of incomes between construction material business and real estate business

	Unit : Per cent	
	2018	2017
Income from construction material business	79	92
Income from real estate business	21	8
Total income	100	100

##### 1.2 Costs of sale and service provision

Cost of sales and services in 2018 was Baht 805.37 million and Baht 604.33 million in 2017, a increase of Baht 201.05 million or 33.3% due to lower revenue from sales and services. Meanwhile, raw material cost increased, especially for cement and PC wire. Cost of sales of construction materials business increased by Baht 84.22 million or a increase 14.8% and the cost of sales of the real estate segment decreased by Baht 116.82 million or 333.1%

Unit : Million Baht

	2018	2017	Difference	
			Increase (decrease)	%
1.2 Cost of sale and service provision				
1.2.1 Construction material business	653.48	569.26	84.22	14.8
1.2.2 Real estate business	151.89	35.07	116.82	333.1
1.2.3 Total cost of sale and service provision	805.37	604.33	201.05	33.3

### 1.3 Gross profit

The gross profit margin of the year 2018 was Baht 426.16 million, a increase of Baht 98.37 million or equivalent to Baht 327.79 million in 2017 due to the increase in sales and service income. Increased cost of sales. The gross margin was Baht 314.30 million and the real estate business was Baht 11.86 million.

In 2018, the gross margin of the construction materials segment decreased from 32.50% in the previous year. In the year 2017, the gross margin was 33.90%, due to the high price of Cement. Up 7%. For real estate segment, the gross margin was 42.40% higher than last year. In 2017, the gross margin was at 50.70%.

Unit : Million Baht

	2018	2017	Difference	
			Increase (decrease)	%
1.3 Gross profit				
1.3.1 Construction material business	314.30	291.74	22.56	7.7
1.3.2 Real estate business	111.86	36.05	75.81	210.3
1.3.3 Total gross profit	426.16	327.79	98.37	30.0

Gross profit rate to total income from sale and service provision

Unit : Per cent

	2018	2017
Gross profit rate of construction material business	32.5	33.9
Gross profit rate of real estate business	42.4	50.7
Total gross profit	34.6	35.2

### 1.4 Selling expenses

Selling expenses were Baht 157.56 million and Baht 127.48 million for the year 2018 and 2017, respectively, increased by Baht 30.08 million or 23.6%. Because of new reporting categorization. The selling expenses of the construction materials business increased by Baht 16.74 million or 14.30% and the selling expenses of the real estate business increased by Baht 13.34 million or 126%.

Selling expenses were 13.8% and 13.6%, respectively, for sales of construction materials and services for the year 2018 and 2017, respectively, and for the real estate segment was 9.1% 2518 and 14.9 percent in 2017

Unit : Million Baht

	2018	2017	Difference	
			Increase (decrease)	%
1.4 Selling expenses				
1.4.1 Construction material business	133.64	116.90	16.74	14.3
1.4.2 Real estate business	23.92	10.58	13.34	126.0
1.4.3 Total selling expenses	157.56	127.48	30.08	23.6

Selling expense rate compared with income from sale and service provision

Unit : Per cent

	2018	2017
Selling expenses compared with income from sale		
Selling expenses of construction material business	13.8	13.6
Selling expenses of real estate business	9.1	14.9
Total selling expenses	12.8	13.7

#### 1.5 Administrative Expenses

Administrative expenses were Baht 79.76 million and Baht 78.47 million for the year 2018 and 2017, respectively, increased by Baht 1.29 million or 1.6%.

#### 1.6 Financial costs

The financial cost in 2018 was Baht 2.66 million and in the year 2017 was Baht 0.29 million, a increase of Baht 2.37 million or 820%

#### 1.7 profit for the year

In 2017, the company has income from the sale of land that is not used in the operation. Amounting to 132.59 million baht, which is part of the land of Lopburi 2 factory

## 2. Analysis of financial position for the consolidated financial statements of 2018 and 2017

### 2.1 Assets

As at 31 December 2018 the Company and subsidiaries had total assets of 2,526.81 million Baht, increasing by 57.01 million Baht or 2.3 per cent from 2017. Significant changes to the assets were:

Unit : Million Baht

	2018	2017	Difference	
			Increase (decrease)	%
Cash and cash equivalents, temporary investment	131.92	498.14	(366.22)	-73.5
Trade and other account receivables	156.18	141.95	14.23	10.0
Inventories	1,646.48	1,266.97	379.51	30.0
Property, plant and equipment	466.12	445.70	20.42	4.6

1. Cash and cash equivalents, short-term investments decreased by Baht 366.22 million due to cash flow from financing activities of Baht 91.69 million derived from investment activities of Baht 360.34 million and used in operating activities. THB 270.26 million

2. Inventories increased by Baht 379.51 million or 30%. An increase of Baht 0.44 million and an increase in inventories of Baht 379.08 million was due to the investment in the new condominium.

3. Investment property decreased by Baht 2.63 million due to depreciation of building, mini factory for rent

4. Property, plant and equipment increased by Baht 20.42 million in 2018. The purchase of machinery and equipment totaled Baht 73.79 million and depreciation of Baht 53.38 million.

## 2.2 Liabilities

As at 31 December 2018 the Company and subsidiaries had total liabilities of 236.28 million Baht, decreasing by 15.83 million Baht or 6.3 per cent from 2017. Material transactions were as follows.

Unit : Million Baht

	2018	2017	Difference	
			Increase (decrease)	%
Short-term loans from financial institutions	2.03	1.12	0.91	81.4
Trade and other account payables	183.30	185.90	(2.60)	-1.4
Accrued income tax	20.05	15.42	4.63	30.0

## 2.3 Shareholders' equity

As at the end of 2018, the Company and its subsidiaries had total shareholders' equity of Baht 2,290.53 million, an increase of Baht 72.84 million from the end of 2017 due to the increase in net profit of Baht 163.04 million, dividend payment of Baht 234.16 million. Due to the issuance of capital increase shares and the exercise of DCON-W1 amounting to Baht 42.28 million and the share premium from the share capital increase of Baht 98.70 million.

On April 27, 2017, the Annual General Meeting of Shareholders No. 1/2560 passed a resolution. Capital increase 142,450,000 shares Under the ESOP #2 scheme Offering to directors and employees at the ratio of 1 existing share to 1 new ordinary share. The offering price is Baht 0.59 per share.

### **3. Liquidity, asset manageability and profitability**

As at 31 December 2018 the Company and subsidiaries had current assets of 1,934.59 million Baht and current liabilities of 208.50 million Baht, hence a liquidity ratio of 9.28 times and a liquidity quick ratio of 1.38 times, average debt collection time of 33 days and average debt repayment time of 84 days.

The decrease of 163.11 million Baht in the income from sale and service provision in 2018 compared with that in 2017, the Company having the return on total assets ratio of 6.5 per cent, decreasing from 9.7 per cent in 2017. The tangible asset turnover ratio was 2.70 times, increasing from 1.98 times in 2017, and the total asset turnover ratio was 0.49 time, decreasing from 0.40 time in 2017.

At the end of 2018 the Company and subsidiaries had total debt to equity ratio of 0.10 time, nearly from at the end of 2017 which was 0.11 time.