



ANNUAL REPORT 2003

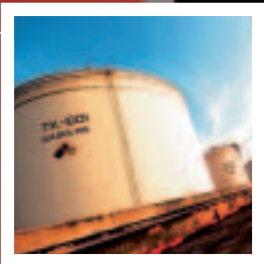
The Siam Cement Public Company Limited



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THE SIAM CEMENT GROUP

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The Siam Cement Group was founded under the Royal Decree of His Majesty King Rama VI in 1913 as the nation's first cement producer, a construction material critical to national development. The Group has expanded continuously since that time, becoming the largest and most advanced industrial conglomerate in Thailand with five strategic business units: Paper and Packaging, Petrochemicals, Cement, Building Products, and Distribution. All Siam Cement businesses operate under the principles of good corporate governance and promote innovation in products and services to delight consumers. The Group continually rejuvenates itself to sustain the business leadership in Thailand and in the region, while being internationally competitive.

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FINANCIAL overview

The Siam Cement Public Company Limited and Subsidiaries



	2003	2002	2001	2000	1999
Statements of Income (Million Baht)					
• Revenues	150,862	130,072	122,643	128,197	101,851
• Costs and Expenses	135,470	121,402	117,593	123,904	99,770
• Income before income tax, interest expense and financial charges, depreciation and amortization include dividend from associated and other companies and cash gain from divestment (Total EBITDA)	39,513	31,403	34,511	30,832	28,600
• Income (loss) before extraordinary items*	17,806	11,142	4,797	1,313	(3,821)
• Net profit (loss)	19,954	14,604	7,634	41	(4,785)
• Net cash provided by operating activities	22,228	17,943	14,252	10,963	4,669
Balance Sheets (Million Baht)					
• Assets	249,726	235,644	235,981	260,309	266,348
• Liabilities	134,252	147,714	169,896	195,549	202,000
• Shareholders' equity and minority interest	115,474	87,931	66,085	64,760	64,348
• Shareholders' equity	104,977	75,624	57,311	54,133	50,006
Share Information					
• Total number of shares issued (Million shares)**	1,200	1,200	1,200	1,200	1,200
• Book value per share (Baht)	87	63	48	45	42
• Earnings (loss) per share (Baht)	17	12	6	-	(4)
• Proposed dividends per share (Baht)	6.00	3.00	1.00	-	-
• Return on total revenues (%)	13	11	6	-	(5)
• Return on equity (%)	22	22	14	-	(9)
• Return on assets (%)	8	6	3	-	(2)

* Income (loss) before Gain (loss) on investments and assets sold for restructuring and provision for decline in value of investments.

** For the year 2003 to change the par value of common shares Baht 10 per share to be Baht 1 per share.

MESSAGE from the Board of Directors



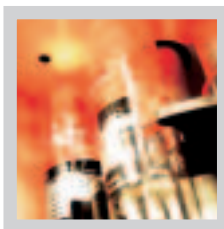
Chaovana NaSylvanta
Chairman

The Siam Cement Group has a policy of operating with transparency and remain committed to continuously improve operations, while sustainable growths will be harvested through strengthening of core businesses both domestically and within the region. The key is to seek and achieve appropriate return for higher shareholders' value, while giving momentum to the Thai economy.



Chumpol NaLamlieng
President

To date, the Siam Cement Group has achieved security and stability while continuing to strive for growths and constant improvements in operating results. These improvements are testament to the execution of sound business strategies, to efficient circumspect financial management, to an organizational structure attuned to circumstances, and to high-quality, knowledgeable, and progressive staff, all under a transparent and world-standard management system.



In 2003, the global economy witnessed continued growths despite the impacts from the Iraq War and the SARS epidemic during the first half of the year. Likewise, the Thai economy showed similar resiliency in its recovery, assisted by increased private investments, consumer spending, and low interest rates, in addition to the government's efforts to stimulate the residential construction industry and export growths.

Operating results for the Siam Cement Group for 2003 have improved significantly from the previous year, attributed to better performance from all of the business units which have either outperformed or were in line with the growth of the domestic economy. Moreover, continued efficiencies as a result of the implementation of sound financial policies and decisions have further reduced outstanding debt and also strengthened the financial status of the Group, thus ensuring sustainable growth for the future.

The Group's strategic business direction is clear to concentrate on strengthening core businesses: Paper and Packaging, Petrochemicals, Cement, Building Products, and Distribution both domestically and regionally to achieve optimum returns for increased shareholders' value.

To better accommodate future business growth, the Siam Cement Group has embarked on an organization-wide development program aimed at supporting the strategic and mission objectives. This Competency Based human resources management system stresses the assessment and the development of key relevant skills. Moreover, the Group has established relationships with internationally-recognized educational and research institutions to foster the development of leading-edge industry knowledge and capabilities among the Group's staff.


Confirming the Group's credibility in corporate governance, in 2003, the Group received numerous recognitions as an industry leader in this field from both national and international organizations, notable Reuters in association with Institutional Investor of the US; FinanceAsia; and the Stock Exchange of Thailand.

Under the Group's initiative to encourage further increases in productivity and efficiency for maximized competitiveness, Thai Paper Co., Ltd., a unit of the Paper and Packaging Business, was acknowledged as the first paper manufacturer in Thailand to be awarded the Deming Prize from the Union of Japanese Scientists and Engineers. The same credential also applies for Siam Refractory Industry Co., Ltd., a unit of the Cement Business, the first in the world for a refractory manufacturer. Besides, Thai Paper Co., Ltd. also received the Thailand Quality Award for its performance excellence from Thailand Productivity Institute.

Operating results in 2003 for the Siam Cement Public Company Limited and subsidiaries reported total revenues of 150,862 million Baht, an increase of 16 percent over 2002, with operating profits of 17,806 million Baht and a net profit of 19,954 million Baht. Based on these results and the overall financial condition of the Group, the Board of Directors passed a resolution to recommend a full year dividend payment of 6.00 Baht per share, of which 2.50 Baht per share was already paid as an interim dividend payment. The Board's recommendation will require the approval of shareholders at the annual general meeting on March 24, 2004.

The Board wishes to give appreciation to all shareholders, joint venture partners, customers, and staff, as well as domestic and international financial institutions that have supported the Group unstintingly. Be assured we will remain committed to conduct our business with integrity and with good corporate governance to achieve the best possible results to fully justify your belief and trust.

Bangkok, March 4, 2004.


Chaovana NaSylvanta
Chairman


Chumpol NaLamlieng
President

BUSINESS structure

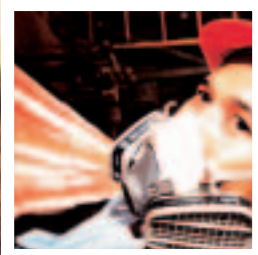


THE MANAGEMENT COMMITTEE
The Siam Cement Public Company Limited



*Listed company in the Stock Exchange of Thailand

OPERATING results



In 2003, overall operating results of the Siam Cement Group significantly improved over the previous year, as demand for products increased in response to the growth in the domestic and world economies.

Throughout the year, the Group continued to develop its capabilities to compete successfully in a free-market environment, both domestically and internationally, while pursuing a target of expanding its presence in the region. Critical to this corporate strategy is human resource development. The Group intends to maintain its leadership role by continuing to achieve solid growth with stability.

14 -- Paper and Packaging Business

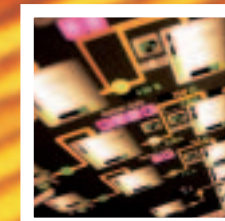
18 -- Petrochemicals Business

22 -- Cement Business

26 -- Building Products Business

30 -- Distribution Business

PAPER AND PACKAGING business



Consolidated Financial Information

Million Baht

	2003	2002	2001	2000	1999
Balance Sheets Data					
• Total current assets	11,933	9,937	9,397	8,100	7,228
• Total assets	49,909	44,443	35,982	36,416	36,325
• Total liabilities	15,780	13,611	15,301	16,691	19,742
• Shareholders' equity & Minority interest	34,129	30,832	20,681	19,725	16,583
Statements of Income Data					
• Total revenues	33,655	29,401	27,121	27,465	21,764
• Total costs and expenses	28,016	23,718	22,432	23,242	19,541
• Income (loss) before gain (loss) on investment sold for restructuring	4,231	4,079	3,274	2,798	1,183
• Net income (loss)	4,424	4,079	3,272	2,798	1,183
Total EBITDA*	10,052	9,536	8,194	8,062	6,257

* Income before income tax, interest expense and financial charges, depreciation and amortization include dividend from associated and other companies and cash gain from divestment.

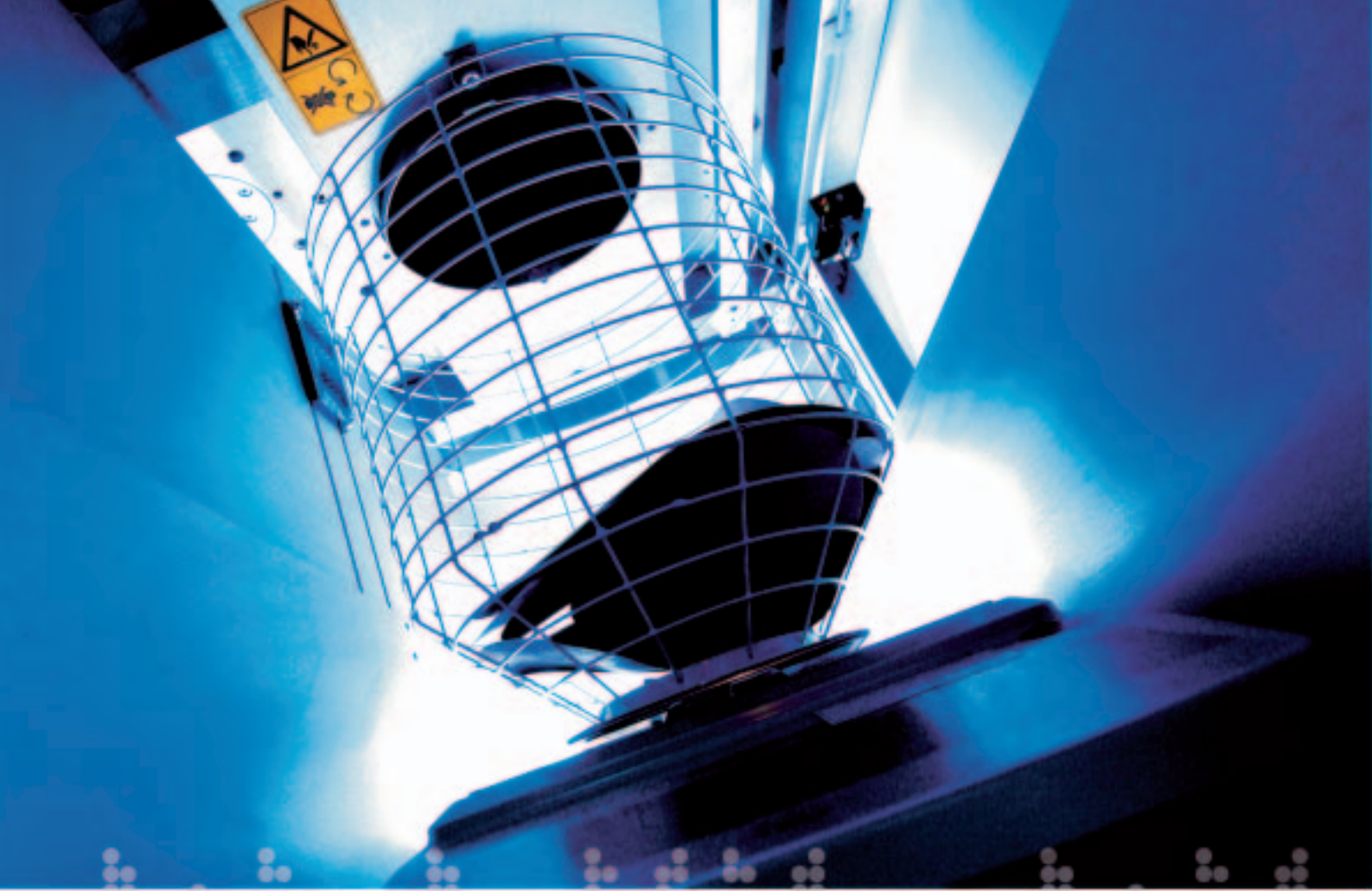
Operating Results

Total sales for the Paper and Packaging Business increased 14 percent when compared to the previous year, supported by higher sales volume, in addition to the consolidation of United Pulp and Paper Co., Inc. (UPPC) of the Philippines. However, net profit remained similar to last year's level.

The Deming Application Prize, an international award of the Union of Japanese Scientists and Engineers, has been honoured to Thai Paper Co., Ltd. for the successful application of total quality management in its operations. Moreover, the company also received the Thailand Quality Award from Thailand Productivity Institute.

Printing & writing paper: Domestic sales volume rose 9 percent, while exports accounted for 20 percent of the total sales volume. Major export markets included the United States, Hong Kong, Singapore, Vietnam, and Malaysia. The recent introduction of the new web ordering system allowed customers to directly place order via the Internet. In addition, a new warehouse management system was introduced to facilitate customer requirements.

Industrial paper: Domestic sales volume grew by 3 percent, while exports accounted for 25 percent of the total sales volume. The strategic policy to establish neighbouring countries (Cambodia, Laos, and Vietnam) as the major export destinations proved successful, as a result of higher export sales.



MAJOR COMPANIES

Subsidiaries

The Siam Pulp and Paper Public Company Limited

Phoenix Pulp and Paper Public Company Limited

Siam Cellulose Co., Ltd.

Thai Paper Co., Ltd.

Thai Union Paper Public Company Limited

Thai Union Paper Industry Co., Ltd.

Siam Kraft Industry Co., Ltd.

Thai Kraft Paper Industry Co., Ltd.

Thai Containers Ltd.

Thai Containers Industry Co., Ltd.

Thai Containers Ratchaburi (1989) Co., Ltd.

Thai Containers Songkhla (1994) Co., Ltd.

Thai Containers Chonburi (1995) Co., Ltd.

City Pack Co., Ltd.

Thai Containers V&S Co., Ltd.

Nippon Hi-Pack (Thailand) Co., Ltd.

United Pulp and Paper Co., Inc.

Associated

Siam Toppan Packaging Co., Ltd.

Thai British Security Printing Public Company Limited

Thai Cane Paper Public Company Limited



A management team has been dispatched to the Philippines to assist United Pulp and Paper Co., Inc. in improving their marketing skills, production efficiency, and raw materials sourcing.

Packaging: Sales volume increased by 10 percent, with significant growths coming from the frozen food industry as well as the electrical appliances industries which witnessed the relocation of the production bases of major Japanese producers to Thailand. To ensure clean and safety production for food packaging, Good Manufacturing Practices have been implemented. In addition, technical advice on packaging was provided to entrepreneurs and districts representations at the government sponsored One Tambon, One Product (OTOP) program.

Progress of Business Development

To support business growth strategy, the Company invested in Thai Cane Paper Public Company Limited (TCP), a kraft paper producer, to address the growing domestic and regional demand, and also increased the stake in United Pulp and Paper Co., Inc. of the Philippines to become a major shareholder.

Organizational Development

To ensure world-class quality and service as well as to support a sustainable business growth, the intensive training courses had been provided to all staff to boost their capabilities in production, marketing, and management. In addition, business seminars were organized specifically for customers in recognition of their valued partnerships.

PETROCHEMICALS business



Consolidated Financial Information

Million Baht

	2003	2002	2001	2000	1999
Balance Sheets Data					
• Total current assets	11,167	12,448	10,445	11,628	12,251
• Total assets	74,490	64,122	59,132	55,343	57,202
• Total liabilities	40,710	34,313	32,925	32,987	35,858
• Shareholders' equity & Minority interest	33,780	29,809	26,207	22,356	21,344
Statements of Income Data					
• Total revenues	51,197	42,721	38,629	40,086	25,059
• Total costs and expenses	47,529	40,946	36,449	36,700	21,446
• Income (loss) before gain (loss) on investment sold for restructuring	7,705	5,256	2,611	1,611	2,129
• Net income (loss)	7,777	5,285	2,611	1,558	2,133
Total EBITDA*	9,851	6,457	6,443	7,004	6,769

* Income before income tax, interest expense and financial charges, depreciation and amortization include dividend from associated and other companies and cash gain from divestment.

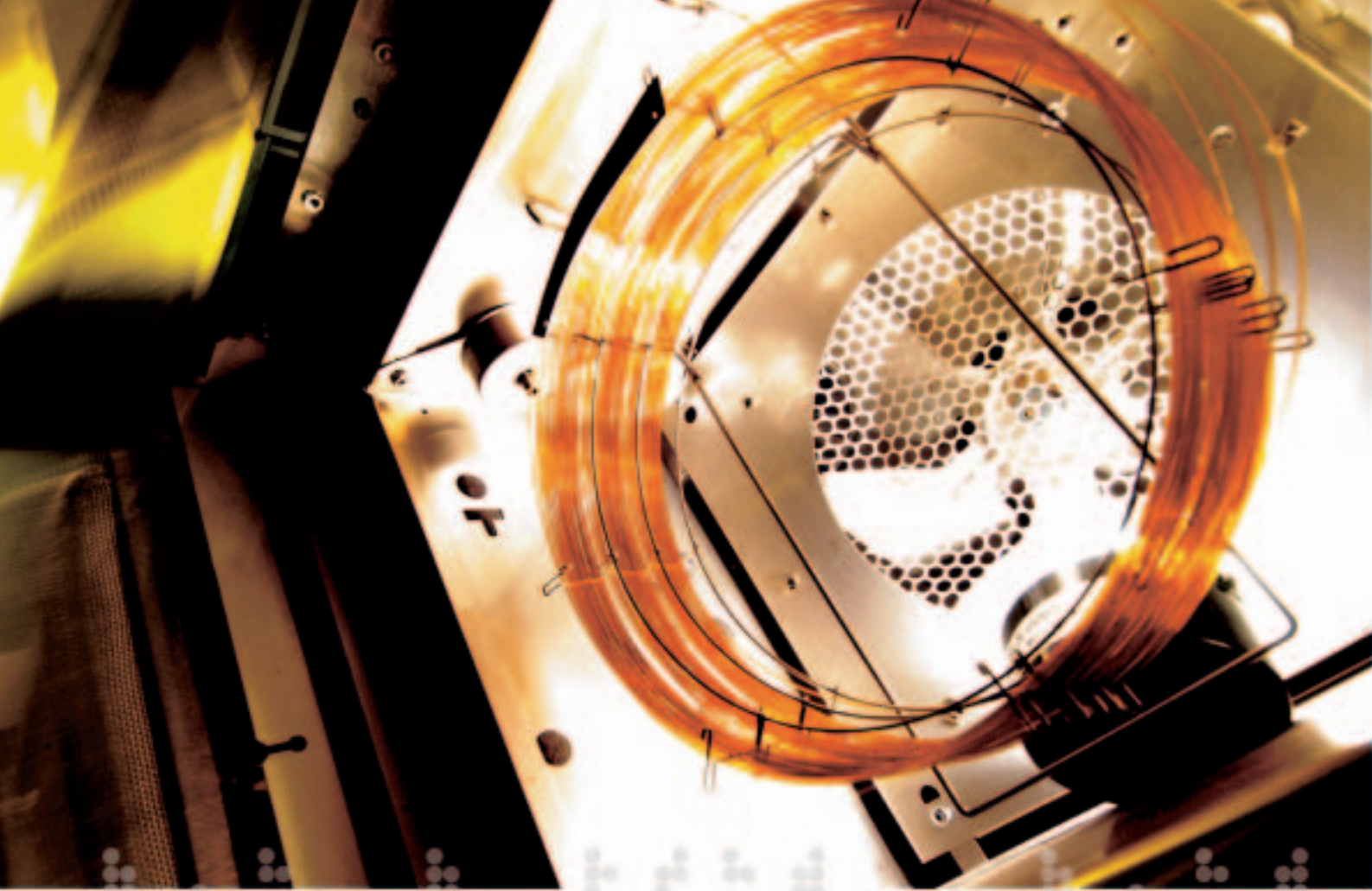
Operating Results

Sales of the Petrochemicals Business grew by 20 percent in 2003 when compared to 2002. The first half of 2003 witnessed volatile petrochemicals margins and demand scenario both regionally and domestically as a result of the Iraq War and SARS, while the second half witnessed solid recovery of margins on the build-up of intrinsic demand. At the same time, regional supply level of plastic pellets were limited, as a result of the production problems within the region and high energy prices. Dividends received from joint venture partners increased by 200 percent, resulting in a 53 percent increase in profits before interest, taxes, and depreciation include dividend from associated (EBITDA).

Profitability of joint ventures grew by 26 percent as a result of higher margins of MMA and increased PTA production capacity, while profitability from the styrene monomer business continued to be good. The overall result was a 47 percent rise in net profits for the petrochemicals business when compared to the previous year.

Progress of Business Development

- CCC Chemical Commerce Co., Ltd. implemented a Customer Relationship Management (CRM) system using information technology to serve customers more reliably and faster, and thus helping to cultivate a closer relationship.



MAJOR COMPANIES

Subsidiaries

- Cementhai Chemicals Co., Ltd.*
- Rayong Olefins Co., Ltd.*
- Thai Polyethylene Co., Ltd.*
- Thai Polyethylene (1993) Co., Ltd.*
- Thai Polypropylene Co., Ltd.*
- Thai Polypropylene (1994) Co., Ltd.*
- CCC Chemical Commerce Co., Ltd.*
- Map Ta Phut Tank Terminal Co., Ltd.*
- Rayong Pipeline Co., Ltd.*

Associated

- Siam Mitsui PTA Co., Ltd.*
- Siam Polystyrene Co., Ltd.*
- Pacific Plastics (Thailand) Ltd.*
- Siam Synthetic Latex Co., Ltd.*
- Siam Styrene Monomer Co., Ltd.*
- Siam Polyethylene Co., Ltd.*
- Grand Siam Composites Co., Ltd.*
- Thai MFC Co., Ltd.*
- Thai MMA Co., Ltd.*
- Thai Plastic and Chemicals Public Company Limited*
- National Petrochemical Public Company Limited*
- Thai Pet Resin Co., Ltd.*

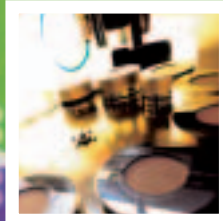
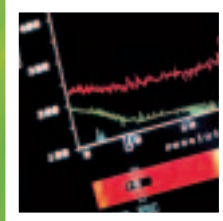
- Thai Polyethylene introduced *Elixir*, a new specialty plastic product that is used to produce water tanks, large children's toy, outdoor furniture, and sports equipment. Its prominent features are attractiveness, durability, resistance to chemicals and weather, usable life of up to 15 years, and safety for consumer use.

- Thai PET Resin is a joint venture formed with Mitsui Chemicals of Japan to produce PET pellets. With an annual capacity of 100,000 tons, production is expected to commence in early 2004.

Organizational Development

The Constructionism Chemical Engineering Practice School (C-ChEPS) continued into its fourth year. This innovative cooperative program between King Mongkut's University of Technology Thonburi (KMUTT), Suksapattana Foundation, and the Petrochemicals Business of the Siam Cement Group provides engineering training to experienced factory technicians. The results of the program have multiplied, as graduates of the first three classes have served as mentors to their fellow workers. Project participants have enhanced their skills in analyzing and solving production problems in a more systematic manner, thereby, boosting their own personal capacities, which, in return, will have continued positive impacts on other departments.

CEMENT business



Consolidated Financial Information

Million Baht

	2003	2002	2001	2000	1999
Balance Sheets Data					
• Total current assets	6,019	6,145	4,865	8,641	3,351
• Total assets	64,987	65,630	60,928	70,700	67,887
• Total liabilities	29,913	40,385	48,408	55,109	56,670
• Shareholders' equity & Minority interest	35,074	25,245	12,520	15,591	11,217
Statements of Income Data					
• Total revenues	30,859	27,488	24,352	22,328	22,847
• Total costs and expenses	23,825	25,203	22,734	21,261	21,385
• Income (loss) before gain (loss) on investment sold for restructuring	5,426	1,546	859	(15)	(791)
• Net income (loss)	5,313	2,006	859	(12)	(799)
Total EBITDA*	11,581	8,557	7,613	7,337	8,817

* Income before income tax, interest expense and financial charges, depreciation and amortization include dividend from associated and other companies and cash gain from divestment.

Operating Results

Total sales of the Cement Business in 2003 grew 12 percent when compared to the previous year, attributed to the volume growth in domestic demand for all types of product as a result of the boom in the construction industry.

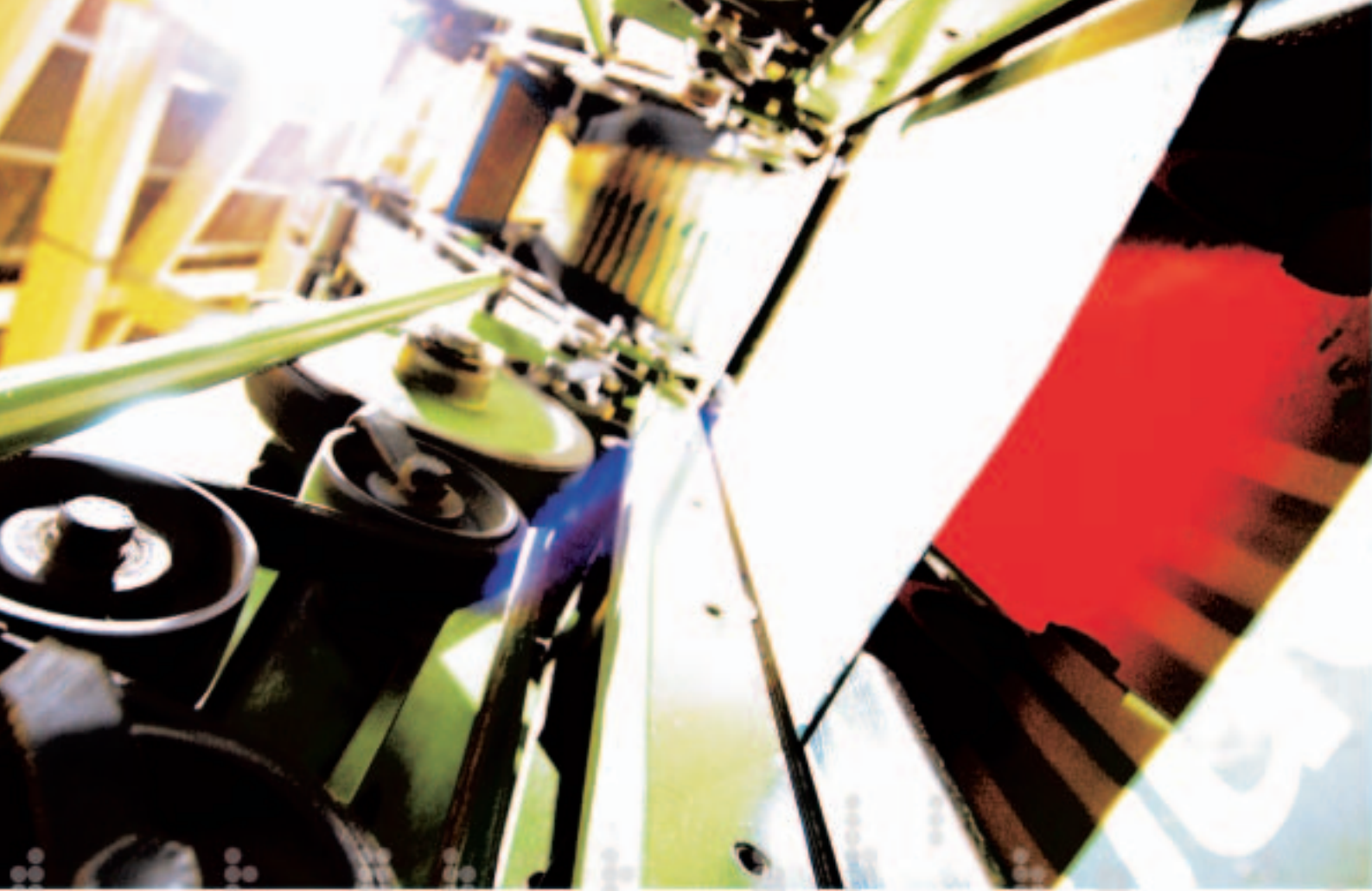
Grey cement: Total sales increased 17 percent, attributed largely to the domestic sales growth of 26 percent. Export sales fell slightly, as production volume was diverted to meet the ever increasing domestic demand that provided higher returns.

Ready-mixed concrete: Sales increased 25 percent on higher domestic demand, while the number of franchisees reached 57.

White cement: The combined increase in domestic sales of 8 percent and exports sales of 14 percent resulted in total sales growth of 4 percent.

Mortar: Total sales rose by 50 percent, while domestic sales grow 55 percent.

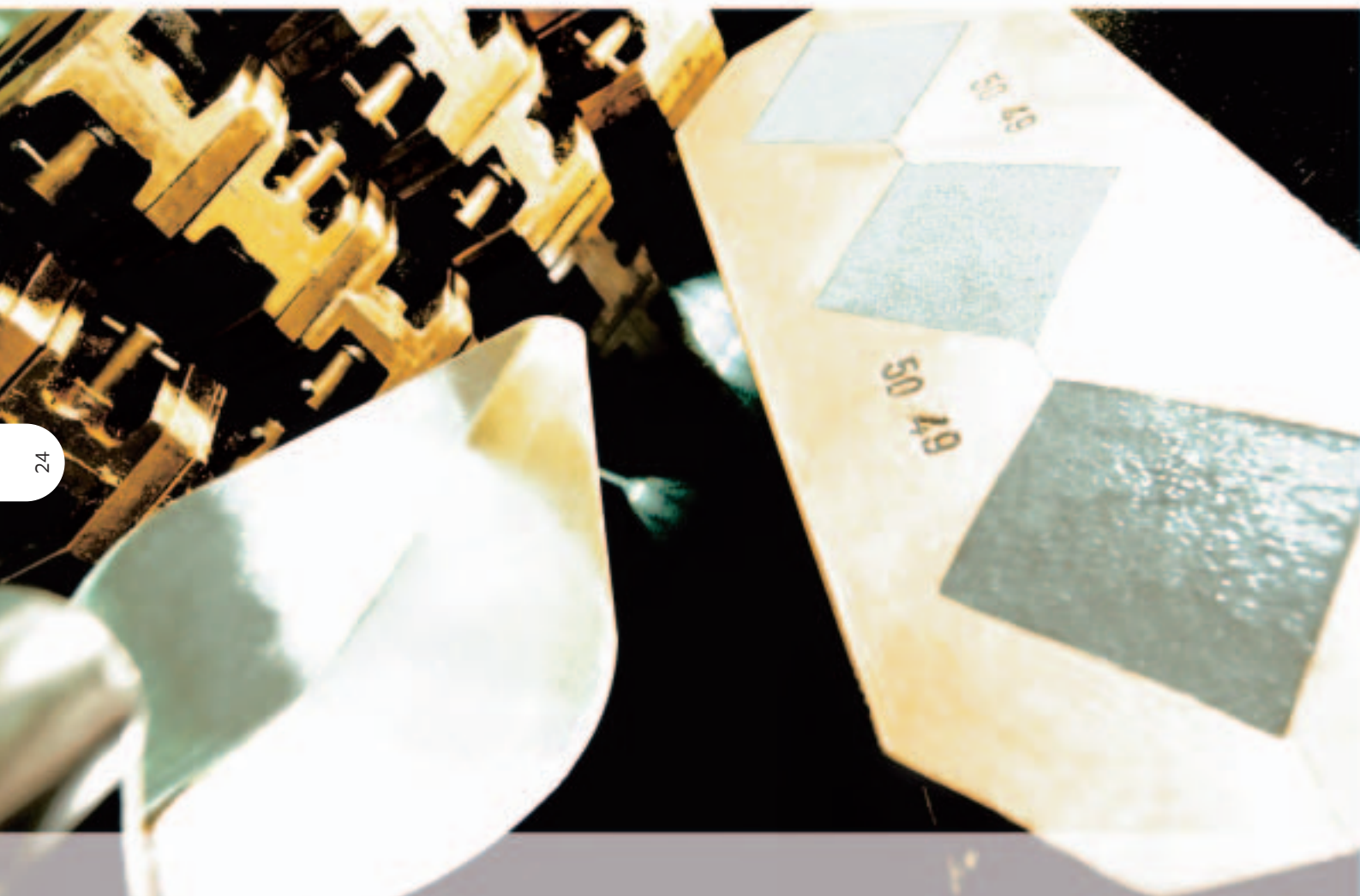
Refractory: Total sales increased by 3 percent, while exports increased 48 percent.



MAJOR COMPANIES

Subsidiaries

- The Siam Cement Industry Co., Ltd.*
- The Siam Cement (Lampang) Co., Ltd.*
- The Siam Cement (Ta Luang) Co., Ltd.*
- The Siam Cement (Kaeng Khoi) Co., Ltd.*
- The Siam Cement (Thung Song) Co., Ltd.*
- The Siam White Cement Co., Ltd.*
- Siam Mortar Co., Ltd.*
- The Concrete Products and Aggregate Co., Ltd.*
- The CPAC Ready Mixed (South) Co., Ltd.*
- The Siam Refractory Industry Co., Ltd.*



Progress of Business Development

The emphasis of the recently introduced Supply Chain Management System was on customer demand analysis, production planning, and synchronized distribution. This has resulted in improved responsiveness to customer needs and reduced production and distribution costs.

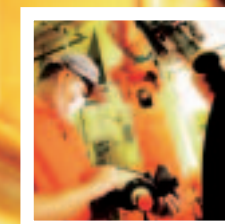
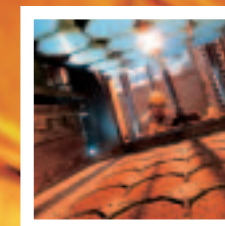
In addition, numerous other new products were introduced:

- *Tiger Plus Brand Cement* specifically for bricklaying and plastering.
- *Chloride & Sulphate Resistant – Elephant Brand Cement* for structural work in saline water or saline soil and for use in waste-water treatment plants.
- *Oilwell Cement – Elephant Brand Cement* for oil well drilling application.
- *Lightweight Block Masonry Mortar – Twin Tigers Brand* for masonry work with lightweight blocks.
- *Tile Grout Acid Resistance – Twin Tigers Brand*, specially formulated to resist acids and chemicals used in liquid cleaners.
- *Roof Slab Concrete* for ease of constructing decks and open areas.
- *Industrial Floors Concrete* for high load-bearing floors, prevalent in the manufacturing industry.

Organizational Development

The Cement Business is fully focused on staff development, in its pursuit to become a regional industry leader. Primary objectives of the program are corporate cultural change and raise work place practices to a higher level, thus ensuring that both the organization and individuals have the needed capability to compete in any circumstances.

BUILDING PRODUCTS business



Consolidated Financial Information

Million Baht

	2003	2002	2001	2000	1999
Balance Sheets Data					
• Total current assets	6,111	6,620	5,388	5,774	5,013
• Total assets	23,173	22,592	23,400	27,435	27,917
• Total liabilities	9,221	10,992	11,527	14,686	14,964
• Shareholders' equity & Minority interest	13,952	11,600	11,873	12,749	12,953
Statements of Income Data					
• Total revenues	18,332	16,279	13,231	13,443	11,700
• Total costs and expenses	15,246	14,231	12,454	12,917	12,152
• Income (loss) before gain (loss) on investment sold for restructuring	2,275	1,443	442	(172)	(834)
• Net income (loss)	2,253	1,521	410	(253)	(701)
Total EBITDA*	4,382	3,728	3,108	2,823	2,088

* Income before income tax, interest expense and financial charges, depreciation and amortization include dividend from associated and other companies and cash gain from divestment.

Operating Results

In 2003, sales of Building Products Business rose 12 percent driven by increased sales volume of ceramic floor & wall tiles, fiber-cement roofing sheets, concrete roof tiles and insulation products. This was attributed to the continuing higher level of activity from the property sector in both housing projects and owner-built houses.

There was also 4 percent growth of export sales in 2003, mainly from export sales of ceramic floor & wall tiles, which account for 80 percent of total export sales. Particularly, major export markets of such ceramic tiles were Europe, Australia and ASEAN countries.

Progress of Business Development

Business Development plans implemented in 2003 were as follows:

- Joint venture with Saikhong Concrete Group to produce concrete roof tile in Laos People's Democratic Republic with an annual capacity of 650,000 square meters; the project is expected to have a commercialized operation in early 2004.
- Launched, in the third quarter, 'Prestige' a new profile of concrete roof tile with the excellent market response.
- Increased the production capacity of concrete roof tile with the annual capacity of 1.6 million square meters; the new facility located in Thung Song is expected to start the operations in early 2004.



MAJOR COMPANIES

Subsidiaries

Cementhai Building Products Co., Ltd.
The Siam Fibre-Cement Co., Ltd.
The Fibre-Cement Products (Lampang) Co., Ltd.
Tip Fibre-Cement Co., Ltd.
The CPAC Roof Tile Co., Ltd.
Thai Ceramic Roof Tile Co., Ltd.
The Siam CPAC Block Co., Ltd.
The CPAC Block Industry Co., Ltd.
Saraburirat Co., Ltd.
The CPAC Concrete Products Co., Ltd.
Cementhai Gypsum Co., Ltd.
Siam Fiberglass Co., Ltd.
PT. Siam-Indo Concrete Products (Indonesia)
PT. Siam-Indo Gypsum Industry (Indonesia)
CPAC Monier (Cambodia) Co., Ltd.
CPAC Monier Philippines, Inc.
Cementhai Ceramics Co., Ltd.
Thai Ceramic Co., Ltd.
The Sosuco Group Industries Co., Ltd.
PT.Surya Siam Keramik

Associated

The Siam Gypsum Industry Co., Ltd.
The Siam Gypsum Industry (Saraburi) Co., Ltd.
The Siam Gypsum Industry (Songkhla) Co., Ltd.
The Siam Moulding Plaster Co., Ltd.
Lafarge Siam Roofing Co., Ltd.
Sosuco Ceramic Co., Ltd.
Siam Sanitary Ware Industry (Nongkhae) Co., Ltd.
Siam Sanitary Ware Industry Co., Ltd.
The Siam Sanitary Fittings Co., Ltd.
Mariwasa Manufacturing, Inc.

- Expanded ceramic floor and wall tiles capacity of Thai Ceramic by 3 million square meters per annum. Being an alliance with a leading French company with extensive design knowledge, will allow for the enhancement of the company's product design capability, and place Thai Ceramic at the forefront with other world leading ceramic tile manufactures; in 2003 the company already introduced 120 new product series to the markets.
- Started commercializing the autoclaved flat sheet manufactured by Siam Fiber-Cement, Thung Song plant; major target market at the moment would be the export to Malaysia.

Organizational Development

Building Products business has also continued organization development program in order to achieve more flexibility and agility in coping with the dynamic business environment. Furthermore, the Business has carried out the e-HR initiative to ensure efficient human resources management.

DISTRIBUTION business



Consolidated Financial Information

Million Baht

	2003	2002	2001	2000	1999
Balance Sheets Data					
• Total current assets	4,402	4,858	6,006	5,595	4,051
• Total assets	6,902	7,144	8,072	7,345	5,851
• Total liabilities	7,155	6,613	7,177	5,718	4,913
• Shareholders' equity & Minority interest	(253)	531	895	1,627	938
Statements of Income Data					
• Total revenues	56,977	52,540	53,632	46,890	45,064
• Total costs and expenses	56,655	51,653	52,609	46,017	44,555
• Income (loss) before gain (loss) on investment sold for restructuring	251	586	680	564	219
• Net income (loss)	251	586	680	669	207
Total EBITDA*	602	1,214	1,268	1,039	1,113

* Income before income tax, interest expense and financial charges, depreciation and amortization include dividend from associated and other companies and cash gain from divestment.

Operating Results

Total sales of the Distribution Business in 2003 rose by 8 percent to 57,000 million Baht.

Cemethai Sales & Marketing Co., Ltd.: With sales of 39,000 million Baht, the company intensified its effort to further develop the domestic distribution system, in addition to the introduction of many new products for sale. Other additions included the Supply Chain Management system, as well as the implementation of a Partner Relationship Management system involving a network of dealerships nationwide.

Cemethai Logistics Co., Ltd.: Sales amounted to 4,500 million Baht, of which 3,000 million was from domestic distribution, with the remaining 1,500 million from export distribution. Items most frequently exports products were cement and clinker.

SCT Co., Ltd.: Recorded sales amounted to 16,000 million Baht, fueled by the growth in domestic consumption and exports. Exports accounted for 60 percent of the sales, with the remaining 40 percent accounted for imports.



MAJOR COMPANIES

Subsidiaries

Cementhai Distribution Co., Ltd.

Cementhai Sales and Marketing Co., Ltd.

SCT Co., Ltd.

Cementhai Logistics Co., Ltd.

Associated

Thai Prosperity Terminal Co., Ltd.

Rayong Bulk Terminal Co., Ltd.



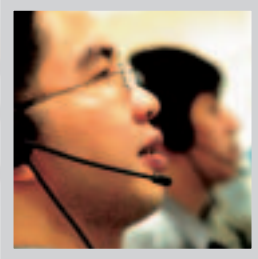
Progress of Business Development

- On the retail business front, Cementhai Home Mart has increased the pace of remodeling its outlets to better capture and capitalize on the buy-it-yourself trend. The goal for 2004 is to fully complete this transformation at more than 200 locations. Further, Cementhai Home Mart has introduced the "Mini Master of Retail Management (MMRM)" curriculum, a first in Thailand aimed at improving service responsiveness in the highly competitive retail trade, in addition to upgrading the capabilities of its dealers nationwide.
- Cementhai Logistics Co., Ltd. has implemented an innovative logistics management system utilizing Web Application to further raise the service standards to customers beyond the Group, coupled with the introduction of the Global Positioning System (GPS) which allows real-time tracking of vehicles for enhanced reliable estimation of delivery arrival times and continuous updates posted online at www.ctlnetwork.com.
- SCT Co., Ltd. continues to give focus on becoming an established center for imports of energy products, transportation of all equipment and components, and the exports of gypsum and tapioca. In addition, through the centralization of the financial management services at the Bangsue office for all international offices via the internet, further efficiencies in handling of back-office documentations has improved, thus leading to lower operating costs.

Organizational Development

To foster a new customer-centered corporate culture, managers have been empowered to provide the impetus for achieving company goals. In addition, classroom training and e-learning programs have been implemented to increase knowledge and skills of all staff, including English programs which is a necessity in international business.

MANAGING human resources for stable growth



Human resources is a critical factor in organizational success. To accomplish the corporate objective, high caliber staff must be involved in operation, assess results, and develop strategic move. The Siam Cement Group has given human resources management a high priority since its founding more than 90 years ago, as reflected in one of the business philosophy: “Belief in the value of the individual”. The continued progress of the companies under the corporate over the years has earned recognition for the Group as a national leader in efficient human resources management.

The Group’s quality in human resources management begins with highly-selective new hiring. *Cementhai Career Choice* is a proactive program that seeks to attract bachelor’s degree-level graduates of Thailand’s leading universities. To persuade MBA graduates from the top 10 universities in the United States and Europe, the Group has a program called the *Top Ten University Recruitment*.

Because personnel development is viewed as a long-term investment that helps ensure success and adds value to the organization, the Group undertakes a wide range of human resource development activities consistent with its growth strategy. Examples include the promulgation of *Best Practices* for various disciplines among the Group’s companies through ongoing year-round activities, the establishment of a *Knowledge Management* database system, constantly update training programs to keep abreast of changes in methods and practices, etc.

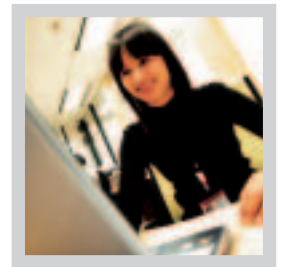
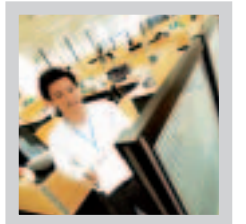
To encourage continued learning, the Group also provides scholarships for staff to earn master’s degrees, work observation visits, and staff rotation. The Group operates a *Competency Based Management system* that provides clear and continuous human resources management. Another program that enhances the competence of the workforce is the Group’s ongoing networking with various internationally-recognized educational and research institutions that helps keep the Group’s staff at the leading edge, both domestically and regionally.

To ensure staff set their performance targets align with the organizational strategy, the Group communicates clearly the corporate direction and goals to them at all levels. Individual evaluations are based on performance, as well as on integrity, leadership, and managerial characteristics. This system helps ensure the continuing development of qualified staff to assume management responsibilities.

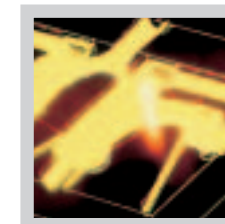
A compensation system based on performance is another method the Group uses to encourage excellence and dedication, using the results of surveys of other leading companies to ensure competitive compensation packages. The Group’s Variable Pay system determines bonus levels, based on the performance of each company and of each individual.

Because the Group considers information technology as an important mean of boosting staff management efficiency, the *Cementhai e-HR* personnel management software has been implemented to increase the speed and accuracy of data, to reduce paperwork significantly, and to provide more convenience to staff who can manage their own information directly.

A commitment to ongoing improvement of our personnel management system has had a significant impact on human resources development and earned continuing recognition, as well as certification, with Siam Cement being the first company in Thailand to receive ISO 9001:2000 quality system certification for human resources management. These are not as important as having high-quality human resources with knowledge, capability, and integrity. They are a force for change and builders of a new corporate culture that can compete successfully in satisfying consumer needs on a global basis. They ensure the Group will continue to evolve and grow, while adding shareholders’ value and strengthening Thailand.



AWARDS and standard certifications in 2003



The Siam Cement Public Company Limited

- Asia's Best Companies 2003 *From FinanceAsia Magazine*
 - Thailand's Company Leaders *From Far Eastern Economic Review Magazine*
 - Best Investor Relations in Thailand *From Institutional Investor Magazine in association with Reuters*
 - Thailand Corporate Excellence Awards *From the Thailand Management Association and the Sasin Graduate Institute of Business Administration of Chulalongkorn University*
 - SET Awards 2003 *From The Stock Exchange of Thailand and Money & Banking Magazine*
- Corporate Human Resource Division**
- ISO 9001 : 2000 Certification for quality management system *From Management System Certification Institute (Thailand)*

Paper and Packaging Business

Thai Paper Co., Ltd.

- Thailand Quality Class Award *From Thailand Productivity Institute*
- Deming Application Prize *From the Union of Japanese Scientists and Engineers*
- Outstanding Factory National Welfare Award *From The Ministry of Labour*
- Outstanding Award for Contribution to the Establishment and Training of Consultants for Female Employees in the Workplace *From The Ministry of Labour*

The Siam Pulp and Paper Public Company Limited

- The Prime Minister's Industry Award for Productivity Category *From The Ministry of Industry*
- Gold Certificate of Merit for Excellence in the Work Environment *From the Department of Health*
- Outstanding Factory National Welfare Award *From The Ministry of Labour*

Phoenix Pulp and Paper Public Company Limited

- ISO 9001 : 2000 Certification for quality management system *From Management System Certification Institute (Thailand)*

Siam Kraft Industry Co., Ltd.

- Outstanding Factory National Welfare Award *From The Ministry of Labour*

Thai Union Paper Industry Co., Ltd.

- Outstanding Award for Safety, Occupational Health, and Working Environment *From The Ministry of Labour*
- ISO 9001 : 2000 Certification for quality management system *From Management System Certification Institute (Thailand)*
- TIS 18001 Certification for occupational health and safety management *From Management System Certification Institute (Thailand)*

Thai Containers Group Co., Ltd.

- FTA Graphic Design 2003 – Gold Award *From Flexographic Technical Association, USA*
- FTA Graphic Design 2003 – Honorable Mention *From Flexographic Technical Association, USA*
- Asia Star Packaging Award 2003 *From Asian Packaging Federation*
- Thai Star Packaging Award 2003 *From the Department of Industrial Promotion, the Ministry of Industry*

Thai Containers Ltd.

- Thailand Quality Class Award *From Thailand Productivity Institute*
- Good Manufacturing Practice (GMP) *From BVQI*
- White Factory Award *From The Ministry of Labour*
- OHSAS 18001 occupational health and safety management system *From Management System Certification Institute (Thailand)*

Thai Containers Industry Co., Ltd.

- Good Manufacturing Practice (GMP) *From BVQI*
- OHSAS 18001 occupational health and safety management system *From Management System Certification Institute (Thailand)*

Thai Containers Ratchaburi (1989) Co., Ltd.

- Outstanding Factory National Welfare Award *From The Ministry of Labour*
- ISO 14001 Certification for environmental management *From Management System Certification Institute (Thailand)*

Nippon Hi-Pack (Thailand) Co., Ltd.

- ISO 9001 : 2001 Certification for quality management system *From Management System Certification Institute (Thailand)*

Thai Containers V&S Co., Ltd.

- White Factory Award *From The Ministry of Labour*
- OHSAS 18001 occupational health and safety management system *From Management System Certification Institute (Thailand)*
- TIS 18001 Certification for occupational health and safety management *From Management System Certification Institute (Thailand)*
- ISO 14001 Certification for environmental management *From Management System Certification Institute (Thailand)*

Petrochemicals Business

Rayong Olefins Co., Ltd.

- The Prime Minister's Industry Award for Productivity Category *From The Ministry of Industry*
- Outstanding Award for Safety, Occupational Health, and Working Environment *From The Ministry of Labour*
- White Factory Award *From The Ministry of Labour*
- OHSAS 18001 occupational health and safety management system *From Management System Certification Institute (Thailand)*

Siam Mitsui PTA Co., Ltd.

- Outstanding Award for Safety, Occupational Health, and Working Environment *From The Ministry of Labour*
- White Factory Award *From The Ministry of Labour*

Thai MMA Co., Ltd.

- Outstanding Award for Safety, Occupational Health, and Working Environment *From The Ministry of Labour*
- White Factory Award *From The Ministry of Labour*
- ISO 9001 : 2000 Certification for quality management system *From Management System Certification Institute (Thailand)*

Map Ta Phut Tank Terminal Co., Ltd.

- White Factory Award *From The Ministry of Labour*

Thai MFC Co., Ltd.

- White Factory Award *From The Ministry of Labour*

CCC Polyolefins Co., Ltd.

- ISO 9001 : 2001 Certification for quality management system *From Management System Certification Institute (Thailand)*

Thai Polyethylene Co., Ltd.

- White Factory Award *From The Ministry of Labour*
- OHSAS 18001 occupational health and safety management system *From Management System Certification Institute (Thailand)*
- ISO 14001 Certification for environmental management *From Management System Certification Institute (Thailand)*

Thai Polyethylene (1993) Co., Ltd.

Thai Polypropylene Co., Ltd.

Thai Polypropylene (1994) Co., Ltd.

- OHSAS 18001 occupational health and safety management system *From Management System Certification Institute (Thailand)*
- ISO 14001 Certification for environmental management *From Management System Certification Institute (Thailand)*

Cement Business

Siam Cement Industry Co., Ltd. : Instrumental Calibration Center

- TIS 17025 – 2543 Certificate of laboratory accreditation for the competence of calibration and testing laboratory: *Dimension: Sieve, Profile Projector, Metal Rule, Depth Microchecker, Caliper, Microchecker*
- Pressure: Barometer, Gas Absolute Pressure *From Thai Industrial Standards Institute*

The Siam Cement (Kaeng Khoi) Co., Ltd.

- The Prime Minister's Industry Award for Productivity Category *From The Ministry of Industry*
- Thailand Quality Class Award *From Thailand Productivity Institute*
- Outstanding Award for Safety, Occupational Health, and Working Environment *From The Ministry of Labour*

The Siam Cement (Ta Luang) Co., Ltd. : Khao Wong Plant

- Outstanding Award for Safety, Occupational Health, and Working Environment *From The Ministry of Labour*

The Siam Cement (Ta Luang) Co., Ltd. : Ta Luang Plant

- Outstanding Factory National Welfare Award *From The Ministry of Labour*

The Siam Cement (Thung Song) Co., Ltd.

- The Prime Minister's Industry Award for outstanding achievement in environmental conservation *From The Ministry of Industry*
- Outstanding Award for Labour Relations (Medium-sized Enterprise Category) *From The Ministry of Labour*
- OHSAS 18001 occupational health and safety management system *From Management System Certification Institute (Thailand)*

The Concrete Products and Aggregate Co., Ltd.

- White Factory Award *From The Ministry of Labour*
- ISO 9001 : 2001 Certification for quality management system *From Management System Certification Institute (Thailand)*
- OHSAS 18001 occupational health and safety management system *From Management System Certification Institute (Thailand)*

Siam Mortar Co., Ltd.

- Safety Award for completing one year without a lost-time accident *From The Ministry of Labour*

The Siam Refractory Industry Co., Ltd.

- Deming Application Prize *From The Union of Japanese Scientists and Engineers*
- ISO 9001 : 2001 Certification for quality management system *From Management System Certification Institute (Thailand)*
- OHSAS 18001 occupational health and safety management system *From Management System Certification Institute (Thailand)*

Building Products Business

Thai Ceramic Roof Tile Co., Ltd.

- ISO 9001 : 2000 Certification for quality management system *From SGS Thailand*

The Soso Group Industries Co., Ltd.

- ISO 9001 : 2000 Certification for quality management system *From TUV Rheinland*

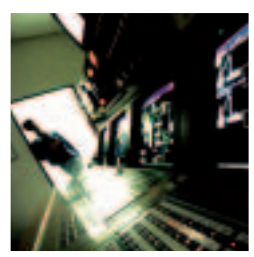
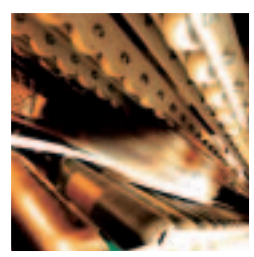
Distribution Business

Cementhai Logistics Co., Ltd.

- Thailand's Best Innovation Award 2003 for Transportation Management System (Large-sized Enterprise Category) *From The Nation Newspaper and Accenture*
- ISO 9001 : 2000 Certification for quality management system *From RWTUV*

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REPORT of the Board of Directors'

Responsibilities for Financial Statements

The Board of Directors of the Siam Cement Public Company Limited is responsible for the financial statements of the Company and subsidiaries which have been prepared in accordance with generally accepted accounting standards in Thailand. The policies pursued are deemed appropriate and applied consistently with adequate disclosure of important information in the notes to the financial statements.

The Board has appointed an Audit Committee consisted of independent members to provide effective oversight of finances and the internal control system to ensure that accounting records are accurate, complete and timely, to prevent fraud and materially irregular operations. The views of the Audit Committee are reported in the Audit Committee's report in the Company's annual report.

The Board is confident that the internal control system of the Siam Cement Public Company Limited and subsidiaries presents the financial position, results of operations, and cash flows accurately.



Chaovana NaSylvanta
Chairman



Chumpol NaLamlieng
President

AUDIT COMMITTEE'S report for 2003

In 2003, the Audit Committee carried out its commitment to the company's Board of Directors, which includes performing review functions in compliance with the charter of the Audit Committee, as well as according to principles of corporate governance and the Siam Cement Group (SCG) code of ethics. The main duties performed by the Audit Committee can be summarized as follows:

1. Developing audit system and charter of the Audit Committee Broadened the scope of the Audit Committee's responsibilities to boost efficiency, productivity, and consistency with international standards by introducing better safeguards, better auditing practices, improved procedures, and regular reporting of changes to the Stock Exchange of Thailand (SET).

2. Monitoring and controlling SCG operation in compliance with the principle of good corporate governance Upgraded the Group operating practices to better conform with good governance principles by publishing a handbook that included three sections: Structure of the Board of Directors; the Role and Responsibilities of the Board of Directors; and Duties of the Board of Directors. In addition, the Committee assessed how well the Group was applying the 15 best practices established by the SET and determined significant improvements had been made over prior years, as detailed in the annual report.

3. Quarterly and annual financial statements review Reviewed quarterly and annual financial statements of the Company and consolidated financial statements of the Company and subsidiaries to ensure conformity with accounting laws and the regulations of the Office of the Securities and Exchange Commission (SEC) and SET, as well as appropriate disclosure and timeliness. Moreover, the Company can also propose unaudited quarterly and annual financial statements sooner than the period specified by SET. There were no significant changes made after the auditors' reviewed.

4. Risk management review Reviewed risk management for each business and found all followed established procedures systematically, a critical feature in annual and medium-term planning. The quarterly assessments identified key risk factors, weighed those risks, estimated the impacts, and made recommendations for their management.

Each business demonstrated an ability to manage risks effectively and there was no evidence of risk damage.

5. Internal control review Improved the efficiency of the internal control system to better synchronize it with changing economic conditions. The auditor assessed the performance of the internal control system on a quarterly and annual basis and found no problems or issues. Each business is responsible for performing their own assessment of their internal control system by doing an analysis, developing a plan for enhancing performance, then, tracking the results.

6. Internal audit review Reviewed implementation of approved quarterly internal audit plans to ensure they followed the Group plan and made recommendations for improvements in effectiveness, such as ensuring conformity with law and regulations; eliminating corrupt practices; boosting efficiency and productivity; analyzing and identifying persistent problems to eliminate them before they become big problems; and auditing their internal audit information systems. Each section produces an audit report with details of the problems found; observations by the auditor; and recommendations on how to fix the problems within what timeline to ensure prompt followup and the desired results. To support this process, the internal audit office organized a seminar for representatives of the various businesses to ensure they understand what problems can arise and how to handle them.

Furthermore, the Audit Committee has proposed the Shareholders Meeting to appoint Mr. Vichien Thamtrakul or Mr. Winid Silamongkol of KPMG Phoomchai Audit Ltd. as Group auditors.

On behalf of the Audit Committee

Air Vice Marshal 
(Kamthon Sindhvananda)
Chairman of the Audit Committee

CONSOLIDATED financial statements of

The Siam Cement Public Company Limited and Subsidiaries



REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To the Shareholders of The Siam Cement Public Company Limited

I have audited the consolidated balance sheet of The Siam Cement Public Company Limited and subsidiaries as at December 31, 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The Consolidated financial statements for the year ended December 31, 2002, of The Siam Cement Public Company Limited and subsidiaries which are presented for comparative purposes, were audited by another auditor whose report dated February 7, 2003, expressed an unqualified opinion on those statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Siam Cement Public Company Limited and subsidiaries as at December 31, 2003, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

(Vichien Thamtrakul)

Certified Public Accountant

Registration No. 3183

KPMG Phoomchai Audit Ltd.

Bangkok

February 12, 2004

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

ASSETS	Note	2003	2002
CURRENT ASSETS			
Cash and deposits at financial institutions		1,748,320	3,481,485
Short-term investments		559,173	274,115
Trade and note receivables - net			
• Affiliated companies	1, 4	1,950,589	1,743,007
• Other companies	3	11,265,038	10,697,003
Receivables from and loans to affiliated companies	1, 4	619,265	2,388,493
Inventories - net	5	20,227,493	19,466,471
Other current assets		2,845,640	2,525,241
TOTAL CURRENT ASSETS		39,215,518	40,575,815
LONG-TERM RECEIVABLES - Net of current portion		450,108	708,478
INVESTMENTS IN SHARES OF AND LONG-TERM			
LOANS TO ASSOCIATED AND OTHER COMPANIES - Net	6	49,583,162	35,793,913
PROPERTY, PLANT AND EQUIPMENT - at cost - Net	7	72,714,240	75,024,050
ASSETS REVALUATION SURPLUS	7	71,008,577	65,562,462
OTHER ASSETS	8	16,754,206	17,979,747
TOTAL ASSETS		249,725,811	235,644,465

IN THOUSAND BAHT

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2003	2002
CURRENT LIABILITIES			
Bank overdrafts and short-term loans from financial institutions	9	11,548,398	9,391,385
Trade payables			
• Affiliated companies	1, 4	1,967,939	1,821,766
• Other companies		6,418,550	6,910,304
Current portion of long-term debt	11	9,798,045	8,816,059
Current portion of debentures	12	24,404,960	17,537,515
Payables to and loans from affiliated companies	1, 4	471,851	419,754
Accrued expenses		2,948,022	3,692,709
Income tax payable		975,624	619,958
Other current liabilities		1,564,678	1,382,944
TOTAL CURRENT LIABILITIES		60,098,067	50,592,394
PROVIDENT FUNDS	10	746,506	689,888
LONG-TERM DEBT - Net of current portion	11	11,682,902	20,969,436
DEBENTURES - Net of current portion	12	59,252,114	72,917,675
OTHER LIABILITIES	10	2,471,929	2,544,138
TOTAL LIABILITIES		134,251,518	147,713,531

CONSOLIDATED BALANCE SHEETS (CONTINUED)

DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

LIABILITIES AND SHAREHOLDERS' EQUITY (Continued)	Note	2003	2002
SHAREHOLDERS' EQUITY			
Share capital - common share, Baht 1 par value in 2003 and Baht 10 par value in 2002			
Authorized shares - 1,600,000,000 shares in 2003 and 160,000,000 shares in 2002, Issued and fully paid share capital - 1,200,000,000 shares in 2003 and 120,000,000 shares in 2002	13	1,200,000	1,200,000
Paid - in surplus		10,672	10,672
Revaluation surplus on property	7	67,479,464	61,120,501
Unrealized gain (loss) on investment in marketable securities	6	10,270,714	(496,734)
Accumulated foreign currency translation adjustments		(563,328)	(368,308)
Equity in associated companies		3,139,114	(724,834)
Retained earnings			
Appropriated			
• Legal reserve	14	120,000	120,000
• General reserve		10,214,000	10,140,000
Unappropriated			
• From operations of the Company and subsidiaries		13,106,288	4,622,397
TOTAL SHAREHOLDERS' EQUITY		104,976,924	75,623,694
MINORITY INTEREST IN SUBSIDIARIES			
• From capital, operations and others		6,968,256	7,865,279
• From assets revaluation surplus	7	3,529,113	4,441,961
TOTAL MINORITY INTEREST IN SUBSIDIARIES		10,497,369	12,307,240
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTEREST		115,474,293	87,930,934
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		249,725,811	235,644,465

For and on Behalf of the Board of Directors

Chaovana NaSylvanta
Chairman

Chumpol NaLamlieng
PRESIDENT

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

	Note	2003	2002
• Net sales		148,865,052	128,201,292
• Cost of sales		110,602,824	96,167,780
GROSS PROFIT		38,262,228	32,033,512
• Selling expenses		7,618,622	7,422,006
• Administrative expenses	16	9,044,332	7,742,439
• Directors' remuneration	17	103,000	32,430
INCOME FROM SALES		21,496,274	16,836,637
• Other income	18	1,996,749	1,870,928
INCOME FROM OPERATIONS		23,493,023	18,707,565
• Equity in net earnings of associated companies		6,746,454	5,676,864
INCOME BEFORE INTEREST EXPENSE AND FINANCIAL CHARGES AND INCOME TAX		30,239,477	24,384,429
• Interest expense and financial charges	19	8,100,926	10,037,746
• Income tax	20	3,943,685	2,519,479
INCOME AFTER TAX		18,194,866	11,827,204
• Minority interest in earnings of subsidiaries - net		(388,501)	(685,383)
INCOME BEFORE EFFECTS OF INVESTMENTS AND ASSETS SOLD FOR RESTRUCTURING, PROVISION FOR DECLINE IN VALUE OF INVESTMENTS AND OTHERS		17,806,365	11,141,821
• Gain on investments and assets sold for restructuring, provision for decline in value of investments and others - net of income tax	6, 7	2,147,750	3,461,901
NET INCOME		19,954,115	14,603,722
BASIC EARNINGS PER SHARE (IN BAHT)	2	16.63	12.17

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

	2003	2002
COMMON SHARES		
• Beginning balance	1,200,000	1,200,000
• Addition	-	-
• Deduction	-	-
• Ending balance	1,200,000	1,200,000
PAID-IN SURPLUS		
• Beginning balance	10,672	10,672
• Addition	-	-
• Deduction	-	-
• Ending balance	10,672	10,672
REVALUATION SURPLUS ON PROPERTY		
• Beginning balance	61,120,501	56,120,410
• Addition	6,358,963	5,000,091
• Deduction	-	-
• Ending balance	67,479,464	61,120,501
UNREALIZED GAIN (LOSS) ON INVESTMENTS IN MARKETABLE SECURITIES		
• Beginning balance	(496,734)	(932,236)
• Addition	10,767,448	435,502
• Deduction	-	-
• Ending balance	10,270,714	(496,734)
ACCUMULATED FOREIGN CURRENCY TRANSLATION ADJUSTMENTS		
• Beginning balance	(368,308)	(158,897)
• Addition	-	-
• Deduction	(195,020)	(209,411)
• Ending balance	(563,328)	(368,308)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

	2003	2002
EQUITY IN ASSOCIATED COMPANIES		
From change in percentage of holdings		
• Beginning balance	488,287	488,287
• Addition	-	-
• Deduction	(488,287)	-
• Ending balance	-	488,287
From revaluation surplus on property		
• Beginning balance	2,732,459	3,119,956
• Addition	-	-
• Deduction	(414,367)	(387,497)
• Ending balance	2,318,092	2,732,459
From unrealized gain (loss) on investments on marketable securities		
• Beginning balance	31,081	(220)
• Addition	643,861	31,301
• Deduction	-	-
• Ending balance	674,942	31,081
From accumulated foreign currency translation adjustments		
• Beginning balance	(36,236)	(40,606)
• Addition	-	4,370
• Deduction	(50,941)	-
• Ending balance	(87,177)	(36,236)
From operations of associated companies		
• Beginning balance	(3,940,425)	(4,730,443)
• Addition	6,746,454	5,676,864
• Deduction	(2,572,772)	(4,886,846)
• Ending balance	233,257	(3,940,425)
TOTAL EQUITY IN ASSOCIATED COMPANIES	3,139,114	(724,834)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

	2003	2002
APPROPRIATED RETAINED EARNINGS		
Legal reserve		
• Beginning balance	120,000	120,000
• Addition	-	-
• Deduction	-	-
• Ending balance	120,000	120,000
General reserve		
• Beginning balance	10,140,000	10,105,000
• Addition	74,000	35,000
• Deduction	-	-
• Ending balance	10,214,000	10,140,000
UNAPPROPRIATED		
From operations of the Company and subsidiaries		
• Beginning balance	4,622,397	(7,991,307)
• Addition	15,083,891	13,813,704
• Deduction	(6,600,000)	(1,200,000)
• Ending balance	13,106,288	4,622,397
MINORITY INTEREST IN SUBSIDIARIES		
From capital, operations and others		
• Beginning balance	7,865,279	6,837,562
• Addition	-	1,027,717
• Deduction	(897,023)	-
• Ending balance	6,968,256	7,865,279
From revaluation surplus in property		
• Beginning balance	4,441,961	1,936,362
• Addition	-	2,505,599
• Deduction	(912,848)	-
• Ending balance	3,529,113	4,441,961
TOTAL MINORITY INTEREST IN SUBSIDIARIES	10,497,369	12,307,240
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTEREST IN SUBSIDIARIES	115,474,293	87,930,934

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
• Net income	19,954,115	14,603,722
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
• Unrealized loss on foreign currency exchange	10,644	181,476
• Provision for doubtful accounts	507,880	426,503
• Depreciation and amortization	10,211,266	9,875,879
• Impairment loss of assets	117,195	-
• Reversal of provision for decline in value of investments-net	(189,752)	(67,590)
• Diminution in investments - net	397,673	181,849
• Gain on sales of investments and assets for restructuring-net	(2,355,671)	(3,576,160)
• Gain on sales of fixed assets	(76,226)	(8,402)
• Equity in net earnings of associated companies	(6,746,454)	(5,676,864)
• Minority interest in earnings of subsidiaries - net	388,501	685,383
• Deferred income tax-net	2,165,670	1,346,601
NET INCOME BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	24,384,841	17,972,397
DECREASE (INCREASE) IN OPERATING ASSETS:		
• Trade and note receivables	(1,033,751)	(779,718)
• Receivables from affiliated companies	229,185	(365,432)
• Inventories - net	(384,004)	(618,950)
• Other current assets	193,244	(205,490)
• Other assets	(348,519)	130,043
NET INCREASE IN OPERATING ASSETS	(1,343,845)	(1,839,547)
INCREASE (DECREASE) IN OPERATING LIABILITIES:		
• Trade payables	(788,910)	2,646,480
• Payables to affiliated companies	44,532	(172,453)
• Accrued expenses and other current liabilities	(125,289)	(688,658)
• Provision for provident fund - net	56,618	25,251
NET INCREASE (DECREASE) IN OPERATING LIABILITIES	(813,049)	1,810,620
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,227,947	17,943,470
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in associated and other companies	(194,991)	(5,226,512)
Dividend income from associated companies	3,483,824	1,834,166
INVESTMENTS IN SUBSIDIARIES		
• Acquisition of subsidiary net of cash	(70,060)	(2,063,955)
• Excess of cost over equity of subsidiaries	(1,933,886)	(107,291)
• Minority interest in subsidiaries	(1,644,908)	(540,433)
NET INCREASE IN INVESTMENTS IN SUBSIDIARIES	(3,648,854)	(2,711,679)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

	2003	2002
Proceeds from sales of investments and assets for restructuring	2,600,527	7,704,639
Purchase of property, plant and equipment	(3,384,084)	(2,879,492)
Proceeds from sales of fixed assets	319,292	655,316
Payment received on loans to affiliated companies and other receivables	624,773	7,057,283
Accumulated foreign currency translation adjustments	(199,426)	74,569
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(398,939)	6,508,290
CASH FLOWS FROM FINANCING ACTIVITIES		
BORROWINGS		
• Bank overdrafts and short-term loans from financial institutions	2,235,253	(84,540)
• Repayment of long-term debt	(15,494,005)	(43,639,354)
• Proceeds from long-term debt	4,716,590	23,722,992
• Proceeds from (Repayment of) loans from affiliated companies	35,339	(750,418)
• Liabilities under financial lease	(716,771)	2,211,920
• Proceeds from issuance of debentures	10,739,399	6,811,437
• Redemption of debentures	(17,537,515)	(14,840,600)
NET DECREASE IN BORROWINGS	(16,021,710)	(26,568,563)
DIVIDENDS		
• Cash dividend to minority interest	(749,399)	(850,091)
• Cash dividend	(6,600,000)	(1,200,000)
TOTAL DIVIDENDS	(7,349,399)	(2,050,091)
Other liabilities	93,994	(5,959)
NET CASH USED IN FINANCING ACTIVITIES	(23,277,115)	(28,624,613)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,448,107)	(4,172,853)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,755,600	7,928,453
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,307,493	3,755,600
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash and cash equivalents :		
These consist of		
Cash and deposits at financial institutions	1,748,320	3,481,485
Short-term investments	559,173	274,115
Total	2,307,493	3,755,600
Cash paid during the years		
Interest expense	8,986,316	10,297,947
Income tax	1,456,102	1,022,503

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

1. Basis for Financial Statements and Principles of Consolidation

1.1 Nature of Operations

The Siam Cement Public Company Limited ("The parent company") is a Thai public company limited, and is listed on the Stock Exchange of Thailand (stock code "SCC"). SCC was incorporated in 1913, and is located at 1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand. SCC is Thailand's largest industrial group, with leading market positions in each of its businesses of cement, petrochemicals and paper. The Company's other operations included Building Products, Distribution, Cementhai Holding and Cementhai Property. The number of employees of the Company and subsidiaries at the end of years are 18,276 persons in 2003 and 16,913 persons in 2002.

1.2 Basis of Financial Statements Presentation

The Company owns a substantial portion of the capital shares of the companies in The Siam Cement Group. A substantial portion of the Company's business is represented by transactions with subsidiaries, associated and related companies and the financial statements reflect the effects of these transactions on the basis determined by the companies concerned which are in the normal course of business.

The consolidated financial statements for the years ended December 31, 2003 and 2002 include the accounts of The Siam Cement Public Company Limited and subsidiaries where the Company has controlling power and/or significant influence in identifying financial management policies and operations.

Subsidiaries included in the consolidated financial statements (only those with significant operations) are as follows:

	Direct/Indirect Holding (%)
Cement Business	
Siam Cement Industry Co., Ltd.	100
The Siam Cement (Lampang) Co., Ltd.	100
The Siam Cement (Ta Luang) Co., Ltd.	100
The Siam Cement (Kaeng Khoi) Co., Ltd.	100
The Siam Cement (Thung Song) Co., Ltd.	100
The Concrete Products and Aggregate Co., Ltd.	100
The Siam Refractory Industry Co., Ltd.	100
The Siam White Cement Co., Ltd.	100
The CPAC Ready Mixed (South) Co., Ltd.	100
Siam Mortar Co., Ltd.	100
Petrochemicals Business	
Cementhai Chemicals Co., Ltd.	100
Rayong Olefins Co., Ltd.	62

	Direct/Indirect Holding (%)
Thai Polyethylene Co., Ltd.	100
Thai Polyethylene (1993) Co., Ltd.	100
Thai Polypropylene Co., Ltd.	100
Thai Polypropylene (1994) Co., Ltd.	100
CCC Chemical Commerce Co., Ltd.	100
Map Ta Phut Tank Terminal Co., Ltd.	81
Rayong Pipeline Co., Ltd.	91
Paper Business	
The Siam Pulp and Paper Public Company Limited	98
Siam Cellulose Co., Ltd.	98
Thai Paper Co., Ltd.	100
Thai Union Paper Public Company Limited	99
Thai Union Paper Industry Co., Ltd.	98
Siam Kraft Industry Co., Ltd.	100
Thai Kraft Paper Industry Co., Ltd.	99
Thai Containers Co., Ltd.	69
Thai Containers Industry Co., Ltd.	69
Thai Containers Ratchaburi (1989) Co., Ltd.	69
Thai Containers Songkhla (1994) Co., Ltd.	69
Thai Containers Chonburi (1995) Co., Ltd.	69
City Pack Co., Ltd.	69
Nippon Hi-Pack (Thailand) Co., Ltd.	51
Thai Containers V&S Co., Ltd.	69
Phoenix Pulp and Paper Public Company Limited	63
United Pulp and Paper Co., Inc.	97
Building Products Business	
Cement Thai Building Products Co., Ltd.	100
The Siam Fibre-Cement Co., Ltd.	100
The Siam Fibre-Cement Products (Lampang) Co., Ltd.	100
The CPAC Roof Tile Co., Ltd.	75
Thai Ceramic Roof Tile Co., Ltd.	75
The CPAC Concrete Products Co., Ltd.	100
The Siam CPAC Block Co., Ltd.	100
The CPAC Block Industry Co., Ltd.	100
Tip Fibre - Cement Co., Ltd.	100
Siam Fiberglass Co., Ltd.	100
Saraburirat Co., Ltd.	83
Cement Thai Gypsum Co., Ltd.	100
PT. Siam-Indo Concrete Products (Indonesia)	50
PT. Siam-Indo Gypsum Industry (Indonesia)	50

	Direct/Indirect Holding (%)
CPAC Monier (Cambodia) Co., Ltd.	75
CPAC Monier Philippines, Inc.	50
Cement Thai Ceramics Co., Ltd.	100
Thai Ceramic Co., Ltd.	100
The Sosuco Group Industries Co., Ltd.	100
PT. Surya Siam Keramik	66
Distribution Business	
Cement Thai Distribution Co., Ltd.	100
SCT Co., Ltd.	100
Cement Thai Sales and Marketing Co., Ltd.	100
Cement Thai Logistics Co., Ltd.	100
Cement Thai Holding	
Cement Thai Holding Co., Ltd.	100
Cement Thai Property	
Cement Thai Property (2001) Public Company Limited	100
Rayong Industrial Land Co., Ltd.	100
SIL Industrial Land Co., Ltd.	100
RIL 1996 Co., Ltd.	100
Property Value Plus Co., Ltd.	100
CMT Services Co., Ltd.	100

Most of the above subsidiaries are established in Thailand.

In the first quarter of 2003, the Company purchased 9.48% additional outstanding shares of The Siam Pulp and Paper Public Company Limited for Baht 2,890 million. Subsequently, in the second, third and fourth quarters of 2003, the Company purchased 1.4% additional outstanding shares of the above Company for Baht 372 million. As a result, the Company's interest in this Company as at December 31, 2003 becomes 98.11%. The Company adjusted its minority interest in subsidiary to present the amount as percentage of interest as at present.

In March 2003, The Siam Pulp and Paper Public Company Limited, - a subsidiary, purchased all newly issued common shares of Thai Cane Paper Public Company Limited for Baht 1,000 million, representing 40% of total shares (percentage of direct and indirect holding of The Siam Cement Public Company Limited equals to 38.76%). Starting in the second quarter of 2003, the Company accounted for the investment at equity. Subsequently, in the fourth quarter of 2003, the Company purchased 9.99% additional outstanding shares of the above company for Baht 623 million. As a result, the Company's interest in this company as at December 31, 2003 becomes 49.99% (percentage of direct and indirect holding of The Siam Cement Public Company Limited equals to 49.05%).

In the second quarter of 2003, The Siam Pulp and Paper Public Company Limited, - a subsidiary, purchased 3.15% additional outstanding shares of Phoenix Pulp and Paper Public Company Limited for Baht 284 million. As a result, the Company's interest in this Company as at December 31, 2003 becomes 64.41% (percentage of direct and indirect holding of The Siam Cement Public Company Limited equals to 63.19%).

In July, 2003, The Siam Pulp and Paper Public Company Limited, - a subsidiary, purchased outstanding shares of United Pulp and Paper Co., Inc., Philippines ("UPPC") from a group of foreign companies for approximately Baht 424 million. As a result, its interest in UPPC changed from 43% (percentage of direct and indirect holding of the Siam Cement Public Company Limited equals to 38%) to 88% (percentage of direct and indirect holding of the Siam Cement Public Company Limited equals to 87%), and UPPC then became a subsidiary of The Siam Cement Public Company Limited. Subsequently, in the fourth quarter of 2003, the Company purchased outstanding shares and invested in share capital increased of UPPC for approximately Baht 3,013 million. As a result, its interest in UPPC changed to 99% (percentage of direct and indirect holding of the Siam Cement Public Company Limited equals to 97%). The accompanying consolidated financial statements for the year ended December 31, 2003 included the financial statements of this subsidiary.

Significant financial information of the subsidiary's financial statements is as follows:

Balance sheet as of December 31, 2003:

	In Million Baht
• Total assets	4,304
• Total liabilities	285

Statements of income for the year ended December 31, 2003:

	In Million Baht
• Total revenues	2,071
• Total expenses	(2,707)
• Income tax	(6)
• Minority interest	110
• Loss before effects of investments and assets sold for restructuring and provision for decline in value of investments	(532)
• Net loss	(379)

All significant intercompany transactions with subsidiaries included in the consolidated financial statements have been eliminated.

Significant transactions with associated companies for the years ended December 31, 2003 and 2002 are as follows:

	In Million Baht		Pricing Policy
	2003	2002	
• Purchases	17,313	13,554	Market price
• Sales	14,829	10,931	Market price
• Service income and others	545	496	Mainly based on percentage of net sales
• Dividend income	3,484	1,834	Upon declaration

No transactions of purchases, sales, guarantees and commitments are made with any individual related party who may have an interest in the Company.

The Company maintains its official accounting records in Thai Baht and prepares its statutory financial statements in the Thai language in conformity with financial accounting standards in Thailand, which may differ from generally accepted accounting principles in other countries. Accordingly, the users of these financial statements should have sufficient knowledge about Thai accounting principles and practices.

For convenience of the readers, an English translation of the financial statements has been prepared from the statutory Thai language financial statements which are issued for domestic financial reporting purposes.

2. Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue from the sale of goods when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Dividends are recognized when declared.

Service fee income is recognized on an accrual basis in accordance with the terms of agreement.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Cash and Cash Equivalents

Cash and cash equivalents included cash and deposits at financial institutions and short-term investments which mainly are time deposits, with original maturities of three months or less.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of all receivables. The estimated losses are based on historical collection experience coupled with a review of the current status of existing receivables.

Investments in Shares

The Company accounts for its investments in shares in associated companies by the equity method.

Investments in other companies are valued at cost, and provision is taken up in the accounts for possible loss on decline in value of the investments. Investments in marketable securities are classified as available-for-sale, and carried at their fair value .

Inventory Valuation

The Company values its inventories at cost or net realizable value, whichever is lower, by the following methods:

Finished goods

- at standard cost which approximates current production cost

Merchandise

- at average cost

Goods in process

- at standard cost which includes raw materials, variable labor and manufacturing overhead costs.

Raw materials, spare parts, stores, supplies and others

- at average cost

Property, Plant and Equipment and Depreciation

Depreciation of property, plant and equipment has been computed by the straight-line method at rates which approximate the economic useful lives of the assets as follows:

	Period (Years)
• Land improvements	10-40
• Buildings and structures	20
• Plant machinery and equipment	5-15
• Transportation equipment	5
• Furniture, fixtures and office equipment	5

Except for Phoenix Pulp and Paper Public Co., Ltd. where depreciation of property, plant and equipment has been computed by the following method at the rates which approximate the economic useful lives of the assets as follows:

	Period (Years)	Depreciation Method
• Land improvements	30	Straight-line
• Buildings and structures		
• Acquired prior to January 1, 2002	30	Sinking Fund
• Acquired from January 1, 2002	20, 30	Straight-line
• Machinery and equipment	15	Sinking Fund
• Certain machinery and equipment	5, 6, 8	Straight-line
• Furniture, fixtures and office equipment	5	Straight-line
• Transportation equipment	5	Straight-line

However, the effect of the above different depreciation policy to the consolidated financial statements is insignificant.

Depreciation expense for the finance lease assets is charged as expense for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

Capitalization of Borrowing Cost

Borrowing costs incurred during the construction period are capitalized as part of the cost of construction in progress by applying a capitalization rate to expenditures on the construction of assets that require a substantial period of time to get them ready for use.

Intangibles and Amortization

The excess of the cost of investments in subsidiaries over the fair values of the assets and liabilities at the date of acquisition is accounted for as goodwill and included in other assets. Goodwill is amortized on a straight-line basis over its estimated useful life of 5 years.

Other assets recorded as deferred charges are amortized over one (1) to twenty (20) years.

Development costs of products are deferred and amortized by the straight-line method over five (5) to fifteen (15) years.

Impairment of Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in current operations.

Financial Lease

Certain subsidiaries entered into sale and lease back agreements for certain machinery and equipment, resulting in a financial lease. Excess of sales proceeds over the carrying amount is not immediately recognized as income. Instead it is deferred and amortized over the lease term.

The subsidiaries recognized financial leases as assets and liabilities in the consolidated balance sheets at amounts equal at the inception of the lease to the fair value of the leased property. Lease payments are apportioned between the financial charge and the reduction of the outstanding liabilities. The financial charge is allocated to the periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Early Retirement Expense

In 2000, the Company offered certain qualifiable employees the option to take early retirement from the Company. Eligible employees who accept the offer are paid a lump sum amount which is calculated based on a formula using their final month's pay, number of years of service and the number of remaining months before normal retirement as variables. The Company records expenses on early retirement upon mutual acceptance by both the Company and the employees. In 2002 and 2003, the plan has been extended to certain employees with mutual consent.

Income Tax

The Company and subsidiaries provide for deferred income tax resulting from timing differences in reporting expenses for financial reporting purposes compared to income tax reporting purposes (e.g. allowance for doubtful accounts, loss carryforwards up to 5 years). The deferred income tax is amortized as the timing differences later reverse.

Deferred income tax is recognized to the extent that it is probable that the future taxable profit will be available, and the timing difference can be utilized.

Foreign Currency Transactions and Translation of Foreign Currencies Financial Statements

Foreign currency transactions are recorded at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the year - end exchange rates unless hedged by forward foreign exchange contracts, in which case they are translated at the rates specified in the forward contracts. Gains or losses on translation are recognized in the consolidated statement of income. Fees on hedging contracts are amortized over the life of the contracts.

The financial statements of the foreign subsidiaries have been translated into Baht at the rates prevailing at the balance sheet date for assets and liabilities. Revenues and expenses are translated at average rates of exchange prevailing during the year. Translation adjustments that arise from the translation of foreign subsidiaries' financial statements are accumulated as a separate component of shareholders' equity.

Financial Instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments and debentures. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

The Company and subsidiaries operate internationally and are exposed to market risks from changes in interest and foreign exchange rates. The Company and subsidiaries use derivative financial instruments to mitigate those risks. All gains and losses on hedge transactions are recognized in the income statement in the same period as the exchange differences on the items covered by the hedge. Costs on such contracts are amortized over the life of the contracts.

Earnings per Share

Basic earnings per share is calculated by dividing the net income by the weighted average number of shares outstanding during the year (1,200,000,000 shares for 2003). Basic earnings per share in 2002 has been adjusted for the change in par value of common shares in March, 2003 (See Note 13).

3. Trade and Notes Receivables

	In Million Baht	
	2003	2002
• Trade receivables	11,267	10,485
• Less: Allowance for doubtful accounts	1,296	849
Net	9,971	9,636
• Notes receivable	1,294	1,061
Total	11,265	10,697

As at December 31, 2003 and 2002, the Company and subsidiaries have long outstanding accounts receivable aged as follows:

	In Million Baht	
	2003	2002
• Over 3 to 6 months	17	65
• Over 6 to 12 months	9	337
• Over 1 year	1,308	676
Total	1,334	1,078

The Company and subsidiaries provided allowances for doubtful accounts amounting to approximately Baht 1,296 million in 2003 and Baht 849 million in 2002 which are adequate to absorb possible losses and comply with the accounting policy for allowance for doubtful accounts.

4. Related Company Transactions

	In Million Baht	
	2003	2002
Trade receivables		
• Siam Polyethylene Co., Ltd.	457	392
• HMC Polymers Co., Ltd.	320	327
• Siam Styrene Monomer Co., Ltd.	196	109
• Bangkok Synthetics Co., Ltd.	182	195
• CCC Chemical Commerce (China) Co., Ltd.	129	164
• Thai Plastic and Chemical Public Company Limited	104	97
• Sosuco Ceramic Co., Ltd.	69	63
• Siam Tyre Industry Co., Ltd.	64	37
• The Siam Gypsum Industry (Saraburi) Co., Ltd.	58	19
• Siam Toppan Packaging Co., Ltd.	41	32
• Grand Siam Composites Co., Ltd.	28	43
• Thai MMA Co., Ltd.	26	28
• CRT Display Technology Co., Ltd.	23	23
• Thai Olefins Public Company Limited	21	15
• Nawa Plastic Industries Co., Ltd.	20	18
• Other companies	213	181
Total	1,951	1,743

	In Million Baht	
	2003	2002
Receivables and Loans		
Current accounts		
• Mariwasa Holding, Inc.	61	69
• The Aromatics (Thailand) Public Company Limited	50	26
• Siam Kubota Industry Co., Ltd.	38	35
• Mariwasa Manufacturing, Inc.	29	23
• Millennium Steel Public Company Limited	29	29
• Michelin Siam Marketing and Sales Co., Ltd.	28	27
• Cementhai Trading (M) Sdn. Bhd.	22	1
• Siam Asahi Technoglass Co., Ltd.	21	28
• The Siam United Steel (1995) Co., Ltd.	20	3
• Siam Mitsui PTA Co., Ltd.	18	19
• The Siam Steel Cord Co., Ltd.	17	15
• Siam Mariwasa Toto, Inc.	14	21
• Thai Prosperity Terminal Co., Ltd.	10	13
• Beijing Cementhai Ceramic Co., Ltd.	-	631
• HMC Polymers Co., Ltd.	-	146
• Thai Plastic and Chemical Public Company Limited	-	70
• Other companies	99	96
	456	1,252
Notes receivable		
• Siam Yamato Steel Co., Ltd.	150	-
• IT One Co., Ltd.	9	34
• Millennium Steel Public Company Limited	-	1,038
• The Siam Moulding Plaster Co., Ltd.	-	41
• Other companies	4	23
	163	1,136
Total	619	2,388
Trade payables		
• National Petrochemical Public Company Limited	548	693
• Thai Olefins Public Company Limited	339	319
• Siam Polyethylene Co., Ltd.	283	178
• Siam Construction Steel Co., Ltd.	275	197
• The Aromatics (Thailand) Public Company Limited	140	131
• The Siam Gypsum Industry (Saraburi) Co., Ltd.	110	114
• The Siam Industrial Wire Co., Ltd.	69	83
• The Siam Gypsum Industry (Songkhla) Co., Ltd.	47	20
• Siam Yamato Steel Co., Ltd.	43	36
• Bangkok Synthetics Co., Ltd.	38	25
• Other companies	76	26
Total	1,968	1,822

	In Million Baht	
	2003	2002
Payables and loans		
Current accounts		
• Sosuco Ceramic Co., Ltd.	60	57
• Millennium Steel Public Company Limited	36	-
• IT One Co., Ltd.	15	13
• Other companies	32	26
	143	96
Notes payable		
• PT. Trans-Pacific Polyethylene Indonesia	93	101
• Siam Furukawa Co., Ltd.	60	60
• Grand Siam Composites Co., Ltd.	39	-
• Millennium Steel Public Company Limited	-	106
• Thai Prosperity Terminal Co., Ltd.	15	-
• Other companies	122	57
	329	324
Total	472	420

5. Inventories

	In Million Baht	
	2003	2002
• Finished goods	10,252	9,707
• Goods in process	1,171	990
• Raw materials	3,263	3,558
• Spare parts	3,951	3,729
• Stores, supplies and others	1,398	1,255
• Raw materials and spare parts in transit	351	400
Total	20,386	19,639
• Less: Allowance for obsolescence and slow-moving items	159	173
Inventories - Net	20,227	19,466

6. Investments in Shares of and Long-Term Loans to Associated and Other Companies - Net

	Percentage of Direct		In Million Baht			
	and Indirect Holdings		Investment		Dividend	
	2003	2002	2003	2002	2003	2002
Investment in Shares						
A. Associated Companies						
At Equity						
Cement						
• Aalborg Siam White Cement Pte., Ltd.	50	50	6	3	-	-
			6	3	-	-
Petrochemicals						
• National Petrochemical Public Company Limited	26	26	4,903	4,540	232	206
• Siam Styrene Monomer Co., Ltd.	50	50	3,472	3,170	617	-
• Siam Mitsui PTA Co., Ltd.	50	50	2,554	2,534	1,027	247
• Thai Plastic and Chemical Public Company Limited	26	26	1,919	1,765	160	103
• Thai MMA Co., Ltd.	46	46	1,334	957	240	205
• Siam Polyethylene Co., Ltd.	50	50	1,181	1,011	-	-
• Siam Polystyrene Co., Ltd.	50	50	442	376	-	-
• Siam Synthetic Latex Co., Ltd.	50	50	290	316	59	-
• Pacific Plastics (Thailand) Co., Ltd.	48	48	318	257	-	-
• Grand Siam Composites Co., Ltd.	46	46	296	241	138	65
• Thai Pet Resin Co., Ltd.	20	-	180	-	-	-
• PT. Trans-Pacific Petrochemical Indotama	20	20	174	174	-	-
• Thai MFC Co., Ltd.	45	45	143	151	32	-
• PT. Siam Maspion Terminal	50	50	104	107	-	-
• SD Group Service Co., Ltd.	49	49	59	82	-	-
• Tianjin Cement Thai Plastic Products Co., Ltd.	25	25	47	53	-	-
• Others			53	48	7	11
			17,469	15,782	2,512	837
Paper						
• Thai Cane Paper Public Company Limited	50	-	1,852	-	-	-
• Siam Toppan Packaging Co., Ltd.	49	49	270	228	-	-
• Thai British Security Printing Public Company Limited	49	49	262	243	16	-
• P&S Holding Philippines	40	40	12	43	-	-
• United Pulp and Paper Co., Inc.	-	37	-	729	-	-
			2,396	1,243	16	-
Building Products						
• The Siam Gypsum Industry Co., Ltd.	29	29	293	170	40	13
• Siam Sanitary Ware Co., Ltd.	36	36	275	150	7	-
• Sosuco Ceramic Co., Ltd.	45	45	250	242	27	32
• The Siam Sanitary Fittings Co., Ltd.	45	45	117	100	7	-
• The Siam Moulding Plaster Co., Ltd.	40	40	61	49	-	-
• Mariwasa Manufacturing, Inc.	46	46	41	297	-	-
• Others			127	58	-	-
			1,164	1,066	81	45

	Percentage of Direct		In Million Baht			
	and Indirect Holdings		Investment		Dividend	
	2003	2002	2003	2002	2003	2002
Distribution						
• Thai Prosperity Terminal Co., Ltd.	50	50	60	65	15	15
• Siam Pulsawat Lighter Co., Ltd.	29	29	20	18	-	-
• Survey Marine Service Co., Ltd.	48	48	17	18	-	-
• Others			8	16	3	-
			105	117	18	15
Cement Thai Holding						
• Michelin Siam Group Co., Ltd.	39	39	2,119	1,838	398	624
• Siam Asahi Technoglass Co., Ltd.	27	27	1,569	1,370	165	98
• Siam Yamato Steel Co., Ltd.	45	45	1,346	2,533	-	-
• Thai CRT Co., Ltd.	48	48	1,125	1,343	-	-
• The Siam Kubota Industry Co., Ltd.	42	42	985	991	175	175
• Millennium Steel Public Company Limited	41	45	742	415	-	-
• Musashi Auto Parts Co., Ltd.	21	21	387	301	13	13
• The Deves Insurance Public Co., Ltd.	21	21	338	325	20	20
• Thai Engineering Products Co., Ltd.	30	30	286	181	20	7
• Siam Lemmerz Co., Ltd.	30	30	229	177	47	-
• The Siam Industrial Wire Co., Ltd.	29	29	190	111	-	-
• Aisin Takaoka Foundry Bangpakong Co., Ltd.	30	30	121	105	-	-
• Siam Furukawa Co., Ltd.	29	29	87	82	-	-
• Thai Tokai Carbon Product Co., Ltd.	-	22	-	196	-	-
• Others			156	67	19	-
			9,680	10,035	857	937
Cement Thai Property						
• Nawa 84 Co., Ltd.	25	25	294	295	-	-
			294	295	-	-
IT One Co., Ltd.	49	49	63	41	-	-
			63	41	-	-
Total Investments in Associates			31,177	28,582	3,484	1,834
B. Other Companies						
At cost						
Cement						
• Asia Cement Public Company Limited	10	10	942	1,255	39	59
• Holcim (Bangladesh) Co., Ltd.	10	10	361	361	-	4
			1,303	1,616	39	63
Petrochemicals						
• Bangkok Synthetics Co., Ltd.	18	18	352	352	31	-
• PT .Trans - Pacific Styrene Indonesia	10	10	31	31	-	-
• PT .Trans - Pacific Polypropylene Indonesia	10	10	22	22	-	-
• Thai Olefins Public Company Limited	-	10	-	1,133	-	-
• Others			18	18	2	3
			423	1,556	33	3

	Percentage of Direct		In Million Baht			
	and Indirect Holdings		Investment		Dividend	
	2003	2002	2003	2002	2003	2002
Paper						
• AB Capital & Investment Corp.	3	-	18	-	-	-
• Others			13	-	-	-
			31	-	-	-
Building Products						
• Finfloor S.P.A.	10	10	299	299	10	2
• Ya-Hua Building Material Co., Ltd.	20	20	50	50	-	-
			349	349	10	2
Distribution						
• Advance Paint & Chemical (Thailand) Public Co., Ltd.	7	7	23	23	-	-
• Others			5	5	-	-
			28	28	-	-
Cementthai Holding						
• Toyota Motor (Thailand) Co., Ltd.	10	10	881	881	37	-
• Siam Toyota Manufacturing Co., Ltd.	4	4	98	98	-	-
• Thai Tokai Carbon Products Co., Ltd.	7	-	48	-	-	-
• Convertible debenture Millennium Steel Public Company Limited			790	790	-	-
• Others			21	28	-	-
			1,838	1,797	37	-
Others						
			95	123	-	-
			4,067	5,469	119	68
Marketable securities						
At fair value (Available-for-sale)						
• The Aromatics (Thailand) Public Company Limited	14	13	8,614	665	-	-
• Thai Olefins Public Company Limited	7	-	4,124	-	-	-
• Others			-	64	-	-
			12,738	729	-	-
Total			47,982	34,780	3,603	1,902
• Less allowance for decline in value of investments			150	381	-	-
Investment in associated and other companies - net			47,832	34,399	3,603	1,902
Long-term loans to associated and other companies						
• The Aromatics (Thailand) Public Company Limited			1,225	1,225	-	-
• Millennium Steel Public Company Limited			526	-	-	-
• United Pulp and Paper Co., Inc.			-	161	-	-
• IT One Co., Ltd.			-	9	-	-
Total Long-term loans to associated and other companies			1,751	1,395	-	-
Total Investments in shares of and long - term loans to associated and other companies						
			49,583	35,794	3,603	1,902

The aggregate values of the above investments in shares of other companies, based on the latest available audited/reviewed financial statements or the quoted market prices (Closing price) on the Stock Exchange as at December 31, 2003, are as follows:

	In Million Baht			
	Cost	Net Book Value	Allowance for	Unrealized
		or Quoted	Decline	Gain on
	Market Price	in Value of	Investments	
	(Closing price)	Investments	in Securities	
• Non-marketable	4,067	4,717	(150)	-
• Marketable	2,467	12,738	-	10,271
Total	6,534	17,455	(150)	10,271

According to the corporate restructuring plan of The Siam Cement Group, in 2002, the Company sold its investments in shares of certain affiliated companies such as Siam Iron and Steel (2001) Co., Ltd., Siam Construction Steel Co., Ltd., The Siam Moulding Plaster Co., Ltd., and The Siam Industrial Wire Co., Ltd., and reversed an allowance for decline in value of investment. In addition, the Company sold its parcels of land which are located at Bangkok Research Center (DonMueang) and Sanambinnam. In 2003, the Company sold its investments in shares of certain affiliated companies such as Thai Tokai Carbon Products Co., Ltd. and Millennium Steel Public Company Limited and reversed an allowance for decline in value of investment. In addition, the Company sold warrants of Millennium Steel Public Company Limited and its parcels of land which are located at DonMueang and Sathupradit, Bangkok and at Amphur Cha Am, Petchaburi.

The Company presented gains on investments and assets sold and others of approximately Baht 2,148 million in 2003 and Baht 3,462 million in 2002 net of income tax (Baht 391 million in 2003 and Baht 1,787 million in 2002) under the caption of "Gain on investments and assets sold for restructuring, provision for decline in value of investments and others - net of income tax" in the accompanying consolidated statements of income.

7. Property, Plant and Equipment

	In Million Baht				
	Balance as of				Balance as of
	December 31, 2002	Increase	Decrease	Transfer	December 31, 2003
At Cost					
• Land and land improvements	13,003	211	187	74	13,101
• Buildings and structures	23,630	600	255	156	24,131
• Plant machinery and equipment	135,750	5,098	1,265	1,604	141,187
• Transportation equipment	3,177	36	35	3	3,181
• Furniture, fixtures and office equipment	3,875	115	198	140	3,932
• Other depreciable assets	400	30	3	-	427
• Construction in progress	2,068	3,466	362	(1,975)	3,197
• Advances for purchases of land, machinery and equipment	75	25	43	(2)	55
Total	181,978	9,581	2,348	-	189,211
Less Accumulated depreciation					
• Land improvements	3,683	361	65	-	3,979
• Buildings and structures	10,351	1,083	145	-	11,289
• Plant machinery and equipment	86,353	8,601	695	-	94,259
• Transportation equipment	2,854	141	29	(3)	2,963
• Furniture, fixtures and office equipment	3,301	273	124	3	3,453
• Other depreciable assets	376	25	-	-	401
Total accumulated depreciation	106,918	10,484	1,058	-	116,344
Accumulated impairment losses	36	117	-	-	153
Total accumulated depreciation and accumulated impairment losses	106,954	10,601	1,058	-	116,497
Property, plant and equipment - Net	75,024	(1,020)	1,290	-	72,714

Interest and other related financial charges incurred in 2003 and 2002, amounting to Baht 208 million and Baht 14 million, respectively, were capitalized as part of the cost of constructing new plant facilities.

Depreciation expense amounted to Baht 9,365 million in 2003 and Baht 9,194 million in 2002.

The cost of machinery and equipment held under financial leases was Baht 2,208 million and has a net book value of Baht 1,665 million as at December 31, 2003.

Revaluation Surplus

Starting in the 1997 accounting period, the Company and subsidiaries adopted a policy to present 3 classes of assets which have carrying values substantially lower than the replacement costs. This includes land, buildings and machinery and equipment. The Company engaged American Appraisal Company (Thailand) Limited, as independent appraiser to appraise the value of buildings and machinery and equipment. The Company also has a policy to revalue of assets every year without presenting the revaluation surplus in the consolidated statement of income. The revaluation surplus will be presented in the consolidated balance sheet as assets revaluation surplus, and under the Shareholders' equity as Revaluation surplus in property and also Minority interest in subsidiaries – from assets revaluation surplus. Summarized below is the basis for the revaluation:

As at December 31, 2002, the Company and subsidiaries appraised their property, plant and equipment as follows:

- Land - at appraised value of the Land Department with a revaluation surplus of Baht 7,990 million.
- Buildings, machinery and equipment - at appraised value (fair value basis) reported by an independent appraiser dated January 9, 2003 with a revaluation surplus of Baht 57,572 million as at December 31, 2002 consisting of Baht 5,117 million for buildings and Baht 52,455 million for machinery and equipment.

As at December 31, 2003, the Company and subsidiaries appraised their property, plant and equipment as follows:

- Land - at appraised value of the Land Department with a revaluation surplus of Baht 6,720 million.
- Buildings, machinery and equipment - at appraised value (fair value basis) reported by an independent appraiser dated January 13, 2004 with a revaluation surplus of Baht 64,289 million as at December 31, 2003 consisting of Baht 6,287 million for buildings and Baht 58,002 million for machinery and equipment.

8. Other Assets

	In Million Baht	
	2003	2002
• Deferred income tax – net	9,792	12,350
• Deposits, claims and deferred charges – net	2,310	1,870
• Land, buildings and land improvements not used in operations - net of accumulated depreciation	1,065	1,283
• Excess of cost over net book value of investments in net assets – net	1,868	1,117
• Others	1,719	1,360
Total	16,754	17,980

Amortization of deferred charges were Baht 1,207 million in 2003 and Baht 693 million in 2002.

9. Bank Overdrafts and Short-Term Loans from Financial Institutions

	In Million Baht	
	2003	2002
• Bank overdrafts	249	227
• Loans	1,049	2,878
• Notes payable	10,184	6,228
• Acceptance payables and liabilities under trust receipts	66	58
Total	11,548	9,391

The Company and subsidiaries have overdraft lines with several banks amounted to approximately Baht 4,300 million in 2003 and Baht 5,200 million in 2002.

Under the terms of the agreements covering the Company's liabilities under trust receipts, certain raw materials, finished goods, spare parts, machinery and equipment have been released to the Company in trust for the banks. The Company is accountable to the banks for the trustee raw materials, finished goods, spare parts, machinery and equipment or their sales proceeds.

10. Provident Funds

The Company and certain subsidiaries have provident fund plans to provide retirement and gratuity benefits to employees. For most of the plans, the benefits made solely by the companies are payables to the employees upon resignation at 5% to 10% of the employees' salaries, depending on the length of employment. In addition to the above provident funds, since April 1995, the Company and subsidiaries have established a contributory provident fund covering substantially all employees. This fund was registered with the Ministry of Finance under the Provident Fund Act B.E. 2530. Membership is voluntary upon employees attaining permanent status. Under the regulations of the fund, members are required to make monthly contributions to the fund at 2% to 10% of the members' basic salaries and the Company is required to make monthly contributions to the fund at 5% to 10% of the members' basic salaries, depending on the length of employment.

Total provision and contribution to the above two (2) funds amounted to approximately Baht 422 million and Baht 344 million in 2003 and 2002, respectively.

11. Long-Term Debt

	In Million Baht	
	2003	2002
• Deferred payment plans for acquisition of machinery	3,212	3,619
• Financial lease liabilities	1,604	2,212
• Loans	16,665	23,954
	21,481	29,785
Less: Current portion due within one year		
• Loans	9,150	8,207
• Financial lease liabilities	648	609
Long-Term Debt – Net	11,683	20,969

Long-term debt mainly represents foreign currency loans with most of them are hedged by financial derivatives to manage exchange rate risk. The average interest rate is approximately 4.05% p.a..

The Company and subsidiaries hedge most of their foreign exchange risk by entering into Currency Swap Agreements with foreign banks, whereby the Company and subsidiaries will repay the loans by other currencies as specified in the agreements.

Financial Lease

In 2002, six (6) subsidiaries entered into leased machinery and equipment agreements. Lease terms are for a period of 3 years. Financial lease liabilities as at December 31, 2003 and 2002 were Baht 1,604 million and Baht 2,212 million, respectively.

	In Million Baht	
	2003	2002
Representing financial lease liabilities		
• Next 1 year	648	609
• Over 1 year through 3 years	956	1,603
	1,604	2,212

Lease payment commitments (including interest) for the above financial leases are as follows:

	In Million Baht	
	2003	2002
• Next 1 year	717	717
• Over 1 year through 3 years	1,004	1,721
Total minimum lease obligations	1,721	2,438

12. Debentures

As at December 31, 2003 and 2002 the Company and subsidiary issued unsubordinated and unsecured debentures totalling Baht 90,500 million and Baht 92,500 million, respectively by issuance in 10 placements, with details as follows:

Debentures No.	In Million Baht		Interest Rate (% p.a.)	Term	Maturity Date	Fair Value**	
	2003	2002				2003	2002
Debentures - The Siam Cement PCL							
No. 1/1999	5,200	5,200	*floating rate+ 3.50% p.a.	5 years	April 1, 2004	1,006	1,033
No. 2/1999	8,800	8,800	10.50% p.a.	5 years	April 1, 2004	1,021	1,119
No. 3/1999	-	12,000	8.00% p.a.	3.5 years	April 1, 2003	-	1,014
No. 4/1999	12,000	12,000	9.50% p.a.	5.5 years	April 1, 2005	1,081	1,140
No. 5/1999	-	6,000	8.00% p.a.	4 years	November 1, 2003	-	1,058
No. 6/1999	6,000	6,000	8.75% p.a.	5 years	November 1, 2004	1,066	1,116
No. 1/2000	25,000	25,000	7.75% p.a. for first 4 years and *floating rate+2.00% p.a. for last 2 years	6 years	March 31, 2006	999	1,094
No. 1/2002	7,500	7,500	4.50% p.a.	3 years	October 1, 2005	1,027	1,040
No. 1/2003	6,000	-	3.50% p.a.	4 years	April 1, 2007	1,001	-
No. 2/2003	10,000	-	3.25% p.a.	4 years	November 1, 2007	984	-
Debentures - The Siam Pulp and Paper PCL							
No. 1/2001	5,000	5,000	5.50% p.a.	3 years	October 1, 2004	1,020	1,045
No. 2/2001	5,000	5,000	6.50% p.a.	5 years	October 1, 2006	1,070	1,122
	10,000	10,000					
Total	90,500	92,500					
Less: Debentures Held by Subsidiary	6,843	2,045					
Net	83,657	90,455					
Less: Current Portion	24,405	17,537					
Net	59,252	72,918					

* Floating rate is equals to average rate of 12 months fixed deposit of 4 banks.

** Latest price (Baht per unit : 1 unit = Baht 1,000) as at December 31, 2003 and 2002.

13. Share Capital

At the Ordinary Shareholders' meeting held on March 26, 2003, the shareholders unanimously approved to change the par value of common shares of the Company from Baht 10 per share divided into 160,000,000 shares to be Baht 1 per share divided into 1,600,000,000 shares. The change was registered with the Ministry of Commerce on April 17, 2003. As at December 31, 2003, the issued and fully paid share capital is 1,200,000,000 shares, totalling Baht 1,200 million.

14. Legal Reserve

Under the provisions of the Public Company Act B.E. 2535, the Company is required to appropriate at least 5% of its annual net income (after deduction of the deficit brought forward, if any) as legal reserve until the reserve reaches 10% of the authorized share capital. As at December 31, 2003, the legal reserve amounted to 10% of the issued and fully paid-up share capital. This reserve is not available for dividend distribution.

15. Dividends

- a) At the Ordinary Shareholders' meeting held on March 26, 2003, the shareholders had resolved to declare dividend for the year 2002 at Baht 30 per share, in total amounting to Baht 3,600 million. The payment was made on April 23, 2003.
- b) At the Board of Directors' meeting held on July 30, 2003, the directors resolved to declare an interim dividend for the year 2003 at Baht 2.50 per share, in total amounting to Baht 3,000 million. The payment was made on August 28, 2003.

16. Administrative Expenses

	In Million Baht	
	2003	2002
• Salary and wages	4,188	3,899
• Amortization of excess of cost	996	504
• Bad debt	508	427
• Depreciation and amortization expense	449	492
• Professional fees	302	299
• Per diem and travellings	296	297
• Repair and maintenance	264	164
• License fees and other fees	227	238
• Employee training and development	225	176
• Early retirement expense	221	174
• Staff welfare	215	139
• Communication and transportation	210	215
• Outside wages	146	245
• Others	797	473
Total	9,044	7,742

17. Directors' Remuneration

Director's remuneration represents the remuneration under the articles of the Company, paid to the directors of The Siam Cement Public Company Limited.

18. Other Income

	In Million Baht	
	2003	2002
• Gain on disposal of scrap and others	477	397
• Management fee income	441	436
• Import service income	150	71
• Rental income	144	130
• Dividend income from other companies	119	68
• Gain on fixed assets sold	101	86
• Income from delay payment	84	73
• Interest income from financial institutions	72	89
• Others	409	521
Total	1,997	1,871

19. Interest Expense and Financial Charges

	In Million Baht	
	2003	2002
• Interest - loans local	7,149	8,758
• Interest - loans abroad	764	1,132
• Interest - provident fund	74	75
• Loss on exchange rate	114	73
Total	8,101	10,038

20. Income Tax

Provision for income tax for the years ended December 31, is as follows:

	In Million Baht	
	2003	2002
• Corporate income tax payable for the year	1,778	1,172
• Deferred income tax – net	2,166	1,347
Provision for Income Tax	3,944	2,519

21. Agreements

As at December 31, 2003:

- A. Certain subsidiaries had entered into agreements with several foreign companies for the latter to provide technical information, technical know-how and technical assistance to manufacture licensed products. As at December 31, 2003, the subsidiaries are committed to pay technical know-how fee for a lump sum amount and royalty fees based on a percentage of net sales of products as indicated in the agreements.
- B. A subsidiary jointly with certain local companies, has entered into a raw materials sales agreement with a local company for the latter to be the sole supplier of the raw materials. The sales prices of such raw materials are committed from time to time for the agreed period. The agreement shall continue in force for at least 15 years from the date of commercial operations, and is renewable.
- C. The Company had a Financial Support Agreement with a company in which the Company is a shareholder. According to the financial support agreement, the Company must comply with the conditions as indicated in the agreement based upon their ownership interest. As of December 31, the Company complied with the agreement by providing financial support totalling USD 31.5 million at December 31, 2003 and 2002. The above loan is presented as loans under the caption of "Investments in shares of and long-term loans to associated companies and other companies-net" in the accompanying consolidated financial statements.

22. Segment Information

The Company operates in five reportable business segments which are organized by similar products and services: cement, petrochemicals, paper, building products and distribution. The Company accounts for intersegment sales at market prices.

The cement segment is principally involved in the manufacture and sale of grey cement, ready-mixed concrete, white cement and dry mortar.

The petrochemicals segment manufactures and sells olefins, polyolefins and other petrochemical products.

The paper segment produces and sells printing and writing paper, gypsum linerboard, industrial paper and corrugated boxes.

The building products segment produces roof tiles, concrete paving blocks, gypsum boards, ceramic tiles, sanitary wares and sanitary fittings.

The distribution segment is principally involved in distribution of cement, steel and building and decorative products of the Group companies as well as importing fuel products, waste paper and scrap iron.

Other businesses, mainly electronics, steel and tires, are presented under Cementhai Holding. The property business is presented under the Cementhai Property.

The following segment information is used by management to evaluate the performance of segments and to allocate resources. The Company evaluates operating performance based on income from operations before interest expense, income tax and depreciation and amortization.

Information relating to industry segments for the year 2003 as compared with 2002 are as follows:

	In Million Baht					
	Total assets		Net sales		Total EBITDA (1)	
	2003	2002	2003	2002	2003	2002
Total Consolidated	249,726	235,644	148,865	128,201	39,513	31,403
Business group						
• Cement	64,987	65,630	30,552	27,269	11,581	8,557
• Petrochemicals	74,490	64,122	50,767	42,394	9,851	6,457
• Paper (3)	49,909	44,443	33,564	29,305	10,052	9,536
• Building Products	23,173	22,592	18,147	16,129	4,382	3,728
• Distribution	6,902	7,144	56,551	52,191	602	1,214
• Cementhai Holding	12,474	13,082	-	-	2,037	930
• Cementhai Property	6,106	6,273	475	513	259	265

	In Million Baht					
	Operating income (loss) before extraordinary items (2)		Net income (loss)		Depreciation and amortization	
	2003	2002	2003	2002	2003	2002
Total Consolidated	17,806	11,142	19,954	14,604	10,211	9,876
Business group						
• Cement	5,426	1,546	5,313	2,006	2,509	2,624
• Petrochemicals	7,705	5,256	7,777	5,285	2,638	2,545
• Paper	4,231	4,079	4,424	4,079	3,171	2,859
• Building Products	2,275	1,443	2,253	1,521	836	960
• Distribution	251	586	251	586	139	145
• Cementhai Holding	1,908	2,278	3,515	5,148	-	-
• Cementhai Property	(141)	(50)	(141)	(50)	24	38

(1) Represents income before income tax, interest expense and financial charges, depreciation and amortization, includes dividend from associated and other companies and cash gain from divestment.

(2) Represents income (loss) before gain (loss) on investments and assets sold for restructuring and provision for decline in value of investments.

(3) Includes the assets revaluation surplus (in case of excluding the assets revaluation surplus, total assets will be Baht 32,813 million and Baht 28,720 million as at December 31, 2003 and December 31, 2002, respectively).

23. Operations of Business Groups

	Business Groups (In Million Baht)							
	Cement		Petrochemicals		Paper		Building Products	
	2003	2002	2003	2002	2003	2002	2003	2002
Information from Balance sheets								
• Current assets	6,019	6,145	11,167	12,448	11,933	9,937	6,111	6,620
• Investments in shares of and long-term loans to associated and other companies – net	1,306	3,617	30,578	17,882	2,416	1,403	1,462	1,366
• Property, plant and equipment-net	44,888	47,016	25,794	27,749	18,423	16,941	7,355	6,575
• Assets revaluation surplus	8,672	5,006	5,126	3,963	17,096	15,723	7,361	6,957
• Other assets	4,102	3,846	1,825	2,080	41	439	884	1,074
Total assets	64,987	65,630	74,490	64,122	49,909	44,443	23,173	22,592
• Short-term loan	25,833	36,349	12,709	12,288	6,434	678	5,740	7,253
• Current liabilities	2,740	2,620	3,493	4,637	2,845	2,140	2,796	2,873
• Long-term loan	414	701	23,035	15,635	6,415	10,712	278	461
• Other liabilities	926	715	1,473	1,753	86	81	407	405
Total liabilities	29,913	40,385	40,710	34,313	15,780	13,611	9,221	10,992
• Total shareholders' equity and minority interest in subsidiaries	35,074	25,245	33,780	29,809	34,129	30,832	13,952	11,600
Total liabilities and shareholders' equity	64,987	65,630	74,490	64,122	49,909	44,443	23,173	22,592

	Business Groups (In Million Baht)							
	Distribution		Cementhai Holding		Cementhai Property		Total Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
Information from Balance sheets								
• Current assets	4,402	4,858	429	1,352	4,921	4,980	39,216	40,576
• Investments in shares of and long-term loans to associated and other companies – net	115	124	12,035	11,715	294	295	49,583	35,794
• Property, plant and equipment-net	1,035	1,138	9	8	627	648	72,714	75,024
• Assets revaluation surplus	271	280	-	-	-	-	71,009	65,562
• Other assets	1,079	744	1	7	264	350	17,204	18,688
Total assets	6,902	7,144	12,474	13,082	6,106	6,273	249,726	235,644
• Short-term loan	2,333	1,910	5,166	8,042	3,954	5,023	46,080	36,069
• Current liabilities	4,736	4,639	75	220	134	227	14,018	14,523
• Long-term loan	-	-	-	-	-	-	70,935	93,887
• Other liabilities	86	64	13	15	54	-	3,219	3,234
Total liabilities	7,155	6,613	5,254	8,277	4,142	5,250	134,252	147,713
• Total shareholders' equity and minority interest in subsidiaries	(253)	531	7,220	4,805	1,964	1,023	115,474	87,931
Total liabilities and shareholders' equity	6,902	7,144	12,474	13,082	6,106	6,273	249,726	235,644

Business Groups (In Million Baht)

	Cement		Petrochemicals		Paper		Building Products	
	2003	2002	2003	2002	2003	2002	2003	2002
Information from Statements of Income								
• Net sales	30,552	27,269	50,767	42,394	33,564	29,305	18,147	16,129
• Cost of sales	(19,227)	(19,751)	(44,599)	(37,900)	(23,941)	(19,651)	(12,103)	(10,997)
Gross margin	11,325	7,518	6,168	4,494	9,623	9,654	6,044	5,132
• Operating expenses	(2,560)	(2,444)	(1,897)	(1,751)	(3,082)	(3,073)	(2,765)	(2,682)
Income (loss) from operations before interest expense and financial charges								
	8,765	5,074	4,271	2,743	6,541	6,581	3,279	2,450
• Interest expense and financial charges	(2,038)	(3,008)	(1,033)	(1,295)	(993)	(994)	(378)	(552)
• Other income	307	219	430	327	91	96	185	150
Income (loss) before income tax	7,034	2,285	3,668	1,775	5,639	5,683	3,086	2,048
• Income tax	(1,611)	(736)	(156)	(215)	(1,275)	(1,061)	(808)	(491)
Income (loss) after income tax	5,423	1,549	3,512	1,560	4,364	4,622	2,278	1,557
• Minority interest in income	5	(2)	231	556	(440)	(487)	(219)	(232)
• Equity in associated companies	(2)	(1)	3,962	3,140	307	(56)	216	118
Income (loss) before gain (loss) on investments and assets sold and others								
	5,426	1,546	7,705	5,256	4,231	4,079	2,275	1,443
• Gain (loss) on investments and assets sold and others*	(113)	460	72	29	193	-	(22)	78
Net income (loss)	5,313	2,006	7,777	5,285	4,424	4,079	2,253	1,521

Business Groups (In Million Baht)

	Distribution		Cementhai Holding		Cementhai Property		Total Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
Information from Statements of Income								
• Net sales	56,551	52,191	-	-	475	513	148,865	128,201
• Cost of sales	(51,803)	(47,158)	-	-	(200)	(258)	(110,603)	(96,168)
Gross margin	4,748	5,033	-	-	275	255	38,262	32,033
• Operating expenses	(4,729)	(4,328)	(61)	(65)	(139)	(171)	(16,766)	(15,196)
Income (loss) from operations before interest expense and financial charges								
	19	705	(61)	(65)	136	84	21,496	16,837
• Interest expense and financial charges	(123)	(167)	(368)	(273)	(296)	(312)	(8,101)	(10,038)
• Other income	426	349	111	41	99	143	1,997	1,871
Income (loss) before income tax	322	887	(318)	(297)	(61)	(85)	15,392	8,670
• Income tax	(227)	(305)	(11)	118	(79)	39	(3,944)	(2,519)
Income (loss) after income tax	95	582	(329)	(179)	(140)	(46)	11,448	6,151
• Minority interest in income	150	(1)	-	(1)	-	(4)	(389)	(686)
• Equity in associated companies	6	5	2,237	2,458	(1)	-	6,747	5,677
Income (loss) before gain (loss) on investments and assets sold and others								
	251	586	1,908	2,278	(141)	(50)	17,806	11,142
• Gain (loss) on investments and assets sold and others*	-	-	1,607	2,870	-	-	2,148	3,462
Net income (loss)	251	586	3,515	5,148	(141)	(50)	19,954	14,604

* Gain (loss) on investments and assets sold and others represent gain (loss) on investments and assets sold for restructuring and provision for decline in value of investment and others - net of income tax.

24. Disclosure of Financial Instruments

Liquidity Risk

The Company and subsidiaries monitor its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company and subsidiaries' operations and to mitigate the effects of fluctuations in cash flows.

Credit Risk

Credit risk arises from the possibility that customers may not be able to settle obligations to the Company as per contracts which may cause financial loss. The Company and subsidiaries have a policy to protect this risk by assessing the credit of customers, defining the credit limit, asking for bank guarantees and/or personnel guarantees, credit terms, controlling credit utilization and reviewing collections. Fair value of receivables which are presented in the balance sheet are the balances net of allowance for doubtful accounts.

Interest Rate Risk

Interest rate risk arises from the changing of interest rates in the market which effects net interest expense. The Company and subsidiaries manage debt by using both fixed interests rate and floating interest rates, depending on the market circumstance.

Foreign Exchange Risk

Foreign exchange risk arises from the fluctuation of foreign exchange rates.

Shown below are the composition of Baht and foreign currency debt as of December 31, 2003 and 2002.

Currency	In Million Baht					
	Short-Term		Long-Term		Total	
	2003	2002	2003	2002	2003	2002
• Baht	44,962	34,531	70,897	93,828	115,859	128,359
• Foreign	1,119	1,538	38	59	1,157	1,597
Total	46,081	36,069	70,935	93,887	117,016	129,956

The Company and subsidiaries use derivative instruments to manage their foreign exchange risk on foreign debt. This is in compliance with the policy and guideline agreed and approved by the Board of Directors, and there are controls on operating procedures for compliance with the policy.

The financial derivatives utilized are forward exchange contracts, cross currency swaps, and interest rate swaps.

As of December 31, 2003, the Company and subsidiaries have financial derivatives aged as follows:

	Contract amount (In Million Baht)		
	Less than 1 Year	More than 1 Year	Total
• US. Dollars	5,890	3,462	9,352
• Japanese Yen	4,106	1,133	5,239
• Euro	2,636	-	2,636
Total	12,632	4,595	17,227

In managing foreign exchange risk, the Company and subsidiaries obtained more Baht loans up to 99% of total borrowings as at the end of 2003 and 2002. Furthermore, the Company and subsidiaries also have adequate export and other income in foreign currencies to reduce the impact of exchange rate fluctuation.

25. Commitments and Contingent Liabilities

As at December 31, the Company and subsidiaries have:

	In Million Baht	
	2003	2002
a) Contingent liabilities for		
• guarantees on loans of related companies	9,889	14,522
• bank guarantees issued by banks to government agencies	984	1,062
b) Unused letter of credit	986	189
c) Commitments for purchase of raw material contracts	3,955	2,200
d) Contingent liability arising from assessment of valued added tax and special business tax for the transfer of Lampang plant project, which was under construction to a subsidiary company. The Company and a subsidiary are contesting the assessment in the Supreme Court. The ultimate outcome of this matter can not be determined presently. The Company and a subsidiary recorded a provision for possible loss on such assessment in the accounts under "Accrued expenses", and charged as an expense amount of Baht 357 million in 2003.		

26. Subsequent Event

At the Board of Directors meeting held on January 28, 2004, the Board of Directors has agreed to submit for approval at the Ordinary Shareholders' meeting, a dividend payment of Baht 6 per share. However, the Board of Directors had already resolved the 2003 interim dividend payment at the rate of Baht 2.50 per share on August 28, 2003. Thus, the final dividend would be at the rate of Baht per 3.50 share, scheduled for payment on April 21, 2004.

27. Reclassification of Accounts

Certain accounts in 2002 were reclassified to conform with those in the 2003 financial statements.

FINANCIAL statements of

The Siam Cement Public Company Limited



REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To the Shareholders of The Siam Cement Public Company Limited

I have audited the balance sheet of The Siam Cement Public Company Limited as at December 31, 2003 and the related statements of income, changes in shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements for the year ended December 31, 2002, of The Siam Cement Public Company Limited which are presented for comparative purposes, were audited by another auditor whose report dated February 7, 2003, expressed an unqualified opinion on those statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Siam Cement Public Company Limited as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

(Vichien Thamtrakul)
Certified Public Accountant
Registration No. 3183

KPMG Phoomchai Audit Ltd.
Bangkok
February 12, 2004

BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

ASSETS	Note	2003	2002
CURRENT ASSETS			
Cash and cash equivalents		154,240	878,869
Trade receivables - net	3	-	-
Receivables from and loans to affiliated companies	1, 4	54,453,104	65,702,635
Current portion of long-term receivables		184,201	179,737
Other current assets		653,783	149,171
TOTAL CURRENT ASSETS		55,445,328	66,910,412
LONG - TERM RECEIVABLES - NET OF CURRENT PORTION		423,820	662,834
INVESTMENTS IN SHARES OF AND			
LONG - TERM LOANS TO SUBSIDIARIES,			
ASSOCIATED AND OTHER COMPANIES - NET	5	136,683,935	100,887,656
PROPERTY, PLANT AND EQUIPMENT - AT COST - NET	6	2,516,558	2,840,955
ASSETS REVALUATION SURPLUS	6	5,374,243	6,525,637
OTHER ASSETS	7	2,640,596	4,791,344
TOTAL ASSETS		203,084,480	182,618,838

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2003	2002
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CURRENT LIABILITIES

Bank overdrafts and short-term loans from financial institutions	8	6,743,655	4,916,986
Trade payables		49,310	41,328
Current portion of long-term debt	10	3,366,315	4,977,558
Current portion of debentures	12	20,000,000	18,000,000
Payables to and loans from affiliated companies	1, 4	2,159,652	3,828,063
Accrued interest expense		800,068	1,682,219
Accrued expenses	22	263,252	30,816
Other current liabilities		251,291	191,427

TOTAL CURRENT LIABILITIES

33,633,543 33,668,397

PROVIDENT FUNDS

9 7,174 6,774

LONG-TERM DEBT - NET OF CURRENT PORTION

10 3,810,505 8,642,977

DEBENTURES - NET OF CURRENT PORTION

12 60,500,000 64,500,000

OTHER LIABILITIES

9 167,005 187,668

TOTAL LIABILITIES

98,118,227 107,005,816

SHAREHOLDERS' EQUITY

Share capital - common share, Baht 1 par value in 2003
and Baht 10 par value in 2002

Authorized shares - 1,600,000,000 shares in 2003
and 160,000,000 shares in 2002,

Issued and fully paid share capital - 1,200,000,000 shares in 2003
and 120,000,000 shares in 2002

13 1,200,000 1,200,000

Revaluation surplus on property

6 5,374,243 6,525,637

Unrealized gain (loss) on investments in marketable securities

5 10,270,652 (496,779)

Equity in subsidiaries and associated companies

62,224,840 47,651,710

Retained earnings

Appropriated

• Legal reserve

14 120,000 120,000

• General reserve

10,214,000 10,140,000

Unappropriated

• From operation of the Company

15,562,518 10,472,454

TOTAL SHAREHOLDERS' EQUITY

104,966,253 75,613,022

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

203,084,480 182,618,838

For and on Behalf of the Board of Directors

Chaovana NaSylvanta
Chairman

Chumpol NaLamlieng
President

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

	Note	2003	2002
• Intellectual property income		1,895,997	1,686,421
• Management fees for administration		1,493,061	1,394,622
TOTAL REVENUES		3,389,058	3,081,043
• Administrative expenses	16	653,077	359,961
• Directors' remuneration		103,000	32,430
GROSS PROFIT		2,632,981	2,688,652
• Other income	17	211,105	297,220
INCOME FROM OPERATIONS		2,844,086	2,985,872
• Equity in net earnings of subsidiaries and associated companies		16,192,405	13,629,587
INCOME BEFORE INTEREST EXPENSE AND FINANCIAL CHARGES AND INCOME TAX		19,036,491	16,615,459
• Interest expense and financial charges-net	18	2,655,526	3,452,690
• Income tax	19	251,871	(125,964)
INCOME BEFORE EFFECTS OF INVESTMENTS AND ASSETS SOLD FOR RESTRUCTURING, PROVISION FOR DECLINE IN VALUE OF INVESTMENTS AND OTHERS		16,129,094	13,288,733
• Gain on investments and assets sold for restructuring, provision for decline in value of investments and others - net of income tax	5	3,825,021	1,314,989
NET INCOME		19,954,115	14,603,722
BASIC EARNINGS PER SHARE (IN BAHT)	2	16.63	12.17

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

	2003	2002
COMMON SHARES		
• Beginning balance	1,200,000	1,200,000
• Addition	-	-
• Deduction	-	-
• Ending balance	1,200,000	1,200,000
REVALUATION SURPLUS ON PROPERTY		
• Beginning balance	6,525,637	7,611,938
• Addition	-	-
• Deduction	(1,151,394)	(1,086,301)
• Ending balance	5,374,243	6,525,637
UNREALIZED GAIN (LOSS) ON INVESTMENTS IN MARKETABLE SECURITIES		
• Beginning balance	(496,779)	(862,681)
• Addition	10,767,431	365,902
• Deduction	-	-
• Ending balance	10,270,652	(496,779)
EQUITY IN SUBSIDIARIES AND ASSOCIATED COMPANIES		
From change in percentage of holdings		
• Beginning balance	488,287	488,287
• Addition	-	-
• Deduction	(488,287)	-
• Ending balance	-	488,287
From revaluation surplus on property		
• Beginning balance	57,327,323	51,628,428
• Addition	7,095,990	5,698,895
• Deduction	-	-
• Ending balance	64,423,313	57,327,323
From unrealized gain (loss) on investments in marketable securities		
• Beginning balance	31,125	(69,775)
• Addition	643,880	100,900
• Deduction	-	-
• Ending balance	675,005	31,125

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

	2003	2002
From accumulated foreign currency translation adjustments		
• Beginning balance	(404,544)	(199,503)
• Addition	-	-
• Deduction	(245,961)	(205,041)
• Ending balance	(650,505)	(404,544)
From operations of subsidiaries and associated companies		
• Beginning balance	(9,790,481)	(22,698,549)
• Addition	16,192,405	13,629,587
• Deduction	(8,624,897)	(721,519)
• Ending balance	(2,222,973)	(9,790,481)
TOTAL EQUITY IN SUBSIDIARIES AND ASSOCIATED COMPANIES	62,224,840	47,651,710
APPROPRIATED RETAINED EARNINGS		
Legal reserve		
• Beginning balance	120,000	120,000
• Addition	-	-
• Deduction	-	-
• Ending balance	120,000	120,000
General reserve		
• Beginning balance	10,140,000	10,105,000
• Addition	74,000	35,000
• Deduction	-	-
• Ending balance	10,214,000	10,140,000
UNAPPROPRIATED		
From operations of the Company		
• Beginning balance	10,472,454	9,976,800
• Addition	11,690,064	1,695,654
• Deduction	(6,600,000)	(1,200,000)
• Ending balance	15,562,518	10,472,454
TOTAL SHAREHOLDERS' EQUITY	104,966,253	75,613,022

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
• Net income	19,954,115	14,603,722
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
• Unrealized loss on foreign currency exchange	71,742	156,572
• Depreciation and amortization	152,205	246,057
• Impairment loss of assets	86,371	-
• Reversal of provision for decline in value of investments - net	(118,930)	(139,684)
• Diminution in investments - net	243,650	(463,958)
• Gain on sales of fixed assets	(62,749)	(79,091)
• Gain on sales of investments and assets for restructuring - net	(3,968,148)	(711,347)
• Equity in net earnings of subsidiaries and associated companies	(16,192,405)	(13,629,587)
• Deferred income tax - net	260,462	(125,964)
NET INCOME (LOSS) BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	426,313	(143,280)
DECREASE (INCREASE) IN OPERATING ASSETS:		
• Receivables from affiliated companies	16,592	1,212,612
• Other current assets	(22,670)	36,430
• Other assets	(44,999)	(62,390)
NET DECREASE (INCREASE) IN OPERATING ASSETS	(51,077)	1,186,652
INCREASE (DECREASE) IN OPERATING LIABILITIES:		
• Trade payables	7,982	(23,384)
• Payables to affiliated companies	(349)	(129,607)
• Accrued interest expense	(882,151)	(159,818)
• Other current liabilities	119,704	(33,368)
• Provision for provident fund - net	400	(1,906)
NET DECREASE IN OPERATING LIABILITIES	(754,414)	(348,083)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(379,178)	695,289

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

IN THOUSAND BAHT

	2003	2002
CASH FLOWS FROM INVESTING ACTIVITIES:		
• Investments in subsidiaries, associated and other companies	(7,456,253)	(774,524)
• Dividend income from subsidiaries and associated companies	6,561,598	3,339,834
• Advance for share subscription - subsidiary	-	849
• Proceeds from sales of investments and assets for restructuring	10,547,018	4,434,943
• Purchase of property, plant and equipment	(136,562)	(835,543)
• Proceeds from sales of fixed assets	159,923	295,323
• Payments received on loans to affiliated companies	4,871,451	7,847,845
NET CASH PROVIDED BY INVESTING ACTIVITIES	14,547,175	14,308,727
CASH FLOWS FROM FINANCING ACTIVITIES:		
BORROWINGS		
• Bank overdrafts and short-term loans from financial institutions	1,826,669	3,494,907
• Repayments of long-term debt	(8,725,050)	(34,480,628)
• Proceeds from long-term debt	2,198,571	21,446,696
• Proceeds from (Repayment of) loans from affiliated companies	(1,572,153)	301,531
• Proceeds from issuance of debentures	16,000,000	-
• Redemption of debentures	(18,000,000)	(7,500,000)
NET DECREASE IN BORROWINGS	(8,271,963)	(16,737,494)
Cash dividend	(6,600,000)	(1,200,000)
Other liabilities	(20,663)	(47,014)
NET CASH USED IN FINANCING ACTIVITIES	(14,892,626)	(17,984,508)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(724,629)	(2,980,492)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	878,869	3,859,361
CASH AND CASH EQUIVALENTS AT END OF YEAR	154,240	878,869
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid during the year		
• Interest expense	7,440,329	8,509,580
• Income tax	-	-

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

1. Basis for Financial Statements

1.1 General

The Siam Cement Public Company Limited is the parent company of The Siam Cement Group, and is listed on the Stock Exchange of Thailand (stock code "SCC"). The Company was incorporated in 1913, and is located at 1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand. The Company holds investments in the following core business segments: Cement, Petrochemicals, Paper, Building Products, Distribution and other businesses under Cementhai Holding Co., Ltd. and Cementhai Property (2001) Public Company Limited.

1.2 Basis for financial statements presentation

Significant intercompany transactions with subsidiaries and associated companies in 2003 and 2002 are as follows:

	In Million Baht		Pricing Policy
	2003	2002	
• Intellectual property income, management income, services and others	3,464	3,242	Mainly based on percentage of net sales
• Purchase land	-	802	Market price
• Gain on assets sold	1	588	Market price
• Interest income	3,802	4,931	Contract rate
• Interest expense	25	54	Contract rate

The Company presents interest expense and financial charges of Baht 6,458 million net of interest income from related companies of Baht 3,802 million in the statement of income for the year ended December 31, 2003 and interest expense and financial charges of Baht 8,384 million net of interest income from related companies of Baht 4,931 million in the statement of income for the year ended December 31, 2002.

No purchases, sales, guarantees and commitment have been made with any individual related party who may have an interest in the Company.

The Company maintains its official accounting records in Thai Baht and prepares its statutory financial statements in the Thai language in conformity with financial accounting standards in Thailand, which may differ from generally accepted accounting principles in other countries. Accordingly, the users of these financial statements should have sufficient knowledge about Thai accounting principles and practices.

For convenience of the readers, an English translation of the financial statements has been prepared from the statutory Thai language financial statements which are issued for domestic financial reporting purposes.

2. Significant Accounting Policies

Revenue Recognition

Intellectual property income, management income and service income are recognized on an accrual basis in accordance with the terms of agreement.

Dividends are recognized when declared.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Cash and Cash Equivalents

Cash and cash equivalents include cash and deposits at financial institutions, with original maturities of three months or less.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of all receivables. The estimated losses are based on historical collection experience coupled with a review of the current status of existing receivables.

Investments in Shares

The Company accounts for its investments in shares in subsidiaries and associated companies by the equity method.

Investments in other companies are valued at cost, and provision is taken up in the accounts for possible loss on decline in value of the investments. Investments in marketable securities are classified as available-for-sale, and carried at their fair value.

Property, Plant and Equipment and Depreciation and Amortization

Depreciation of property, plant and equipment has been computed by the straight-line method at rates which approximate the economic useful lives of the assets as follows:

	Period (Years)
• Land improvements	10-20
• Buildings and structures	20
• Plant, machinery and equipment	5-10
• Transportation equipment	5
• Furniture, fixtures and office equipment	5

Deferred charges are amortized by the straight-line method over five (5) to twenty (20) years.

Impairment of Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in current operations.

Early Retirement Expense

In 2000, the Company offered certain qualifying employees the option to take early retirement from the Company. Eligible employees who accept the offer are paid a lump sum amount which is calculated based on a formula using their final month's pay, number of years of service and the number of remaining months before normal retirement as variables. The Company records expenses on early retirement upon mutual acceptance by both the Company and the employees. In 2002 and 2003, the plan has been extended to certain employees with mutual consent.

Income Tax

The Company provided for deferred income tax resulting from timing differences in reporting expenses for financial reporting purposes compared to income tax reporting purposes (e.g. allowance for doubtful accounts, loss carryforwards up to 5 years). The deferred income tax is amortized as the timing differences later reverse.

Deferred income tax is recognized to the extent that it is probable that the future taxable profit will be available, against and the timing difference can be utilized.

Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the year - end exchange rates unless hedged by forward foreign exchange contracts in which case they are translated at the rates specified in the forward contracts. Gains or losses on translation are recognized in the statement of income. Fees on hedging contracts are amortized over the life of the contract.

Financial Instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments and debentures. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

The Company operates internationally and are exposed to market risks from changes in interest and foreign exchange rates. The Company uses derivative financial instruments to mitigate those risks. All gains and losses on hedge transactions are recognized in the income statement in the same period as the exchange differences on the items covered by the hedge. Costs on such contracts are amortized over the life of the contracts.

Basic Earnings per Share

Basic earnings per share is determined by dividing the net income by the weighted average number of common shares outstanding during the year (1,200,000,000 shares in 2003). Basic earnings per share in 2002 has been adjusted for the change in par value of common shares in March, 2003 (see Note 13).

3. Trade Receivables - Net

	In Million Baht	
	2003	2002
• Trade receivables	97	125
• Less Allowance for doubtful accounts	97	125
Net	-	-

As at December 31, 2003 and 2002, the Company has long outstanding trade receivables aged as follows:

	In Million Baht	
	2003	2002
• Over 1 year	97	125
Total	97	125

As at December 31, the Company provided allowances for doubtful accounts in the amount of approximately Baht 97 million in 2003 and Baht 125 million in 2002 which are adequate to absorb possible losses and comply with the accounting policy for allowance for doubtful accounts.

4. Related Company Transactions

	In Million Baht	
	2003	2002
Receivables and loans		
Current accounts		
• Cementhai Sales & Marketing Co., Ltd.	282	238
• Cementhai Ceramic (Singapore) Pte. Ltd.	270	286
• The Siam Cement (Ta Luang) Co., Ltd.	93	89
• Thai Polyethylene Co., Ltd.	93	88
• The Siam Cement (Thung Song) Co., Ltd.	67	81
• The Siam Cement (Kaeng Khoi) Co., Ltd.	61	57
• Siam Cement Industry Co., Ltd.	50	58
• The Aromatics (Thailand) Public Company Limited	50	26
• The Concrete Products and Aggregate Co., Ltd.	46	38
• SCT Co., Ltd.	38	77
• The Siam Fibre - Cement Co., Ltd.	35	45
• Bangsue Management Co., Ltd.	35	3
• Thai Ceramic Co., Ltd.	33	28
• Thai Polypropylene (1994) Co., Ltd.	32	22
• Others	301	391
	1,486	1,527

In Million Baht

	2003	2002
	Notes receivable	
• Siam Cement Industry Co., Ltd.	22,531	32,133
• Cementhai Holding Co., Ltd.	9,524	10,980
• The Siam Fibre - Cement Co., Ltd.	5,070	4,014
• Cementhai Chemicals Co., Ltd.	4,470	6,718
• Cementhai Property (2001) Public Company Limited	2,948	4,824
• Cementhai Ceramics Co., Ltd.	2,894	1,520
• Cementhai Distribution Co., Ltd.	2,306	1,643
• The Nawaloha Foundry Bangpakong Co., Ltd.	1,600	2
• The Siam Pulp and Paper Public Company Limited	1,217	-
• Bangsue Management Co., Ltd.	334	2,108
• The Siam Iron and Steel Co., Ltd.	64	-
• IT One Co., Ltd.	9	34
	52,967	63,976

Short - term loans to subsidiaries

• Siam Cement Industry Co., Ltd.	-	150
• Thai Ceramic Roof Tile Co., Ltd.	-	50
	-	200

Total 54,453 65,703

Payables and loans

Current accounts 160 160

Notes payable

• The CPAC Roof Tile Co., Ltd.	388	140
• Cementhai Gypsum (Singapore) Pte., Ltd.	266	278
• Phoenix Pulp and Paper Public Company Limited	180	-
• Cementhai Concrete Products (Singapore) Pte., Ltd.	108	118
• The Thai Wanaphan Co., Ltd.	70	75
• The Siam Pulp and Paper Public Company Limited	-	1,784
• Millennium Steel Public Company Limited	-	106
• Others	154	107
	1,166	2,608

Short - term loans from subsidiaries

• Tuban Petrochemicals Pte., Ltd.	596	650
• Cementhai Gypsum (Singapore) Pte., Ltd.	238	260
• Cementhai Chemicals Co., Ltd.	-	150
	834	1,060

Total 2,160 3,828

5. Investments in Shares of and Long-Term Loans to Subsidiaries, Associated and Other Companies - Net

	Percentage of Direct and Indirect Holdings		In Million Baht	
	2003	2002	2003	2002
Investment in Shares				
A. Subsidiaries and Associated Companies				
- At Equity				
• Siam Cement Industry Co., Ltd. and Subsidiaries	100	100	33,998	25,877
• Cementhai Chemicals Co., Ltd. and Subsidiaries	100	100	33,848	28,789
• The Siam Pulp and Paper Public Company Limited and Subsidiaries	98	87	23,985	24,672
• Cementhai Building Products Co., Ltd. and Subsidiaries	100	100	13,707	12,410
• Cementhai Distribution Co., Ltd. and Subsidiaries	100	100	449	1,289
• Cementhai Holding Co., Ltd. and Subsidiaries	100	100	6,092	2,134
• Cementhai Property (2001) Public Company Limited and Subsidiaries	100	100	2,885	1,624
Total Subsidiaries and Associated Companies				
- At Equity				
			114,964	96,795
B. Other Companies				
- At Cost				
• Toyota Motor Thailand Co., Ltd.	10	10	882	882
• Finfloor S.P.A.	10	10	299	299
Total Other Companies - At Cost				
			1,181	1,181
- Available-for-sale securities - At Fair Value				
• Thai Olefins Public Company Limited	7	10	4,124	1,133
• The Aromatics (Thailand) Public Company Limited	14	13	8,614	665
Total Other Companies - At Fair Value				
			12,738	1,798
Total Other Companies				
			13,919	2,979
Total Investments in Shares				
• Less Allowance for decline in value of investments			-	170
Investments in Subsidiaries, Associated and Other Companies - net				
			128,883	99,604
Long-Term Loans to Subsidiaries, Associated and Other Companies				
• The Aromatics (Thailand) Public Company Limited			1,225	1,225
• Bangsue Management Co., Ltd.			6,576	-
• Thai Ceramic Roof Tile Co., Ltd.			-	50
• IT One Co., Ltd.			-	9
Total Long-Term Loans to Subsidiaries, Associated and Other Companies				
			7,801	1,284
Total Investments in Shares of and Long-Term Loans to Subsidiaries, Associated and Other Companies				
			136,684	100,888

The aggregate values of the above investments in shares of other companies, based on the latest available audited/ reviewed statements or the quoted market prices (Closing price) on the Stock Exchange as at December 31, 2003 are as follows:

	In Million Baht			
	Cost	Net Book Value or Quoted Market Price (Closing price)	Allowance for Decline in Value of Investments	Unrealized Gain on Investments in Securities
• Non-marketable	1,180	1,702	-	-
• Marketable	2,467	12,738	-	10,271
Total	3,647	14,440	-	10,271

According to the corporate restructuring plan of The Siam Cement Group, in 2002, the Company sold its investments in shares of certain affiliated companies and reversed an allowance for decline in value of investment. In addition, the Company sold its parcels of land which are located at Bangkok Research Center (DonMueang) and sold its machinery, building and equipment at Amphur Kaeng Khoi to a subsidiary. During 2003, the Company purchased additional outstanding shares of The Siam Pulp and Paper Public Company Limited, totalling Baht 3,262 million. As a result, the Company's interest in this Company as at December 31, 2003 becomes 98.11%. The Company adjusted its equity in subsidiary to present the amount as percentage of interest as at present. Furthermore, the Company sold its investments in shares of certain affiliated companies and reversed an allowance for decline in value of investment and also sold its parcels of land which are located at DonMueang and Sathupradit, Bangkok and at Amphur Cha Am, Petchaburi.

The Company presented a gain on investments and assets sold and others of approximately Baht 3,825 million in 2003 and Baht 1,315 million in 2002 net of income tax (Baht 1,933 million in 2003 and Baht 228 million in 2002) under the caption of "Gain on investments and assets sold for restructuring, provision for decline in value of investments and others - net of income tax" in the statements of income.

6. Property, Plant and Equipment

	In Million Baht				
	Balance as of		Balance as of		
	December 31, 2002	Increase	Decrease	Transfer	December 31, 2003
At Cost					
• Land and land improvements	2,205	-	102	1	2,104
• Buildings and structures	1,623	1	106	3	1,521
• Plant machinery and equipment	1,334	2	6	-	1,330
• Transportation equipment	46	-	5	-	41
• Furniture, fixtures and office equipment	845	6	17	1	835
• Construction in progress	86	17	-	(5)	98
Total	6,139	26	236	-	5,929
Less Accumulated depreciation					
• Land improvements	263	5	29	-	239
• Buildings and structures	975	64	67	-	972
• Plant machinery and equipment	1,211	55	5	-	1,261
• Transportation equipment	46	-	5	-	41
• Furniture, fixtures and office equipment	803	27	17	-	813
Total Accumulated depreciation	3,298	151	123	-	3,326
Impairment loss of assets	-	86	-	-	86
Total Accumulated depreciation and impairment loss of assets	3,298	237	123	-	3,412
Property, plant and equipment - Net	2,841	(211)	(113)	-	2,517

Depreciation expense amounted to Baht 151 million in 2003 and Baht 245 million in 2002.

The gross carrying amounts of certain depreciable assets totalling Baht 2,538 million and Baht 2,218 million are fully depreciated as of December 31, 2003 and 2002, respectively, but these items are still in active use.

Revaluation Surplus

Starting in the 1997 accounting period, the Company adopted a policy to present 3 classes of assets which have carrying values substantially lower than the replacement costs. This includes land, buildings and machinery and equipment. The Company engaged American Appraisal Company (Thailand) Limited, as independent appraiser, to appraise the value of building and machinery and equipment. The Company also has a policy to revalue every year without presenting the revaluation surplus in the statement of income. The revaluation surplus will be presented in the balance sheet as assets revaluation surplus, and under Shareholders' equity as Revaluation surplus on property. Summarized below is the basis for the revaluation:

As at December 31, 2002, the Company appraised its property, plant and equipment as follows:

- Land - at appraised value of the Land Department with a revaluation surplus of Baht 4,996 million.
- Buildings, machinery and equipment - at appraised value (fair value basis) reported by an independent appraiser dated January 9, 2003 with a revaluation surplus of Baht 1,530 million as at December 31, 2002 consisting of Baht 592 million for buildings and Baht 938 million for machinery and equipment.

As at December 31, 2003, the Company appraised its property, plant and equipment as follows:

- Land - at appraised value of the Land Department with a revaluation surplus of Baht 3,726 million.
- Buildings, machinery and equipment - at appraised value (fair value basis) reported by an independent appraiser dated January 13, 2004 with a revaluation surplus of Baht 1,648 million as at December 31, 2003 consisting of Baht 615 million for buildings and Baht 1,033 million for machinery and equipment.

7. Other Assets

	In Million Baht	
	2003	2002
• Deferred income tax - net	1,546	3,739
• Deposits, claims and deferred charges - net	111	78
• Land, buildings and land improvements not used in operations - net of accumulated depreciation	14	42
• Advance for share subscription - subsidiary	252	252
• Long-term SWAP contract receivables - net	63	141
• Others	654	539
Total	2,640	4,791

8. Bank Overdrafts and Short-Term Loans from Financial Institutions

	In Million Baht	
	2003	2002
• Bank overdrafts	51	5
• Promissory notes	3,200	3,590
• Notes payable	3,493	1,322
Total	6,744	4,917

In 2003, the Company has overdraft lines with several local banks amounting to approximately Baht 405 million, bearing interest at the minimum overdraft rate.

9. Provident Funds

The Company has a provident fund plan to provide retirement and gratuity benefits to employees. For this plan, the benefits made solely by the Company are payables to the employees upon resignation at 5% to 10% of the employees' salaries depending on the length of employment. In addition to the above provident fund, since April, 1995, the Company has established a contributory funded provident fund covering substantially all employees. This fund was registered with the Ministry of Finance under the Provident Fund Act B.E. 2530. Membership is voluntary upon employee attaining permanent status. Under the regulations of the fund, members are required to make monthly contributions to the fund at 2% to 10% of the members' basic salaries and the Company is required to make monthly contributions to the fund at 5% to 10% of the members' basic salaries, depending on the length of employment.

Total provision and contribution to the above two (2) funds amounted to approximately Baht 24 million and Baht 25 million in 2003 and 2002, respectively.

10. Long-Term Debt

	In Million Baht	
	2003	2002
• Deferred payment plans for acquisition of machinery	3,212	3,620
• Loans	3,965	10,001
Total	7,177	13,621
• Less: Current portion due within one year	3,366	4,978
Long - Term Debt - Net	3,811	8,643

Long-term debt mainly represented foreign currency loans which are hedged by financial derivatives to decrease exchange rate risk. The average interest rate is approximately 4.84% p.a. in 2003 and 5% p.a. in 2002.

All foreign and local long-term loans are guaranteed by four subsidiaries.

The Company hedges all of its foreign exchange risk by entering into Currency Swap Agreements with foreign banks, whereby the Company will repay the loans with other currencies as specified in the agreements.

11. Composition of Loans

As at December 31, 2003, the composition of loans of the Company is as follows:

Currency	In Million Baht		
	Short - Term	Long - Term	Total
• Baht	31,041	64,311	95,352
• Foreign	1,069	-	1,069
Total	32,110	64,311	96,421

12. Debentures

As at December 31, 2003 and 2002 the Company issued unsubordinated and unsecured debentures totalling Baht 80,500 million and Baht 82,500 million, respectively by issuance in 8 placements, with details as follows:

Debentures	In Million Baht		Interest Rate	Term	Maturity Date	Fair Value**	
	2003	2002				2003	2002
No. 1/1999	5,200	5,200	*floating rate+ 3.50% p.a.	5 years	April 1, 2004	1,006	1,033
No. 2/1999	8,800	8,800	10.50% p.a.	5 years	April 1, 2004	1,021	1,119
No. 3/1999	-	12,000	8.00% p.a.	3.5 years	April 1, 2003	-	1,014
No. 4/1999	12,000	12,000	9.50% p.a.	5.5 years	April 1, 2005	1,081	1,140
No. 5/1999	-	6,000	8.00% p.a.	4 years	November 1, 2003	-	1,058
No. 6/1999	6,000	6,000	8.75% p.a.	5 years	November 1, 2004	1,066	1,116
No. 1/2000	25,000	25,000	7.75% p.a. for first 4 years and *floating rate+2.00% p.a. for last 2 years	6 years	March 31, 2006	999	1,094
No. 1/2002	7,500	7,500	4.50% p.a.	3 years	October 1, 2005	1,027	1,040
No. 1/2003	6,000	-	3.50% p.a.	4 years	April 1, 2007	1,001	-
No. 2/2003	10,000	-	3.25% p.a.	4 years	November 1, 2007	984	-
Total	80,500	82,500					
Less: Current portion due within 1 year	20,000	18,000					
Net	60,500	64,500					

* Floating rate is equal to average rate of 12 month fixed deposit of 4 banks.

** Latest price (Baht per unit : 1 unit = Baht 1,000) as at December 31, 2003 and 2002.

The above debentures, issued before 2002, are guaranteed by 4 subsidiaries.

13. Share Capital

At the Ordinary Shareholders' meeting held on March 26, 2003, the shareholders unanimously approved to change the par value of common shares of the Company from Baht 10 per share divided into 160,000,000 shares to be Baht 1 per share divided into 1,600,000,000 shares. The change was registered with the Ministry of Commerce on April 17, 2003. As at December 31, 2003, the issued and fully paid share capital is 1,200,000,000 shares, totalling Baht 1,200 million.

14. Legal Reserve

Under the provisions of the Public Company Act B.E. 2535, the Company is required to appropriate at least 5% of its annual net income (after deduction of the deficit brought forward, if any) as legal reserve until the reserve reaches 10% of the authorized share capital. As at December 31, 2003, the legal reserve amounted to 10% of the issued and fully paid-up share capital. This reserve is not available for dividend distribution.

15. Dividends

- a) At the Ordinary Shareholders' meeting held on March 26, 2003, the shareholders resolved to declare dividend for the year 2002 at Baht 30 per share, in total amounting to Baht 3,600 million. The payment was made on April 23, 2003.
- b) At the Board of Directors' meeting held on July 30, 2003, the directors resolved to declare an interim dividend for the year 2003 at Baht 2.50 per share, in total amounting to Baht 3,000 million. The payment was made on August 28, 2003.

16. Administrative Expenses

	In Million Baht	
	2003	2002
• Salary and wages	379	357
• Professional fees	111	112
• Depreciation	80	137
• Early retirement expense	74	28
• Rent	60	58
• Repair and maintenance	49	45
• Communication and transportation	41	52
• Outside wages	38	34
• License fees and others	25	34
• Per diem and travellings	20	18
• Staff benefit	15	14
• Reimbursed amount	(738)	(759)
• Others	499	230
Total	653	360

The numbers of the Company's employees at the end of years is 304 persons in 2003 and 284 persons in 2002.

17. Other Income

	In Million Baht	
	2003	2002
• Gain on store sold and others	64	88
• Gain on fixed assets sold	63	79
• Dividend from other companies	47	2
• Interest income from other companies	24	26
• Interest income from banks and financial institutions	2	25
• Others	11	77
Total	211	297

18. Interest Expense and Financial Charges

	In Million Baht	
	2003	2002
• Interest - loans abroad	369	484
• Interest - loans local		
• Interest expense - Outside	6,069	7,798
• Interest expense - Affiliated companies	25	54
• Interest income - Affiliated companies	(3,802)	(4,931)
• Interest - provident fund	7	10
• Loss (Gain) on exchange rate	(12)	38
Total	2,656	3,453

19. Income Tax

Provision for income tax for the years ended December 31, is as follows:

	In Million Baht	
	2003	2002
• Corporate income tax payable for the year	-	-
• Deferred income tax - net	2,185	102
Provision for income tax	2,185	102

Deferred income tax consisted of income tax (tax benefit) for

	In Million Baht	
	2003	2002
• Loss carry forwards	2,136	(150)
• Reversal of decline in value of investments	51	266
• Bad debt and others	(2)	(14)
	2,185	102
• Presented under the caption of Gain on investments and assets sold for restructuring, provision for decline in value of investments and others - net of income tax	(1,933)	(228)
Income tax	252	(126)

20. Financial Support Agreement

The Company had a Financial Support Agreement with a company in which the Company is a shareholder. According to the financial support agreement, the Company must comply with conditions as indicated in the agreement based upon their ownership interest. As of December 31, the Company complied with the agreement by providing financial support totalling USD 31.5 million at December 31, 2003 and 2002. The above loan is presented as loans under the caption of "Investments in shares of and long - term loans to subsidiaries, associated and other companies - net" in the accompanying financial statements.

21. Disclosure of Financial Instruments

Liquidity Risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Interest Rate Risk

Interest rate risk arises from the changing of interest rates in the market which effects net interest expense. The Company manages debt by using both fixed interest rates and floating interest rates, depending on the market circumstance.

Foreign Exchange Risk

Foreign exchange risk arises from the fluctuation of foreign exchange rates.

The Company uses financial derivatives to manage their foreign exchange risk on foreign debt. This is in compliance with the policy and guideline agreed and approved by the Board of Directors and there are controls on operating procedures for compliance with the policy.

The financial derivatives utilized are forward exchange contracts, cross currency swaps, and interest rate swaps.

As of December 31, 2003, the Company has financial derivatives aged as follows:

Currency	Contract amount (In Million Baht)		
	Less than 1 Year	More than 1 Year	Total
• US. Dollars	1,074	248	1,322
• Japanese Yen	1,434	717	2,151
• Euro	2,636	-	2,636
Total	5,144	965	6,109

22. Others

The Company had:

	In Million Baht	
	2003	2002
a) Contingent liabilities for guarantees on loans of affiliated companies	27,497	34,357
b) Contingent liabilities for bank guarantees issued by banks to government agencies	244	616
c) Contingent liability arising from assessment of valued added tax and special business tax for the transfer of Lampang plant project, which was under construction to a subsidiary company. The Company is contesting this assessment in the Supreme Court. The ultimate outcome of this matter can not be determined presently. In 2003, a provision for possible loss on such assessment has been made in the accounts under "Accrued expenses" and charged as an expense amounting to Baht 244 million.		

23. Subsequent Events

At the Board of Directors' meeting held on January 28, 2004, the Board of Directors has agreed to submit for approval at the Ordinary Shareholders' meeting, a dividend payment of Baht 6 per share. However, the Board of Directors had already resolved the 2003 interim dividend payment at the rate Baht 2.50 per share on August 28, 2003. Thus, the final dividend would be at the rate of Baht 3.50 per share, scheduled for payment on April 21, 2004.

24. Reclassification of Accounts

Certain accounts in 2002 were reclassified to conform with those in the 2003 financial statements.

SUPPLEMENTARY information

INVESTMENT IN SUBSIDIARIES, ASSOCIATED, AND OTHER COMPANIES OF WHICH THEIR OPERATIONS ARE SIGNIFICANT:

Name	Location (Head Office)	Telephone	Principal Business	Registered Shares (Million Baht)	Company and Subsidiaries Direct/Indirect Holding (%)	Total Direct/Indirect Holding (%)
Cement Business						
Subsidiaries						
1. Siam Cement Industry Co., Ltd.	Bangkok	(02) 586-3060-1	Holding company	12,236	100	100
2. The Siam Cement (Lampang) Co., Ltd.	Lampang	(054) 271500	Cement	9,427	100	100
3. The Siam Cement (Ta Luang) Co., Ltd.	Saraburi	(036) 287000	Cement	2,300	100	100
4. The Siam Cement (Kaeng Khoi) Co., Ltd.	Saraburi	(036) 245428-68	Cement	2,500	100	100
5. The Siam Cement (Thung Song) Co., Ltd.	Nakorn Sri Thamaraj	(075) 538222	Cement	6,850	100	100
6. The Siam White Cement Co., Ltd.	Saraburi	(036) 351200	Cement	200	100	100
7. Siam Mortar Co., Ltd.	Saraburi	(036) 245428-68	Dry mortar	443	100	100
8. The Concrete Products and Aggregate Co., Ltd.	Bangkok	(02) 555-5000	Ready-mixed concrete	5,500	100	100
9. The CPAC Ready Mixed (South) Co., Ltd.	Bangkok	(02) 555-5000	Ready-mixed concrete	380	100	100
10. The Siam Refractory Industry Co., Ltd.	Bangkok	(02) 586-3240-5	Refractory	300	100	100
Associated and Other Companies						
11. Asia Cement Public Company Limited	Bangkok	(02) 641-5600	Cement	4,680	10	10
12. Holcim (Bangladesh) Co., Ltd.	Bangladesh	(8802) 9881002-3	Cement	3,471	10	10
Petrochemicals Business						
Subsidiaries						
13. Cementhai Chemicals Co., Ltd.	Bangkok	(02) 586-4184	Holding company	7,108	100	100
14. Rayong Olefins Co., Ltd.	Bangkok	(02) 586-3882	Raw materials for plastic resins	7,700	43	62
15. Thai Polyethylene Co., Ltd.	Rayong	(038) 683393-7	Plastic resins	1,850	100	100
16. Thai Polyethylene (1993) Co., Ltd.	Rayong	(038) 683393-7	Plastic resins	450	100	100
17. Thai Polypropylene Co., Ltd.	Rayong	(038) 683393-7	Plastic resins	1,556	100	100
18. Thai Polypropylene (1994) Co., Ltd.	Rayong	(038) 683393-7	Plastic resins	1,333	100	100
19. CCC Chemical Commerce Co., Ltd.	Bangkok	(02) 586-5897	Trading	10	100	100
20. Map Ta Phut Tank Terminal Co., Ltd.	Bangkok	(02) 586-5442	Warehouse and transportation service	900	81	81
21. Rayong Pipeline Co., Ltd.	Bangkok	(02) 586-5442	Right of way, and used	400	91	91

Name	Location (Head Office)	Telephone	Principal Business	Registered Shares (Million Baht)	Company and Subsidiaries Direct/Indirect Holding (%)	Total Direct/Indirect Holding (%)
Associated and Other Companies						
22. Siam Mitsui PTA Co., Ltd.	Bangkok	(02) 586-5282-6	PTA	2,800	49	50
23. Siam Polystyrene Co., Ltd.	Bangkok	(02) 381-1038	Plastic resins	1,015	49	50
24. Pacific Plastics (Thailand) Ltd.	Bangkok	(02) 381-1038	Plastic resins	539	48	48
25. Siam Synthetic Latex Co., Ltd.	Bangkok	(02) 381-1038	Synthetic latex	325	49	50
26. Siam Styrene Monomer Co., Ltd.	Bangkok	(02) 381-1038	Raw materials for polystyrene	3,500	49	50
27. Siam Polyethylene Co., Ltd.	Bangkok	(02) 381-1038	Plastic resins	3,300	49	50
28. Grand Siam Composites Co., Ltd.	Bangkok	(02) 586-2515-7	Plastic resins	60	46	46
29. Thai MFC Co., Ltd.	Bangkok	(02) 586-3894-6	Melamine	200	45	45
30. Thai MMA Co., Ltd.	Bangkok	(02) 586-5814	Raw materials for coating resins	1,300	45	46
31. Thai Plastic and Chemicals Public Company Limited	Bangkok	(02) 676-6000	Plastic resins	875	26	26
32. National Petrochemical Public Company Limited	Bangkok	(02) 617-7800	Raw materials for plastic resins	3,100	25	26
33. Thai Pet Resin Co., Ltd.	Bangkok	(02) 634-5894-8	Raw materials for pet bottles	900	20	20
34. Bangkok Synthetic Co., Ltd.	Bangkok	(02) 679-5120	Raw materials for plastic resins	1,173	18	18
35. Thai Olefins Public Company Limited	Bangkok	(02) 537-5400	Raw materials for plastic resins	8,212	7	9
36. The Aromatics (Thailand) Public Company Limited	Bangkok	(02) 537-5700	Raw materials for plastic resins	9,610	14	14
Paper and Packaging Business						
Subsidiaries						
37. The Siam Pulp and Paper Public Company Limited	Bangkok	(02) 586-3333	Bleached pulp and holding company	1,563	98	98
38. Siam Cellulose Co., Ltd.	Bangkok	(02) 586-3333	Bleached pulp	300	100	98
39. Thai Paper Co., Ltd.	Bangkok	(02) 586-3333	Printing and writing paper	1,200	100	100
40. Thai Union Paper Public Company Limited	Samut Prakarn	(02) 394-0622-4	Printing and writing paper	430	100	99
41. Thai Union Paper Industry Co., Ltd.	Bangkok	(02) 586-3333	Printing and writing paper	400	100	98

Name	Location (Head Office)	Telephone	Principal Business	Registered Shares (Million Baht)	Company and Subsidiaries Direct/ Indirect Holding (%)	Total Direct/ Indirect Holding (%)
42. Siam Kraft Industry Co., Ltd.	Bangkok	(02) 586-3333	Kraft paper	250	100	100
43. Thai Kraft Paper Industry Co., Ltd.	Bangkok	(02) 586-3333	Kraft paper	1,000	100	99
44. Thai Containers Ltd.	Pathum Thani	(02) 909-0110	Corrugated boxes	110	70	69
45. Thai Containers Industry Co., Ltd.	Samut Prakarn	(02) 709-3040	Corrugated boxes	160	70	69
46. Thai Containers Ratchaburi (1989) Co., Ltd.	Ratburi	(032) 340354-64	Corrugated boxes	100	70	69
47. Thai Containers Songkhla (1994) Co., Ltd.	Songkhla	(074) 388451	Corrugated boxes	280	70	69
48. Thai Containers Chonburi (1995) Co., Ltd.	Chon Buri	(038) 338500	Corrugated boxes	180	70	69
49. City Pack Co., Ltd.	Saraburi	(036) 251724-9	Corrugated boxes	450	70	69
50. Nippon Hi-Pack (Thailand) Co., Ltd.	Bangkok	(02) 716-5275-6	Corrugated boxes	416	52	51
51. Thai Containers V&S Co., Ltd.	Pathum Thani	(02) 976-0701	Corrugated boxes	260	70	69
52. Phoenix Pulp and Paper Public Company Limited	Bangkok	(02) 661-7755	Bleached pulp	1,200	64	63
53. United Pulp and Paper Co., Inc.	Philippines	(632) 8700100	Kraft paper	1,292	98	97
Associated and Other Companies						
54. Siam Toppan Packaging Co., Ltd.	Samut Prakarn	(02) 324-0592-4	Offset-printed cartons	500	49	48
55. Thai British Security Printing Public Company Limited	Samut Prakarn	(02) 754-2650-8	Securities document	110	49	48
56. Thai Cane Paper Public Company Limited	Karnchana Buri	(031) 611959	Kraft paper	2,700	50	49

Building Products Business

Subsidiaries

57. Cementhai Building Products Co., Ltd.	Bangkok	(02) 586-3333	Holding company	1,651	100	100
58. The Siam Fibre-Cement Co., Ltd.	Bangkok	(02) 586-3950-5	Natural-fibre roofing sheets	200	100	100
59. The Fibre-Cement Products (Lampang) Co., Ltd.	Lampang	(054) 337301	Natural-fibre roofing sheets	530	100	100
60. Tip Fibre-Cement Co., Ltd.	Bangkok	(02) 255-6355	Natural-fibre roofing sheets	50	100	100
61. The CPAC Roof Tile Co., Ltd.	Bangkok	(02) 586-3333	Concrete roof tiles	211	75	75
62. Thai Ceramic Roof Tile Co., Ltd.	Bangkok	(02) 586-5081-2	Ceramic roof tiles	200	75	75
63. The Siam CPAC Block Co., Ltd.	Bangkok	(02) 586-6801-50	Concrete paving blocks	60	100	100
64. The CPAC Block Industry Co., Ltd.	Bangkok	(02) 586-6801-50	Concrete paving blocks	40	100	100
65. Saraburirat Co., Ltd.	Bangkok	(02) 586-6801-50	Concrete floor tiles	96	83	83
66. The CPAC Concrete Products Co., Ltd.	Bangkok	(02) 586-6801-50	Ready-to-use concrete products	1,630	100	100
67. Cementhai Gypsum Co., Ltd.	Bangkok	(02) 586-4327-8	Holding company	690	100	100
68. Siam Fiberglass Co., Ltd.	Saraburi	(036) 373441-4	Glass wools	1,280	100	100
69. PT. Siam-Indo Gypsum Industry (Indonesia)	Indonesia	(6221) 88320028	Gypsum boards	306	50	50
70. PT. Siam-Indo Concrete Products (Indonesia)	Indonesia	(6226) 7432140	Natural-fibre roofing sheets	446	50	50
71. CPAC Monier (Cambodia) Co., Ltd.	Cambodia	(85523) 301221-2	Concrete roof tiles	43	75	75

Name	Location (Head Office)	Telephone	Principal Business	Registered Shares (Million Baht)	Company and Subsidiaries Direct/ Indirect Holding (%)	Total Direct/ Indirect Holding (%)
72. CPAC Monier Philippines, Inc.	Philippines	(632) 8131666	Concrete roof tiles	156	50	50
73. Cementhai Ceramics Co., Ltd.	Bangkok	(02) 586-3333	Holding company	1,030	100	100
74. Thai Ceramic Co., Ltd.	Bangkok	(02) 586-4094-8	Ceramic tiles	450	100	100
75. The Sosuco Group Industries Co., Ltd.	Saraburi	(036) 380240-7	Ceramic tiles	960	100	100
76. PT. Surya Siam Keramik	Indonesia	(6221) 56962458	Ceramic tiles	87	66	66
Associated and Other Companies						
77. The Siam Gypsum Industry Co., Ltd.	Bangkok	(02) 586-3987-9	Gypsum boards	150	29	29
78. The Siam Gypsum Industry (Saraburi) Co., Ltd.	Saraburi	(036) 373503-9	Gypsum boards	470	-	29
79. The Siam Gypsum Industry (Songkhla) Co., Ltd.	Songkhla	(074) 472142-8	Gypsum boards	120	-	29
80. The Siam Moulding Plaster Co., Ltd.	Saraburi	(036) 373578-82	Moulding plaster	125	40	40
81. Lafarge Siam Roofing Co., Ltd.	Bangkok	(02) 555-0055	Clay roof tiles	160	25	25
82. Sosuco Ceramic Co., Ltd.	Bangkok	(02) 938-9833	Ceramic tiles	400	45	45
83. Siam Sanitary Ware Industry (Nongkae) Co., Ltd.	Bangkok	(02) 973-5040-54	Sanitary ware	160	-	36
84. Siam Sanitary Ware Industry Co., Ltd.	Saraburi	(036) 305111-20	Sanitary ware	200	-	36
85. The Siam Sanitary Fittings Co., Ltd.	Bangkok	(02) 973-5101-7	Sanitary ware fittings	200	33	45
86. Mariwasa Manufacturing, Inc.	Philippines	(632) 6281986-9	Ceramic tiles	909	40	46
87. Siam Mariwasa TOTO, Inc.	Philippines	(632) 6378466-8	Sanitary ware	430	14	20

Distribution Business

Subsidiaries

88. Cementhai Distribution Co., Ltd.	Bangkok	(02) 586-3333	Holding company	825	100	100
89. SCT Co., Ltd.	Bangkok	(02) 586-4444	International trading	400	100	100
90. Cementhai Sales and Marketing Co., Ltd.	Bangkok	(02) 586-3333	Trading	545	100	100
91. Cementhai Logistics Co., Ltd.	Bangkok	(02) 586-5863	Transportation service	40	100	100

Associated and Other Companies

92. Thai Prosperity Terminal Co., Ltd.	Samut Prakarn	(02) 394-6994	Ports	100	50	50
93. Rayong Bulk Terminal Co., Ltd.	Bangkok	(02) 681-8100	Ports	640	38	38

Cementhai Holding

Subsidiaries

94. Cementhai Holding Co., Ltd.	Bangkok	(02) 586-3333	Holding company	1	100	100
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Associated and Other Companies

95. Thai CRT Co., Ltd.	Chon Buri	(038) 490220-5	TV tubes	1,700	48	48
96. CRT Display Technology Co., Ltd.	Rayong	(038) 892245-8	Cathode ray tubes for computer monitors	3,000	-	48
97. Thai Electron Gun Co., Ltd.	Rayong	(038) 954756-62	Electron guns in picture tubes	120	-	48
98. Siam Yamato Steel Co., Ltd.	Bangkok	(02) 586-2783	Structural steel	3,000	45	45
99. The Millennium Steel Public Company Limited	Bangkok	(02) 949-2949	Holding company	8,813	41	41
100. The Siam Iron and Steel (2001) Co., Ltd.	Bangkok	(02) 949-2949	Construction steel	1	-	41

Name	Location (Head Office)	Telephone	Principal Business	Registered Shares (Million Baht)	Company and Subsidiaries Direct/ Indirect Holding (%)	Total Direct/ Indirect Holding (%)
101.The Siam Construction Steel Co., Ltd.	Rayong	(038) 683968	Construction steel	1,750	-	41
102.NTS Steel Group Public Company Limited	Bangkok	(02) 949-2949	Construction steel	38,600	-	40
103.The Siam Kubota Industry Co., Ltd.	Pathum Thani	(02) 909-0300-1	Agricultural diesel engines	208	42	42
104.Siam Tyre Phra Pradaeng Co., Ltd.	Samut Prakarn	(02) 384-4171-8	Automotive tyres	200	-	40
105.Siam Tyre Industry Co., Ltd.	Saraburi	(036) 373276-89	Truck tyres	400	-	40
106.Michelin Siam Co., Ltd.	Chon Buri	(038) 490534-6	Automotive tyres	500	-	40
107.Michelin Siam Marketing and Sales Co., Ltd.	Bangkok	(02) 619-3000-19	Automotive tyres	200	-	40
108.The Siam Steel Cord Co., Ltd.	Rayong	(038) 892100	Tyre bead wires and steel tyre cords	760	-	40
109.Siam Lemmerz Co., Ltd.	Saraburi	(036) 373309-21	Alloy wheels	107	30	30
110.The Nawaloha Industry Co., Ltd.	Saraburi	(036) 379020-2	Cast iron	300	30	30
111.Siam AT Industry Co., Ltd.	Chon Buri	(038) 454266	Automotive parts	240	30	30
112.Aisin Takaoka Foundry Bangpakong Co., Ltd.	Chon Buri	(038) 214963-70	Cast iron	475	30	30
113.Thai Engineering Products Co., Ltd.	Pathum Thani	(02) 529-3518-22	Automotive parts	85	29	30
114.The Siam Industrial Wire Co., Ltd.	Bangkok	(02) 586-4065-8	Construction steel	260	29	29
115.Siam Furukawa Co., Ltd.	Saraburi	(036) 373570-3	Automotive and motorcycle batteries	240	29	29
116.Siam Asahi Technoglass Co., Ltd.	Chon Buri	(038)490680-702	TV glass bulbs for color picture tubes	1,600	27	27
117.The Siam Nawaloha Foundry Co., Ltd.	Saraburi	(036) 288352	Cast iron	308	20	25
118.Musashi Auto Parts Co., Ltd.	Pathum Thani	(02) 529-1753-6	Motorcycle spare parts	200	21	21
119.The Deves Insurance Public Company Limited	Bangkok	(02) 670-4444	Insurance	120	21	21
120.The Siam United Steel (1995) Co., Ltd.	Rayong	(038) 685152-59	Cold-rolled steel	9,000	20	20
121.Toyota Motor Thailand Co., Ltd.	Samut Prakarn	(02) 386-1000	Automotives	7,520	10	10
122.Thai Tokai Carbon Product Co., Ltd.	Bangkok	(02) 266-3232	Carbon black	800	5	7
123.Siam Toyota Manufacturing Co., Ltd.	Chon Buri	(038) 213451-5	Automotive engines and automotive parts	850	4	4

Cementhai Property

Subsidiaries

124.Cementhai Property (2001) Public Company Limited	Bangkok	(02) 586-3333	Holding company	72	100	100
125.Rayong Industrial Land Co., Ltd.	Bangkok	(02) 586-2233-4	Industrial sites	2,220	100	100
126.SIL Industrial Land Co., Ltd.	Bangkok	(02) 586-2233-4	Industrial sites	500	100	100
127.RIL 1996 Co., Ltd.	Bangkok	(02) 586-2233-4	Industrial sites	1,100	100	100
128.Property Value Plus Co., Ltd.	Bangkok	(02) 586-2233-4	Industrial sites	144	100	100

Note:Registered share is ordinary share only

SUMMARY OF SIGNIFICANT INFORMATION

1. General Information

1.1 Company's name and location (front and back covers)

1.2 Investment in companies with 10 percent or more equity (pp. 108-112)

1.3 Other reference

- **Registrars**
Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand
Rachadapisek Road, Klongtoey, Bangkok 10110
Tel. 0-2229-2800, 0-2654-5599 Fax. 0-2359-1262-3
- **Debentureholder's representative**
National Finance Public Company Limited
- **Auditors**
KPMG Phoomchai Audit Ltd. 195 Empire Tower, 21st Floor, South Sathorn Road,
Yannawa, Sathorn, Bangkok 10120 Mr. Vichien Thamtrakul (Auditor's license #3183)
or Mr. Winid Silamongkol (Auditor's license #3378)
Tel. 0-2677-2000 Fax. 0-2677-2222
- **Legal advisors**
Cementhai Legal Counsel Limited
- **Financial advisor**
None
- **Advisors/Managers**
None
- **Financial institutions**
Domestic and foreign commercial banks and with established relations finance
companies numbering approximately 20 institutions

2. Summary of Financial Data

2.1 Financial statements (pp. 4-5)

2.2 Financial ratio (pp. 4-5)

3. Principal Activities

3.1 Summary of significant information (pp. 12-33)

3.2 Ratio of revenues from each business group (pp. 12-33)

4. Risk Factors

The Company has a policy of managing all risk factors with due care. In the past year, the impact of fluctuating product and raw material prices in the global market carried over to the Group's businesses such as Petrochemicals and Paper and Packaging as the local market prices are dominated by world market prices. To minimize the effects of such risk factors, the Company has taken multiple actions and steps including making forward purchase contracts for raw materials, securing substitute materials locally, and making long-term sales contracts.

Financially, risks arising from the fluctuation of interest and foreign exchange rates had very little effect on the Company's performance. This could be attributed to the use of debentures, local

sources of fund, to minimize possible risks with regard to interest rates and foreign exchange risks. Other measures taken to manage credit risk include setting credit limits and appropriate levels of guarantee and improving receivables collection (as disclosed in Note 3 to the consolidated financial statements).

5. Shareholders and Management

5.1 Shareholders

First 10 major shareholders as at August 14, 2003

No.	Name	No. of Common Shares	% of total Shares
1.	Bureau of the Crown Property	360,000,000	30.00
2.	Non-Voting Depository Receipt Co., Ltd.	147,898,947	12.32
3.	HSBC (Singapore) Nominees Pte Ltd.	32,864,513	2.74
4.	State Street Bank and Trust Company	28,944,406	2.41
5.	The Siam Commercial Bank Public Company Limited	24,909,400	2.08
6.	CPB Equity Co., Ltd.	23,202,000	1.93
7.	Chase Nominees Limited 1	20,648,868	1.72
8.	Office of The Privy Purse	15,473,000	1.29
9.	Randery Burahmakan Co., Ltd.	14,810,400	1.23
10.	Thailand Securities Depository Co., Ltd. For Depositors	13,635,059	1.14

5.2 Management Structure

(1) Group's Management Chart (pp. 10-11)

Board of Directors

H.E. Dr. Chaovana Nasyvanta

Position

- Chairman

Education

- B.E. (Mechanical) (Hons), Chulalongkorn University
- B.E. (Electrical), Chulalongkorn University
- Master of Science Degree (Mechanical Engineering), Massachusetts Institute of Technology, U.S.A.
- Mechanical Engineer Degree, Massachusetts Institute of Technology, U.S.A.
- Doctor of Science Degree (Mechanical Engineering), Massachusetts Institute of Technology, U.S.A.
- Honorary Degree, Doctor of Engineering, Chulalongkorn University
- Honorary Degree, Doctor of Business Administration, Chiang Mai University
- Honorary Degree, Doctor of Technology, Asian Institute of Technology

Previous Experience

- Minister of Transport and Communications
- Chairman, Telephone Organization of Thailand
- Chairman, Electricity Generating Authority of Thailand
- Chairman, Petroleum Authority of Thailand
- Chairman, National Petrochemical Public Company Limited

Other Current Positions

- Privy Councillor
- Director, Bureau of The Crown Property

Air Vice Marshal Kamthon Sindhvananda

Positions

- Director
- Chairman, The Audit Committee

Education

- B. Eng-EE, Chulalongkorn University
- Honorary Degree, Doctor of Engineering
 - King Mongkut's Institute of Technology North Bangkok
 - Kasetsart University
 - Chulalongkorn University
 - Prince of Songkha University
 - Siam University
- Honorary Degree, Doctor of Philosophy (Public Administration), The National Institute of Development Administration

Seminar

- Chairman 2000 Program, Thai Institute of Directors Association

Previous Experience

- Member of National Legislative Assembly
- Senator
- Governor, Electricity Generating Authority of Thailand
- President, The Engineering Institute of Thailand Under H.M. The King's Patronage
- Chairman, The Executive Committee, Suan Luang Rama IX Park
- Founder and Chairman of The Institute of Electrical and Electronics Engineer Inc Thailand Section

Other Current Positions

- Chairman of Advisors to the Board of Directors, Petroleum Institute of Thailand
- Privy Councillor
- Chairman, Foundation for Petroleum Institute of Thailand
- Vice Chairman, The Royal Project Foundation
- Vice Chairman, Suan Luang Rama IX Foundation
- Vice Chairman (for), Sai Jai Thai Foundation Under Royal Patronage
- Chairman and Director, Tapasa Foundation

Mr. Paron Israsena

Positions

- Director
- Member of The Audit Committee
- Chairman, The Governance and Nomination Committee

Education

- B. Eng-EE (Hons), Chulalongkorn University
- B. Eng-ME, Chulalongkorn University

- SM-ME, Massachusetts Institute of Technology, U.S.A.
- Honorary Degree, Doctor of Business Administration
 - Chulalongkorn University
 - Yonok College
- Honorary degree, Doctor of Science, Chiang Mai University
- Honorary degree, Doctor of Engineering, Suranaree University of Technology

Seminar

- The Board's Role in Setting Effective Compensation Policy, Thai Institute of Directors Association
- The Audit Committee... The Expectation Increase and The Responsibility Expansion, The Stock Exchange of Thailand
- Director Accreditation Program (DAP) 3/2003, The Stock Exchange of Thailand & Thai Institute of Directors Association

Previous Experience

- Supply & Distribution Manager, Shell Company of Thailand Ltd.
- Director Audit Office, The Siam Cement Public Company Limited
- Vice President, The Siam Cement Public Company Limited
- Chairman, Siam Kraft Industry Co., Ltd.
- Managing Director, The Siam Kubota Diesel Co., Ltd.
- Member of Public Service Reform Committee
- President and Chief Executive Officer, The Siam Cement Public Company Limited

Other Current Positions

- Director and Chairman of The Audit Committee, Sammakorn Public Company Limited
- Member, Council of Chulalongkorn University
- Director, Thailand Productivity Institute
- Director, The National Economic and Social Development Board
- Director, Darunsikhalai School and Advisor to The University Council, King Mongkut's University of Technology Thonburi
- Member of the Board Rachsuda Foundation
- Director and Member of The Audit committee, Padaeng Industry Public Company Limited
- Member of Education Council
- Director, The Thai Red Cross
- Member, Thailand Industrial Standard Institute
- Director, The National Competitiveness Development Board
- Chairman, Thailand Quality Award Committee
- Director, The National Science and Technology Development Board

Mr. Snoh Unakul

Positions

- Director
- Member of The Governance and Nomination Committee

Education

- Certificate in Accountancy, Thammasat University
- B.Com, University of Melbourne, Australia

- M.A.(Econ), Columbia University, U.S.A.
- Ph.D.(Econ), Columbia University, U.S.A.
- Honorary Degree, Doctor of Economics
 - Chulalongkorn University
 - Thammasat University
 - Bura Pha University
 - Khon Kaen University
- Honorary Degree, Doctor of Economics Development, The National Institute of Development Administration
- Honorary Degree, Doctor of Social Science, Srinakharin Wirot University
- Honorary Degree, Doctor of Commerce, Thammasat University

Previous Experience

- Fiscal Technical Specialist, The Comptroller General's Department
- Economic Officer, The National Economic Council
- Director of Economic and Social Planning Division
- Deputy Permanent Secretary, Ministry of Commerce
- Governor of Bank of Thailand
- Secretary-General, The National Economic and Social Development Board
- Chairman of the Board of Directors and Chairman of the Executive Committee, The Bank of Asia Public Company Limited
- Chairman, Council of Bura Pha University
- Deputy Prime Minister
- Council Member of Asian Institute of Technology
- Chairman, Premier Group
- Director, Thai Mutual Fund
- Director, Thailand Mutual Fund

Other Current Positions

- Chairman, Foundation for Thailand Development Research Institute
- Vice Chairman, Thai Environment Institute
- Director, Bureau of The Crown Property
- Director, Dole (Thailand) Co., Ltd.

Mr. Sivavong Changkasiri

Positions

- Director
- Member of The Audit Committee
- Chairman, The Remuneration Committee

Education

- S.B. (Mechanical Engineering), Massachusetts Institute of Technology, U.S.A.
- S.M. (Mechanical Engineering), Massachusetts Institute of Technology, U.S.A.
- S.M. (Industrial Engineering), Massachusetts Institute of Technology, U.S.A.
- Honorary degree, Doctor of Engineering, Chulalongkorn University

Seminar

- The Board's Role in Setting Effective Compensation Policy, Thai Institute of Directors Association
- Director Certification Program 18/2002, Thai Institute of Directors Association

Previous Experience

- Member, National Legislative Assembly
- Deputy Director- General, Department of Industrial Promotion
- Deputy Permanent Secretary, Ministry of Industry
- Director-General, Department of Mineral Resources
- Permanent Secretary, Ministry of Industry
- Senator
- Advisor to the Board of Directors and the Executive Committee, The Siam Cement Public Company Limited
- Chairman, Petroleum Authority of Thailand
- Chairman, Electricity Generating Authority of Thailand
- Chairman, Bank of Asia Public Company Limited
- Chairman of the Board of Directors and the Executive Committee, Siam City Bank Public Company Limited
- Chairman, Krung Thai Bank Public Company Limited
- Chairman, PTT Exploration and Production Public Company Limited
- Chairman, National Petrochemical Public Company Limited
- Chairman, Thai Olefins Co.Ltd.
- Chairman, National Fertilizer Public Company Limited
- Chairman, Ratchaburi Electricity Generating Holding Public Company Limited
- Director, The Siam Pulp and Paper Public Company Limited

Other Current Positions

- Chairman, Unithai Line Public Company Limited
- Co-Chairman, Malaysia-Thai Joint Authority
- Chairman, Petroleum Institute of Thailand's Council of Trustees
- Director, Suksapattana Foundation
- Director, Industrial Development Foundation
- Director, Foundation for Petroleum Institute of Thailand

Mr. Sumet Tantivejkul

Positions

- Director
- Member of The Audit Committee
- Member of The Governance and Nomination Committee

Education

- B.A. (Political Science), Grenoble University, France
- M.A. (Political Science and International Law), Monpolier University, France
- Ph.D. (Political Science), Monpolier University, France
- Diploma Economic Development EDI, World Bank, Washington D.C., U.S.A.

Seminar

- Bankruptcy and Rehabilitation Process : What Directors and Executive should Know? Thai Institute of Directors Association
- The Audit Committee... The Expectation Increase and The Responsibility Expansion The Stock Exchange of Thailand
- Director Certification Program 28/2003, Thai Institute of Directors Association
- Finance for Non-Finance Directors, Thai Institute of Directors Association

Previous Experience

- Secretary-General, Office of The National Economic and Social Development Board
- Director, Bank of Thailand
- Director, Krung Thai Bank Public Company Limited
- Chairman, Telephone Organization of Thailand
- Director, Thai Airways International Public Company Limited
- Secretary-General, The Royal Development Projects Board
- Advisor to the Board of Directors and the Executive Committee, The Siam Cement Public Company Limited
- Director, Thai Farmers Bank Public Company Limited

Other Current Positions

- Member and Secretary-General, The Chaipattana Foundation
- President of Phetchaburi Rajabhat Institute Council
- Chairman, SCB Asset Management Co., Ltd.
- Director, Council of Bura Pha University
- Committee of the Commission for Judicial Service Advisor

Mr. Yos Euarchukiati

Positions

- Director
- Member of The Remuneration Committee

Education

- B.Sc.(Civil Engineering), University of London, U.K.

Seminar

- Chairman 2000 Program, Thai Institute of Directors Association
- The Board's Role in Setting Effective Compensation Policy, Thai Institute of Directors Association

Previous Experience

- Managing Director, Thai Chipboard Co., Ltd.
- Managing Director, Thai Plastic and Chemicals Co., Ltd.
- Vice President, Bank of Asia for Industrial & Commercial Co., Ltd.
- President and Director, Bank of Asia Public Company Limited
- Vice Chairman, Bank of Asia Public Company Limited
- Advisor, Bureau of The Crown Property
- Advisor to the Board of Directors and the Executive Committee, The Siam Cement Public Company Limited
- Chairman, Thai Industrial Gases Public Company Limited

Other Current Positions

- Chairman, Thai Plastic and Chemicals Public Company Limited
- Advisor-Financial and Investment, Bureau of The Crown Property
- Chairman, CPB Equity Co., Ltd.
- Chairman, CPB Property Co., Ltd.
- Director, National Petrochemical Public Company Limited

Mr. Pricha Attavipach

Positions

- Director
- Member of The Audit Committee

Education

- B.Sc. (Industrial Engineering), Chulalongkorn University
- M.S. (Industrial Engineering & Management), Oklahoma State University, U.S.A.

Seminar

- Director Certification Program 39/2004, Thai Institute of Directors Association
- Finance for Non-Finance Directors, Thai Institute of Directors Association

Previous Experience

- Director-General, Department of Industrial Work
- Director-General, Department of Mineral Resources
- Permanent-Secretary, Ministry of Industry
- Director, PTT Exploration and Production Public Company Limited
- Chairman, Electricity Generating Authority of Thailand
- Chairman, Petroleum Authority of Thailand
- Director, Siam Tyre Public Company Limited
- Advisor to the Board of Directors and the Executive Committee, The Siam Cement Public Company Limited
- Chairman, Thai LNG Power Co., Ltd.
- Chairman, TLP Cogeneration Co., Ltd.
- Chairman, National Petrochemical Public Company Limited
- Honorary Advisor, National Petrochemical Public Company Limited

Other Current Positions

- Chairman and Independent Director, Tongkah Harbour Public Company Limited
- Director, Alliance Refining Co., Ltd.
- Chairman, Ruamkijaungthong Warehouse Ltd.
- Chairman, Pan-Paper 1992 Co., Ltd.
- Specialist Senior Engineering (Industrial Engineer), Council of Engineers
- Chairman, Chaiyananbangplee Parkland Co., Ltd.
- Law Councillor of Ministry of Labour
- Chairman, SIAM P.P. International Co., Ltd.
- Chairman, Environment Pulp and Paper Co., Ltd.

Mr. Panas Simasathien

Positions

- Director
- Member of The Governance and Nomination Committee

Education

- Certificate in Accountancy, Thammasat University
- B.A., Cum Laude, Claremont Men's College, California, U.S.A.
- M.S. (Accounting), University of Illinois, U.S.A.
- Ph.D. (Accounting), University of Illinois, U.S.A.
- Honorary Doctorate in Commerce, Thammasat University

Seminar

- Director Certification Program, Thai Institute of Directors Association

Previous Experience

- Comptroller-General, The Comptroller - General's Department
- Director-General, Revenue Department
- Permanent Secretary, Ministry of Finance
- Minister of Finance
- Director, Thai Airways International Public Company Limited
- Chairman, Government Savings Bank
- Chairman, Government Lottery Office
- Chairman, Krung Thai Bank Public Company Limited
- Chairman, Padaeng Industry Public Company Limited
- Chairman and Director, Electricity Generating Authority of Thailand
- Chairman, Financial Restructuring Advisory Committee

Other Current Positions

- Chairman, Council of Economic Advisors to the Prime Minister
- Deputy Chairman and Chairman of the Executive Committee, Siam Piwat Co., Ltd.
- Member of The Securities and Exchange Commission
- Deputy Chairman, The National Economic and Social Development Board
- Director, Bureau of The Crown Property

Mr. Arsa Sarasin

Positions

- Director
- Member of The Governance and Nomination Committee

Education

- B.A. (Business Administration), Boston University, U.S.A.

Previous Experience

- Department of Economic Affairs
- South East Asia Treaty Organization, Department of International Organization
- Second Secretary, Royal Thai Embassy, Tokyo, Japan
- Second Secretary, South East Asia Division, Department of Political Affairs
- Chief of South Asia Middle East and Africa Division, Department of Political Affairs
- First Secretary, Royal Thai Embassy, Kuala Lumpur, Malaysia
- Director, South East Asia Division, Department of Political Affairs
- Secretary to the Minister of Foreign Affairs
- Director, Office of Policy and Planning, Office of the Permanent Secretary
- ASA-ASEAN and ASPAC National Secretarial (Thailand)
- Director-General, Department of Economic Affairs

- Ambassador Extraordinary and Plenipotentiary, Royal Thai Embassy of Belgium & Chief of Mission to the European Community
- Director-General, Department of Political Affairs
- Permanent Secretary, Ministry of Foreign Affairs
- Ambassador Extraordinary and Plenipotentiary, Royal Thai Embassy of United States of America
- President, Padaeng Industry Co., Ltd.
- Minister of Foreign Affairs
- Chief Executive Officer, Padaeng Industry Public Company Limited
- Chairman, The Second Asia-Europe Business Forum (AEBF)

Other Current Positions

- Chairman, Padaeng Industry Public Company Limited
- His Majesty's Principal Private Secretary
- Honorary Chairman of The Foundation for International Human Resources Development
- Chairman, TOA Group of Companies
- Chairman, Amata City Co., Ltd.
- Chairman, Siam Makro Public Company Limited
- Director, Vinythai Public Company Limited
- Director, Thai Prime Fund
- Director, Thai Tapioca Development Institute
- Independent Director and Member of The Audit Committee, Charoen Pokphand Foods Public Company Limited
- Member, Thailand Business Council for Sustainable Development
- Chairman, Thai-Lao Association
- Advisor to the Board of Directors, Bangkok Bank Public Company Limited
- Chairman, Thai Asia Pacific Brewery Co.,Ltd
- Chairman of the Board of Directors, Polymer Solution Co., Ltd.
- Director, Thai Pure Drinks Ltd

Mr. Boonsithi Chokwatana

Positions

- Director
- Member of The Remuneration Committee

Education

- Honorary Doctoral Degree in Environmental Engineering, Khon Khen University
- Honorary Doctoral Degree in Business Administration,
 - Thammasat University
 - Bura Pha University
 - The National Institute of Development Administration

Seminar

- Director Accreditation Program (DAP) 3/2003, The Stock Exchange of Thailand & Thai Institute of Directors Association

Previous Experience

- Academic Committee of the Board of Investment (BOI)

- Advisor to the Board of Investment (BOI)
- Advisor to the Deputy Minister of Commerce
- Economic Committee of Thai Chamber of Commerce
- Advisor to the Minister of Finance
- President of Saha Pathana Inter-holding Public Company Limited
- Director, Board of Investment

Other Current Positions

- Chairman of Thanulux Public Company Limited
- Vice Chairman, I.C.C. International Public Company Limited
- Chairman, Saha Pathanapibul Public Company Limited
- Advisor Committee of the Institute of Asia Pacific Studies, Waseda University, Japan
- Committee Member of the MBA Program in Business Administration, Bura Pha University
- Advisor to the Deputy Prime Minister
- Director, Saha Pathana Inter-holding Public Company Limited
- Advisor to the Board of Investment

Mr. Chumpol NaLamlieng

Position

- President

Education

- B.S. (Mechanical Engineering), University of Washington, U.S.A.
- M.B.A., Harvard Business School, U.S.A.

Seminar

- Chairman 2000, Thai Institute of Directors Association

Previous Experience

- World Bank, International Finance Corporation
- Thai Investment and Securities Co., Ltd.
- Vice President-Finance, The Siam Cement Public Company Limited

Other Current Positions

- Chairman, Singapore Telecommunication Ltd.
- Director, Dole (Thailand) Ltd.
- Member of Asia Pacific Advisory Committee to Board of Directors of the New York Stock Exchange
- Member of Private Sector Advisory Group on Corporate Governance to World Bank and OECD
- Advisory Council, SASIN Graduate Institute of Business Administration, Chulalongkorn University
- Chairman, The Phoenix Pulp and Paper Public Company Limited
- Chairman, The Siam United Steel (1995) Co., Ltd.
- Chairman, Siam Yamato Steel Co., Ltd.
- Chairman, Siam Michelin Group, Ltd.

Mr. Worapol Jennapar

- Secretary to the Board of Directors
- Corporate Secretary

Shareholdings of Directors As of 31 December 2003

Name	The Siam Cement Public company limited				Affiliated companies			
	Common shares		Debentures		Common shares		Debentures	
	Total Shares	No. of shares Increase (Decrease) during the fiscal year	Total Shares	No. of shares Increase (Decrease) during the fiscal year	Total Shares	No. of shares Increase (Decrease) during the fiscal year	Total Shares	No. of shares Increase (Decrease) during the fiscal year
1. Chaovana NaSylvanta	-	-	-	-	-	-	-	-
2. Kamthon Sindhvananda	-	-	29,000	(7,000)	-	-	15,000*	-
3. Paron Israsena	-	-	38,000	-	-	-	5,000*	-
4. Snoh Unakul	-	-	-	-	-	-	-	-
5. Sivavong Changkasiri	-	-	-	-	-	-	-	-
6. Sumet Tantivejkul	-	-	6,000	6,000	-	-	-	-
7. Yos Euarchukiati	-	-	-	-	-	-	-	-
8. Pricha Attavipach	-	-	-	-	-	-	-	-
9. Panas Simasathien	20,000	20,000	-	-	-	-	-	-
10. Arsa Sarasin	28,200	28,200	-	-	-	-	-	-
11. Boonsithi Chokwatana	-	-	-	-	-	-	-	-
12. Chumpol NaLamlieng	1,101,000	(400,000)	-	-	-	-	-	-

Remarks: 1. The Siam Cement Public Company Limited has a registered capital of 1,600,000,000 Baht with a paid-up capital of 1,200,000,000 Baht (1,200,000,000 shares, par value 1 Baht per share)

2. According to the Public Companies Law, "Affiliated companies" means a public limited company that has a relationship with a private company or with any public limited company, or with any companies in the following manner:

- The authority to control the appointment and removal of directors who have total or a majority management authority.
- Holds more than 50 percent of issued shares.

3*. Debentures of The Siam Pulp and Paper Public Company Limited

4. Debentures of The Siam Cement Public Company Limited and The Siam Pulp and Paper Public Company Limited 1,000 Baht per unit.

The Attendance of the Directors in Relevant Committee Meetings in 2003

Name	Board of Directors total 9 times/year	The Audit Committee total 7 times/year	The Corporate Governance and Nomination Committee total 5 times/year	The Remuneration Committee total 5 times/year
1. Chaovana NaSylvanta	9			
2. Kamthon Sindhvananda	9	7		
3. Paron Israsena	8	7	5	
4. Snoh Unakul	9		4	
5. Sivavong Changkasiri	8	7		5
6. Sumet Tantivejkul	9	6	5	
7. Yos Euarchukiati	9			5
8. Pricha Attavipach	9	7		
9. Panas Simasathien	9		5	
10. Arsa Sarasin	7		3	
11. Boonsithi Chokwatana	7			4
12. Chumpol NaLamlieng	9			

Remark - The five Audit Committee members are number 2, 3, 5, 6, and 8

- The five Corporate Governance and Nomination Committee members are number 3, 4, 6, 9, and 10

- The three Remuneration Committee members are number 5, 7, and 11

Duly Authorized Directors

Two of the five Company directors, namely, Mr. Chaovana NaSylvanta, or Mr. Snoh Unakul, or Mr. Yos Euarchukiati, or Mr. Panas Simasathien, or Mr. Chumpol NaLamlieng jointly signed their names, under the Common Seal of the Company.

Scope of authority of the Board of Directors

The number of directors is currently limited to twelve. The majority are independent directors, while the rest are major shareholders' representatives and the Company executive to ensure effective and efficient performance. The Board holds eight regular scheduled meetings per year. Board members receive the agenda and all supporting documents for each meeting well in advance to allow adequate time for preparation. The Board considers all matters with due regard for the interests of the shareholders and stakeholders. The chairman ensures that there is sufficient time for a thorough discussion of each agenda item with a full exchange of views.

The Board of Directors essentially has the following authorities:

- The Board is responsible for establishing corporate vision, the mission statement as well as the policy and strategy to align the interests of all stakeholders and create long-term shareholder value.
- The Board is responsible for reviewing the operating plan and ensuring maximum competitiveness in global level.
- The Board shall oversee and review the performance of all group companies as well as evaluating the performance of the management committee.
- The Board maintains proactive risk management systems as well as overseeing and reviewing corporate governance to ensure compliance with internationally accepted practice.
- The Board must devote their time and resources to attending and performing their duties in an effective and efficient manner. They must avoid having competitive interests and be committed to the Company's best interests.
- The Board manages and directs the Company's operations in compliance with all laws, the objectives, the Articles of Association and the resolution of shareholders' meetings in good faith and with care to preserve the interests of the Company.
- The Board conducts the Company's business in line with The Siam Cement Group Corporate Governance as well as the SET Code of Best Practice for Directors of Listed Companies and Guidelines of Office of Securities and Exchange Commission in pursuit of business excellence.
- The Board is responsible for overseeing and monitoring the performance of each business unit and for the overall performance of SCG. The Board ensures that the Group's operations reporting conforms to an agreed standard while establishing a corporate policy for the development of the Company's operations and personnel development.
- The Board promotes awareness of the importance of business ethics among employees at all levels. It also promotes internal controls and internal auditing to ensure corporate integrity is maintained and to prevent any fraudulent practices.
- The Board treats all shareholders equally with regard to information and protects those right equitably. Shareholders can actively exercise their rights and access to corporate information with full disclosure and transparency.

11. The Board shall delegate the Board of Executive Directors, sub-committees, individuals or juristic persons to perform jointly or separately any duty in accordance with the objectives and Articles of Association of the Company in return for remuneration as determined by the Board. The Board has the right to change or revoke the authority given to such persons, or remove such persons from duty, and appoint other individuals for replacement, as deemed appropriate. The authorized or appointed persons must perform their duties in accordance with the regulations, orders and policies set by the Board.

The Audit Committee

The Audit Committee of the Company comprises the following members:

- | | |
|--|----------|
| 1. Air Vice Marshal Kamthon Sindhvananda | Chairman |
| 2. Mr. Paron Israsena | Member |
| 3. Mr. Sumet Tantivejkul | Member |
| 4. Mr. Sivavong Changkasiri | Member |
| 5. Mr. Pricha Attavipach | Member |

The Audit Committee is authorized to fulfill the following duties:

- Supervise and review that the Company has appropriate system in financial reports in accordance with the legally defined accounting principle with transparency and adequacy.
- Support the establishment of financial report development in compliance with the international accounting standard.
- Review and ensure that the Company has appropriate and effective internal control and internal audit systems that comply with international accepted approaches and standards.
- Supervise and ensure that the Company has in place proactive operation systems to enhance operating effectiveness and efficiency.
- Review corporate risk management.
- Review and ensure that the Company is in full compliance with the laws on Securities and the Stock Exchange, and other laws relating to the Company's business.
- Review the internal audit system on corruption and establish preventive measures.
- Review the righteousness and effectiveness of the information technology system relating to the internal control system, financial reports and risk management and suggest an up-to-date improvement occasionally.
- Review disclosure of corporate data in case there is a connected transaction or item that may lead to conflict of interests to ensure accurateness and completeness.
- Supervise, review and comment on the operation of the Internal Audit Office and also cooperate with the Company's auditor.
- Prepare reports on the supervision of activities of the Audit Committee with disclosure in the Company's annual report which is duly signed by the Chairman of the Audit Committee.
- Consider, select and propose the appointment and remuneration of the Company's auditor.
- Supervise the evaluation of the Internal Audit Office in compliance with international standards.
- Consider the budgets and manpower of the Internal Audit Office.
- Appoint, remove, transfer or terminate the employment of the Director of the Internal Audit Office.

16. Take other actions in compliance with the law or assignments by the Board of Directors. In actions thereof, the Audit Committee is authorized to summon or order management, unit heads, or employees concerned to present opinions, attend meetings or submit the necessary documents.

The Audit Committee performs duties within the authority and responsibility under the order of the Board of Directors. The Board is responsible for the Company's operations and is directly accountable to shareholders, stakeholders and the public.

The Remuneration Committee

The Remuneration Committee comprises the following members:

- | | |
|-----------------------------|----------|
| 1. Mr. Sivavong Changkasiri | Chairman |
| 2. Mr. Yos Euarchukiati | Member |
| 3. Mr. Boonsithi Chokwatana | Member |

Scope of Authority:

- Propose guidelines and methods of payment of remuneration to the Board of Directors, and committees appointed by the Board.
- Propose policy on management incentives in line with the Company's operating results, and the performance of each management executive, and whenever it deems appropriate, the committee shall consider the hiring of consulting firms to advise on project implementation.
- Consider the annual remuneration for each member of the management committee and propose it to the Board for approval.
- To consider, before presenting to the Board of Directors, the budget for the salary increase, change of wage/remuneration and bonus of the senior executives.

The Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee comprises the following members:

- | | |
|--------------------------|----------|
| 1. Mr. Paron Israsena | Chairman |
| 2. Mr. Snoh Unakul | Member |
| 3. Mr. Sumet Tantivejkul | Member |
| 4. Mr. Panas Simasathien | Member |
| 5. Mr. Arsa Sarasin | Member |

Scope of Authority:

- To make recommendations to the Board of Directors regarding the best practices in corporate governance.
- To review the Company's corporate governance affairs and compare them with those of the leading international companies. The Committee also recommends plans for further improvement of the Company's corporate governance.
- To oversee and monitor the effectiveness of the Company's Board and Management with reference to The Siam Cement Group Corporate Governance. The Committee also gives advice to the Board on corporate governance practices.
- To develop a succession plan and establish a process for proposing nominees to the Board to replace directors who have reached the end of their terms.
- To propose new nominees to the Board to fill positions made vacant by directors who complete their terms. The Committee then makes recommendations to the Board for ultimate shareholder approval.

6. To recommend a plan to the Board for the succession of the Company's President and senior management.
7. To implement a process for assessing the effectiveness of other committees and the Board of Directors and follow up the results.
8. To assess the independence of the Board in fulfilling its responsibilities and to recommend a plan for improvement.

Management

In addition to the President, the Siam Cement Group Management Committee is comprised of eight other executives which include: Vice President and Presidents responsible for each business unit, namely, paper and packaging, petrochemicals, cement, building products, distribution, property, and the holding company. These nine executives report directly to the President. The Management Committee is authorized to manage and direct the Group's operations in accordance with policies set by the Board; to take responsibility for the Group's operating results; to control expenses and capital expenditure limits as approved by the Board and as stated in the Annual Operating Plan; to manage personnel in line with the Group's policy; to resolve problems or conflicts that may affect the Group; and to maintain effective communication with the stakeholders.

The Management Committee

Mr. Chumpol NaLamlieng

Position

- President

Education

- B.S. (Mechanical Engineering), University of Washington, U.S.A.
- M.B.A., Harvard Business School, U.S.A.

Seminar

- Chairman 2000, Thai Institute of Directors Association

Previous Experience

- World Bank, International Finance Corporation
- Thai Investment and Securities Co., Ltd.
- Vice President-Finance, The Siam Cement Public Company Limited

Other Current Positions

- Chairman, Singapore Telecommunication Ltd.
- Director, Dole (Thailand) Ltd.
- Member of Asia Pacific Advisory Committee to Board of Directors of the New York Stock Exchange
- Member of Private Sector Advisory Group on Corporate Governance to World Bank and OECD
- Advisory Council, SASIN Graduate Institute of Business Administration, Chulalongkorn University
- Chairman, The Phoenix Pulp and Paper Public Company Limited
- Chairman, The Siam United Steel (1995) Co., Ltd.

- Chairman, Siam Yamato Steel Co., Ltd.
- Chairman, Siam Michelin Group, Ltd.

Mr. Kan Trakulhoon

Position

- Vice President

Education

- B.E. (Electrical), First Class Honours, Chulalongkorn University
- M.S. (Ceramic), The Georgia Institute of Technology, U.S.A.
- M.S. (Management), The Georgia Institute of Technology, U.S.A.
- Advanced Management Program (AMP), Harvard University, U.S.A.

Seminar

- Director Certification Program 29/2003, Thai Institute of Directors Association

Previous Experience

- Deputy Managing Director, Rayong Olefins Co., Ltd.
- Executive Vice President, PT Trans-Pacific Petrochemical Indotama, Indonesia
- Managing Director, Thai Ceramic Co., Ltd.
- President, Cementhai Ceramics Co., Ltd.

Other Current Positions

- Director, Thai British Security Printing Public Company Limited
- Director, The Phoenix Pulp and Paper Public Company Limited
- Director, Thai Cane Paper Public Company Limited

Mr. Somboon Chuchawal

Position

- President, The Siam Pulp and Paper Public Company Limited

Education

- B.E. (Civil Engineering), Second Class Honours, Chulalongkorn University
- M.S. (Logistics Engineering), Asia Institute of Technology
- Advanced Management Program (AMP), Harvard University, U.S.A.

Seminar

- Director Accreditation Program, The Stock Exchange of Thailand & Thai Institute of Directors Association

Previous Experience

- Managing Director, Thai Union Paper Public Company Limited
- Managing Director, Siam Kraft Industry Co., Ltd.
- Managing Director, Thai Paper Co., Ltd.
- Managing Director, Siam Cellulose Co., Ltd.

Other Current Positions

- Director, Phoenix Pulp and Paper Public Company Limited
- Board of Directors Note Printing Works, Bank of Thailand
- Chairman, Thai British Security Printing Public Company Limited
- Chairman of the Board of Directors and Chairman of the Executive Board of Directors, Thai Cane Paper Public Company Limited

Mr. Apiporn Pasawat

Position

- President, Cementhai Chemicals Co., Ltd.

Education

- B.S. (Chemical Engineering), Chulalongkorn University
- M.S. (Chemical Engineering), University of Wisconsin, U.S.A.
- M.B.A., University of Wisconsin, U.S.A.
- Advanced Management Program (AMP), Harvard University, U.S.A.

Previous Experience

- Vice President, The Siam Cement Public Company Limited

Other Current Positions

- Director, National Petrochemical Public Company Limited
- Director and Executive Director, Thai Plastic and Chemicals Public Company Limited
- Director, The Aromatics (Thailand) Public Company Limited
- Director, Bangkok Synthetics Co., Ltd.
- Director, BST Elastomers Co., Ltd.
- Member to PTIT Council of Trustees' Meeting
- Member of Executive Board of Directors, Vajiravudh College
- Member of Executive Board of The Petroleum and Petrochemical College, Chulalongkorn University

Mr. Pramote Techasupatkul

Position

- President, Siam Cement Industry Co., Ltd.

Education

- B.E. (Industrial), Chulalongkorn University
- Advanced Management Program (AMP), Harvard University, U.S.A.

Previous Experience

- Managing Director, Siam Yamato Steel Co., Ltd.
- President, Cementhai Roofing and Concrete Products Co., Ltd.
- Vice President, The Siam Cement Public Company Limited

Other Current Positions

- Vice Chairman, The Federation of Thai Industries

Mr. Kajohndet Sangsuban

Position

- President, Cementhai Building Products Co., Ltd.

Education

- B.E. (Civil), Chulalongkorn University
- Advanced Management Program (AMP), Harvard University, U.S.A.

Previous Experience

- Managing Director, The Siam Gypsum Industry Co., Ltd.

Other Current Positions

- Managing Director, Cementhai Gypsum Co., Ltd.
- Director, Millennium Steel Public Company Limited

Mr. Dusit Nontanakorn

Position

- President, Cementhai Distribution Co., Ltd.

Education

- B.E., Youngstown State University, Ohio, U.S.A.
- M.E., Ohio State University, U.S.A.
- M.B.A., University of California, Los Angeles, U.S.A.
- Advanced Management Program (AMP), Harvard University, U.S.A.

Seminar

- Director Certification Program 24/2002, Thai Institute of Directors Association

Previous Experience

- Vice President, The Siam Cement Public Company Limited

Other Current Positions

- Director, Audit Committee Member and Nomination & Remuneration Committee Member, The Industrial Finance Corporation of Thailand
- Member of the Executive Board of Directors, Vajiravudh College
- Director and Member of the Executive Board, Board of Trade of Thailand
- Director, Board of Investment

Mr. Chalaluck Bunnag

Position

- President, Cementhai Holding Co., Ltd.

Education

- B.E. (Civil), Chulalongkorn University
- M.S. (Civil Engineering), Oklahoma State University, U.S.A.
- M.S. (Industrial Administration), Carnegie-Mellon University, U.S.A.

Previous Experience

- Vice President, The Siam Cement Public Company Limited
- President, Cementhai Property (2001) Public Company Limited

Other Current Positions

- Director, Phoenix Pulp and Paper Public Company Limited
- Director, Millennium Steel Public Company Limited

Mr. Aviruth Wongbuddhapitak

Position

- President, Cementhai Property (2001) Public Company Limited

Education

- B.A. (Accounting), Chulalongkorn University
- M.B.A., New York University, U.S.A.

Seminar

- Director Certification Program 8/2001, Thai Institute of Directors Association
- The Board's Role in Setting Effective Compensation Policy, Thai Institute of Directors Association

Previous Experience

- Managing Director, Thai Ceramic Co., Ltd.

- President, Tile Cera, Inc, U.S.A.
- Vice President, The Siam Cement Public Company Limited
- Director, Phoenix Pulp and Paper Public Company Limited

Other Current Positions

- Chairman of Executive Committee, The Deves Insurance Public Company Limited
- Director, Thai Plastic and Chemicals Public Company Limited

Mr. Padungdej Indralak

Position

- Corporate Treasurer

Education

- B.A. (Monetary Economics and Public Finance), Chulalongkorn University
- M.A. in South-East Asian Studies, University of Kent, Canterbury, England

Previous Experience

- Finance Department Manager, The Siam Cement Public Company Limited

Mr. Amphol Raungturakit*

Position

- Corporate Accounting Division Manager

Education

- B.A. (Accounting), Chulalongkorn University
- M.S. (Accounting), Thammasat University
- M.B.A., University of California, Berkeley, U.S.A.

Previous Experience

- Information System and Business Development Manager, Cementhai Chemicals Co., Ltd.

* vacating the position since January 1, 2004

(2) Election of Directors

The Corporate Governance and Nomination Committee is responsible for nominating candidates as replacements for the directors who retire from office or are unable to complete their terms.

The Committee then makes recommendations to the Board for ultimate shareholder approval.

Candidates are from a diversity of background and experience. Personal qualities sought include leadership, forward-looking vision, ethical integrity, and independence of opinions.

Rules and procedures for the election of directors are as follows:

1. In case the number of candidates nominated for directors does not exceed the number of directors required for that election, the meeting shall elect all of them as directors.
2. In case the number of candidates nominated for directors exceeds the number of directors required for that election, it shall be decided by votes of the shareholder meeting.
3. The shareholder may elect the candidates nominated for directors, but not exceeding the number of directors required for that election and the directors shall be individually elected. Each shareholder or proxy shall have one vote for each share he holds or represents for the election of each director. The candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. Where the votes cast for candidates in descending order

are tied, which would otherwise cause the number of directors to be exceeded, the remaining appointment shall be made by the Chairman of the meeting who shall have a casting vote.

Neither the President nor a majority of directors are related to any major shareholders.

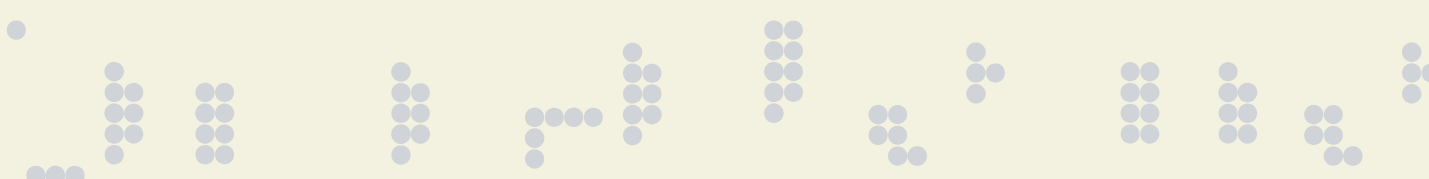
(3) Remuneration of the Board of Directors and the Management

1. Financial Remuneration

a) Remuneration paid to 12 directors for company's directorship and director's fee for 2003 totalled 77,956,000 Baht, with details as follows:

Directors	Position	Remuneration for 2003 (Baht/year)	Bonus for 2003 (Baht)
1. H.E. Dr. Chaovana NaSylvanta	Chairman	1,296,000	7,920,000
2. AVM Kamthon Sindhvananda	Director	864,000	5,280,000
	Chairman of The Audit Committee	264,000	
3. Mr. Paron Israsena	Director	864,000	5,280,000
	Member of The Audit Committee	176,000	
	Chairman of The Corporate Governance and Nomination Committee	162,000	
4. Mr. Snoh Unakul	Director	864,000	5,280,000
	Member of The Corporate Governance and Nomination Committee	96,000	
5. Mr. Sivavong Changkasiri	Director	864,000	5,280,000
	Member of The Audit Committee	176,000	
	Chairman of The Remuneration Committee	162,000	
6. Mr. Sumet Tantivejkul	Director	864,000	5,280,000
	Member of The Audit Committee	160,000	
	Member of The Corporate Governance and Nomination Committee	108,000	
7. Mr. Yos Euarchukiati	Director	864,000	5,280,000
	Member of The Remuneration Committee	108,000	
8. Mr. Pricha Attavipach	Director	864,000	5,280,000
	Member of The Audit Committee	176,000	
9. Mr. Panas Simasathien	Director	864,000	5,280,000
	Member of The Corporate Governance and Nomination Committee	108,000	
10. Mr. Arsa Sarasin	Director	864,000	5,280,000
	Member of The Corporate Governance and Nomination Committee	84,000	
11. Mr. Boonsithi Chokwatana	Director	864,000	4,560,000
	Member of The Remuneration Committee	96,000	
12. Mr. Chumpol NaLamlieng	President	864,000	5,280,000
		12,676,000	65,280,000

Remark: No.1 with a company car



b) Remuneration for executives (The Management Committee) in the form of salaries and cash benefits paid to 10 executives (1 executive resigned during the year) in 2003, totalled 130,669,000 Baht.

2. Remuneration in kind

Company's contribution to the provident fund for directors or the management executives (The Management Committee) as being Company's employees totalled 7,241,400 Baht. The company cars have been provided for the management committee.

(4) Supervision

The Board of Directors pledged its commitment to operate in tune with the principles of good corporate governance as prescribed by the Stock Exchange of Thailand. Moreover, the Company has embraced the international best practice by establishing a Governance and Nomination Committee responsible for overseeing and reviewing the Company's corporate governance affairs and carrying out nominations for the selection of Directors in replacement for the directors who complete their terms.

The Management Committee are authorized to oversee and monitor the Company's operations and performances at company, strategic business units, and Group levels. The Management meet and prepare a report according to the specified format on a monthly basis. They are under consistent supervision of the Board of Directors to ensure the Company's operations are followed up closely and proper corrective actions are taken to improve the Company's performance.

(5) Controlling the usage of internal data

The Company has defined as a Code of Ethics of the Siam Cement Group that "no employees shall exploit any company's information for the interest of self or others despite the fact that the Siam Cement Group may lose no benefits." The penalties for executives or employees exploiting the Company's internal data for their own interests or disclosing information to the public are clearly stated in the Company's approval authority.

The Company has designated that only the directly involved persons can access to specific information. Moreover, the Company has restricted on-line access to information which is classified as confidential or which may affect the Company's operations, with a system of access control rights and passwords.

(6) Internal control (pp. 142)

6. Inter-company accounts

Except for shareholding in certain Group companies which are listed on the Stock Exchange of Thailand, neither the Board of Directors nor management executives hold stocks in any Group companies. Accordingly, transactions between Group companies are based on traditional business practices and in accordance with market prices. Most inter-company transaction are involved with trading of goods and services.



7. Analysis on financial status and operating results

For 2003, the net sales of The Siam Cement Public Company Limited and subsidiaries amounted to 148,865 million Baht, an increase of 16 percent from the previous year due to the steady growth of the construction market and healthy petrochemicals prices in the world market. The Company's three core business units, namely, Petrochemicals, Paper and Packaging, and Cement Business accounted for the largest percentage with an average increase of 12 percent to 20 percent in sales.

Net profit for the year was 19,954 million Baht, an increase of 37 percent from last year. Factors contributing to the growth include better operating results of all businesses, lower interest expenses, and an improved performance of associated companies. Excluding extra items, the operating profit was 17,806 million Baht, a rise of 60 percent.

The Consolidated total assets of The Siam Cement Public Company Limited and subsidiaries in 2003 totaled 249,726 million Baht, a rise of 6 percent from last year. The largest assets were property, plant and equipment-at cost-net, revaluation surplus, and investment in shares and long-term loans, which accounted for 29 percent, 28 percent, and 20 percent, respectively.

8. Financial statements. (pp. 38-107)

PRINCIPLES of good corporate governance



- Policy on Corporate Governance
- Shareholders' Rights and Equitable Treatment
- Various Groups of Stakeholders
- Shareholders' Meetings
- Leadership and Vision
- Conflict of Interests
- Business Ethics
- Balance of Power for Non-Executive Directors
- The Respective Roles of the Chairman and the President
- Remuneration for Directors and Management
- Board of Directors' Meetings
- Committees
- Controlling System and Internal Audit
- Relations with Investors

POLICY on corporate governance

The Board of Directors gives great importance to the proper management and operation under the principles of good corporate governance and Code of Best Practices for listed company set by the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission of Thailand (SEC). These include fair treatment in business dealings; clear delineation of the board structure as well as its roles, responsibilities, and independence; transparency in information disclosure; and risk management.

The Siam Cement Group (SCG) has published a booklet called “The Siam Cement Group Corporate Governance” describing the Group’s principles of good corporate governance for distribution to investors, business associates, and other stakeholders. In addition, the annual report regularly includes detailed information about good corporate governance as practiced in the Group. The ideals and moral values embodied in good corporate governance are followed in all areas of Siam Cement’s operations.

SCG seeks to set an example of good corporate governance to inspire other companies in Thailand.

SHAREHOLDERS’ rights and equitable treatment

Shareholders have the right of access to corporate information. They also have the right to protect their interests by attending shareholders’ meetings where they can express their opinions, offer suggestions, vote on resolutions, and take part in making important changes and electing members of the Board.

VARIOUS groups of stakeholders

SCG strictly follows the principle of mutually beneficial relationships with business associates by ensuring fairness through a management system established by the Board and by providing employees with guidance through a published code of ethics.

The Group also plays an important role in contributing to the improvement of the quality of life of Thais and the progress of Thai society by promoting and supporting social programs and projects over many years in the communities surrounding Group facilities with a major emphasis on education, sports, and community infrastructure projects. Moreover, SCG has

invested heavily over a long period in the preservation of the environment by acquiring advanced technology, by developing clearly-defined environmental plans, and by requiring regular monitoring and evaluation reports. The Group has undertaken many other environmental projects, including issuing an annual sustainability report since 2001, which can be downloaded from www.siamcement.com.

SHAREHOLDERS’ meetings

The Board convenes the ordinary general meeting of shareholders within three months after the end of the financial year. Notices of the meeting with an agenda that include Board’s opinion are sent to all domestic and international shareholders well in advance of the meeting. At the meeting, all shareholders have an opportunity to express their view and ask questions regarding performance and operation of SCG. In addition, they can request an extraordinary general meeting in writing with sufficient justification. If warranted, the extraordinary general meeting must take place within one month after the request is received.

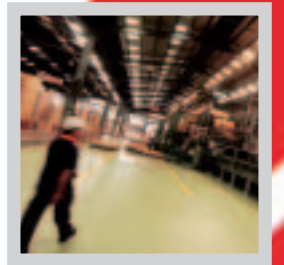
LEADERSHIP and vision

The Board has an important role in setting the Group’s mission and in developing operational plans for the Group, short-term and long-term, with senior management; in setting financial policies and risk management planning. In addition, the Board is responsible for establishing proper oversight, for auditing, and for assessing the performance of the Group as a whole and of senior management to ensure it conforms to plan and yields the maximum value to shareholders.

SCG encourages board members to attend seminars that enhance their capabilities (Details are available in board member biographies in this report.) and promote the exchange of ideas among directors and senior management from other organizations to foster continuing development of the Group.

CONFLICT of interests

SCG follows the regulations of the SET and the SEC strictly, with the Board paying careful attention to potential conflict of interests with full disclosure and transparency in a timely manner to protect the interests of the Group.

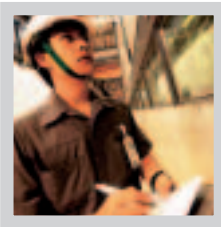


With regard to insider information, the Company forbids by policy and by regulation the disclosure of privileged information to outsiders or the use of such information for personal gain.

A clear and complete breakdown of the shareholding structure of the Company and the holdings of Board members both common shares and debentures of the company and subsidiaries is included in the annual report.

BUSINESS ethics

The Board believes that the Company's principles, which have been in force since its founding, are of great significance and must be adhered to by employees at all levels, at all times, and in all ways. A booklet setting forth these principles was published in 1987 to provide guidance in the conduct of business and senior management is entrusted with setting an example. Good ethics have made a major contribution to the progress and success of the Company, while providing stability and earning public trust.



BALANCE of power for non-executive directors

At present, the Company has 12 directors of which seven are independent directors with only one executive director, the president. This composition assures independent and efficient decision-making free of influence.

The Company selects directors with outstanding credentials: expertise in different fields; leadership qualities; a broad vision; fair and ethical; unblemished work histories; and the ability to express opinions freely. Each director has clearly assigned responsibilities to ensure efficient operation.

RESPECTIVE roles of the chairman and the president

The Chairman is the leader in setting corporate policies and vision, as well as evaluating senior management performance. The president provides leadership to management and ensures operations follow established policies. These two positions are separated to provide a healthy balance between the two kinds of authority.

REMUNERATION for directors and management

The Company remunerates directors and management at competitive rates with the leading company within the same industry and discloses details in the annual report.

The Board's remuneration is based on the responsibilities held and on the performance of the company with the approval of shareholders. Remuneration of management is set by the Board, based on responsibilities held, individual performance, and the operating results of the company, the business units, and the Group as a whole, both short-term and long-term.

BOARD OF DIRECTORS' meetings

The Board holds at least eight meetings per year. Board members receive the agenda and all relevant documents for each meeting well in advance to allow adequate preparation time. Protecting interest of shareholders and stakeholders is of major concern of the Board. The Chairman attends all Board meetings and ensures sufficient time for a thorough discussion of each item in the agenda and a full exchange of view.

Committees meet as frequently as needed to complete their tasks.

Management Committee members usually attend Board meetings to report on matters under their purview, and keep current on Board policies and decisions so that they can proceed promptly with implementation. Management Committee members are excused from Board meetings when their performance is under reviewed.

COMMITTEES

The Board established committees to oversee specific aspects of the Board's responsibilities – the Audit Committee, the Governance and Nomination Committee, and the Remuneration Committee. The Board can establish additional committees as needed. All committees submit regular reports covering their decisions and actions to the Board.

CONTROLLING system and internal audit

The Group has a system of internal controls set forth in a handbook that covers all aspects of business operations. The internal audit is to ensure that the system is efficient, effective, and implementable as expected.

The Group's internal control system remains flexible, undergoing constant development to stay in tune with international standards. The primary emphasis is on prevention to achieve maximum efficiency for optimum results with staff themselves controlling and directing the process, as well as assessing and evaluating. In addition, the information technology system undergoes constant review and upgrading to ensure it keeps pace with business developments.

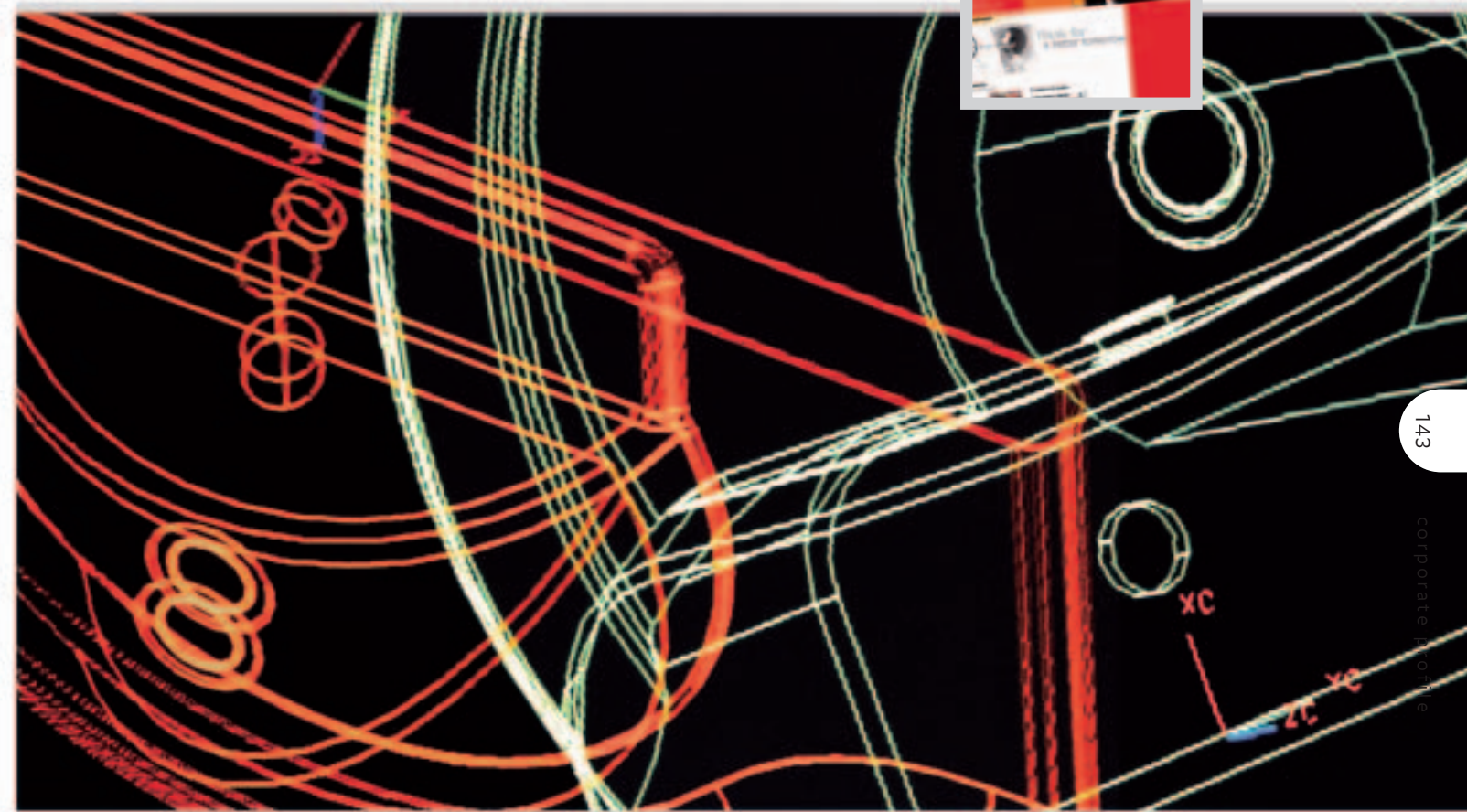
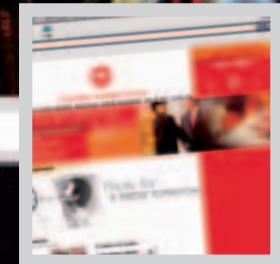
To ensure the results achieved are consistent with policies, the audit system undergoes evaluation on a regular basis with participation by staff in all parts of the Group who make suggestions and recommendations for improvements.

RELATIONS with investors

The Group's management gives great importance to investor relations with an office dedicated to providing a wide range of accurate, complete, and timely information and news via a website and to responding to emailed requests promptly.

Senior management meets with institutional investors and stock analysts regularly either at Company offices or outside, domestically and internationally, to exchange ideas and receive suggestions on enhancing the data provided. Meetings are held with analysts quarterly and recordings of these sessions are available on the website.

Results of a survey in 2003 by the American publication *Institutional Investor* in association with *Reuters* resulted in the Company being recognized as Thailand's most outstanding company for investor relations and for governance.



RISK management

Notwithstanding a high GDP growth rate and government economic stimulation programs, such as home mortgages scheme, government supported projects, large-scale public infrastructure projects, etc., Thailand is undergoing fundamental changes in the economy, society, politics, and trade competition, creating uncertainty. Recognizing many internal and external risk factors arising from the rapid pace of change in the business environment, the Siam Cement Group places great importance on prudent, vigilant risk management and carries out ongoing systematic assessment of risks and opportunities to serve as the basis for setting appropriate policies and plans that ensure flexibility and good corporate governance.

The major risks and corresponding remedial measures categorize according to strategic business units are as follows:

1. Paper and Packaging

1.1 Risk arising from raw materials supply and price factors

Pulp is the key raw material for paper production. The world's population continues to increase rapidly, reducing the amount of land available for forestation and increasing the cost of land, which has a major impact on the volume of pulp available for manufacturing. In addition to the diminished forested areas, other factors that affect risk levels include: trees must be at least 5 years old before they are usable for pulp; and the demand for paper continues to rise. The combination of these two factors means supply – raw materials or finished product -- cannot keep up with the demand, making raw materials prices and manufacturing costs uncontrollable.

The Group has established the following policies to manage the risks

- Expand tree farm cultivation by contracting with farmers near the manufacturing facility to plant carefully-selected, high-quality eucalyptus varieties on vacant land, lowering cost and saving the transportation expense significantly.
- Continue research and development of raw materials and substitutes, while seeking foreign sources of supply.
- Plan purchases well ahead by taking into account tree harvesting times.
- Horizontal integration to maximize results through effective management of raw materials and of production.

1.2 Environmental risks

The pulp manufacturing process can have an impact on the environment through waste water, odors, etc. The government has passed laws and issued regulations covering environmental protection and preservation, as well as work safety, and indications are that enforcement will become stricter with heavier penalties, including closing plants. The cost of proper environmental practices is high, thus, it has become a risk factor with a substantial downside. Because of a long tradition of social responsibility, the Siam Cement Group has the environmental conservation and safety committee responsible for continual improvement in environmental practices through the following measures:

- Use advanced "extended cooking" technology to reduce the use of chemicals when bleaching pulp.
- Use "2-Stage Oxygen Delignification" to reduce the amount of water and chemicals consumption.
- Increase the number and capacity of aerators to increase oxygen levels in waste water.
- Use modern, efficient technology to process waste water to a quality appropriate for watering plants on the grounds and for irrigating neighboring farm fields.
- Replace the Kraft Process with the Soda Process to reduce odors produced during manufacturing.

2. Petrochemicals

2.1 Risk of raw materials and products price fluctuations in the world market

Historically, prices of raw materials and products have been quite volatile, reacting and adjusting to major world events, such as the Iraq War, SARS, unrest in the Middle East, changing supply and demand, exchange rates, etc. These are factors beyond control, so managing risk in this industry presents major challenges.



Here are the measures how the Group manage these risks:

- Track, analyze, and forecast world market conditions to minimize price fluctuation exposure.
- Find alternative sources of raw materials.
- Lower operating costs by boosting production efficiency through both horizontal integration by increasing capacity to achieve greater economies of scale and vertical integration for synergy in the operations.
- Establish a formula and a framework for adjusting product prices to reflect cost changes in the world market.

2.2 Safety and health risks

Petrochemical processing does entail safety and health risks, as well as risks to plant and equipment, from fires, explosions, leaking gas pipelines, emissions, and other unforeseen threats. The Group has always paid great attention these risks and has put in place strict policies and practices that meet international petrochemical industry standards. Facilities undergo regular inspection, while staff have the best equipment available and perform regular emergency drills. In addition, the Group carries comprehensive insurance cover for all facilities.

2.3 Business competition risks

Competition in the petrochemical industry is fierce, due to the liberalization of the industry that removed restrictions on entry and expansion. Increasing production capacity and restructuring to take a larger market share have been the common strategies used.

To increase competitive capabilities, the company has introduced a supply chain management system for greater efficiency, reduced costs, and a quicker response time to customer requests. In addition, the company has introduced a customer relationship management system to enhance support services and to create a sustainable relationship.

3. Cement and Building Products

3.1 Business competition risks

Even though the Thai economy grew at a faster rate in 2003, the demand for cement and construction materials has not caught up with domestic production capacity, resulting in highly competitive conditions with price cutting as the main strategy for gaining market share. Inevitably, these circumstances have had an impact on total sales and profits. Since Siam Cement has the largest market share and the highest capacity utilization, production costs are comparatively low and the most extensive domestic distribution system, providing a competitive advantage in the marketplace. To further reduce risk, the company is investing in developing markets and seeking new opportunities in other ASEAN countries.

3.2 Production risks

Risks entailed in the production of cement and building products relate to secure supply and price. Raw materials account for about 60 – 80 percent of production costs for both cement and building products. With cement, the main raw material is limestone for which the company has long-term mining concessions and purchase agreements with other suppliers to ensure a reliable supply and a stable cost. However, for greater security of supply, the company acquires new mine properties with long-term concessions on a continuing basis, while seeking new sources, both domestic and in neighboring countries. At the same time, the company carries out research and development with current raw materials and substitutes.

The efficacy of the risk management systems in place for all Group businesses generates the confidence to in creating value by embracing risks.

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