

13. Key Financial Information

GLOW ENERGY PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

Unit : MTHB

	As at		As at		As at	
	December 31, 2016	%	December 31, 2015	%	December 31, 2014	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	7,252	6.6%	8,703	7.4%	4,364	3.6%
Trade and other receivables	8,267	7.5%	9,702	8.3%	13,501	11.2%
Other current assets	6,042	5.5%	6,220	5.3%	7,330	6.1%
Total Current Assets	21,561	19.6%	24,625	21.1%	25,196	20.9%
NON-CURRENT ASSETS						
Property, plant and equipment	80,742	73.4%	84,024	71.9%	87,193	72.5%
Other non-current assets	7,773	7.1%	8,215	7.0%	7,934	6.6%
Total Non-Current Assets	88,515	80.4%	92,239	78.9%	95,126	79.1%
TOTAL ASSETS	110,076	100.0%	116,864	100.0%	120,322	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Trade and other payables	4,759	4.3%	5,501	4.7%	8,672	7.2%
Current portion of long-term borrowings & Debentures	7,767	7.1%	8,865	7.6%	8,967	7.5%
Short-term borrowings	1,433	1.3%	1,433	1.2%	1,433	1.2%
Other current liabilities	1,084	1.0%	995	0.9%	1,144	1.0%
Total Current Liabilities	15,043	13.7%	16,795	14.4%	20,216	16.8%
NON-CURRENT LIABILITIES						
Long-term borrowings and Debentures	36,197	32.9%	42,155	36.1%	44,184	36.7%
Other non-current liabilities	2,065	1.9%	1,956	1.7%	3,352	2.8%
Total Non-Current Liabilities	38,262	34.8%	44,111	37.7%	47,536	39.5%
TOTAL LIABILITIES	53,305	48.4%	60,906	52.1%	67,752	56.3%
TOTAL SHAREHOLDERS' EQUITY	56,771	51.6%	55,958	47.9%	52,571	43.7%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	110,076	100.0%	116,864	100.0%	120,322	100.0%

GLOW ENERGY PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2016

					Unit : MTHB	
	<u>2016</u>	%	<u>2015</u>	%	<u>2014</u>	%
Revenues from sales	52,567	100.0%	64,225	100.0%	72,991	100.0%
Cost of sales	(38,479)	73.2%	(49,371)	76.9%	(57,256)	78.4%
Gross profit	14,088	26.8%	14,854	23.1%	15,735	21.6%
Other income	524	1.0%	1,144	1.8%	333	0.5%
Administrative expenses	(954)	1.8%	(776)	1.2%	(773)	1.1%
Other Expense	(14)	0.0%	(1,211)	1.9%	(68)	0.1%
Profit before Finance cost and Income Tax expense	13,643	26.0%	14,012	21.8%	15,227	20.9%
Finance costs	(2,599)	4.9%	(3,244)	5.1%	(3,386)	4.6%
Income tax expense	(982)	1.9%	(1,093)	1.7%	(1,005)	1.4%
Profit after tax	10,063	19.1%	9,675	15.1%	10,836	14.8%
Minority interest	(1,110)	2.1%	(1,319)	2.1%	(1,697)	2.3%
Net profit	8,953	17.0%	8,355	13.0%	9,139	12.5%

GLOW ENERGY PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>	Unit : MTHB <u>2014</u>
Net cash provided by operating activities	15,295	18,383	15,631
Net cash provided by (used in) investing activities	(1,054)	(2,599)	(1,835)
Net cash used in financing activities	(15,689)	(11,466)	(14,298)
Net increase (decrease) in cash and cash equivalents	(1,451)	4,339	(506)
Cash and cash equivalents as at January 1,	8,703	4,364	4,871
Cash and cash equivalents as at December 31,	7,252	8,703	4,364

Ratio of Financial Statement

Glow Energy Public Company Limited Financial Ratio Summary As of December 31,				
	Unit	2016	2015	2014
Liquidity Ratio				
- Current Ratio	Times	1.43	1.46	1.25
- Quick Ratio	Times	1.06	1.13	0.96
- Cash Ratio	Times	0.48	0.52	0.22
Profitability Ratio				
- Gross Profit Margin	%	26.80%	23.13%	21.56%
- Operating Profit Margin	%	25.95%	21.82%	20.86%
- Net Profit Margin	%	17.03%	13.01%	12.52%
- Return on Equity	%	18.36%	17.80%	21.28%
Efficiency Ratio				
- Return on Asset	%	7.89%	7.04%	7.45%
- Return on Fixed Asset	%	15.75%	14.45%	14.30%
- Asset Turnover	Times	0.46	0.53	0.58
Financial Ratio				
- Debt to Equity	Times	0.94	1.09	1.29
- Interest Coverage	Times	7.26	7.00	5.91
- Dividend Payout	%	n/a ⁽¹⁾	85.86	50.00

Note:

1) Annual Dividend of 2016 is to be approved in Annual General Meeting of Shareholders.

Management's discussion and analysis of financial condition and results of operations

Overview

Glow Energy Public Company Limited and its subsidiaries are one of the largest private electricity generators and providers of industrial utilities in Thailand and neighboring country. We operate IPP and cogeneration facilities (most of which operate as SPPs under Thailand's SPP program) and our core business is to produce and supply electricity to EGAT and to produce and supply electricity and steam to industrial customers in the MIE¹ Area and SEIP² Area. As of December 31, 2016, we had a total generating capacity of 3,207 MW of electricity and 1,206 tons per hour of steam.

Starting 2014, Thai accounting standard has adopted international accounting standard related to Financial Lease. The only generating unit of Glow Group affected from this change in accounting standard is Glow IPP, 713 MW gas-fired IPP. Implication of Financial Lease accounting standard included, but not limited to, following key aspects:

- Recording Availability Payment received from EGAT as Financial Lease Income and amortization of Lease Receivables
- Recording of Lease Receivables, rather than Property Plant and Equipment as per old standard, and hence no recording of depreciation expense

However, Energy Payment, gas cost, and other operating costs are recorded essentially with the same method.

For 2016, adjustments to reflect Financial Lease accounting standard from old standard are:

- Net adjustment to exclude Availability Payment (Baht -1,432.9 million) and depreciation (Baht +340.0 million) of Baht - 1,092.9 million
- Net adjustment to include Financial Lease income of Baht +665.4 million
- Net adjustment on Deferred Tax of Baht +85.5 million

As a result, consolidated net profit for 2016, under the new accounting standard, was Baht 8,953.1 million. However, our normalized net profit³, excluding the adjustment of financial lease accounting, which is the basis used to determine our dividend distribution, was Baht 9,391.2 million in 2016, a 4.1 per cent decrease from Baht 9,797.1 million in 2015.

Revenues

We derive our revenues primarily from sales of electricity to EGAT and sales of electricity, steam, clarified and demineralized water and chilled water to industrial users in the MIE Area and SEIP Area. The following table breaks down our revenues by sources for the periods indicated:

	Revenues					
	Year to Date Ended December 31,					
	2016		2015		Difference	
	(Million Baht)	(%)	(Million Baht)	(%)	(Million Baht)	(%)
Revenues from Sales of Goods and Rendering of Services						
Electricity						
Sales to EGAT by IPPs.....	14,364.1	27.1	20,768.1	31.8	(6,404.0)	(30.8)
Sales to EGAT by SPPs ⁽¹⁾	15,125.7	28.5	17,451.5	26.7	(2,325.7)	(13.3)
Sales to Industrial Customers.....	15,031.8	28.3	16,827.6	25.7	(1,795.8)	(10.7)
Financial Lease Income (Glow IPP).....	665.4	1.3	793.5	1.2	(128.1)	(16.1)
Total.....	45,187.0	85.1	55,840.7	85.4	(10,653.7)	(19.1)
Steam	6,951.1	13.1	7,921.1	12.1	(969.9)	(12.2)
Other Products	429.1	0.8	463.1	0.7	(34.0)	(7.3)
Total	52,567.2	99.0	64,224.9	98.2	(11,657.7)	(18.2)
Other Incomes.....	524.9	1.0	1,144.4	1.8	(619.5)	(54.1)
Total Revenue.....	53,092.1	100.0	65,369.3	100.0	(12,277.2)	(18.8)

Note:

- (1) Included revenues from electricity sales to PEA under VSPP scheme by Glow Energy Solar which accounted for Baht 27.1 million and Baht 26.7 million in 2015 and 2016, respectively.

¹Map Ta Phut Industrial Estate in Rayong Province

²Siam Eastern Industrial Park in Pluak Daeng, Rayong Province

³Definition of "Normalized Net Profit" is "Net profit excluding net exchange gain or loss and net change in deferred tax asset(revenues) or liability(expenses)"

Our revenues are in part driven by the volumes of electricity and industrial utilities that we produce and sell to our industrial customers in MIE Area and SEIP Area.

The following table demonstrates our volumes of electricity and industrial utilities sold for the indicated periods:

	Volumes Sold			
	Year to Date Ended December 31,			
	2016	2015	Difference	%
Electricity dispatch (GWh)				
To EGAT by IPPs	5,863.9	7,868.9	(2,005.0)	(25.5)
To EGAT by SPPs ⁽¹⁾	5,533.6	5,539.7	(6.2)	(0.1)
To Industrial Customers.....	4,991.1	5,080.0	(88.9)	(1.7)
Total.....	16,388.6	18,488.6	(2,100.0)	(11.4)
Steam (thousands of tons).....	7,624.6	7,464.2	160.3	2.1
Processed water (thousands of cubic meters).....	12,709.0	12,742.7	(33.7)	(0.3)
Chilled water (thousands of refrigerated tons).....	12,677.3	14,144.0	(1,466.7)	(10.4)

Note:

- (1) Included electricity dispatch to PEA under VSPP scheme by Glow Energy Solar which accounted for 2.32 GWh in both 2015 and 2016.

Revenues from Sales of Goods

Electricity Sales to EGAT

We sell electricity to EGAT under our EGAT power purchase agreements⁴. We are currently party to 3 IPP power purchase agreements, in respect of 1,373 MW of electricity located in Thailand and 128 MW of electricity located in Lao PDR in which 126 MW sales to EGAT and 2 MW to Electricite Du Laos (EDL). We are also a party to 11 SPP power purchase agreements and 1 VSPP power purchase agreement (Glow Energy Solar), in respect of an aggregate of 844 MW and 1.55 MW of electricity respectively.

Electricity Sales to Industrial Customers

We sell electricity to our industrial customers under our power supply agreements. As of December 31, 2016, we were party to a total of 86 power supply agreements with 64 industrial customers in respect of an aggregate of 728 MW of electricity.

Steam Sales

We sell steam to our industrial customers under our steam supply agreements. As of December 31, 2016, we were party to a total of 34 steam supply agreements with 22 industrial customers in respect of an aggregate of 1,188 tons per hour of steam.

Processed Water Sales

We sell clarified water and demineralized water to our industrial customers under our water supply agreements. As of December 31, 2016, we were party to a total of 14 water supply agreements with 8 customers in respect of an aggregate of 1,659 cubic meters per hour of water.

Chilled Water Sales

We sell chilled water to our industrial customers under our water supply agreement. As of December 31, 2016, we were party to a total of 2 water supply agreements with 2 customers in respect of an aggregate of 2,050 refrigerated tons of chilled water.

⁴ Sales of electricity to EGAT, under IPP program, consist of Availability Payment and Energy Payment whereas sales of electricity to EGAT, under SPP program, consist of Capacity Payment and Energy Payment.

Expenses

Our expenses consist of cost of goods sold and selling and administrative expenses. The following table demonstrates the different components of our expenses by their amount and as a percentage of our total expenses for the periods indicated:

	Expenses					
	Year to Date Ended December 31,					
	2016		2015		Difference	
	(Million Baht)	(%)	(Million Baht)	(%)	(Million Baht)	(%)
Cost of Goods Sold						
Fuel						
Natural Gas.....	21,497.2	54.5	30,923.4	60.2	(9,426.1)	(30.5)
Coal.....	7,543.2	19.1	8,299.7	16.2	(756.4)	(9.1)
Diesel.....	54.1	0.1	62.3	0.1	(8.2)	(13.2)
Maintenance	2,159.0	5.5	2,489.6	4.8	(330.6)	(13.3)
Depreciation and Amortization.....	4,231.3	10.7	4,229.5	8.2	1.8	0.0
Other.....	2,994.3	7.6	3,366.5	6.6	(372.2)	(11.1)
Total Cost of Goods Sold.....	38,479.1	97.5	49,370.9	96.1	(10,891.8)	(22.1)
Selling and Administrative Expenses						
Depreciation and Amortization.....	28.5	0.1	30.3	0.1	(1.9)	(6.2)
General.....	926.0	2.3	745.3	1.5	180.7	24.2
Total Selling and Administrative Expenses.....	954.5	2.4	775.6	1.5	178.9	23.1
Other Expenses.....	15.1	0.0	1,211.1	2.4	(1,196.0)	(98.8)
Total Expenses	39,448.7	100.0	51,357.6	100.0	(11,908.9)	(23.2)

The following table shows a breakdown of our costs for our IPP facilities, on one hand, and for our cogeneration facilities, on the other:

	IPP and Cogeneration Facilities Cost of Goods Sold Breakdown ⁽¹⁾					
	Year to Date Ended December 31,					
	2016		2015		Difference	
	(Million Baht)	(%)	(Million Baht)	(%)	(Million Baht)	(%)
IPP Facilities						
Natural Gas	1,232.8	13.2	5,635.1	38.7	(4,402.2)	(78.1)
Coal.....	5,117.2	54.9	5,615.2	38.6	(498.0)	(8.9)
Diesel.....	51.4	0.6	58.7	0.4	(7.3)	(12.4)
Maintenance.....	697.8	7.5	904.8	6.2	(207.0)	(22.9)
Depreciation and Amortization.....	1,405.6	15.1	1,419.2	9.8	(13.6)	(1.0)
Others.....	823.1	8.8	913.0	6.3	(89.9)	(9.8)
Total Cost of Goods Sold.....	9,328.0	100.0	14,546.0	100.0	(5,218.0)	(35.9)
Cogeneration Facilities						
Natural Gas.....	20,264.4	69.5	25,288.3	72.6	(5,023.9)	(19.9)
Coal.....	2,426.0	8.3	2,684.5	7.7	(258.5)	(9.6)
Diesel.....	2.6	0.0	3.6	0.01	(0.9)	100.0
Maintenance.....	1,461.1	5.0	1,584.7	4.6	(123.6)	(7.8)
Depreciation and Amortization.....	2,825.7	9.7	2,810.3	8.1	15.4	0.5
Others.....	2,171.2	7.4	2,437.9	7.0	(266.7)	(10.9)
Total Cost of Goods Sold.....	29,151.1	100.0	34,809.3	100.0	(5,658.2)	(16.3)

Note:

- (1) The data presented herein as the cost of sales of our cogeneration facilities is our consolidated financial results less the results of Glow IPP Co., Ltd., Houay Ho Power Co., Ltd and GHECO-One Co., Ltd. In fact, certain of these amounts are attributable to portions of our business, which are not technically our cogeneration facilities, although these amounts represent only a small portion thereof.

Cost of Goods Sold**Fuel**

The principal fuels that we use to generate electricity and steam are natural gas and coal. Purchases of natural gas constitute our single largest portion of operating expenses, accounted for 54.5 per cent of our total expenses in 2016.

The following table demonstrates our average gas costs for the periods indicated:

	Average Effective Cost of Natural Gas⁽¹⁾			
	Year to Date Ended December 31,			
	2016	2015	Difference	
	(Bt/mmBTU)	(Bt/mmBTU)	(Bt/mmBTU)	(%)
Average cost				
To Glow IPP ⁽²⁾	600.0	319.1	280.9	88.0
To Cogeneration facilities ⁽³⁾	246.4	307.7	(61.2)	(19.9)

Note:

- (1) These are not our actual gas prices, but are derived by taking our total natural gas expenses and dividing by total fuel consumption of the facilities for the periods presented.
- (2) Average Effective Cost included cost related to gas pipeline transmission (Tdc1). However, in case of Glow IPP in 2016, as a result of low dispatch from EGAT, an actual gas consumption was less than a minimum Contracted Delivery Capacity, resulting in higher Average Effective Cost despite relatively lower IPP gas price. If excluding Tdc1 charge, average gas cost of Glow IPP would become 272.1 Bt/mmBTU and 187.9 Bt/mmBTU for 2015 and 2016, respectively.
- (3) This is a "blended" rate, reflecting principally prices paid to PTT (i) by our cogeneration facilities for gas used to supply electricity to EGAT and industrial customers, (ii) for gas used to fire boilers to generate steam for industrial customers. Each of the prices set out in (i) and (ii) are different. We also purchase small amounts of tail gas from another Thai supplier, which prices are separate and are also factored into the foregoing rates.

Purchases of coal accounted for 19.1 per cent of our total expenses in 2016.

The following table demonstrates average coal costs for the periods indicated:

	Year to Date Ended December 31,			
	2016	2015	Difference	
	(\$/ton)	(\$/ton)	(\$/ton)	(%)
IPP facilities				
Equivalent coal price @ 6,322 kcal/kg ^{(1) (AR)}	66.0	79.9	(13.9)	(17.4)
Freight costs ⁽²⁾	8.7	9.6	(1.0)	(10.0)
Cogeneration facilities				
Equivalent coal price @ 6,700 kcal/kg ^{(1) (AD)}	58.6	68.2	(9.6)	(14.1)
Freight costs ⁽²⁾	7.9	7.9	(0.1)	(0.8)

Note:

- (1) This equivalent coal price is not actual reference coal price of each facility. It is derived from our actual average coal price (accounted also for inventory) converted into equivalent price at stated calorific value.
- (2) These reflect our actual freight and insurance costs.

The key determinants of our fuel expenses are the amounts of electricity and steam produced by our facilities and the efficiency with which we are able to generate such products.

The following table demonstrates the energy production levels and heat rates of our facilities for the periods indicated:

	Production and Heat Rates	
	Year to Date Ended December 31,	
	2016	2015
Glow IPP		
Equivalent energy production (GWh).....	287	2,506
Fuel consumption (mmBTU, HHV).....	2,124,122	17,674,369
Heat rate (BTU/kWhe, HHV).....	7,400	7,054
GHECO-One		
Equivalent energy production (GWh).....	5,234	4,996
Fuel consumption (mmBTU, HHV).....	47,214,450	44,441,376
Heat rate (BTU/kWhe, HHV).....	9,021	8,895
Cogeneration facilities (MIE) ⁽¹⁾		
Allocated energy production (GWh equivalent) ⁽²⁾		
Gas-fired cogeneration facilities.....	8,451	8,516
Coal-fired cogeneration facilities.....	2,576	2,544
Fuel consumption (mmBTU, HHV)		
Gas-fired cogeneration facilities.....	68,406,489	68,769,741
Coal-fired cogeneration facilities	26,694,675	26,427,826
Allocated heat rates (BTU/kWhe, HHV)		
Gas-fired cogeneration facilities	8,094	8,076
Coal-fired cogeneration facilities ⁽³⁾	10,363	10,389
Cogeneration facilities (SEIP)		
Equivalent energy production (GWh) ⁽²⁾	1,612	1,584
Fuel consumption (mmBTU, HHV).....	13,242,687	13,016,724
Heat rate (BTU/kWhe, HHV).....	8,213	8,220

Notes:

- (1) We present an "allocated" heat rate, which is a deemed heat rate for our cogeneration facilities that we derive by dividing the total fuel energy consumption of such facilities over a specified period of time by the energy produced during such period. This is not a straightforward exercise, particularly with respect of our Glow SPP 2/SPP 3 hybrid facility, where, for purposes of such calculation, we are required to "allocate" the amount of energy produced using steam and the amount of energy used producing gas. We make this allocation on the basis of the contribution of each energy source to total energy input, which involves subjective judgments and the use of simplifying assumptions.
- (2) Includes production of electricity and steam and chilled water (if applicable). For these purposes, steam and chilled water (if applicable) has been converted into MW at a deemed equivalent electrical energy value.
- (3) CFB start-up gas is charged to the coal heat rates for purposes of the figures presented in this table.

Results of operations

Fiscal Year 2016 compared to Fiscal Year 2015

Revenues

Revenues from sales of goods and the rendering of services and other incomes that ended December 31, 2016, were Baht 53,092.1 million, a 18.8 per cent decrease from Baht 65,369.3 million in 2015. The decreases were attributable to the following factors:

- Revenue received from EGAT by Glow IPP, under IPP scheme, accounted for Baht 3,362.5 million in 2016, a decrease of Baht 5,018.6 million from Baht 8,381.1 million in 2015. The important drivers of decreasing were lower availability

payment and lower energy payment. The decrease in availability payment of Baht 271.0 million from Baht 2,298.9 million to Baht 2,027.9 million resulted from lower availability payment rate, and having planned outage for major maintenance for 1 of the 2 units during 3rd January until 19th February 2016, even though Thai Baht had depreciated which had positive effect on USD-linked revenue. The energy payment decreased by Baht 4,747.6 million from Baht 6,082.2 million to Baht 1,334.7 million due to lower power dispatch to EGAT which decreased by 2,241.4 GWh from 2,491.9 GWh to 250.5 GWh as compared with the same period of last year.

However, with the adoption of Financial Lease, sales of electricity to EGAT recorded in financial statement consisting of financial lease income accounted for Baht 665.4 million and revenue from sales accounted for Baht 1,929.7 million.

- Sales of electricity to EGAT by GHECO-One, under IPP scheme, accounted for Baht 11,722.4 million in 2016, a decrease of 12.7 per cent from Baht 13,422.5 million in 2015. These decreases were largely because of lower energy payment rate as a result of lower coal price index and new coal supply agreement starting in July 2016 despite the fact that GHECO-One served more electricity to EGAT by 4.9 per cent from 4,985.5 GWh to 5,232.1 GWh.
- Sales of electricity to EGAT and EDL by Houay Ho Power (HHPC), under IPP scheme, accounted for Baht 712.0 million in 2016, a 0.3 per cent decrease from Baht 714.0 million in the same period prior year. These decreases were mainly due to a 1.9 per cent decrease in volume dispatch to EGAT from 387.8 GWh to 380.4 GWh.
- Sales of electricity to EGAT by our cogeneration facilities, under SPP scheme, accounted for Baht 15,125.7 million in 2016, a decline of 13.3 per cent from Baht 17,451.5 million, when compared to the same period in the prior year. These declines were mostly due to a 16.5 per cent decrease in energy payment charged as a result of lower gas price and lower coal price by 19.9 per cent and 13.5 per cent, respectively while power dispatch to EGAT was stable at 5,533.6 GWh in 2016 as compared to 5,539.7 in 2015.
- Sales of electricity to industrial customers by our cogeneration facilities accounted for Baht 15,031.8 million in 2016, a 10.7 per cent decrease from Baht 16,827.6 million in 2015. These decreases were mainly due to lower electricity tariff rate charged to industrial customers by 9.1 per cent and the lower in electricity sale volume to industrial customers by 1.7 per cent from 5,080.0 GWh to 4,991.1 GWh.
- Sales of steam to industrial customers by our cogeneration facilities accounted for Baht 6,951.1 million in 2016, a decrease of 12.2 per cent from Baht 7,921.1 million compared to the same period in the prior year. These decreases were mainly due to a 14.4 per cent lower in selling price as a result of lower gas price, while sale volume increased by 2.1 per cent to 7,624.6 ktons from 7,464.2 ktons.
- Sales of other products and services accounted for Baht 429.1 million in the 2016 as compared of 463.1 million in the same period of the prior year.

Our other incomes consist mainly of revenue from interest income and other items.

We recognized interest income for Baht 59.3 million in 2016, an increase of Baht 15.1 million from Baht 44.1 million in 2015. The interest income was principally attributable to interest earned on cash held in the form of deposits, financial instruments and in reserve accounts under our project financing agreements.

Other items totaled Baht 382.0 million, decreased by Baht 718.3 million from Baht 1,100.3 million in 2015. There were a booking of compensation of GHECO-One delayed completion of Baht 729.8 million and a booking of business interruption claim of CFB3 of Baht 316.6 million in 2015.

Additionally, we booked net exchange gain of Baht 83.6 million as other incomes in 2016, while net exchange loss of Baht 1,202.4 million was recorded as other expenses in the 2015. The Foreign Exchange exposure is derived from the US dollar-denominated debt in Glow IPP, GHECO-One and Houay Ho Power⁵ which are being served by the US dollar-linked and US dollar revenue from sales of electricity to EGAT.

As a result of the foregoing, total revenue accounted for Baht 53,092.1 million in 2016, a 18.8 per cent decrease from Baht 65,369.3 million in 2015.

Expenses

Cost of goods sold was Baht 38,479.1 million in 2016, a decrease of 22.1 per cent from Baht 49,370.9 million in 2015. This decrease was attributable to the following factors:

IPP facilities

- IPP facilities' cost of natural gas from Glow IPP was Baht 1,232.8 million in 2016, a decrease of Baht 4,402.2 million from Baht 5,635.1 million in 2015. The majority of decrease in gas cost of GIPP was attributable to lower gas consumption by 88.4 per cent as a result of lower power dispatch to EGAT.
- IPP facilities' cost of coal from GHECO-One was Baht 5,117.2 million in 2016, a 8.9 per cent decrease from Baht 5,615.2 million in 2015. This decrease was primarily because of favorable coal price despite higher coal consumption from GHECO-One.
- IPP facilities' cost of diesel was Baht 51.4 million in 2016, a decrease of Baht 7.3 million from Baht 58.7 million compared

⁵ Financial Statement of HHPC is presented in US Dollar and be consolidated into our financial statement presented in Thai Baht

to the same period in the prior year.

- IPP facilities' maintenance costs were Baht 697.8 million in 2016, a decrease of Baht 207.0 million from Baht 904.8 million in 2015. These decreases was mostly due to no plan for scheduled maintenance of GHECO-One which was performed in 2015.
- IPP facilities' depreciation and amortization costs were Baht 1,405.6 million in the 2016, a 1.0 per cent decrease from Baht 1,419.2 million in 2015.
- IPP facilities' other costs of goods sold were Baht 823.1 million in the 2016, a 9.8 per cent decrease from Baht 913.0 million compared to the same period of previous year. IPP facilities' other costs of sales of goods consist mainly of water, chemicals and general overhead costs as well as contribution to Power Community Development Fund.

Cogeneration facilities

- Our cogeneration facilities' cost of natural gas was Baht 20,264.4 million in 2016, a 19.9 per cent decrease from Baht 25,288.3 million, when compared to the same period in the prior year. This decrease was mainly due to lower gas price by 19.9 per cent while gas consumption is steady as compare with the same period last year.
- Our cogeneration facilities' cost of coal was Baht 2,426.0 million in 2016, a decrease of 9.6 per cent from Baht 2,684.5 million compared to the same period of previous year. The decrease was mainly due to lower average coal price at FOB by 14.1 per cent from 68.2 USD/ton to 58.6 USD/ton while average coal index also decreased by 4.1 per cent from 66.9 USD/ton to 64.1 USD/ton, while coal consumption was stable.
- Our cogeneration facilities' cost of diesel was Baht 2.6 million in 2016, a decrease by 26.2 per cent from Baht 3.6 million compared to the same period in the prior year.
- Our cogeneration facilities' maintenance costs were Baht 1,461.1 million in 2016, a decrease of 7.8 or equivalent to Baht 123.6 million from Baht 1,584.7 million in 2015. The decrease in these maintenance costs was attributable to less scheduled major maintenances as compared to the year before.
- Our cogeneration facilities' depreciation and amortization costs were Baht 2,825.7 million in 2016, a slight increase of 0.5 per cent from Baht 2,810.3 million as compared to the same period of previous year.
- Our cogeneration facilities' other costs of goods sold were Baht 2,171.2 million in 2016, a decrease of 10.9 per cent from Baht 2,437.9 million in 2015. Cogeneration facilities' other costs of sales of goods sold consist mainly of water, chemicals, and general overhead costs as well as contribution to Power Community Development Fund.

Selling and administrative expenses accounted for Baht 954.5 million in 2016, an increase of 23.1 per cent or equivalent to Baht 178.9 million from Baht 775.6 million in 2015. These were attributable to the following factors:

- Depreciation and amortization accounted for Baht 28.5 million in 2016, a decrease 6.2 per cent from Baht 30.3 million in 2015.
- Other selling and administrative expenses accounted for Baht 926.0 million in 2016, an increase of 24.2 per cent from Baht 745.3 million in 2015. The significant increase came from writing off old equipment of GHECO-One in amount of Baht 185.2 million which was replaced with the new one during planned maintenance in January 2017.

As a result of the foregoing, our total expenses were Baht 39,448.7 million in 2016, a 23.2 per cent decrease from Baht 51,357.6 million in 2015.

Profit Before Finance Costs and Income Tax

As a result of the foregoing, our profit before finance costs and income tax was Baht 13,643.5 million in 2016, a decrease of 2.6 per cent from Baht 14,011.7 million in 2015.

Finance costs

Our finance costs were Baht 2,599.1 million in 2016, a decrease of 19.9 per cent from Baht 3,243.6 million in 2015. The finance costs consist of interest expenses and financial fees.

Our interest expenses were Baht 2,482.1 million in 2016, a decline of 15.1 per cent from Baht 2,925.0 million in 2015. The decline in interest expenses was mainly due to the reduction in outstanding interest-bearing debt.

Our financial fees decreased by Baht 201.6 million to Baht 117.0 million from Baht 318.6 million in 2015.

Income Tax Expenses

Income Tax Expenses are comprised of 2 parts: (a) Current Income Tax Expenses and (b) Net Change in Deferred Tax Asset/Liability (or Net Deferred Tax Revenues/Expenses).

(a) Current Income Tax Expenses

Current income tax expenses were Baht 911.8 million in 2016, a decrease of 15.2 per cent or equivalent to Baht 163.2 million from Baht 1,075.1 million as compared to the year before. The majority of the decreases in current income tax expenses were mainly due to taxable other incomes booked in 2015.

(b) Net Change in Deferred Tax Asset/Liability (or Deferred Tax Revenues/Expenses)

There was the booking of net change in Deferred Tax Liability (Deferred Tax Expenses) of Baht 69.8 million, including the adjustment of deferred tax revenue booked under financial lease of GIPP accounted for Baht 85.5 million in 2016, whereas net change in Deferred Tax Liability (Deferred Tax Expense) of Baht 18.4 million, including the adjustment of deferred tax revenue booked under financial lease of GIPP accounted for Baht 118.5 million, was recorded in 2015.

Profit After Tax

As a result of the foregoing, our profit after tax accounted for Baht 10,062.7 million in 2016, an increase of 4.0 per cent from Baht 9,674.6 million in 2015.

Minority Interest

There was a net profit attributed to minority interest of Baht 1,109.6 million in 2016, while the attribution to minority interest was Baht 1,319.2 million in 2015. The minority interest is mainly net profit of GHECO-One attributed to 35% minority shareholders. In 2016, GHECO-One had net profit of Baht 2,911.4 million, including net exchange gain of Baht 129.7 million, while the net profit from GHECO-One in 2015 was Baht 3,415.2 million, including net exchange loss of Baht 956.2 million.

Net Profit

As a result of the foregoing, our net profit was Baht 8,953.1 million in 2016, an increase of 7.2 per cent from Baht 8,355.4 million in the same period of previous year, whereas net profit excluding the adjustment of financial lease accounting of GIPP was Baht 8,832.2 million and Baht 9,278.1 million in 2015 and 2016, respectively.

Normalized Net Profit⁶

Our normalized net profit, which was net income excluding the adjustment of financial lease accounting of GIPP, net foreign exchange gain of Baht 40.7⁷ million and deferred tax expenses of Baht 153.8⁸ million, was Baht 9,391.2 million in 2016, a decrease of 4.1 per cent from Baht 9,797.1 million in 2015. This normalized net profit is the basis used to determine our dividend distribution.

⁶ Definition of "Normalized Net Profit" is "Net Profit excluding net exchange gain or loss and net change in deferred tax assets(revenues) or liabilities(expenses)"

⁷ Excluded net foreign exchange gain/loss attributed to minority shareholders in subsidiaries.

⁸ Excluded deferred tax revenues or expenses attributed to minority shareholders in subsidiaries.

Consolidated Financial Statements Position Analysis

The following table breaks down our balance sheet statement which is comprised of assets, liabilities and equity for the periods indicated:

Consolidated Financial Statements □						
	Year to Date Ended December 31,					
	2016		2015		Difference	
	(Million Baht)	(%)	(Million Baht)	(%)	(Million Baht)	(%)
Current assets.....	21,561.0	19.6	24,624.8	21.1	(3,063.85)	(12.4)
Non-current assets.....	88,515.0	80.4	92,239.3	78.9	(3,724.36)	(4.0)
Total assets.....	110,076.0	100.0	116,864.2	100.0	(6,788.2)	(5.8)
Current liabilities.....	15,043.0	13.7	16,794.8	14.4	(1,751.8)	(10.4)
Non-current liabilities.....	38,261.9	34.8	44,111.0	37.7	(5,849.1)	(13.3)
Total liabilities.....	53,304.9	48.4	60,905.8	52.1	(7,600.9)	(12.5)
Total equity.....	56,771.1	51.6	55,958.3	47.9	812.7	1.5
Total liabilities and equity.....	110,076.0	100.0	116,864.2	100.0	(6,788.2)	(5.8)

As of December 31, 2016 Glow Energy Public Company Limited and its subsidiaries had total assets in the amount of Baht 110,076.0 million, a decrease of 5.8 per cent or equivalent to Baht 6,788.2 million from Baht 116,864.2 million in 2015. The changes in total assets were mainly attributable to the following factors:

- Cash and cash equivalents, which comprised of cash, bank deposits in current accounts and bank deposits in saving accounts, decreased by 16.7 per cent or Baht 1,450.7 million from Baht 8,702.7 million to Baht 7,252.0 million. These decreases were mainly due to the repayment of long-term borrowing in the amount of Baht 9,451.6 million and dividend payment of 8,513.9 million, despite the issue of Baht 3,000 million new debenture and cash generated from operation.
- Trade and other receivables significantly dropped by 14.8 per cent or Baht 1,434.7 million from Baht 9,701.9 million to Baht 8,267.1 million. These decreases were mainly due to a decrease in total trade receivables which dropped by Baht 1,092.6 million from Baht 8,277.6 million in 2015 to Baht 7,185.0 million in 2016 as a result of lower sales revenues.
- Property, plant and equipment declined by 3.9 per cent or Baht 3,282.5 million from Baht 84,024.3 million to Baht 80,741.8 million due to an increase in accumulated depreciation.

Total liabilities accounted for Baht 53,304.9 million in 2016, a decrease of 12.5 per cent or equivalent to Baht 7,600.9 million from Baht 60,905.8 million in 2015. The decreases in total liabilities were mainly due to:

- Trade and other payables dropped to Baht 4,759.3 million in 2016, a decrease of 13.5 per cent or equivalent to Baht 742.1 million from Baht 5,501.4 million in 2015 mainly as a result of decrease in gas and coal price and lower accrued expenses.
- Long-term borrowings from financial institutions dropped to Baht 19,431.0 million in 2016, a decrease of 34.1 per cent or Baht 10,058.8 million from Baht 29,489.9 million in 2015, resulting from scheduled debt repayments of both Cogeneration and IPP business, and prepayment of long-term loan of Glow IPP.
- Debentures increased to Baht 24,532.7 million in 2016, an increase of 13.9 per cent or equivalent Baht 3,002.1 million from Baht 21,530.6 million in 2015 due to the new debenture issuance of Baht 3,000 million.

Total equity totaled Baht 56,771.1 million in 2016, an increase of 1.5 per cent or equivalent to Baht 812.7 million from Baht 55,958.3 million in 2015. The increase was mainly due to:

- The profit of the year 2016 in the amount of Baht 8,953.1 million.
- The dividend payment during the year 2016 in the amount of Baht 8,513.9 million (consisted of full year dividend from results of year 2015 of Baht 6,381.0 million (paid in May 2016) and interim dividend of year 2016 of Baht 2,132.9 million (paid in Sep 2016).

Consolidated Financial Statements of Cash Flow Analysis

The following table summarizes our cash in and out of the business by activities for the periods indicated:

Consolidated Financial Statements □				
	Year to Date Ended December 31,			
	2016	2015	Difference	
	(Million Baht)	(Million Baht)	(Million Baht)	(%)
Net cash flow from operating activities.....	15,295.2	18,383.2	(3,088.0)	(16.8)
Net cash flow from investing activities.....	(1,054.0)	(2,598.9)	1,544.9	59.4
Net cash flow from financing activities.....	(15,688.8)	(11,466.0)	(4,222.8)	(36.8)
Unrealized exchange gain (loss) of cash and cash equivalents.....	(3.2)	20.2	(23.4)	(115.8)
Net increase (decrease) in cash and cash equivalents....	(1,450.7)	4,338.5	(5,765.8)	(133.4)

As of December 31, 2016 Glow Energy Public Company Limited and its subsidiaries recorded cash and cash equivalents of Baht 7,252.0 million, a decrease of Baht 1,450.7 million from Baht 8,702.7 million in 2015. The decreases in cash and cash equivalents were driven by net cash flow from operating, investing and financing activities as follows:

- Net positive cash flow provided from operating activities was Baht 15,295.2 million in 2016 as a result of profit before income tax expenses of Baht 11,044.4 million and decrease in working capital of Baht 510.5 million.
- Net cash flow used in investing activities was Baht 1,054.0 million in 2016 which mainly came from cash paid for fixed assets of Baht 1,139.6 million.
- Net cash flow used in financing activities was Baht 15,688.8 million in 2016 which mainly came from repayment of existing loan of Baht 9,451.6 million, dividends paid during 2016 of Baht 8,513.9 million and receiving cash from the new debenture of Baht 3,000 million.

Capital Management

Glow Group has actively planned and managed its capital with considerations on interests of all capital providers, i.e. lenders, bond holders, and shareholders.

Funding structure of our business is divided as per 2 areas of business as follows:

- IPP business: we utilized Project Finance loan facilities for all of our IPP project companies, including Glow IPP, GHECO-ONE, and HHPC. Each of the Project Finance facilities has different lender group, separate and different terms and conditions, and non-recourse to Glow Energy. In December 2016, Glow IPP has fully prepaid all of Project Finance loan facilities.
- Cogeneration business: we utilized Corporate Finance facilities, including bond and bank loan, for all projects under Cogeneration business. The financing, including utilization of working capital, is currently centralized at Glow Energy. All financing of Cogeneration business is on uncollateralized and pari passu basis.

As of 31 Dec 2016, our key capital ratio are as follow:

1. Consolidated debt to equity ratio is 0.94 times.
2. Net Debt to EBITDA (earnings before interest, tax, depreciation, and amortization expense) is 1.94 times.
3. Cogeneration debt to equity ratio is 0.50 times.

In each loan documents and bond covenants, extensive and clear financial and non-financial covenants are contained, including rights of lenders and/or bondholders and remedies in case of default.