

13. Key Financial Information

GLOW ENERGY PUBLIC COMPANY LIMITED AND SUBSIDIARIES**STATEMENTS OF FINANCIAL POSITION****AS AT 31 DECEMBER,****Unit : MTHB**

	2017	%	2016	%	2015	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	8,737	8.2%	7,252	6.6%	8,703	7.5%
Trade and other receivables	7,215	6.8%	8,267	7.6%	9,702	8.3%
Other current assets	6,110	5.8%	6,042	5.5%	6,220	5.3%
Total Current Assets	22,062	20.8%	21,561	19.7%	24,625	21.1%
NON-CURRENT ASSETS						
Property, plant and equipment	77,128	72.7%	80,742	73.7%	84,024	71.9%
Other non-current assets	6,841	6.5%	7,215	6.6%	8,215	7.0%
Total Non-Current Assets	83,969	79.2%	87,957	80.3%	92,239	78.9%
TOTAL ASSETS	106,031	100.0%	109,518	100.0%	116,864	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Trade and other payables	6,132	5.8%	4,759	4.3%	5,501	4.7%
Current portion of long-term borrowings & Debentures	6,254	5.9%	7,767	7.1%	8,866	7.6%
Short-term borrowings	975	0.9%	1,433	1.3%	1,433	1.2%
Other current liabilities	1,061	1.0%	1,084	1.0%	995	0.9%
Total Current Liabilities	14,422	13.6%	15,043	13.7%	16,795	14.4%
NON-CURRENT LIABILITIES						
Long-term borrowings and Debentures	31,777	30.0%	36,197	33.1%	42,155	36.1%
Other non-current liabilities	1,823	1.7%	1,507	1.4%	1,956	1.6%
Total Non-Current Liabilities	33,600	31.7%	37,704	34.5%	44,111	37.7%
TOTAL LIABILITIES	48,022	45.3%	52,747	48.2%	60,906	52.1%
TOTAL SHAREHOLDERS' EQUITY	58,009	54.7%	56,771	51.8%	55,958	47.9%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	106,031	100.0%	109,518	100.0%	116,864	100.0%

GLOW ENERGY PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
AS AT 31 DECEMBER,

	Unit : MTHB					
	<u>2017</u>	%	<u>2016</u>	%	<u>2015</u>	%
Revenues from sales	50,878	100.0%	52,567	100.0%	64,225	100.0%
Cost of sales	(37,721)	74.1%	(38,479)	73.2%	(49,371)	76.9%
Gross profit	13,157	25.9%	14,088	26.8%	14,854	23.1%
Other income	1,658	3.3%	524	1.0%	1,144	1.8%
Administrative expenses	(847)	1.8%	(954)	1.8%	(776)	1.2%
Other Expense	(11)	0.0%	(14)	0.0%	(1,211)	1.9%
Profit before Finance cost and Income Tax expense	13,957	27.4%	13,644	26.0%	14,011	21.8%
Finance costs	(2,380)	4.7%	(2,599)	4.9%	(3,244)	5.1%
Income tax expense	(975)	1.9%	(982)	1.9%	(1,093)	1.7%
Profit after tax	10,602	20.8%	10,063	19.2%	9,674	15.0%
Minority interest	(1,526)	3.0%	(1,110)	2.1%	(1,319)	2.1%
Net profit	9,076	17.8%	8,953	17.1%	8,355	12.9%

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

			Unit :MTHB
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net cash provided by operating activities	16,738	15,295	18,383
Net cash provided by (used in) investing activities	(787)	(1,054)	(2,599)
Net cash used in financing activities	(14,425)	(15,689)	(11,466)
Net increase (decrease) in cash and cash equivalents	1,485	(1,451)	4,339
Cash and cash equivalents as at 1 January,	7,252	8,703	4,364
Cash and cash equivalents as at 31 December,	8,737	7,252	8,703

Ratio of Financial Statement

Glow Energy Public Company Limited Financial Ratio Summary As of 31 December,				
	Unit	2017	2016	2015
Liquidity Ratio				
- Current Ratio	Times	1.53	1.43	1.46
- Quick Ratio	Times	1.12	1.06	1.13
- Cash Ratio	Times	1.14	0.96	0.99
Profitability Ratio				
- Gross Profit Margin	%	25.86%	26.80%	23.42%
- Operating Profit Margin	%	27.43%	25.95%	22.09%
- Net Profit Margin	%	17.84%	17.03%	13.17%
- Return on Equity	%	18.45%	18.36%	17.80%
Efficiency Ratio				
- Return on Asset	%	8.42%	7.89%	7.04%
- Return on Fixed Asset	%	16.75%	15.75%	14.45%
- Asset Turnover	Times	0.47	0.46	0.53
Financial Ratio				
- Debt to Equity	Times	0.83	0.94	1.09
- Interest Coverage	Times	8.44	7.26	7.00
- Dividend Payout	%	n/a ⁽¹⁾	89.6	85.86

Note:

- 1) Annual Dividend of 2017 is to be approved in Annual General Meeting of Shareholders.

14. Management's discussion and analysis

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 31 December 2017, 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, the 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 2017, adjustments to reflect Financial Lease accounting standard from old standard are:

- Net adjustment to exclude Availability Payment (THB -1,095.0 million) and depreciation (THB +340.3 million) of THB -754.7 million
- Net adjustment to include Financial Lease income of THB +567.3 million
- Net adjustment on Deferred Tax of THB +37.5 million

As a result, consolidated net profit for 2017, under the new accounting standard, was THB 9,075.9 million. However, our normalized net profit³, excluding the adjustment of financial lease accounting, which is the basis used to determine our dividend distribution, was THB 8,709.5 million in 2017, a 7.3 per cent decrease from THB 9,391.2 million in 2016.

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:

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)"

	Revenues					
	Year to Date Ended 31 December,					
	2017		2016		Difference	
	(MTHB)	(%)	(MTHB)	(%)	(MTHB)	(%)
Services						
Electricity						
Sales to EGAT by IPPs	13,408.7	25.5	14,364.1	27.1	(955.4)	(6.7)
Sales to EGAT by SPPs ⁽¹⁾	13,747.7	26.2	15,125.7	28.5	(1,378.0)	(9.1)
Sales to Industrial Customers	15,722.9	29.9	15,031.8	28.3	691.1	4.6
Financial Lease Income (Glow IPP)	567.3	1.1	665.4	1.3	(98.1)	(14.7)
Total	43,446.6	82.7	45,187.0	85.2	(1,740.4)	(3.9)
Steam	6,984.7	13.3	6,925.9	13.0	58.8	0.8
Other Products	447.2	0.8	454.4	0.8	(7.2)	(1.6)
Total	50,878.5	96.8	52,567.3	99.0	(1,688.8)	(3.2)
Other Incomes	1,658.8	3.2	524.9	1.0	1,133.9	>100
Total Revenue	52,537.3	100.0	53,092.2	100.0	(554.9)	(1.0)

Note:

- (1) Included revenues from electricity sales to PEA under VSPP scheme by Glow Energy Solar which accounted for THB 26.7 million and THB 24.6 million in 2016 and 2017, respectively.

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 31 December,			
	2017	2016	Difference	%
Electricity dispatch (GWh)				
To EGAT by IPPs	5,450.8	5,863.9	(413.1)	(7.0)
To EGAT by SPPs ⁽¹⁾	5,176.0	5,533.6	(357.6)	(6.5)
To Industrial Customers	5,265.1	4,992.1	273.0	5.5
Total	15,891.9	16,389.6	(497.7)	(3.0)
Steam (thousands of tons)	7,885.5	7,624.6	260.9	3.4
Processed water (thousands of cubic meters)	12,414.0	12,709.0	(295.0)	(2.3)
Chilled water (thousands of refrigerated tons)	13,995.5	12,677.3	1,318.2	10.4

Note:

- (1) Included electricity dispatch to PEA under VSPP scheme by Glow Energy Solar which accounted for 2.3 GWh and 2.2 GWh in 2016 and 2017, respectively.

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 784 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 31 December 2017, we were party to a total of 85 power supply agreements with 63 industrial customers in respect of an aggregate of 727 MW of electricity.

Steam Sales

We sell steam to our industrial customers under our steam supply agreements. As of 31 December 2017, we were party to a total of 34 steam supply agreements with 22 industrial customers in respect of an aggregate of 1,187 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 31 December 2017, 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 31 December 2017, 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.

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:

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					
	Year to Date Ended 31 December,					
	2017		2016		Difference	
	(MTHB)	(%)	(MTHB)	(%)	(MTHB)	(%)
Cost of Goods Sold						
Fuel						
Natural Gas.....	20,460.9	53.0	21,497.2	54.5	(1,036.3)	(4.8)
Coal.....	7,640.9	19.8	7,543.2	19.1	97.7	1.3
Diesel.....	21.5	0.1	54.1	0.1	(32.6)	(60.3)
Maintenance	2,084.1	5.4	2,159.0	5.5	(74.9)	(3.5)
Depreciation and Amortization.....	4,377.9	11.4	4,231.3	10.7	146.6	3.5
Other.....	3,135.5	8.1	2,994.3	7.6	141.2	4.7
Total Cost of Goods Sold.....	37,720.8	97.8	38,479.1	97.5	(758.3)	(2.0)
Selling and Administrative Expenses						
Depreciation and Amortization.....	27.7	0.1	28.5	0.1	(0.8)	(2.8)
General.....	818.8	2.1	926.0	2.4	(107.2)	(11.6)
Total Selling and Administrative Expenses.....	846.5	2.2	954.5	2.5	(108.0)	(11.3)
Other Expenses.....	13.1	-	15.1	-	(2.0)	(13.2)
Total Expenses	38,580.4	100.0	39,448.7	100.0	(868.3)	(2.2)

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 31 December,					
	2017		2016		Difference	
	(MTHB)	(%)	(MTHB)	(%)	(MTHB)	(%)
IPP Facilities						
Natural Gas	959.0	11.1	1,232.8	13.2	(273.8)	(22.2)
Coal	4,652.7	53.8	5,117.2	54.9	(464.5)	(9.1)
Diesel.....	18.0	0.2	51.4	0.5	(33.4)	(65.0)
Maintenance.....	739.5	8.6	697.8	7.5	41.7	6.0
Depreciation and Amortization.....	1,430.7	16.6	1,405.6	15.1	25.1	1.8
Others.....	838.5	9.7	823.2	8.8	15.3	1.9
Total Cost of Goods Sold.....	8,638.4	100.0	9,328.0	100.0	(689.6)	(7.4)
Cogeneration Facilities						
Natural Gas.....	19,501.9	67.1	20,264.4	69.5	(762.5)	(3.8)
Coal	2,988.2	10.3	2,426.0	8.3	562.2	23.2
Diesel.....	3.5	-	2.6	-	0.9	34.6
Maintenance.....	1,344.6	4.6	1,461.1	5.0	(116.5)	(8.0)
Depreciation and Amortization.....	2,947.2	10.1	2,825.7	9.7	121.5	4.3
Others	2,297.0	7.9	2,171.3	7.5	125.7	5.8
Total Cost of Goods Sold.....	29,082.4	100.0	29,151.1	100.0	(68.7)	(0.2)

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 53.0 per cent of our total expenses in 2017.

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

Average Effective Cost of Natural Gas ⁽¹⁾				
	Year to Date Ended 31 December,			
	2017	2016	Difference	
	(Bt/mmBTU)	(Bt/mmBTU)	(Bt/mmBTU)	(%)
Average cost				
To Glow IPP ⁽²⁾	3,815.8	600.0	3,215.8	>100
To Cogeneration facilities ⁽³⁾	240.3	246.4	(6.1)	(2.5)

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 and 2017, 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. If excluding Tdc1 charge, average gas cost of Glow IPP would become 203.1 Bt/mmBTU and 204.4 Bt/mmBTU for 2016 and 2017, 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 19.8 per cent of our total expenses in 2017.

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

Average Cost of Coal				
	Year to Date Ended 31 December,			
	2017	2016	Difference	
	(\$/ton)	(\$/ton)	(\$/ton)	(%)
IPP facilities				
Equivalent coal price @ 6,322 kcal/kg ^{(1) (AR)}	68.2	66.0	2.2	3.3
Freight costs ⁽²⁾	7.1	8.7	(1.6)	(18.4)
Cogeneration facilities				
Equivalent coal price @ 6,700 kcal/kg ^{(1) (AD)}	76.3	58.6	17.7	30.2
Freight costs ⁽²⁾	8.0	7.9	0.1	1.3

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 31 December,	
	2017	2016
Glow IPP		
Equivalent energy production (GWh).....	35	287
Fuel consumption (mmBTU, HHV).....	260,106	2,124,122
Heat rate (BTU/kWhe, HHV).....	7,465	7,400
GHECO-One		
Equivalent energy production (GWh).....	5,021	5,234
Fuel consumption (mmBTU, HHV).....	44,758,925	47,214,450
Heat rate (BTU/kWhe, HHV).....	8,915	9,021
Cogeneration facilities (MIE) ⁽¹⁾		
Allocated energy production (GWh equivalent) ⁽²⁾		
Gas-fired cogeneration facilities.....	8,314	8,451
Coal-fired cogeneration facilities.....	2,643	2,576
Fuel consumption (mmBTU, HHV)		
Gas-fired cogeneration facilities.....	67,459,607	68,406,489
Coal-fired cogeneration facilities	27,203,336	26,694,675
Allocated heat rates (BTU/kWhe, HHV)		
Gas-fired cogeneration facilities	8,114	8,094
Coal-fired cogeneration facilities ⁽³⁾	10,293	10,363
Cogeneration facilities (SEIP)		
Equivalent energy production (GWh) ⁽²⁾	1,602	1,612
Fuel consumption (mmBTU, HHV).....	13,215,943	13,242,687
Heat rate (BTU/kWhe, HHV).....	8,249	8,213

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 2017 compared to Fiscal Year 2016

Revenues

Revenues from sales of goods and the rendering of services and other incomes that ended 31 December 2017, were THB 52,537.3 million, a 1.0 per cent decrease from THB 53,092.1 million in 2016. The decreases were attributable to the following factors:

- Revenue received from EGAT by Glow IPP, under IPP scheme, accounted for THB 2,676.3 million in 2017, a decrease of 20.4 per cent from THB 3,362.5 million in 2016. The important drivers of decreasing were lower energy payment which decreased THB 361.8 million from THB 1,334.7 million to THB 972.9 million due to lower power dispatch to EGAT which decreased from 250.5 GWh to 34.2 GWh and the decrease in availability payment by THB 324.5 million from THB 2,027.9 million to THB 1,703.4 million resulted from lower availability payment rate.

However, with the adoption of Financial Lease, sales of electricity to EGAT recorded in financial statement consisting of financial lease income accounted for THB 567.3 million and revenue from sales accounted for THB 1,581.3 million.

- Sales of electricity to EGAT by GHECO-One, under IPP scheme, accounted for THB 11,109.0 million in 2017, a decrease of 5.2 per cent from THB 11,722.4 million in 2016. The energy payment decreased by 17.8 per cent from THB 5,527.4 million to THB 4,546.2 million mainly due to lower energy payment rate as a result of new coal supply agreement starting in July 2016. Moreover, scheduled maintenance during 1st January to 5th February led to lower power dispatch to EGAT by 4.0 per cent from 5,232.1 GWh to 5,020.6 GWh. On the other hand, availability payment increased by 5.9 per cent from THB 6,195.0 million to THB 6,562.8 million due to lower unplanned outages.
- Sales of electricity to EGAT and EDL by Houay Ho Power (HHPC), under IPP scheme, accounted for THB 718.5 million in 2017, a 0.9 per cent increase from THB 712.0 million in the same period prior year. These increases were mainly due to a 3.8 per cent increase in volume dispatch to EGAT from 380.4 GWh to 394.9 GWh.
- Sales of electricity to EGAT by our cogeneration facilities, under SPP scheme, accounted for THB 13,747.7 million in 2017, a decline of 9.1 per cent from THB 15,125.7 million, when compared to the same period in the prior year. These declines were primarily due to lower energy payment as the results of lower power dispatch to EGAT by 6.5 per cent due to the expiration of two PPAs of Glow Energy Phase 2 in 2017 which was extended under SPP extension scheme and lower gas price by 2.5 per cent in spite of higher coal price by 30.2 per cent.
- Sales of electricity to industrial customers by our cogeneration facilities accounted for THB 15,722.9 million in 2017, a 4.6 per cent increase from THB 15,031.8 million in 2016. These increases were mainly due to higher electricity sold to industrial customers by 5.5 per cent despite lower electricity tariff rate charged to ICs by 0.8 per cent.
- Sales of steam to industrial customers by our cogeneration facilities accounted for THB 6,984.7 million in 2017, an increase of 0.8 per cent from THB 6,925.9 million compared to the same period in the prior year. These increases were mainly due to an increase in sale volume by 3.4 per cent despite 2.5 per cent lower selling price as a result of lower gas price.
- Sales of other products and services accounted for THB 447.2 million in 2017 as compared to 454.4 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 THB 51.6 million in 2017, a decrease of 13.0 per cent from THB 59.3 million in 2016. 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 THB 657.1 million, increased by THB 275.1 million from THB 382.0 million in 2016. There was a booking of business interruption claim of GHECO-One of THB 291.9 million in the first half of 2017.

Additionally, we booked net exchange gain of THB 83.6 million and THB 950.1 million as other incomes in 2016 and 2017, respectively. 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 THB 52,537.3 million in 2017, a 1.0 per cent decrease from THB 53,092.1 million in 2016.

Expenses

Cost of goods sold was THB 37,720.8 million in 2017, a decrease of 2.0 per cent from THB 38,479.1 million in 2016. This decrease was attributable to the following factors:

IPP facilities

- IPP facilities' cost of natural gas from Glow IPP was THB 959.0 million in 2017, a decrease of THB 273.8 million from THB 1,232.8 million in 2016. The decrease in gas cost of Glow IPP were mainly attributable to lower gas consumption by 87.8 per cent as a result of lower power dispatch to EGAT.
- IPP facilities' cost of coal from GHECO-One was THB 4,652.7 million in 2017, a 9.1 per cent decrease from THB 5,117.2 million in 2016. This decrease was primarily because of lower coal consumption due to scheduled maintenance of GHECO-One.
- IPP facilities' cost of diesel was THB 18.0 million in 2017, a decrease of THB 33.4 million from THB 51.4 million compared to the same period in the prior year.
- IPP facilities' maintenance costs were THB 739.5 million in 2017, an increase of THB 41.7 million from THB 697.8 million in 2016. These increases were mostly due to scheduled maintenance of GHECO-One in the first quarter of 2017.
- IPP facilities' depreciation and amortization costs were THB 1,430.7 million in 2017, a 1.8 per cent increase from THB 1,405.6 million in 2016.
- IPP facilities' other costs of goods sold were THB 838.5 million in 2017, a 1.9 per cent increase from THB 823.2 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.

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

Cogeneration facilities

- Our cogeneration facilities' cost of natural gas was THB 19,501.9 million in 2017, a 3.8 per cent decrease from THB 20,264.4 million, when compared to the same period in the prior year. This decrease was mainly due to lower gas price by 2.5 per cent and lower gas consumption by 1.3 per cent.
- Our cogeneration facilities' cost of coal was THB 2,988.2 million in 2017, an increase of 23.2 per cent from THB 2,426.0 million compared to the same period of previous year. The increases were mainly due to higher average coal price at FOB⁶ by 30.2 per cent from 58.6 USD/ton to 76.3 USD/ton and average coal index also increased by 27.9 per cent from 64.1 USD/ton to 82.0 USD/ton.
- Our cogeneration facilities' cost of diesel was THB 3.5 million in 2017, an increase of THB 0.9 million from THB 2.6 million compared to the same period in the prior year.
- Our cogeneration facilities' maintenance costs were THB 1,344.6 million in 2017, a decrease of 8.0 per cent or equivalent to THB 116.5 million from THB 1,416.1 million in 2016. The decrease in these maintenance costs was attributable to some cogeneration facilities unit had less scheduled maintenance in 2017 as compared to 2016.
- Our cogeneration facilities' depreciation and amortization costs were THB 2,947.2 million in 2017, an increase of 4.3 per cent from THB 2,825.7 million in 2016.
- Our cogeneration facilities' other costs of goods sold were THB 2,297.0 million in 2017, an increase of 5.8 per cent from THB 2,171.3 million in 2016. 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 THB 846.5 million in 2017, a decrease of 11.3 per cent or equivalent to THB 108.0 million from THB 954.5 million in 2016. These were attributable to the following factors:

- Depreciation and amortization accounted for THB 27.7 million in 2017, a decrease 2.8 per cent from THB 28.5 million in 2016.
- Other selling and administrative expenses accounted for THB 818.8 million in 2017, a decrease of 11.6 per cent from THB 926.0 million in 2016.

As a result of the foregoing, our total expenses were THB 38,580.4 million in 2017, a 2.2 per cent decrease from THB 39,448.7 million in 2016.

Profit Before Finance Costs and Income Tax

As a result of the foregoing, our profit before finance costs and income tax was THB 13,956.9 million in 2017, an increase of 2.3 per cent from THB 13,643.5 million in 2016.

⁶ 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 califoric value.

Finance costs

Our finance costs were THB 2,379.5 million in 2017, a decrease of 8.4 per cent from THB 2,599.1 million in 2016. The finance costs consist of interest expenses and financial fees.

Our interest expenses were THB 2,296.0 million in 2017, a decline of 7.5 per cent from THB 2,482.1 million in 2016. The decline in interest expenses was mainly due to the reduction in outstanding interest-bearing debt.

Our financial fees decreased by THB 33.5 million to THB 83.5 million in 2017 from THB 117.0 million in 2016.

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 THB 920.8 million in 2017, an increase of 1.0 per cent or equivalent to THB 9.0 million from THB 911.8 million in 2016. The majority of the increases in current income tax expenses were mainly due to booking of business interruption claim of GHECO-One in the first half of 2017.

(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 THB 54.4 million, including the adjustment of deferred tax revenue booked under financial lease of GIPP accounted for THB 37.5 million in 2017, whereas net change in Deferred Tax Liability (Deferred Tax Expense) of THB 69.8 million, including the adjustment of deferred tax revenue booked under financial lease of GIPP accounted for THB 85.5 million, was recorded in 2016.

Profit After Tax

As a result of the foregoing, our profit after tax accounted for THB 10,602.2 million in 2017, an increase of 5.4 per cent from THB 10,062.7 million in 2016.

Minority Interest

There was a net profit attributed to minority interest of THB 1,526.2 million in 2017, while the attribution to minority interest was THB 1,109.6 million in 2016. The minority interest is mainly net profit of GHECO-One attributed to 35% minority shareholders. In 2017, GHECO-One had net profit of THB 4,018.4 million, including net exchange gain of THB 918.4 million, while the net profit from GHECO-One in 2016 was THB 2,911.4 million, including net exchange gain of THB 129.7 million.

Net Profit

As a result of the foregoing, our net profit was THB 9,075.9 million in 2017, an increase of 1.4 per cent from THB 8,953.1 million in the same period of previous year, whereas net profit excluding the adjustment of financial lease accounting of GIPP was THB 9,278.1 million and THB 9,218.4 million in 2016 and 2017, respectively.

Normalized Net Profit⁷

Our normalized net profit, which was net income excluding the adjustment of financial lease accounting of GIPP, net foreign exchange gain of THB 623.3⁸ million and deferred tax expenses of THB 93.1⁹ million, was THB 8,709.5 million in 2017, a decrease of 7.3 per cent from THB 9,391.2 million in 2016. This normalized net profit is the basis used to determine our dividend distribution.

Consolidated Statements of Financial 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 31 December,					
	2017		2016		Difference	
	(MTHB)	(%)	(MTHB)	(%)	(MTHB)	(%)
Current assets.....	22,062.0	20.8	21,561.0	19.7	501.0	2.3
Non-current assets.....	83,968.9	79.2	87,957.3	80.3	(3,988.4)	(4.5)
Total assets.....	106,030.9	100.0	109,518.3	100.0	(3,487.4)	(3.2)
Current liabilities.....	14,421.7	13.6	15,043.0	13.8	(621.3)	(4.1)
Non-current liabilities.....	33,600.6	31.7	37,704.2	34.4	(4,103.6)	(10.9)
Total liabilities.....	48,022.3	45.3	52,747.2	48.2	(4,724.9)	(9.0)
Total equity.....	58,008.6	54.7	56,771.1	51.8	1,237.5	2.2
Total liabilities and equity.....	106,030.9	100.0	109,518.3	100.0	(3,487.4)	(3.2)

As of 31 December 2017 Glow Energy Public Company Limited and its subsidiaries had total assets in the amount of THB 106,030.9 million, a decrease of 3.2 per cent or equivalent to THB 3,487.4 million from THB 109,518.3 million in 2016. 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, increased by 20.5 per cent or THB 1,484.6 million from THB 7,252.0 million in 2016 to THB 8,736.6 million in 2017. These increases were mainly due to cash generated from operation and new long-term loan in the amount of THB 3,000 million, despite the repayment of long-term borrowing and debentures which are accounted for THB 3,125.2 million and THB 4,600 million, respectively and dividend payment of THB 8,518.3 million in 2017.
- Trade and other receivables dropped by 12.7 per cent or THB 1,052.0 million from THB 8,267.1 million in 2016 to THB 7,215.1 million in 2017. These decreases were mainly due to a decrease in total trade receivables which dropped by THB 387.7 million from THB 7,185.0 million in 2016 to THB 6,797.3 million in 2017 as a result of lower sales revenues.
- Property, plant and equipment declined by 4.5 per cent or THB 3,614.1 million from THB 80,741.8 million in 2016 to THB 77,127.7 million in 2017 due to an increase in accumulated depreciation.

⁷ 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)"

⁸ Excluded net foreign exchange gain/loss attributed to minority shareholders in subsidiaries.

⁹ Excluded deferred tax revenues or expenses attributed to minority shareholders in subsidiaries.

Total liabilities accounted for THB 48,022.3 million in 2017, a decrease of 9.0 per cent or equivalent to THB 4,724.9 million from THB 52,747.2 million in 2016. The changes in total liabilities were mainly due to:

- Trade and other payables increased to THB 6,132.3 million in 2017, an increase of 28.8 per cent or equivalent to THB 1,373.0 million from THB 4,759.3 million in 2016 mainly as a result of the accrued expenses.
- Long-term borrowings from financial institutions dropped to THB 18,092.8 million in 2017, a decrease of 6.9 per cent or THB 1,338.2 million from THB 19,431.0 million in 2016, resulting from scheduled debt repayments of both Cogeneration and IPP business.
- Debentures decreased to THB 19,938.3 million in 2017, a decrease of 18.7 per cent or equivalent THB 4,594.4 million from THB 24,532.7 million in 2016 due to the repayment of 3 debentures.

Total equity totaled THB 58,008.6 million in 2017, an increase of 2.2 per cent or equivalent to THB 1,237.5 million from THB 56,771.1 million in 2016. The increase was mainly due to:

- The profit of the year 2017 in the amount of THB 9,075.9 million.
- The dividend payment during the year 2017 in the amount of THB 8,518.3 million (consisted of full year dividend from results of year 2016 of THB 6,278.6 million (paid in May 2017) and interim dividend of year 2017 of THB 2,239.6 million (paid in September 2017).)

Consolidated 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 31 December,			
	2017	2016	Difference	
	(MTHB)	(MTHB)	(MTHB)	(%)
Net cash flow from operating activities.....	16,738.1	15,295.2	1,442.9	9.4
Net cash flow from investing activities.....	(787.0)	(1,054.0)	267.0	25.3
Net cash flow from financing activities.....	(14,424.6)	(15,688.7)	1,264.1	8.1
Unrealized exchange gain (loss) of cash and cash equivalents.....	(41.9)	(3.2)	(38.7)	>(100)
Net increase (decrease) in cash and cash equivalents....	1,484.6	(1,450.7)	2,935.3	>100

As of 31 December 2017 Glow Energy Public Company Limited and its subsidiaries recorded cash and cash equivalents of THB 8,736.6 million, a decrease of THB 1,484.6 million from THB 7,252.0 million in 2016. 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 THB 16,738.1 million in 2017 as a result of profit before income tax expenses of THB 11,577.4 million and decrease in working capital of THB 2,444.2 million.

- Net cash flow used in investing activities was THB 787.0 million in 2017 which mainly came from cash paid for fixed assets of THB 849.9 million.
- Net cash flow used in financing activities was THB 14,424.6 million in 2017 which mainly came from repayment of the existing loan of THB 3,125.2 million, debentures of THB 4,600 million, dividends paid during 2017 of THB 8,518.3 million and receiving cash from the new loan of THB 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 follow:

- 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 December 31, 2017, our key capital ratios are as follow:

1. Consolidated debt to equity ratio is 0.83 times.
2. Net Debt to EBITDA (earning before interest, tax, depreciation, and amortization expense) is 1.61 times.
3. Cogeneration debt to equity ratio is 0.44 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.