

Part 3

Financial Position and Performance

13. Financial Highlights

13.1 Auditor

PricewaterhouseCoopers ABAS Limited (by Mr. Chanchai Chaiprasit Certified Public Accountant (Thailand) No.3760) has audited the accompanying financial statements of Star Petroleum Refining Public Company Limited, for the year ended 31 December 2015 and expressed his unqualified opinions on the financial statement.

PricewaterhouseCoopers ABAS Limited and auditors have no other relationship or interests with the Company, management, major shareholders including their related persons, which would affect their independence in performing their work.

13.2 Summary of financial statement

Statement of Financial Positions

As at 31 December	US\$ Million			Baht Million		
	2015	2014	2013	2015	2014	2013
Assets						
Current assets						
Cash and cash equivalents	109	69	103	3,949	2,286	3,380
Trade and other receivables	239	388	671	8,660	12,833	22,070
Inventories, net	249	404	744	9,033	13,378	24,515
Value-added tax receivable	-	31	59	-	1,026	1,958
Other current assets	7	7	6	240	235	199
Total current assets	604	899	1,583	21,881	29,758	52,122
Non-current assets						
Property, plant and equipment, net	1,076	1,144	1,158	39,006	37,886	38,140
Intangible asset, net	2	3	4	78	90	116
Deferred tax assets, net	-	16	-	-	546	-
Other non-current assets	4	6	10	157	198	315
Total non-current assets	1,082	1,169	1,171	39,240	38,719	38,570
Total assets	1,686	2,069	2,754	61,122	68,477	90,693
Liabilities and shareholders' equity						
Current liabilities						
Trade and other payables	195	333	739	7,086	11,010	24,357
Capital reduction payable	99	-	-	3,580	-	-
Current portion of long-term borrowings	37	-	-	1,329	-	-
Value added tax payable	4	-	-	146	-	-
Current income tax payable	17	-	5	632	-	176
Dividend payable	166	345	347	6,027	11,427	11,427
Other current liabilities	34	30	17	1,221	1,000	555
Total current liabilities	552	708	1,108	20,021	23,437	36,516

Statement of Financial Positions (Continued)

As at 31 December	US\$ Million			Baht Million		
	2015	2014	2013	2015	2014	2013
Non - current liabilities						
Long-term borrowings – financial institutions	73	-	-	2,659	-	-
Deferred tax liabilities, net	42	-	31	1,513	-	1,022
Employee benefit obligations	6	6	5	204	184	165
Other non-current liabilities	-	0	1	-	12	20
Total non-current liabilities	121	6	37	4,376	196	1,207
Total liabilities	673	714	1,145	24,397	23,634	37,722
Shareholders' equity						
Share capital						
Authorised share capital	949	1,185	1,185	33,038	41,030	41,030
Issued and paid-up share capital	865	1,185	1,185	30,004	41,030	41,030
Premium on share capital	32	20	20	978	559	559
Retained earnings						
Appropriated - legal reserve	85	61	61	2,887	1,965	1,965
Unappropriated	32	88	342	3,600	5,756	13,980
Other component of shareholders' equity	-	-	-	(743)	(4,467)	(4,563)
Total shareholders' equity	1,013	1,355	1,609	36,725	44,843	52,970
Total liabilities and shareholders' equity	1,686	2,069	2,754	61,122	68,477	90,693

Statement of Comprehensive Income

	US\$ Million			Baht Million		
	2015	2014	2013	2015	2014	2013
Sales	5,218	6,985	8,371	178,766	227,712	258,691
Liquefied Petroleum Gas and fuel subsidies	3	49	65	111	1,613	2,034
Total revenue	5,221	7,035	8,436	178,877	229,325	260,725
Cost of sales	(4,890)	(7,275)	8,275	(167,752)	(237,228)	(255,733)
Gross profit (loss)	331	(241)	161	11,125	(7,903)	4,992
Other income	7	7	8	234	220	257
Gain on exchange rate	13	29	12	495	943	380
Profit (loss) before expenses	351	(205)	182	11,853	(6,740)	5,628
Administrative expenses	(35)	(26)	(27)	(1,222)	(865)	(825)
Other expenses	(0)	(6)	(1)	(12)	(186)	(27)
Finance costs	(0)	(1)	(0)	(9)	(19)	(7)
Profit (loss) before income tax	315	(238)	154	10,610	(7,810)	4,769
Income tax	(70)	44	(26)	(2,382)	1,442	(792)
Profit (loss) for the year	245	(194)	129	8,227	(6,367)	3,977
Other comprehensive income						
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Currency translation differences	-	-	-	3,723	96	3,443
Other comprehensive income for the year, net of tax	-	-	-	3,723	96	3,443
Total comprehensive income (expense) for the year	245	(194)	129	11,951	(6,271)	7,420
Basic earnings (loss) per share	0.06	(0.05)	0.03	1.99	(1.55)	0.97

Statement of Cash Flows

	US\$ Million			Baht Million		
	2015	2014	2013	2015	2014	2013
Cash flows from operating activities						
Profit (Loss) before income tax	315	(238)	154	10,610	(7,810)	4,769
Adjustments for:						
Finance income	(3)	(1)	(4)	(90)	(29)	(117)
Finance expense	0	1	0	9	19	7
Depreciation	80	76	70	2,766	2,490	2,159
Amortisation	1	1	1	33	32	27
Loss from disposal of fixed assets	0	5	1	12	179	27
Unrealised (gain) loss from foreign exchange rate	4	(13)	2	121	(432)	59
Loss on obsolete materials and supplies	1	1	(0)	17	18	(10)
(Reversal) write down of inventory to net realisable value	(76)	76	-	(2,477)	2,477	-
Retirement benefit expenses	0	1	1	19	19	24
Deferred income realised during the year	(0)	(1)	(2)	(12)	(38)	(68)
Change in operating assets and liabilities						
Trade and other receivables	148	288	(19)	5,096	9,386	(584)
Inventories	230	264	(65)	7,919	8,608	(1,999)
Other current assets and other assets	32	38	(50)	1,117	1,226	(1,558)
Trade and other payables	(136)	(422)	83	(4,685)	(13,778)	2,566
Retirement benefit paid	(0)	-	(0)	(2)	-	(2)
Other current liabilities and other liabilities	8	16	(20)	285	519	(612)
Cash generated from operations	605	89	152	20,739	2,888	4,690
Interest received	3	1	4	91	29	118
Interest paid	(0)	(1)	(0)	(5)	(19)	(7)
Income tax paid	(8)	(12)	(42)	(291)	(372)	(1,291)
Net cash generated from operating activities	600	78	113	20,534	2,526	3,510
Cash flows from investing activities						
Purchases of equipment and intangible asset	(14)	(53)	(109)	(468)	(1,730)	(3,378)
Proceeds from disposal of equipment	0	0	-	0	7	-
Net cash used in investing activities	(14)	(53)	(109)	(468)	(1,723)	(3,378)
Cash flow from financing activities						
Proceeds from long-term borrowings	110	-	-	3,988	-	-
Payment of capital reduction	(262)	-	-	(9,057)	-	-
Proceeds from issue and paid in common shares	49	-	-	1,775	-	-

Statement of Cash Flows (Continued)

	US\$ Million			Baht Million		
	2015	2014	2013	2015	2014	2013
Proceeds from issue and paid in common shares under Employee Stock Ownership Plan	9	-	-	322	-	-
Dividends paid to shareholders	(448)	(60)	(145)	(14,863)	(1,856)	(4,462)
Net cash used in financing activities	(541)	(60)	(145)	(17,835)	(1,856)	(4,462)
Net increase (decrease) in cash and cash equivalents	45	(35)	(141)	2,230	(1,053)	(4,330)
Cash and cash equivalents at the beginning of year	69	103	246	2,286	3,380	7,564
Adjustment from foreign exchange translation	(5)	1	(2)	(568)	(41)	146
Cash and cash equivalents at the ending of year	109	69	103	3,949	2,286	3,380
Non-cash item						
Acquisitions of property, plant and equipment which have not been paid	1	0	16	39	9	521

13.3 Financial Ratios

		Year Ended December 31		
		2015	2014	2013
Liquidity Ratio				
Current Ratio	(Time)	1.1	1.3	1.4
Quick Ratio	(Time)	0.6	0.6	0.7
Cash Flow Ratio ⁽²⁾	(Time)	1.0	0.1	0.1
Account Receivable Turnover	(Time)	16.6	13.3	12.7
Average Collection Period ⁽³⁾	(Day)	21.6	27.1	28.3
Inventory Turnover ⁽⁴⁾	(Time)	15.0	12.7	11.6
Average Sales Period ⁽³⁾	(Day)	24.0	28.4	31.0
Account Payable Turnover	(Time)	18.5	13.6	11.7
Payment Period ⁽³⁾	(Day)	19.4	26.5	30.7
Cash Cycle	(Day)	26.2	29.0	28.6
Profitability Ratio				
Gross Profit Margin	(%)	6.3	(3.4)	1.9
Operating Profit Margin ⁽⁵⁾	(%)	5.8	(3.8)	1.7
Other Profit Margin ⁽⁶⁾⁽⁷⁾	(%)	0.3	0.4	0.1
Cash Profit Margin ⁽²⁾⁽⁵⁾	(%)	198.7	(29.3)	79.7
Net Profit Margin ⁽⁶⁾	(%)	4.7	(2.8)	1.5
Return on Equity	(%)	20.7	(13.1)	8.0
Efficiency Ratio				
Return on Total Assets	(%)	13.0	(8.0)	4.7
Return on Fixed Assets ⁽⁸⁾	(%)	29.4	(10.1)	17.4
Assets Turnover ⁽⁶⁾	(Time)	2.8	2.9	3.1
Leverage Ratio				
Net Debt to Equity ratio	(Time)	0.7	0.5	0.7
Interest Coverage ratio (cash basis) ⁽²⁾	(Time)	4,165.5	154.3	648.2
Debt Services Coverage ratio ⁽²⁾	(Time)	1.3	0.7	0.4
Dividend Payout Ratio ⁽⁹⁾⁽¹⁰⁾	(%)	183.1	(30.9)	113.0

Note:

- (1) Financial ratios were calculated from U.S. Dollar currency. Company adopted the U.S. Dollar as our functional currency starting on January 1, 2013.
- (2) Cash flow from operation after deduct interest income / expense and income tax paid
- (3) Apply 360 days to calculated average collection period, average sale period and payment period
- (4) Inventory include finish product, raw material, intermediate and goods in transit
- (5) Profit from operation calculated from Profit before interest and tax excluded gain from non-operation such as gain from exchange rate
- (6) Total revenue excluded gain from non-operating income such as gain from exchange rate
- (7) Other income are non-operating income such as gain from exchange rate
- (8) Fixed asset calculated from net property, plant and equipment
- (9) Net loss in 2014 resulted to negative ratio which has no meaning
- (10) Dividend equivalents to dividend paid to shareholders in the cash flow statement

Financial Ratio Definition

Liquidity Ratio		
Current Ratio	= current assets / current liabilities	(time)
Quick Ratio	= (cash and cash equivalents + marketable securities + accounts receivables and note receivables) / current liabilities	(time)
Cash Flow Ratio	= cash flow from operating activities / average current liabilities	(time)
Account Receivable Turnover	= net sale revenue / average (account receivable before doubtful account + commercial note receivable)	(time)
Average Collection Period	= 360 / account receivable turnover	(day)
Inventory Turnover	= cost of sales / average inventory	(time)
Average Sales Period	= 360 / inventory turnover	(day)
Account Payable Turnover	= cost of sales / average (account payable + commercial note payable)	(time)
Payment Period	= 360 / account payable turnover	(day)
Cash Cycle	= average collection period + average sales period – average payment period	(day)

Profitability Ratio		
Gross Profit Margin	= gross profit(loss) / net sale revenue	(%)
Operating Profit Margin	= profit(loss) from operation / net sale revenue	(%)
Other Profit Margin	= income from non-operation / total revenue	(%)
Cash Profit Margin	= cash flow from operating activities / profit from operation	(%)
Net Profit Margin	= net profit/ total revenue	(%)
Return on Equity	= net profit/ average shareholders' equity	(%)

Efficiency Ratio		
Return on Assets	= net profit / average total assets	(%)
Return on Fixed Assets	= (net profit + depreciation and amortization) / average net fixed assets	(%)
Assets Turnover	= total revenue / average total assets	(time)

Leverage Ratio		
Net Debt to Equity Ratio	= total liabilities / total shareholders' equity	(time)
Interest Coverage Ratio	= (cash flow from operating activities + interest paid from operation + Income tax paid) / interest paid from operation and investment	(time)
Debt Services Coverage Ratio	= cash flow from operating activities / (loan repayment + investment payment + purchase fixed asset + dividend payment)	(time)
Dividend Payout Ratio	= dividend payment / net profit	(%)

14. Management's Discussion and Analysis of Financial Condition and results of operations

14.1 Overview

The company is one of the leading petroleum product producers in Thailand and listed in Stock Exchange of Thailand. The company operates a complex refinery with a capacity of 165,000 barrels per day of crude oil, in Map Ta Phut, Rayong Province, Thailand.

The company's refinery produces and sells petroleum products, which include LPG, premium and regular grades of gasoline, diesel, jet fuel and fuel oil, as well as petrochemical feedstocks used in the petrochemical industry. About 80% of the products are sold to Chevron and PTT pursuant to the Offtake Agreement.

In operating the refinery, the company focuses on pursuing operational excellence in an incident and injury free environment, growing shareholder value, pursuing environmental leadership, and social development. The strategic location of the refinery provides proximity to key transportation options (including a pipeline, trucks and coastal vessels) and major demand centers, which lowers transportation costs and provides several supply and distribution advantages.

14.2 Factors Affecting Our Results of Operations

Refining Margins

SPRC measures profitability from gross refining margin. The gross refining margin of the company is calculated as the difference between sale of petroleum products less landed cost of crude oil, other feedstocks and cost of energy. The company accounting gross refining margin is impacted by changes in the value of the inventory using the weighted average cost method to determine the value of the inventory during the period.

Market gross refining margin is calculated excluding inventory gains or losses and stock gains or losses, and generally moves in line with changes in Singapore prices and refining margin.

In 2015 the company crude intake was 164 thousand barrels per day, or 99.7% of the refining capacity, which was significantly increased from 141 thousand barrels per day in 2014, which was impacted from the scheduled shutdown of the refinery during the 2014 Event. Although the company production and sale volumes increased in 2015, oil and product prices declined significantly and as a result total sale revenue decreased in 2015. However, higher Singapore refining margins and higher domestic demand of refined products in 2015 resulted in higher gross refining margin and market gross refining margin. Operating expenses were also lower in 2015 compared to 2014, which had significant expenses related to the 2014 Event. EBITDA in 2015 increased to US\$397 million (Baht 13,418 million) from a loss of US\$160 million (Baht 5,269 million) in 2014 and net income also increased to US\$245 million (Baht 8,227 million) from net loss a US\$194 million (Baht 6,367 million) in 2014.

Prices of Crude Oil and Petroleum Products

SPRC's revenue, feedstock costs, refining margin and cash flow are all affected by fluctuations in the price of crude oil and product prices in the global and regional markets. The price of crude oil and petroleum products are impacted by global demand and supply. There are many types and grades of crude oil, and their prices vary depending on various factors, including physical properties, demand and availability. Like crude oil, different petroleum products also vary in price depending on various factors such as demand and availability.

Refinery margins and profit are primarily driven by the difference in price between products and crude. Product prices tend to move up and down with crude prices – although they may not change in the same proportion as crude price changes, influenced by supply and demand balances.

Crude price changes can impact refinery margins and profit during rapid changes in price, due to a lag time of approximately one month between the purchase of crude oil and the sale of refined products because of the time required for the delivery of crude oil to the refinery and the production process. The price of crude oil and other feedstocks and the price of petroleum products may change during this lag time, and such changes may affect the company gross refining margin, and are typically referred to as stock gain or stock loss.

US\$ per barrel	MOPS Pricing			Spread over Dubai		
	2015	2014	+ / (-)	2015	2014	+ / (-)
Dubai crude oil	50.9	96.6	(45.7)	-	-	-
Light Naphtha	54.5	95.7	(41.2)	3.6	(0.9)	4.5
Gasoline (premium)	69.2	110.9	(41.8)	18.3	14.3	4.0
Jet Fuel	64.7	112.5	(47.8)	13.9	15.9	(2.0)
Diesel	64.5	112.7	(48.2)	13.6	16.1	(2.4)
Fuel Oil	45.9	88.4	(42.5)	(5.0)	(8.3)	3.2

In 2015, crude prices were volatile with Dubai crude price moving between US\$32/bbl and US\$66/bbl, with an average of US\$51/bbl, which was lower than 2014 average of US\$97/bbl. Dubai price dropped from US\$74/bbl in the fourth quarter 2014 to US\$52/bbl in the first quarter 2015, because of a supply glut in crude oil driven by US production gains and OPEC maintaining its crude oil output.

Petroleum product prices also dropped, following crude prices. Naphtha crack over Dubai moved up and turned to positive with a highest average of US\$7/bbl in Q4/15, supported by firm demand of petrochemical feedstock, high gasoline cracks, unattractiveness of LPG cracking economics and low arbitrage inflows from West. The average gasoline crack hit a record high this year of US\$18/bbl, which provided significant support to SPRC's margin due to our high gasoline yield. The gap between gasoline and Dubai was supported by increases in driving miles, strong vehicle sales growth and also a rise in India's gasoline consumption after elimination of their diesel subsidy. Thailand's gasoline demand grew by 13.2%.

Jet/kerosene cracks were supported by increased demand of aviation fuel. International Air Transport Association (IATA) reported global passenger traffic increasing by 6.5% in 2015 compare to 2014. Thailand jet demand increased by 9.4%. However, an unusually mild winter decreased demand of heating fuel, and resulted in high level of global inventories. Diesel cracks weakened, starting from US\$17/bbl at the beginning of the year, and slipping to US\$12/bbl in December, reflecting lower industrial demand due to global economy slowdown and flooding of the diesel market from high refinery rates to take advantage of the high refinery margins.

Fuel oil spread against Dubai averaged minus US\$5/bbl in 2015. In the first half 2015, the Asian fuel oil market was relatively well supported by a bullish trading market. However, ample supply and inventory builds eventually depressed the market starting at the end of June toward the end of 2015. Japan's fuel oil demand for power generation has declined, replaced by alternative fuels of natural gas and coal. Also, two nuclear power plants have been restarted back to service. China's demand has declined due to tea pot refiners have more authority to import crude oil. However, demand for bunker has increased, supported by low oil prices.

Exchange rate fluctuations

In 2013, the company adopted the U.S. dollar as the company functional currency. Because a substantial portion of the company revenues, costs and expenses are directly linked to, or denominated in U.S. dollars, the company's exposure to the fluctuation in exchange rate is reduced. However the company is still exposed to fluctuations in the value of the Baht on account of employee-related and other costs denominated in Baht, as well as the timing of payments.

14.3 Results of Operations

14.3.1 Financial Performance

The following table shows a summary of the company's financial performance.

	(US\$ Million)			(Baht Million)		
	2015	2014	+ / (-)	2015	2014	+ / (-)
Total Revenue	5,221	7,035	(1,814)	178,877	229,325	(50,449)
EBITDA	397	(160)	557	13,418	(5,269)	18,687
EBIT	315	(237)	553	10,619	(7,791)	18,409
Exchange gain	13	29	(15)	495	943	(448)
Net income (loss)	245	(194)	439	8,227	(6,367)	14,595
Net income (loss) (US\$ per share)	0.06	(0.05)	0.11	1.99	(1.55)	3.54
Gross refining margin (US\$/Baht per barrel) – accounting ⁽¹⁾	8.10	(1.45)	9.55	8.10	(1.45)	9.55
Market gross refining margin (US\$ per barrel) ⁽²⁾	10.41	6.15	4.26	10.41	6.15	4.26

(1) margin includes inventory gain/loss based on weighted average inventory cost

(2) margin is calculated based on current replacement cost

Total revenue

Total revenue is comprised of sales and subsidies. Sales consist primarily of sales of petroleum products, with a primary focus on gasoline, jet fuel, and diesel. Sales prices include the applicable excise taxes and oil fuel fund contribution charges, which are pass-through items, and are paid to the applicable Government authorities. The Company receives LPG and fuel subsidies from the Government through the oil fuel fund for LPG and certain other fuels as compensation for Government price controls of such petroleum products.

The following table sets forth total revenue, including LPG and fuel subsidies, for each of our petroleum products for 2014-2015.

Unit: US\$ Million

Petroleum products	2015	2014
Polymer Grade Propylene	131	135
Liquefied Petroleum Gas ⁽¹⁾	146	206
Light Naphtha	148	232
Gasoline	1,586	2,158
Jet Fuel	306	417
Diesel	2,074	2,506
Fuel Oil	273	505
Asphalt	85	84
Mix C4	132	163
Crude	4	86
Others ⁽²⁾	335	543
Total Revenue	5,221	7,035

(1) Includes Government LPG subsidies.

(2) Includes sulfur, reformat and products sold pursuant to our cracker feed exchange with PTT Global Chemical (PTTGC).

Total sale revenue for 2015 decreased 26% as compared to 2014. The decrease in 2015 sales revenue was due to lower average selling prices for all of the products, in line with the corresponding decrease in crude oil prices. The decrease in sales was partially offset by an increase in the overall sales volume of petroleum products by 9% to 68.3 million barrels in 2015 as compared to 62.5 million barrels in 2014 which was impacted by the scheduled shutdown of the refinery in early 2014 in connection with the 2014 Event.

In February 2015, the Government changed the ex-refinery controlled LPG price, reducing the differential between the Government-controlled price and market price, which reduced LPG subsidies for the rest of the year.

In 2015, the company sold its petroleum products to Chevron, PTT and other oil and petrochemical companies in the proportion of 50.5%, 34.8% and 14.7%, on a revenue basis. The company received 91% of its revenue from domestic placement and 9% from exports.

Cost of Sales and Administrative Expenses

Cost of sales consists principally of the cost of raw materials, which is the landed cost of crude oil and other feedstocks used in the refining process, and purchased natural gas and other costs. Cost of sales includes excise and municipal taxes and oil fuel fund contributions that are collected on product sales and are payable to the government. Lastly, cost of sales includes repair and maintenance expenditure on property, plant and equipment, depreciation on property, plant and equipment and operating lease rental costs related to production. Cost of sales is determined on the weighted average method.

In 2015, cost of sales decreased 33% from 2014 primarily due to a decrease in the average cost of crude oil, in line with average prices quoted by MOPS for Dubai crude oil. This was partially offset by increased sales volumes of petroleum products in 2015 compared to the previous year due to the scheduled shutdown of the company refinery in connection to the 2014 Event.

Other Income

Other income includes financial income and certain other income such as storage fees and LPG loading pier fees.

Other income slightly increased in 2015 as compared to 2014 primarily due to an increase in interest income from our deposit accounts.

Gain (or loss) on Foreign Exchange

Our gain (or loss) on foreign exchange relates to any gain (or loss) resulting from changes in the U.S. dollar value of Baht and other non-U.S. dollar denominated assets or liabilities from translation of the relevant currency into U.S. dollars due to changes in the exchange rate between the relevant currency and the U.S. dollar.

Gain on foreign exchange decreased in 2015, primarily due to the depreciation of the Baht relative to the U.S. dollar during 2015 as compared to the depreciation of the Baht relative to the U.S. dollar during 2014. This resulted in a decrease in the value of our Baht denominated receivables when converted to U.S. dollar equivalent. The decrease in the gain on foreign exchange was offset by the decrease in the value of our capital reduction payables when the value of the Baht depreciated.

Administrative Expenses

Administrative expenses include the expenses and depreciation not directly related to the refinery production process and amortization of intangible assets such as computer software.

Administrative expenses increased in 2015, primarily due to consulting fees related to the IPO and the write-off of certain obsolete spare parts and other materials.

Other Expenses

Other expenses include any losses on asset disposals or write-offs.

Other expenses decreased in 2015 primarily due to certain assets being written off in 2014 in connection with the 2014 Event.

Finance Costs

Finance costs include commitment fees for the committed credit facilities and interest expense on short-term loans and long-term loans. Finance costs also include fees for bank guarantees issued on company behalf relating to value added tax refund.

Finance costs decreased in 2015 primarily due to the interest expenses on short-term loans in 2014 which have been repaid in full. In Dec 2015 the company drew down a US\$110 million long term loan for the purpose of a capital reduction payment to the shareholders of SPRC before the IPO.

Income Tax Expenses

Income tax expenses consist of current income tax payable and deferred income tax. Company statutory tax rate was 20% for 2014 and 2015.

Profit before tax in 2015 was US\$315 million (Baht 10,610 million) and resulted to income tax expense of US\$70.0 million (Baht 2,382 million) compared to loss before tax in 2014 of US\$238 million (Baht 7,810 million) with income tax credit of US\$44 million (Baht 1,442 million).

14.3.2 Analysis of Financial Position

	US\$ Million			Baht Million		
	2015	2014	+ / (-)	2015	2014	+ / (-)
Total Assets	1,686	2,069	(383)	61,122	68,477	(7,355)
Total Liabilities	673	714	(41)	24,397	23,634	763
Total Shareholders' Equity	1,013	1,355	(342)	36,725	44,843	(8,118)

Assets

As of 31 December 2015, total assets were US\$1,686 million (Baht 61,122 million), a decrease of US\$383 million (Baht 7,355 million) from 31 December 2014. The decrease is mainly from the decrease in current asset as detailed below.

- 1) a decrease in trade and other receivables of US\$149 million (Baht 4,173 million) due to lower average selling prices, in line with the corresponding global decrease in crude oil and product prices;
- 2) a decrease in inventory of US\$155 million (Baht 4,345 million) mainly due to a decrease in weighted average cost of inventory, in line with the corresponding decrease in crude oil and product prices and a decrease in hydrocarbon inventory volume due to the timing of a crude shipment; and
- 3) a decrease in value added tax receivables of US\$31 million (Baht 1,026 million) due to a VAT refund that the company received from government authority in June 2015.

Non-current assets also decreased from a decrease in Property Plant and Equipment of US\$68 million (Baht 1,120 million) mainly from depreciation partially offset by capital investment of US\$13 million in small projects to increase refinery reliability and environmental compliance. Deferred tax assets decreased US\$16 million (Baht 546 million) from utilization in 2015 of 2014 operating loss carry forward.

Liabilities

As of 31 December 2015, the company's total liabilities decreased US\$41 million (but increased Baht 763 million due to foreign exchange translation impact from US\$ financial statement) from 31 December 2014. The changes in total liabilities are mainly from decreases in:

- 1) Trade and other account payables of US\$137 million (Baht 3,925 million). Trade payables decreased mainly from decrease in quantity of crude purchase in December 2015 and decrease in crude oil prices. In normal business operation, the company will purchase crude in a quantity that matches with the production and sale volume. However trade payables at any date could vary depending on the timing of crude shipments and when the account payable is recorded; and
- 2) Dividend payable of US\$179 million (Baht 5,400 million) from the payment of dividend which was approved in May 2012 and paid in July 2015.

The decrease was partially offset by increases in:

- 1) Capital reduction payable of US\$99 million (Baht 3,580 million) from the reduction in par value of company shares from 10 Baht to 6.92 Baht. Total capital reduction was Baht 12,637 million of which Baht 9,057 million was paid in Dec 2015;
- 2) Long term loan of US\$110 million (Baht 3,988 million). The long term borrowing was made in December 2015 to enable the capital reduction payment referenced above;
- 3) Corporate income tax payable of US\$17 million (Baht 632 million) for 2015 company's profit. In 2014 company was in net loss and no corporate tax payable; and
- 4) Deferred tax liabilities of US\$42 million (Baht 1,513 million) which resulted from the temporary differences between the amount of assets and liabilities in tax base and in the financial statements which were mainly caused by the translation of US\$ financial statements using exchange rates at the period end.

Shareholders' Equity

As of 31 December 2015, the company's shareholders' equity decreased US\$ 342 million (Baht 8,118 million) from 31 December 2014. The changes in Shareholders' Equity are mainly from:

- 1) Capital reduction of US\$365 million (Baht 12,637 million) from a share par value reduction; and
- 2) Dividend declaration and payment of US\$77 million (Baht 2,432 million) from remaining 2013 net profit and retained earnings gained from a change in functional currency net of the loss in 2014, and payment of US\$200 million (Baht 7,031 million) for the interim dividend based on the profits of the first six months of 2015.

The decrease in shareholders' equity is partially offset by:

- 1) 2015 net profit of US\$245 million (Baht 8,227 million)
- 2) Capital increase of US\$56 million (Baht 2,031 million) from new shares issued and paid up under IPO and ESOP; and
- 3) Increase in other component of shareholders' equity of Baht 3,723 million from the translation of US\$ financial statement.

14.3.3 Statement of Cash Flow

	US\$ Million		Baht Million	
	2015	2014	2015	2014
Net cash generated from operating activities	600	78	20,534	2,526
Net cash used in investing activities	(14)	(53)	(468)	(1,723)
Net cash used in financing activities	(541)	(60)	(17,836)	(1,856)
Net (decrease) / increase in cash and cash equivalents	45	(35)	2,230	(1,053)
Cash and cash equivalents at the beginning of the year	69	103	2,286	3,380
Adjustments from foreign exchange translation	(5)	1	(568)	(41)
Net cash generated from operating activities	109	69	3,949	2,286

The company cash and cash equivalents at 31 December 2015 was US\$109 million (Baht 3,949 million), an increase of US\$40 million (Baht 1,662 million) from 31 Dec 2014.

Details of cash flow activities in 2015 are as follows:

- 1) Net cash generated from operating activities of US\$600 million (Baht 20,534 million) which was primarily due to:
 - 2015 net profit of US\$245 million (Baht 8,227 million) and added back non-cash items of US\$78 million (Baht 2,781 million);
 - cash generated from operating assets of US\$410 million (Baht 14,132 million) mainly from a decrease in trade and other receivables of US\$148 million (Baht 5,096 million) due to lower selling price of products, a decrease in inventory of US\$230 million (Baht 7,919 million) due to lower weighted average inventory costs and lower inventory volumes, and a decrease in other current assets of US\$32 million (Baht 1,117 million) mainly from VAT refunds; and
 - cash used in operating liabilities of US\$128 million (Baht 4,401 million) from a decrease in trade and other payables of US\$136 million (Baht 4,685 million) due to lower purchase prices for crude oil and a slight increase in other current liabilities of US\$8 million (Baht 285 million) due to an increase in VAT payable to government.
- 2) Net cash used in investing activities of US\$14 million (Baht 468 million), primarily attributable to projects to increase refinery reliability and environmental compliance.
- 3) Net cash used in financing activities of US\$541 million (Baht 17,836million) mainly from:
 - cash used for payment for capital reduction of US\$262 million (Baht 9,057 million) to our shareholders before the IPO from the reduction in par value of the company shares;
 - cash used for dividends paid to our shareholders before the IPO of US\$448 million (Baht 14,863 million) from profit prior to 2015 and the first six months of 2015;
 - Proceeds of US\$110 million (Baht 3,988 million) from long term borrowing; and
 - Proceeds of US\$58 million (Baht 2,097 million) from issue of new shares under IPO and ESOP program.

14.4 Analysis of Financial Ratios

Liquidity Ratio

Company liquidity ratios are classified into two main categories, Liquidity and Turnover ratios. Liquidity ratios include current ratio, quick ratio and cash flow ratio.

In the past 3 years (2013-2015), the average current ratio was a little over one as a result of current assets being higher than current liabilities. Current assets mostly include cash and cash equivalents, trade and other account receivables and inventories. Current liabilities mostly included trade account payables, dividend payables, capital reduction payables and the current portion of long term liabilities. As of 31 December 2015 current ratio decreased from prior year mainly from an increase in current liabilities from capital reduction payables of US\$99 million (Baht 3,580 million) and current portion of long term borrowings due within one year of US\$37 million (Baht 1,329 million).

Average quick ratios during 2013-2015 were less than one, lower than the current ratios due to the exclusion of inventory from the calculation.

Cash flow ratios were 0.1 during 2013 and 2014 as a result of cash flows from operating activities being much lower than current liabilities. In 2015, cash flow ratio increased to 1.0 mainly from the significantly increased cash flow generated from operating activities.

Turnover ratios include account receivables turnover, inventory turnover and account payables turnover. 2015 turnover ratios were impacted from the decline of product and crude prices, but somewhat offset with higher volume of product sold and crude purchased comparing to that of 2014 due to the scheduled major turnaround in that year. All turnover ratios changed in the same direction during 2013 to 2015 resulting in the cash cycle moving in the range of 26 to 29 days.

Profitability Ratio

Key profitability ratios include gross profit margin, operating profit margin, cash profit margin, net profit margin and return on equity. These ratios all decreased from 2013 to 2014 due to the loss in the year 2014 caused primarily by the decline of weighted average crude price and the scheduled major turnaround and 2014 Event. However, these profitability ratios increased significantly in 2015 from reliable operations, high margins and high domestic placement yielding higher net profit.

Efficiency Ratio

Key Efficiency ratios are return on total assets, return on fixed assets. These ratios decreased from 2013 to 2014 mainly from net loss in the year 2014 and improved in 2015 from increased net profit as discussed above.

Leverage Ratio

The debt to equity ratio dropped from 2013 to 2014 mainly from trade and other payables reduction which was the consequence of crude and raw material price declines. In the year 2015, a combination of continued decline in crude prices, the capital reduction, draw down of long term loan, and the increase in paid-up shares resulted to the debt to equity ratio having a net increase from 0.5 to 0.7 at the end of year 2015.

The interest coverage ratio decreased from 2013 to 2014 mainly from the higher financing costs in 2014 from short term loans to support the scheduled major turnaround in 2014. The interest coverage ratio at the end of 2015 increased from 2014 mainly from higher 2015 cash flow from operating activities and lower interest expenses.

The debt services coverage ratios during 2013 and 2014 were less than one. Debt services coverage ratio in 2015 was higher than that of 2014 mainly from higher cash flow from operating activities offset with higher dividend paid in 2015.