

Part 3

Financial Position and Performance

13. Financial Highlights**13.1 Financial Statements****13.1.1 Auditor**

PricewaterhouseCoopers ABAS Limited (by Mr.Chanchai Chaiprasit Certified Public Accountant (Thailand) No.3760) has conducted the audit in accordance with Thai Standards on Auditing (TSAs) for the accompanying financial statements of Star Petroleum Refining Public Company Limited, for the year ended 31 December 2016 and expressed that it present fairly, in all material respects, the financial position of the Company, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

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.

13.1.2 Audit fee

Audit fee for the year 2016 is Baht 2,881,500.

13.2 Summary of financial statement

Statement of Financial Positions

As at 31 December	US\$ Million			Baht Million		
	2016	2015	2014	2016	2015	2014
Assets						
Current assets						
Cash and cash equivalents	6	109	69	233	3,949	2,286
Trade and other receivables	324	239	388	11,647	8,660	12,833
Inventories, net	327	249	404	11,776	9,033	13,378
Value-added tax receivable	-	-	31	-	-	1,026
Other current assets	1	7	7	50	240	235
Total current assets	659	604	899	23,707	21,881	29,758
Non-current assets						
Property, plant and equipment, net	1,005	1,076	1,144	36,171	39,006	37,886
Intangible asset, net	5	2	3	190	78	90
Deferred tax assets, net	-	-	16	-	-	546
Other non-current assets	3	4	6	121	157	198
Total non-current assets	1,013	1,082	1,169	36,482	39,240	38,719
Total assets	1,672	1,686	2,069	60,188	61,122	68,477
Liabilities and shareholders' equity						
Current liabilities						
Trade and other payables	229	195	333	8,232	7,086	11,010
Capital reduction payable	-	99	-	-	3,580	-
Current portion of long-term borrowings	107	37	-	3,840	1,329	-
Value added tax payable	4	4	-	155	146	-
Current income tax payable	30	17	-	1,065	632	-
Dividend payable	-	166	345	-	6,027	11,427
Other current liabilities	28	34	30	999	1,221	1,000
Total current liabilities	397	552	708	14,291	20,021	23,437
Non-current liabilities						
Long-term borrowings – financial institutions	72	73	-	2,580	2,659	-
Deferred tax liabilities, net	37	42	-	1,329	1,513	-
Employee benefit obligations	7	6	6	268	204	184
Other non-current liabilities	-	-	0	-	-	12
Total non-current liabilities	116	121	6	4,178	4,376	196
Total liabilities	513	673	714	18,469	24,397	23,634
Shareholders' equity						
Share capital						
Authorised share capital ⁽¹⁾	865	949	1,185	30,004	33,038	41,030
Issued and paid-up share capital ⁽²⁾	865	865	1,185	30,004	30,004	41,030
Premium on share capital	32	32	20	978	978	559
Retained earnings						
Appropriated - legal reserve	88	85	61	3,000	2,887	1,965
Unappropriated	175	32	88	8,672	3,600	5,756
Other component of shareholders' equity	-	-	-	(935)	(743)	(4,467)
Total shareholders' equity	1,159	1,013	1,355	41,719	36,725	44,843
Total liabilities and shareholders' equity	1,672	1,686	2,069	60,188	61,122	68,477

⁽¹⁾ Authorised share capital and number of authorised shares : a par value of Baht 6.92 per share for 4,335,902,125 shares at end 2016 and 4,774,343,003 shares at end 2015 and a par value of Baht 10 per share for 4,102,951,025 shares at end 2014

⁽²⁾ Issued and paid up share capital : 4,335,902,125 shares at end 2016 and 2015 and 4,102,951,025 shares at end 2014

Statement of Comprehensive Income

	US\$ Million			Baht Million		
	2016	2015	2014	2016	2015	2014
Sales	4,370	5,218	6,985	154,954	178,766	227,712
Liquefied Petroleum Gas and fuel subsidies	4	3	49	128	111	1,613
Total revenue	4,374	5,221	7,035	155,082	178,877	229,325
Cost of sales	(4,053)	(4,890)	(7,275)	(143,715)	(167,752)	(237,228)
Gross profit (loss)	321	331	(241)	11,367	11,125	(7,903)
Other income	2	7	7	63	234	220
Gain on exchange rate	16	13	29	548	495	943
Profit (loss) before expenses	338	351	(205)	11,979	11,853	(6,740)
Administrative expenses	(26)	(35)	(26)	(914)	(1,222)	(865)
Other expenses	(1)	(0)	(6)	(21)	(12)	(186)
Finance costs	(3)	(0)	(1)	(94)	(9)	(19)
Profit (loss) before income tax	309	315	(238)	10,949	10,610	(7,810)
Income tax	(64)	(70)	44	(2,261)	(2,382)	1,442
Profit (loss) for the year	245	245	(194)	8,688	8,227	(6,367)
Other comprehensive income						
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Currency translation differences	-	-	-	(192)	3,723	96
Remeasurement of employee benefit obligations	(1)	-	-	(26)	-	-
Other comprehensive income for the year, net of tax	(1)	-	-	(218)	3,723	96
Total comprehensive income (expense) for the year	244	245	(194)	8,470	11,951	(6,271)
Basic earnings (loss) per share	0.06	0.06	(0.05)	2.00	1.99	(1.55)

Statement of Cash Flows

	US\$ Million			Baht Million		
	2016	2015	2014	2016	2015	2014
Cash flows from operating activities						
Profit (Loss) before income tax	309	315	(238)	10,949	10,610	(7,810)
Adjustments for:						
Finance income	(1)	(3)	(1)	(30)	(90)	(29)
Finance expense	3	0	1	94	9	19
Depreciation	81	80	76	2,872	2,766	2,490
Amortisation	1	1	1	48	33	32
Loss from disposal of fixed assets	1	0	5	20	12	179
Unrealised (gain) loss from foreign exchange rate	3	4	(13)	96	121	(432)
Loss on obsolete materials and supplies	1	1	1	24	17	18
(Reversal) write down of inventory to net realisable value	-	(76)	76	-	(2,477)	2,477
Retirement benefit expenses	1	0	1	42	19	19
Deferred income realised during the year	-	(0)	(1)	-	(12)	(38)
Change in operating assets and liabilities						
Trade and other receivables	(85)	148	288	(3,002)	5,096	9,386
Inventories	(79)	230	264	(2,787)	7,919	8,608
Other current assets and other assets	7	32	38	239	1,117	1,226
Trade and other payables	33	(136)	(422)	1,186	(4,685)	(13,778)
Retirement benefit paid	(0)	(0)	-	(3)	(2)	-
Other current liabilities and other liabilities	(6)	8	16	(201)	285	519
Cash generated from operations	269	605	89	9,545	20,739	2,888
Interest received	1	3	1	30	91	29
Interest paid	(2)	(0)	(1)	(88)	(5)	(19)
Income tax paid	(52)	(8)	(12)	(1,851)	(291)	(372)
Net cash generated from operating activities	215	600	78	7,637	20,534	2,526
Cash flows from investing activities						
Purchases of equipment and intangible asset	(15)	(14)	(53)	(538)	(468)	(1,730)
Proceeds from disposal of equipment	0	0	0	1	0	7
Net cash used in investing activities	(15)	(14)	(53)	(537)	(468)	(1,723)
Cash flow from financing activities						
Proceeds from long-term borrowings	140	110	-	4,959	3,988	-
Repayment of long-term borrowings	(72)	-	-	(2,530)	-	-
Payment of capital reduction	(101)	(262)	-	(3,580)	(9,057)	-
Proceeds from issue and paid in common shares	-	49	-	-	1,775	-
Proceeds from issue and paid in common shares under Employee Stock Ownership Plan	-	9	-	-	322	-
Dividends paid to shareholders	(270)	(448)	(60)	(9,502)	(14,863)	(1,856)
Net cash used in financing activities	(302)	(541)	(60)	(10,654)	(17,835)	(1,856)
Net increase (decrease) in cash and cash equivalents	(102)	45	(35)	3,554	2,230	(1,053)
Cash and cash equivalents at the beginning of year	109	69	103	3,949	2,286	3,380
Adjustment from foreign exchange translation	(0)	(5)	1	(162)	(568)	(41)
Cash and cash equivalents at the ending of year	6	109	69	233	3,949	2,286
Non-cash item						
Acquisitions of property, plant and equipment which have not been paid	1	1	0	21	39	9

13.3 Financial Ratios

		Year Ended December 31		
		2016	2015	2014
Liquidity Ratio				
Current Ratio	(Time)	1.7	1.1	1.3
Quick Ratio	(Time)	0.8	0.6	0.6
Cash Flow Ratio ⁽²⁾	(Time)	0.5	1.0	0.1
Account Receivable Turnover	(Time)	15.5	16.6	13.3
Average Collection Period ⁽³⁾	(Day)	23.2	21.6	27.1
Inventory Turnover ⁽⁴⁾	(Time)	14.1	15.0	12.7
Average Sales Period ⁽³⁾	(Day)	25.6	24.0	28.4
Account Payable Turnover	(Time)	19.1	18.5	13.6
Payment Period ⁽³⁾	(Day)	18.8	19.4	26.5
Cash Cycle	(Day)	29.9	26.2	29.0
Profitability Ratio				
Gross Profit Margin	(%)	7.3	6.3	(3.4)
Operating Profit Margin ⁽⁵⁾	(%)	6.8	5.8	(3.8)
Other Profit Margin ⁽⁶⁾⁽⁷⁾	(%)	0.4	0.3	0.4
Cash Profit Margin ⁽²⁾⁽⁵⁾	(%)	72.7	198.7	(29.3)
Net Profit Margin ⁽⁶⁾	(%)	5.6	4.7	(2.8)
Return on Equity	(%)	22.6	20.7	(13.1)
Efficiency Ratio				
Return on Total Assets	(%)	14.6	13.0	(8.0)
Return on Fixed Assets ⁽⁸⁾	(%)	31.5	29.4	(10.1)
Assets Turnover ⁽⁶⁾	(Time)	2.6	2.8	2.9
Leverage Ratio				
Net Debt to Equity ratio	(Time)	0.4	0.7	0.5
Interest Coverage ratio ⁽²⁾	(Time)	108.5	4,165.5	154.3
Debt Services Coverage ratio (cash basis) ⁽²⁾	(Time)	0.6	1.3	0.7
Dividend Payout Ratio ⁽¹⁾⁽⁹⁾	(%)	110.1	183.1	(30.9)

Note:

- (1) Dividend equivalents to dividend paid to shareholders in the cash flow statement
- (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

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.

The company's refinery produces and sells petroleum products, which include LPG, premium and regular grades of unleaded gasoline, high speed diesel, jet fuel and fuel oil, as well as petrochemical feedstocks used in the petrochemical industry. Most of the petroleum 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 because of use of the weighted average cost method to determine the value of the inventory during the period.

Market gross refining margin is a margin calculation that excludes inventory gains or losses and stock gains or losses, and generally moves in line with movements in Singapore prices and refining margin.

In 2016 crude intake decreased 2.1 thousand barrels per day from 2015 to 162.4 thousand barrels per day, resulted from the slowdown of CDU in Q2/16. Total sale revenue in 2016 was US\$4,374 million (Baht 155,082 million), declined by US\$847 million (Baht 23,795 million) from 2015 as a resulted of lower average product price and lower sale volume from the CDU slowdown. Market gross refining margin for SPRC in 2016 was US\$6.68/bbl, down US\$3.73/bbl from prior year, driven by an excessive supply and resulted in lower product spread over Dubai. However because of the increasing in oil price during the year, there was a stock gain in 2016 comparing to a stock loss in 2015. EBITDA for 2016 was very close to 2015 and net incomes for both years were at US\$245 million. In 2016 operating expenses was lower than 2015 mainly due to the absence of expenses relating to IPO incurred in 2015.

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, and not crude prices alone. 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		
	2016	2015	+ / (-)	2016	2015	+ / (-)
Dubai crude oil	41.3	50.9	(9.5)	-	-	-
Light Naphtha (MOPJ)	44.3	54.5	(10.2)	3.0	3.6	(0.6)
Gasoline (premium)	56.2	69.2	(13.0)	14.9	18.3	(3.4)
Jet Fuel	52.9	64.7	(11.8)	11.6	13.8	(2.3)
Diesel	52.1	64.5	(12.4)	10.8	13.6	(2.9)
Fuel Oil	36.4	45.8	(9.5)	(5.0)	(5.0)	0

In 2016, crude prices were volatile with Dubai crude price moving between US\$22.8/bbl and US\$54.2/bbl, with an average of US\$41.3/bbl, which was lower than 2015 average of US\$50.9/bbl. Dubai price dropped from US\$40.7/bbl in Q4/15 to US\$30.4/bbl in Q1/16, because of a supply glut in crude oil driven by continuing large over supply in the crude oil market. The U.S. crude oil stocks have reached record stock levels of 530 million barrels at the end of March. OPEC reported their production rates increased to 32.83 million barrels per day, higher than Q4/15 rates of 31.91 million barrels per day. Iran nuclear sanctions were lifted in mid of January and the average production rate was 3.13 million barrels per day, increased from 2.89 million barrels per day in Q4/15. Almost a year of negotiations, on 30 November 2016, OPEC agreed to cuts their production by 1.2 MMBD for first half of year 2017.

Petroleum product prices also moved, following crude prices. Naphtha crack over Dubai overall decreased from 2015, impacted by attractiveness of LPG cracking economics and arbitrage inflows from West. The average gasoline crack in this year was US\$14.9/bbl which was lower than US\$18.3/bbl in 2015. It was impacted by market oversupply that was indicated by light distillates inventories at Singapore hit highest record of 15.5 million barrels even vehicles sale continued growth in China and U.S. IHS Energy estimated Asia gasoline demand growth in 2016 compare to 2015 decreased by 42% to 260,000 barrels per day. EPPO estimated Thailand's gasoline and gasohol demand grew by 9.7% result from low crude oil price.

Jet/kerosene cracks were impacted by mild winter decreased demand of heating fuel in 2015, and resulted in high level of global inventories carry to 2016. The demand of aviation fuel continued to increase. International Air Transport Association (IATA) estimated global passenger traffic increasing by 5.9% in 2016 compare to 2015. Thailand jet demand expected increasing by 4.5%. Diesel cracks in 2016 was lower than 2015, 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 since 2015. Mid of 2016, middle distillates inventories in Singapore were drawdown to normal level ahead refinery maintenance season, supported diesel crack rebound to US\$10.96/bbl and US\$12.02/bbl in Q3/16 and Q4/16, respectively.

Fuel oil spread against Dubai averaged minus US\$5/bbl in 2016. Even the residual inventories in Singapore hit recorded high in the first half of 2016 with limited arbitrage volume from WEST and tightness of on-specification supplies and remain healthy demand, but fuel oil spread was increased up to average minus US\$0.7/bbl in December.

Sources: EIA, Reuters, IHS, Platts, OPEC, IATA, EPPO

Exchange rate fluctuations

From 1 January 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.

The company has not entered into any currency hedging transactions. Accordingly, significant fluctuations or volatility in the value of the Baht against the U.S. dollar could have a material effect on the results of operations.

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)		
	2016	2015	+/(−)	2016	2015	+/(−)
Total Revenue	4,374	5,221	(847)	155,082	178,877	(23,795)
EBITDA	394	397	(3)	13,964	13,418	545
EBIT	312	315	(4)	11,044	10,619	425
Exchange gain	16	13	2	548	495	54
Net income	245	245	-	8,688	8,227	461
Net income (US\$ / Baht per share)	0.06	0.06	-	2.00	1.99	0.01
Accounting gross refining margin (US\$/barrel) ⁽¹⁾	7.93	8.10	(0.17)	7.93	8.10	(0.17)
Market gross refining margin (US\$ per barrel) ⁽²⁾	6.68	10.41	(3.73)	6.68	10.41	(3.73)

⁽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 2015-2016.

Petroleum products (US\$ Mil)	2016	2015
Polymer Grade Propylene	98	131
Liquefied Petroleum Gas ⁽¹⁾	108	146
Light Naphtha	109	148
Gasoline	1,420	1,586
Jet Fuel	234	306
Diesel	1,818	2,074
Fuel Oil	254	273
Asphalt	34	85
Mix C4	92	132
Crude	25	4
Others ⁽²⁾	182	335
Total Revenue	4,374	5,221

(1) Includes Government LPG subsidies.

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

2016 total sale revenue decreased 16% compared to 2015. The decrease was mainly due to a decline in average selling price for petroleum products following crude oil price movement. There was a reduction of petroleum products volume sold to 67.0 million barrels in 2016 compared to 68.3 million barrels in 2015.

In 2016, the company sold its petroleum products based on sale revenue to Chevron, PTT and other oil and petrochemical companies in the proportion of 56%, 32% and 12%, respectively. The company received 92% of its revenue from domestic placement and 8% from exports.

Cost of Sales

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 2016, cost of sales decreased 17% from 2015 primarily due to a lower average cost of crude oil, as well as a decrease in sale volume of refined products.

Other Income

Other income mainly comprised of interest income from deposit accounts, oil storage fee, and export tax subsidy.

Lower other income in 2016 compared to 2015 was mainly as a result of decrease in interest income from deposit accounts and oil storage fees.

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.

For 2016, foreign exchange gain increased slightly by US\$2 million (Baht 54 million) from 2015 to US\$16 million (Baht 548 million), primarily due to the higher appreciation of the Baht relative to the U.S. dollar during 2016 compared to 2015. Baht appreciation resulted in an increase in the value of our Baht denominated receivables when converted to U.S. dollar equivalent.

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 in 2016 decreased US\$10 million (Baht 308 million) mainly from expenses relating to the IPO and the write off of obsolete spare parts and materials in 2015 which were not incurred in 2016.

Finance Costs

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

Finance costs increased in 2016 primarily due to the interest expenses on long term loans that the company drew down during 2015-2016 for the purpose of a capital reduction payment to the shareholders and for the operating activities.

Income Tax Expenses

Income tax expenses consist of current income tax payable and deferred income tax. Company statutory tax rate was 20% for 2015 and 2016.

Profit before tax in 2016 was US\$309 million (Baht 10,949 million) and resulted to income tax expense of US\$64 million (Baht 2,261 million) compared to profit of US\$315 million (Baht 10,610 million) in 2015.

14.3.2 Analysis of Financial Position

	US\$ Million			Baht Million		
	2016	2015	+ / (-)	2016	2015	+ / (-)
Total Assets	1,672	1,686	(14)	60,188	61,122	(934)
Total Liabilities	513	673	(160)	18,469	24,397	(5,928)
Total Shareholders' Equity	1,159	1,013	146	41,719	36,725	4,994

Assets

Total assets as of 31 Dec 2016 decreased by US\$14 million (Baht 934 million) from 31 Dec 2015, mainly from a decrease in non-current assets but partially offset by an increase in current assets.

Current assets increased US\$55 million (Baht 1,825 million) due to:

- an increase in trade and other account receivable of US\$85 million (Baht 2,987 million) from higher average selling prices (which include excise tax) in Dec 2016 comparing to average selling price in Dec 2015;
- an increase in inventory of US\$78 million (Baht 2,743 million) from higher inventory price reflecting from the increase in oil price and higher inventory volume comparing to Dec 2015;
- partially offset by a decrease in cash & cash equivalent of US\$102 million (Baht 3,716 million); and
- a decrease in advance income tax of US\$5 million (Baht 193 million) due to a refund of 2014 advance income tax in Feb 2016.

Non-current assets was lower year-over-year mainly from a decrease in property, plant and equipment of US\$71 million (Baht 2,835 million) as depreciation expenses for 2016 more than offset the additional capital investment in refinery reliability and efficiency projects.

Liabilities

Total liabilities as of 31 Dec 2016 decreased US\$160 million (Baht 5,928 million) from 31 Dec 2015. The changes in total liabilities are mainly from:

- a decrease in dividend payables of US\$171 million (Baht 6,027 million) for 3rd tranche dividend approved in 2012 which was paid in April 2016;
- a decrease in capital reduction payables of US\$101 million (Baht 3,580 million) from payment of

- remaining capital reduction to shareholders prior to IPO;
- c) partially offset by an increases in net long term borrowing of US\$68 million (Baht 2,433 million) from additional borrowing of US\$140 million and repayment of US\$72 million; and
 - d) an increase in trade and other account payables of US\$33 million (Baht 1,147 million). Trade payables increased mainly from higher purchase price of crude oil.

Shareholders' Equity

Shareholders' equity as of 31 Dec 2016 increased US\$146 million (Baht 4,994 million) from 31 Dec 2015 resulted from the net profit in 2016 minus dividend payment for 2H/2015 profit and 1H/2016 profit.

In Dec 2016, SPRC allocated US\$3 million (Baht 114 million) of 2016 net profit to legal reserve and have reached the legal requirement of 10% of company registered capital.

14.3.3 Statement of Cash Flow

	US\$ Million		Baht Million	
	2016	2015	2016	2015
Net cash generated from operating activities	215	600	7,637	20,534
Net cash used in investing activities	(15)	(14)	(537)	(468)
Net cash used in financing activities	(302)	(541)	(10,654)	(17,836)
Net decrease in cash and cash equivalents	(102)	45	(3,554)	2,230
Cash and cash equivalents at the beginning of the period	109	69	3,949	2,286
Adjustments from foreign exchange translation	(0)	(5)	(162)	(568)
Cash and cash equivalents at the end of the period	6	109	233	3,949

SPRC cash and cash equivalents at 31 Dec 2016 was US\$6 million (Baht 233 million), a decrease of US\$102 million (Baht 3,716 million) from 31 Dec 2015.

Details of cash flow activities in 2016 are as follow.

- a) Net cash generated from operating activities of US\$215 million (Baht 7,637 million) which was primarily due to:
 - 2016 net profit of US\$245 million (Baht 8,688 million) and added back non-cash items of US\$99 million (Baht 3,517 million);
 - cash generated from operating liabilities of US\$28 million (Baht 982 million), mainly from an increase in trade and other payables of US\$33 million (Baht 1,186 million) due to higher crude purchase price; and
 - partially offset by cash used in operating assets of US\$157 million (Baht 5,551 million), mainly from an increase in trade receivable of US\$85 million (Baht 3,002 million) due to higher selling price, and an increase in inventory of US\$79 million (Baht 2,787 million) due to the increase in both inventory price and volume in Dec 2016.
- b) Net cash used in investing activities of US\$15 million (Baht 537 million), primarily on projects spending to increase refinery reliability and efficiency.
- c) Net cash used in financing activities of US\$302 million (Baht 10,654 million) mainly from:
 - cash used for payment for capital reduction of US\$101 million (Baht 3,580 million) to SPRC's 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\$171 million (Baht 6,027 million) from profit prior to 2015 and after IPO of USD \$99 million (Baht 3,476 million) for 2H/ 2015 and 1H/2016;
 - repayment for long term borrowing of US\$72 million (Baht 2,530 million); and
 - partially offset by proceeds from additional long term borrowing of US\$140 million (Baht 4,959 million).

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 (2014-2016), the average current ratio increased 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 2016 current ratio increased from prior year mainly from a decrease in current liabilities from dividend payable of US\$171 million (Baht 6,027 million) and capital reduction payables of US\$101 million (Baht 3,580 million), partly offset by an increased net of long term borrowings of US\$68 million (Baht 2,433 million).

Average quick ratios during 2014-2016 were less than one, lower than the current ratios due to the exclusion of inventory from the calculation.

Average cash flow ratio increased over the past 3 years (2014-2016) as a result of increasing cash flows from operating activities and decreasing in current liabilities from dividend and capital reduction payment in 2016.

Turnover ratios include account receivables turnover, inventory turnover and account payables turnover. All turnover ratios increased during 2014 to 2016 resulting in the cash cycle moving in the range of 26 to 30 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 increased from 2014 to 2016 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 and continue in 2016 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 increased from 2014 mainly from net loss in the year 2014 and improved in 2015 and 2016 from increased net profit as discussed above.

Leverage Ratio

The debt to equity ratio was high in 2015 over the past 3 years, mainly from trade and other payables reduction which was the consequence of crude and raw material price declined, the capital reduction, long term loan drawdown, and the increase in paid-up shares. In 2016, crude prices rebound, dividend payment, capital reduction and long term loan drawdown resulted to the decrease in debt to equity ratio from 0.7 to 0.4.

The interest coverage ratio increased from 2014 to 2015 mainly from operating activities and lower financing costs in 2015. In 2016, interest coverage ratio decreased from 2015 driven from cash flow from operating activities and higher interest expenses from loan drawdown.

Debt services coverage ratio in 2015 was higher than those in 2014 and 2016. Key drivers were from high cash flow from operating activities.