

## **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 2017 and expressed that it presented 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 2017 is Baht 2,955,000.

## 13.2 Summary of financial statement

## Statement of Financial Positions

As at 31 December	US\$ Million			Baht Million		
	2017	2016	2015	2017	2016	2015
<b>Assets</b>						
Current assets						
Cash and cash equivalents	66	6	109	2,171	233	3,949
Trade and other receivables	373	324	239	12,253	11,647	8,660
Inventories, net	434	327	249	14,244	11,776	9,033
Other current assets	3	1	7	96	50	240
<b>Total current assets</b>	<b>876</b>	<b>659</b>	<b>604</b>	<b>28,765</b>	<b>23,707</b>	<b>21,881</b>
Non-current assets						
Property, plant and equipment, net	937	1,005	1,076	30,791	36,171	39,006
Intangible asset, net	5	5	2	173	190	78
Other non-current assets	2	3	4	68	121	157
<b>Total non-current assets</b>	<b>945</b>	<b>1,013</b>	<b>1,082</b>	<b>31,032</b>	<b>36,482</b>	<b>39,240</b>
<b>Total assets</b>	<b>1,821</b>	<b>1,672</b>	<b>1,686</b>	<b>59,797</b>	<b>60,188</b>	<b>61,122</b>
<b>Liabilities and shareholders' equity</b>						
Current liabilities						
Trade and other payables	305	229	195	10,025	8,232	7,086
Capital reduction payable	-	-	99	-	-	3,580
Current portion of long-term borrowings	72	107	37	2,354	3,840	1,329
Value added tax payable	6	4	4	198	155	146
Current income tax payable	38	30	17	1,236	1,065	632
Dividend payable	-	-	166	-	-	6,027
Other current liabilities	92	28	34	3,036	999	1,221
<b>Total current liabilities</b>	<b>513</b>	<b>397</b>	<b>552</b>	<b>16,848</b>	<b>14,291</b>	<b>20,021</b>
Non-current liabilities						
Long-term borrowings – financial institutions	-	72	73	-	2,580	2,659
Deferred tax liabilities, net	17	37	42	549	1,329	1,513
Employee benefit obligations	9	7	6	299	268	204
<b>Total non-current liabilities</b>	<b>26</b>	<b>116</b>	<b>121</b>	<b>848</b>	<b>4,178</b>	<b>4,376</b>
<b>Total liabilities</b>	<b>539</b>	<b>513</b>	<b>673</b>	<b>17,696</b>	<b>18,469</b>	<b>24,397</b>
<b>Shareholders' equity</b>						
Share capital						
Authorised share capital <sup>(1)</sup>	865	865	949	30,004	30,004	33,038

As at 31 December	US\$ Million			Baht Million		
	2017	2016	2015	2017	2016	2015
Issued and paid-up share capital <sup>(2)</sup>	865	865	865	30,004	30,004	30,004
Premium on share capital	32	32	32	978	978	978
Retained earnings						
Appropriated - legal reserve	88	88	85	3,000	3,000	2,887
Unappropriated	298	175	32	12,769	8,672	3,600
Other component of shareholders' equity	-	-	-	(4,650)	(935)	(743)
<b>Total shareholders' equity</b>	<b>1,282</b>	<b>1,159</b>	<b>1,013</b>	<b>42,101</b>	<b>41,719</b>	<b>36,725</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,821</b>	<b>1,672</b>	<b>1,686</b>	<b>59,797</b>	<b>60,188</b>	<b>61,122</b>

<sup>(1)</sup> 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 2017 and 2016 and 4,774,343,003 shares at end 2015

<sup>(2)</sup> Issued and paid up share capital : 4,335,902,125 shares at end 2017 2016 and 2015

## Statement of Comprehensive Income

	US\$ Million			Baht Million		
	2017	2016	2015	2017	2016	2015
Sales	4,982	4,370	5,218	169,620	154,954	178,766
Liquefied Petroleum Gas and fuel subsidies	27	4	3	915	128	111
<b>Total revenue</b>	<b>5,009</b>	<b>4,374</b>	<b>5,221</b>	<b>170,535</b>	<b>155,082</b>	<b>178,877</b>
Cost of sales	(4,703)	(4,053)	(4,890)	(160,131)	(143,715)	(167,752)
<b>Gross profit (loss)</b>	<b>306</b>	<b>321</b>	<b>331</b>	<b>10,405</b>	<b>11,367</b>	<b>11,125</b>
Other income	1	2	7	47	63	234
Gain on exchange rate	44	16	13	1,509	548	495
<b>Profit (loss) before expenses</b>	<b>351</b>	<b>338</b>	<b>351</b>	<b>11,961</b>	<b>11,979</b>	<b>11,853</b>
Administrative expenses	(27)	(26)	(35)	(943)	(914)	(1,222)
Other expenses	(0)	(1)	(0)	(1)	(21)	(12)
Finance costs	(3)	(3)	(0)	(92)	(94)	(9)
<b>Profit (loss) before income tax</b>	<b>321</b>	<b>309</b>	<b>315</b>	<b>10,924</b>	<b>10,949</b>	<b>10,610</b>
Income tax	(60)	(64)	(70)	(2,029)	(2,261)	(2,382)
<b>Profit (loss) for the year</b>	<b>261</b>	<b>245</b>	<b>245</b>	<b>8,895</b>	<b>8,688</b>	<b>8,227</b>
Other comprehensive income						
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Currency translation differences	-	-	-	(3,715)	(192)	3,723
Remeasurement of employee benefit obligations	-	(1)	-	-	(26)	-
Other comprehensive income for the year, net of tax	-	(1)	-	(3,715)	(218)	3,723
<b>Total comprehensive income (expense) for the year</b>	<b>261</b>	<b>244</b>	<b>245</b>	<b>5,180</b>	<b>8,470</b>	<b>11,951</b>
Basic earnings (loss) per share	0.06	0.06	0.06	2.05	2.00	1.99

## Statement of Cash Flows

	US\$ Million			Baht Million		
	2017	2016	2015	2017	2016	2015
<b>Cash flows from operating activities</b>						
Profit (Loss) before income tax	321	309	315	10,925	10,949	10,610
Adjustments for:						
Finance income	(0)	(1)	(3)	(16)	(30)	(90)
Finance expense	3	3	0	92	94	9
Depreciation	81	81	80	2,775	2,872	2,766
Amortisation	2	1	1	53	48	33
Loss from disposal of fixed assets	0	1	0	1	20	12
Unrealised (gain) loss from foreign exchange rate	(15)	3	4	(524)	96	121
Loss on obsolete materials and supplies	1	1	1	32	24	17
(Reversal) write down of inventory to net realisable value	-	-	(76)	-	-	(2,477)
Retirement benefit expenses	1	1	0	31	42	19
Deferred income realised during the year	-	-	(0)	-	-	(12)
Change in operating assets and liabilities						
Trade and other receivables	(50)	(85)	148	(1,700)	(3,002)	5,096
Inventories	(108)	(79)	230	(3,666)	(2,787)	7,919
Other current assets and other assets	(0)	7	32	(8)	239	1,117
Trade and other payables	75	33	(136)	2,571	1,186	(4,685)
Retirement benefit paid	-	(0)	(0)	-	(3)	(2)
Other current liabilities and other liabilities	66	(6)	8	2,259	(201)	285
<b>Cash generated from operations</b>	<b>376</b>	<b>269</b>	<b>605</b>	<b>12,823</b>	<b>9,545</b>	<b>20,739</b>
Interest received	0	1	3	16	30	91
Interest paid	(3)	(2)	(0)	(98)	(88)	(5)
Income tax paid	(53)	(52)	(8)	(1,882)	(1,851)	(291)
<b>Net cash generated from operating activities</b>	<b>321</b>	<b>215</b>	<b>600</b>	<b>10,860</b>	<b>7,637</b>	<b>20,534</b>
<b>Cash flows from investing activities</b>						
Purchases of equipment and intangible asset	(15)	(15)	(14)	(503)	(538)	(468)
Proceeds from disposal of equipment	0	0	0	0	1	0
<b>Net cash used in investing activities</b>	<b>(15)</b>	<b>(15)</b>	<b>(14)</b>	<b>(503)</b>	<b>(537)</b>	<b>(468)</b>
<b>Cash flow from financing activities</b>						
Proceeds from long-term borrowings	-	140	110	-	4,959	3,988
Repayment of long-term borrowings	(107)	(72)	-	(3,614)	(2,530)	-
Payment of capital reduction	-	(101)	(262)	-	(3,580)	(9,057)
Proceeds from issue and paid in common shares	-	-	49	-	-	1,775

	US\$ Million			Baht Million		
	2017	2016	2015	2017	2016	2015
Proceeds from issue and paid in common shares under Employee Stock Ownership Plan	-	-	9	-	-	322
Dividends paid to shareholders	(138)	(270)	(448)	(4,799)	(9,502)	(14,863)
<b>Net cash used in financing activities</b>	<b>(245)</b>	<b>(302)</b>	<b>(541)</b>	<b>(8,413)</b>	<b>(10,654)</b>	<b>(17,835)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>61</b>	<b>(102)</b>	<b>45</b>	<b>1,944</b>	<b>(3,554)</b>	<b>2,230</b>
Cash and cash equivalents at the beginning of year	6	109	69	233	3,949	2,286
Adjustment from foreign exchange translation	(1)	(0)	(5)	(6)	(162)	(568)
<b>Cash and cash equivalents at the ending of year</b>	<b>66</b>	<b>6</b>	<b>109</b>	<b>2,171</b>	<b>233</b>	<b>3,949</b>
Non-cash item						
Acquisitions of property, plant and equipment which have not been paid	1	1	1	45	21	39

### 13.3 Financial Ratios

		Year Ended December 31		
		2017	2016	2015
<b>Liquidity Ratio</b>				
Current Ratio	(Time)	1.7	1.7	1.1
Quick Ratio	(Time)	0.9	0.8	0.6
Cash Flow Ratio <sup>(2)</sup>	(Time)	0.7	0.5	1.0
Account Receivable Turnover	(Time)	14.4	15.5	16.6
Average Collection Period <sup>(3)</sup>	(Day)	25.1	23.2	21.6
Inventory Turnover <sup>(4)</sup>	(Time)	12.4	14.1	15.0
Average Sales Period <sup>(3)</sup>	(Day)	29.1	25.6	24.0
Account Payable Turnover	(Time)	17.6	19.1	18.5
Payment Period <sup>(3)</sup>	(Day)	20.4	18.8	19.4
Cash Cycle	(Day)	33.7	29.9	26.2
<b>Profitability Ratio</b>				
Gross Profit Margin	(%)	6.1	7.3	6.3
Operating Profit Margin <sup>(5)</sup>	(%)	5.6	6.8	5.8
Other Profit Margin <sup>(6)(7)</sup>	(%)	0.9	0.4	0.3
Cash Profit Margin <sup>(2)(5)</sup>	(%)	114.7	72.7	198.7
Net Profit Margin <sup>(6)</sup>	(%)	5.2	5.6	4.7
Return on Equity	(%)	21.4	22.6	20.7
<b>Efficiency Ratio</b>				
Return on Total Assets	(%)	15.0	14.6	13.0
Return on Fixed Assets <sup>(8)</sup>	(%)	35.4	31.5	29.4
Assets Turnover <sup>(6)</sup>	(Time)	2.9	2.6	2.8
<b>Leverage Ratio</b>				
Net Debt to Equity ratio	(Time)	0.4	0.4	0.7
Interest Coverage ratio <sup>(2)</sup>	(Time)	133.2	108.5	4,165.5
Debt Services Coverage ratio (cash basis) <sup>(2)</sup>	(Time)	1.2	0.6	1.3
Dividend Payout Ratio <sup>(1)</sup>	(%)	53.0	110.1	183.1

**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

**Financial Ratio Definition**

<b>Liquidity Ratio</b>		
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)

<b>Profitability Ratio</b>		
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 2017 crude intake was 152.4 thousand barrels per day or 92.4% of the refining capacity, decreased 10.0 thousand barrels per day from 2016, resulted from the maintenance activity of CDU in Jun 17 and RFCCU in Oct 17. Total sale revenue increased from US\$4,374 million (Baht 155,082 million) in 2016 to US\$5,009 million (Baht 170,535 million) in 2017 as a result of higher product price but partly offset by lower sale volume. Despite the impact from maintenance activity, market gross refining margin for SPRC in 2017 was US\$7.34/bbl which was better than 2016 due to strong global product demand and the supply shortage resulting from the tropical storm in US during Q3/17. As a result of higher accounting and market refining margin in 2017, net income was higher than 2016. Higher gain on exchange rate due to Baht appreciation also contributed to higher net income.

#### 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		
	2017	2016	+ / (-)	2017	2016	+ / (-)
Dubai crude oil	53.2	41.3	11.8	-	-	-
Light Naphtha (MOPJ)	55.1	44.3	10.8	1.91	2.99	-1.08
Gasoline (premium)	68.0	56.2	11.9	14.86	14.86	0.00
Jet Fuel	65.3	52.9	12.4	12.14	11.56	0.58
Diesel	65.7	52.1	13.6	12.53	10.78	1.74
Fuel Oil	50.8	36.4	14.5	-2.33	-4.95	2.63

In 2017, crude prices increased with Dubai crude price moving between US\$43.5/bbl and US\$64.4/bbl, with an average of US\$53.2/bbl, which was higher than 2016 average of US\$41.3/bbl. Crude price were gain supported from decline of U.S. crude inventories due to Hurricane Harvey, OPEC and Russia to extend agreement of production cut to the end of 2018, lower Libyan oil production cause from shutdown of El Sharara oilfield in Q3/17 and unrest situation impacts Venezuela production.

Petroleum product prices also moved, following crude prices. Naphtha crack over Dubai overall decreased from 2016, impacted by attractiveness of LPG cracking economics and arbitrage inflows from the West. The average gasoline crack in this year was US\$14.86/bbl which was similar to last year. In Q3/17, gasoline crack hit highest record in 2017 of US\$16.1/bbl supported by decline in the U.S. gasoline inventory, U.S. supply shortage due to refinery shutdowns from Hurricane Harvey, and healthy demand from Asia.

Jet/kerosene cracks were supported by increased demand of aviation fuel. International Air Transport Association (IATA) estimated global passenger traffic increasing by 8.0% in 2017 compared to 2016. Thailand jet demand expected increasing by 4%. Diesel cracks in 2017 was also higher than 2016, reflecting strong global demand from economic recovery and tightened supply from U.S. demand caused from refineries across the U.S. Gulf Coast shutdown due to Hurricane Harvey in Q3/17. Middle distillates inventories in Singapore rose to 13.4 million barrel in November as more export from China and India, supported diesel crack rebound to US\$12.33/bbl.

In 2017, fuel oil spread against Dubai averaged minus US\$2.33/bbl which was better than 2016 average minus US\$4.95/bbl. The Asian fuel oil market was relatively well supported by bullish trading market. In Q3/17 fuel oil spread over Dubai, averaged minus US\$1.34/bbl which was the lowest spread since 2012. They were supported by summer demand for power generation, U.S. refinery shutdown caused by Hurricane Harvey and lower export volumes from West and U.S. to Asia leading to tightness in high viscosity market. However, ample supply and inventory build eventually depress the market starting at the end of November toward the end of 2017.

Sources: EIA, IATA, IHS, OPEC, PLATTS, Reuters

### 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)		
	2017	2016	+ / (-)	2017	2016	+ / (-)
Total Revenue	5,009	4,374	635	170,535	155,082	15,454
EBITDA	406	394	13	13,845	13,964	(119)
EBIT	324	312	12	11,017	11,044	(27)
Exchange gain	44	16	28	1,509	548	960
Net income	261	245	16	8,895	8,688	207
Net income (US\$ / Baht per share)	0.06	0.06	-	2.05	2.00	0.05
Accounting gross refining margin (US\$/barrel) <sup>(1)</sup>	8.52	7.93	0.59	8.52	7.93	0.59
Market gross refining margin (US\$ per barrel) <sup>(2)</sup>	7.34	6.68	0.66	7.34	6.68	0.66

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

<sup>(2)</sup> 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 2016-2017.

Petroleum products (US\$ Mil)	2017	2016
Polymer Grade Propylene	99	98
Liquefied Petroleum Gas <sup>(1)</sup>	129	108
Light Naphtha	132	109
Gasoline	1,556	1,420
Jet Fuel	286	234
Diesel	2,053	1,818
Fuel Oil	349	254
Asphalt	55	34
Mix C4	116	92
Crude	1	25
Others <sup>(2)</sup>	233	182
<b>Total Revenue</b>	<b>5,009</b>	<b>4,374</b>

(1) Includes Government LPG and oil subsidies.

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

2017 Total sale revenue increased 15% as compared to 2016. The increase was mainly due to average selling price rising for petroleum products which is in line with the increase in crude oil price, partly offset with a decrease in sales volume of petroleum products to 63.5 million barrels in 2017 as compared to 67.0 million barrels in 2016.

In 2017, the company sold its petroleum products based on sale revenue to Chevron, PTT and other oil and petrochemical companies in the proportion of 58%, 31% and 11%, respectively.

### **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 local government 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 2017, cost of sales also increased 16% which was primarily due to an increase in average cost of crude oil in 2017, but partly offset by lower sale volume.

### **Other income**

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

**Gain (or loss) on Foreign Exchange**

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 2017, foreign exchange gain increased significantly by US\$28 million (Baht 960 million) from 2016 to US\$44 million (Baht 1,509 million) in 2017, primarily due to the higher appreciation of the Baht relative to the U.S. dollar during 2017 compared to the appreciation in 2016. Baht appreciation resulted in an increase in the value of 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 2017 slightly increased US\$2 million (Baht 29 million) from 2016 mainly from the impact from stronger Baht during the year. The appreciation of Baht also resulted to higher US\$ expense when converted Baht denominated expenses to US\$ equivalent.

**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.

**Income Tax Expenses**

Income tax expenses consist of current income tax payable and deferred income tax. Company statutory tax rate was 20% for 2016 and 2017.

Profit before tax in 2017 was US\$321 million (Baht 10,925 million) and resulted to income tax expense of US\$60 million (Baht 2,029 million) compared to profit of US\$309 million (Baht 10,949 million) in 2016.

**14.3.2 Analysis of Financial Position**

	US\$ Million			Baht Million		
	2017	2016	+ / (-)	2017	2016	+ / (-)
Total Assets	1,821	1,672	149	59,797	60,188	(391)
Total Liabilities	539	513	26	17,696	18,469	(773)
Total Shareholders' Equity	1,282	1,159	123	42,101	41,719	382

**Assets**

Total assets as of 31 Dec 2017 increased by US\$149 million (but decrease Baht 391 million due to exchange rate impact from Baht appreciation) from 31 Dec 2016, mainly from an increase in current assets but partially offset by a decrease in non-current assets.

Current assets increased US\$218million (Baht 5,058 million) due to:

- a) an increase in cash & cash equivalent of US\$60 million (Baht 1,938 million);
- b) an increase in trade and other account receivable of US\$50 million (Baht 606 million) from higher average selling prices (which include excise tax) in Dec 2017 comparing to average selling price in Dec 2016; and
- c) an increase in inventory of US\$108 million (Baht 2,468 million) from higher inventory price reflecting from the increase in oil price and higher inventory volume comparing to Dec 2016.

Non-current assets was lower year-over-year mainly from a decrease in property, plant and equipment of US\$67 million (Baht 5,379 million) as depreciation expenses for 2017 more than offset the additional capital investment in refinery reliability and efficiency projects.

### ***Liabilities***

Total liabilities as of 31 Dec 2017 increased US\$26 million (but decreased Baht 773 million due to exchange rate impact from Baht appreciation) from 31 Dec 2016. The increase in total liabilities are mainly from:

- a) an increase in trade and other account payables of US\$77 million (Baht 1,792 million). Trade payables increased mainly from higher purchase price of crude oil.
- b) An increase in other current liabilities of US\$65 million (Baht 2,037 million) mainly from higher excise tax payable resulting from new 2017 Excise Acts which the payment date of excise tax & fund has been changed;
- c) partially offset by a decrease in net long term borrowing of US\$107 million (Baht 4,066 million) for loan repayment; and
- d) a decrease in deferred tax liabilities of US\$20 million (Baht 780 million) resulted from the exchange rate impact on temporary difference between accounting and tax book.

### ***Shareholders' Equity***

Shareholders' equity as of 31 Dec 2017 increased US\$123 million (Baht 382 million) from 31 Dec 2016 resulted from the net profit in 2017 minus dividend payment for 2H/2016 profit and 1H/2017 profit.

## 14.3.3 Statement of Cash Flow

	US\$ Million		Baht Million	
	2017	2016	2017	2016
Net cash generated from operating activities	321	215	10,860	7,637
Net cash used in investing activities	(15)	(15)	(503)	(537)
Net cash used in financing activities	(245)	(302)	(8,413)	(10,654)
<b>Net Increase /(decrease) in cash and cash equivalents</b>	<b>61</b>	<b>(102)</b>	<b>1,944</b>	<b>(3,554)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6</b>	<b>109</b>	<b>233</b>	<b>3,949</b>
Adjustments from foreign exchange translation	(1)	(0)	(6)	(162)
<b>Cash and cash equivalents at the end of the period</b>	<b>66</b>	<b>6</b>	<b>2,171</b>	<b>233</b>

SPRC cash and cash equivalents at 31 Dec 2017 was US\$66 million (Baht 2,171 million), an increase of US\$60 million (Baht 1,938 million) from 31 Dec 2016.

Details of cash flow activities in 2017 are as follow.

a) Net cash generated from operating activities of US\$321 million (Baht 10,860 million) which was primarily due to:

- 2017 net profit of US\$261 million (Baht 8,895 million) and added back non-cash items of US\$75 million (Baht 2,510 million);
- cash generated from operating liabilities of US\$142 million (Baht 4,830 million), mainly from an increase in trade and other payables of US\$75 million (Baht 2,571 million) due to higher purchase price of crude oil and an increase in current liabilities of US\$66 million (Baht 2,259 million) mainly due to the new 2017 Excise Acts which impact to the payment date of excise tax & fund; and
- partially offset by cash used in operating assets of US\$157 million (Baht 5,366 million), mainly from an increase in trade receivable of US\$50 million (Baht 1,700 million) due to higher selling price, and an increase in inventory of US\$108 million (Baht 3,666 million) due to the increase in both inventory price and volume in Dec 2017.

b) Net cash used in investing activities of US\$15 million (Baht 503 million), primarily on projects spending to increase refinery reliability and efficiency.

c) Net cash used in financing activities of US\$245 million (Baht 8,413 million) mainly from:

- cash used for dividends paid of US\$138 million (Baht 4,799 million) for 2H/ 2016 and 1H/2017 net profit; and
- Repayment for long term borrowing of US\$107 million (Baht 3,614 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 (2015-2017), 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 2017 current ratio equivalent with prior year due to an increase in current assets from cash & cash equivalent of US\$60 million (Baht 1,938 million), an increase in trade and other account receivable of US\$50 million (Baht 606 million) and inventory increased of US\$108 million (Baht 2,468 million) combine with an increase in current liabilities from an increase in trade and other account payables of US\$79 million (Baht 1,858 million), excise tax payable increased which the payment date of excise tax & fund has been changed of US\$63 million (Baht 1,971 million), partially offset by a decrease in net long term borrowing of US\$107 million (Baht 4,066 million).

Average quick ratios during 2015-2017 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 (2015-2017) as a result of increasing cash flows from operating activities.

Turnover ratios include account receivables turnover, inventory turnover and account payables turnover. All turnover ratios decreased during 2015 to 2017 resulting in the cash cycle moving in the range of 26 to 33 days.

##### **Profitability Ratio**

Key profitability ratios include gross profit margin, operating profit margin, net profit margin and return on equity. These ratios all slightly decreased from 2016 to 2017 due to the maintenance activities of CDU in Jun 17 and RFCCU in Oct 17 that impact to the domestic sale volume was declined.

##### **Efficiency Ratio**

Key Efficiency ratios are return on total assets, return on fixed assets. These ratios slightly increased mainly from foreign exchange gain increased especially in the year 2017, due to the higher appreciation of the Baht relative to the U.S. dollar.

##### **Leverage Ratio**

The debt to equity ratio decreased from 2015, mainly from a decreased of the capital reduction and dividend payable, and unappropriated retained earnings increased in 2016 that resulted to the decrease in debt to equity ratio from 0.7 to 0.4. In 2017, equivalent with prior year due to, an increase in trade and other account payables mainly from higher purchase price of crude oil and excise tax payable increased which the payment date of excise tax & fund has been changed, partially offset by a decrease in net long term borrowing.

In 2016, the interest coverage ratio decreased from 2015 mainly from a decrease of cash from operating activities and higher financing costs in 2016. In 2017, interest coverage ratio increased from 2016 driven from cash flow from operating activities was higher.

Debt services coverage ratio in 2016 decreased from 2015 mainly from a decrease of cash flow from operating activities and higher in 2017 due to high cash flow from operating activities with decline of dividend payment.