

## **Part 3**

### **Financial Position and Performance**

### **13. Financial Highlights**

#### **13.1 Financial Statements**

##### **13.1.1 Auditor**

PricewaterhouseCoopers ABAS Limited (by Mr.Pongthavee Ratanakoses Certified Public Accountant (Thailand) No.7795) 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 2018 and expressed that it present fairly, in all material respects, the financial position of the Company as at 31 December 2018, 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 2018 is Baht 2,955,000.

## 13.2 Summary of financial statement

## Statement of Financial Positions

As at 31 December	US\$ Million			Baht Million		
	2018	2017	2016	2018	2017	2016
<b>Assets</b>						
Current assets						
Cash and cash equivalents	2	66	6	74	2,171	233
Trade and other receivables	385	373	324	12,541	12,253	11,647
Inventories, net	393	434	327	12,820	14,244	11,776
Other current assets	3	3	1	87	96	50
<b>Total current assets</b>	<b>783</b>	<b>876</b>	<b>659</b>	<b>25,521</b>	<b>28,765</b>	<b>23,707</b>
Non-current assets						
Prepaid income tax	19	-	-	622	-	-
Property, plant and equipment, net	880	937	1,005	28,698	30,791	36,171
Intangible asset, net	4	5	5	144	173	190
Other non-current assets	1	2	3	25	68	121
<b>Total non-current assets</b>	<b>904</b>	<b>945</b>	<b>1,013</b>	<b>29,489</b>	<b>31,032</b>	<b>36,482</b>
<b>Total assets</b>	<b>1,687</b>	<b>1,821</b>	<b>1,672</b>	<b>55,011</b>	<b>59,797</b>	<b>60,188</b>
<b>Liabilities and shareholders' equity</b>						
Current liabilities						
Trade and other payables	372	305	229	12,126	10,025	8,232
Current portion of long-term borrowings	-	72	107	-	2,354	3,840
Value added tax payable	4	6	4	131	198	155
Current income tax payable	-	38	30	-	1,236	1,065
Other current liabilities	106	92	28	3,447	3,036	999
<b>Total current liabilities</b>	<b>482</b>	<b>513</b>	<b>397</b>	<b>15,704</b>	<b>16,848</b>	<b>14,291</b>
Non - current liabilities						
Long-term borrowings – financial institutions	-	-	72	-	-	2,580
Deferred tax liabilities, net	14	17	37	449	549	1,329
Employee benefit obligations	10	9	7	328	299	268
<b>Total non-current liabilities</b>	<b>24</b>	<b>26</b>	<b>116</b>	<b>778</b>	<b>848</b>	<b>4,178</b>
<b>Total liabilities</b>	<b>505</b>	<b>539</b>	<b>513</b>	<b>16,482</b>	<b>17,696</b>	<b>18,469</b>
<b>Shareholders' equity</b>						
Share capital						
Authorised share capital <sup>(1)</sup>	865	865	865	30,004	30,004	30,004
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	88	3,000	3,000	3,000
Unappropriated	197	298	175	9,511	12,769	8,672
Other component of shareholders' equity	-	-	-	(4,965)	(4,650)	(935)
<b>Total shareholders' equity</b>	<b>1,182</b>	<b>1,282</b>	<b>1,159</b>	<b>38,529</b>	<b>42,101</b>	<b>41,719</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,687</b>	<b>1,821</b>	<b>1,672</b>	<b>55,011</b>	<b>59,797</b>	<b>60,188</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

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

## Statement of Comprehensive Income

	US\$ Million			Baht Million		
	2018	2017	2016	2018	2017	2016
Sales	6,406	4,982	4,370	208,107	169,620	154,954
Liquefied Petroleum Gas and fuel subsidies	32	27	4	1,053	915	128
<b>Total revenue</b>	<b>6,439</b>	<b>5,009</b>	<b>4,374</b>	<b>209,159</b>	<b>170,535</b>	<b>155,082</b>
Cost of sales	(6,342)	(4,703)	(4,053)	(206,188)	(160,131)	(143,715)
<b>Gross profit (loss)</b>	<b>96</b>	<b>306</b>	<b>321</b>	<b>2,972</b>	<b>10,405</b>	<b>11,367</b>
Other income	3	1	2	84	47	63
Gain on exchange rate	24	44	16	793	1,509	548
<b>Profit before expenses</b>	<b>123</b>	<b>351</b>	<b>338</b>	<b>3,849</b>	<b>11,961</b>	<b>11,979</b>
Administrative expenses	(29)	(27)	(26)	(947)	(943)	(914)
Other expenses	(2)	(0)	(1)	(49)	(1)	(21)
Finance costs	(2)	(3)	(3)	(50)	(92)	(94)
<b>Profit before income tax</b>	<b>91</b>	<b>321</b>	<b>309</b>	<b>2,804</b>	<b>10,924</b>	<b>10,949</b>
Income tax	(17)	(60)	(64)	(541)	(2,029)	(2,261)
<b>Profit for the year</b>	<b>74</b>	<b>261</b>	<b>245</b>	<b>2,263</b>	<b>8,895</b>	<b>8,688</b>
Other comprehensive income						
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Currency translation differences	-	-	-	(314)	(3,715)	(192)
Remeasurement of employee benefit obligations	-	-	(1)	-	-	(26)
Other comprehensive income for the year, net of tax	-	-	(1)	(314)	(3,715)	(218)
<b>Total comprehensive income for the year</b>	<b>74</b>	<b>261</b>	<b>244</b>	<b>1,949</b>	<b>5,180</b>	<b>8,470</b>
Basic earnings per share	0.02	0.06	0.06	0.52	2.05	2.00

## Statement of Cash Flows

	US\$ Million			Baht Million		
	2018	2017	2016	2018	2017	2016
<b>Cash flows from operating activities</b>						
Profit before income tax	91	321	309	2,804	10,925	10,949
Adjustments for:						
Finance income	(1)	(0)	(1)	(21)	(16)	(30)
Finance costs	2	3	3	50	92	94
Depreciation	83	81	81	2,685	2,775	2,872
Amortisation	2	2	1	52	53	48
Loss from disposal of fixed assets	1	0	1	45	1	20
Gain from foreign exchange rate	(7)	(15)	3	(228)	(524)	96
Loss on obsolete materials and supplies	0	1	1	8	32	24
Write down of inventory to net realisable value	62	-	-	2,048	-	-
Retirement benefit expenses	1	1	1	29	31	42
Change in operating assets and liabilities						
Trade and other receivables	(9)	(50)	(85)	(290)	(1,700)	(3,002)
Inventories	(22)	(108)	(79)	(711)	(3,666)	(2,787)
Other current assets and other non-current assets	1	(0)	7	47	(8)	239
Trade and other payables	64	75	33	2,095	2,571	1,183
Other current liabilities and other liabilities	10	66	(6)	331	2,259	(201)
<b>Cash generated from operations</b>	<b>279</b>	<b>376</b>	<b>269</b>	<b>8,943</b>	<b>12,823</b>	<b>9,545</b>
Interest received	1	0	1	21	16	30
Interest paid	(2)	(3)	(2)	(55)	(98)	(88)
Income tax paid	(74)	(53)	(52)	(2,427)	(1,882)	(1,851)
<b>Net cash generated from operating activities</b>	<b>204</b>	<b>321</b>	<b>215</b>	<b>6,483</b>	<b>10,860</b>	<b>7,637</b>
<b>Cash flows from investing activities</b>						
Purchases of equipment and intangible asset	(25)	(15)	(15)	(805)	(503)	(538)
Proceeds from disposal of equipment	0	0	0	1	0	1
<b>Net cash used in investing activities</b>	<b>(25)</b>	<b>(15)</b>	<b>(15)</b>	<b>(804)</b>	<b>(503)</b>	<b>(537)</b>
<b>Cash flow from financing activities</b>						
Proceeds from long-term borrowings	-	-	140	-	-	4,959
Repayment of long-term borrowings	(72)	(107)	(72)	(2,289)	(3,614)	(2,530)
Payment of capital reduction	-	-	(101)	-	-	(3,580)
Dividends paid to shareholders	(172)	(138)	(270)	(5,521)	(4,799)	(9,502)
<b>Net cash used in financing activities</b>	<b>(243)</b>	<b>(245)</b>	<b>(302)</b>	<b>(7,811)</b>	<b>(8,413)</b>	<b>(10,654)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(65)</b>	<b>61</b>	<b>(102)</b>	<b>(2,132)</b>	<b>1,944</b>	<b>(3,554)</b>
Cash and cash equivalents at the beginning of year	66	6	109	2,171	233	3,949
Adjustment from foreign exchange translation	1	(1)	(0)	35	(6)	(162)
<b>Cash and cash equivalents at the ending of year</b>	<b>2</b>	<b>66</b>	<b>6</b>	<b>74</b>	<b>2,171</b>	<b>233</b>
Non-cash item						
Acquisitions of property, plant and equipment which have not been paid	4	1	1	126	45	21

## 13.3 Financial Ratios

		Year Ended December 31		
		2018	2017	2016
<b>Liquidity Ratio</b>				
Current Ratio	(Time)	1.6	1.7	1.7
Quick Ratio	(Time)	0.8	0.9	0.8
Cash Flow Ratio <sup>(2)</sup>	(Time)	0.4	0.7	0.5
Account Receivable Turnover	(Time)	17.0	14.4	15.5
Average Collection Period <sup>(3)</sup>	(Day)	21.2	25.1	23.2
Inventory Turnover <sup>(4)</sup>	(Time)	15.3	12.4	14.1
Average Sales Period <sup>(3)</sup>	(Day)	23.5	29.1	25.6
Account Payable Turnover	(Time)	18.7	17.6	19.1
Payment Period <sup>(3)</sup>	(Day)	19.2	20.4	18.8
Cash Cycle	(Day)	25.5	33.7	29.9
<b>Profitability Ratio</b>				
Gross Profit Margin	(%)	1.5	6.1	7.3
Operating Profit Margin <sup>(5)</sup>	(%)	1.1	5.6	6.8
Other Profit Margin <sup>(6)(7)</sup>	(%)	0.4	0.9	0.4
Cash Profit Margin <sup>(2)(5)</sup>	(%)	299.1	114.7	72.7
Net Profit Margin <sup>(6)</sup>	(%)	1.1	5.2	5.6
Return on Equity	(%)	6.0	21.4	22.6
<b>Efficiency Ratio</b>				
Return on Total Assets	(%)	4.2	15.0	14.6
Return on Fixed Assets <sup>(8)</sup>	(%)	17.4	35.4	31.5
Assets Turnover <sup>(6)</sup>	(Time)	3.7	2.9	2.6
<b>Leverage Ratio</b>				
Net Debt to Equity ratio	(Time)	0.4	0.4	0.4
Interest Coverage ratio <sup>(2)</sup>	(Time)	165.6	133.2	108.5
Debt Services Coverage ratio (cash basis) <sup>(2)</sup>	(Time)	0.8	1.2	0.6
Dividend Payout Ratio <sup>(1)</sup>	(%)	233.3	53.0	110.1

**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) Others 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	(%)

<b>Efficiency Ratio</b>		
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)

<b>Leverage Ratio</b>		
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 2018 crude intake was 159.6 thousand barrels per day or 96.8% of the refining capacity, increased 7.2 thousand barrels per day from 2017. Lower crude intake in last year was resulted from the maintenance activity of CDU in Jun 17 and RFCCU in Oct 17. Total sale revenue also increased from US\$5,009 million (Baht 170,535 million) in 2017 to US\$6,439 million (Baht 209,159 million) in 2018 as a result of the increase in product price and sales volume. Despite the higher selling price and sales volume in 2018, SPRC's EBITDA, EBIT and net income in 2018 were below last year. In 2018, EBITDA EBIT and net income decrease 56%, 71% and 72% respectively from 2017. The decrease in oil price during Q4/18 resulted to a significant stock loss in 2018 and lower accounting gross refining margin. The stock loss in 2018 also included a loss from inventory write down to net realizable value of US\$62 million while there was stock gain in 2017 due to the rise in oil price during the year. Excluding stock gain or loss, SPRC market refining margin in 2018 was US\$5.67/bbl which was also down from US\$7.34/bbl in 2017 due to the unfavorable market especially on gasoline price.

#### 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		
	2018	2017	+ / (-)	2018	2017	+ / (-)
Dubai crude oil	69.7	53.2	16.5	-	-	-
Light Naphtha (MOPJ)	68.4	55.1	13.3	-1.21	1.91	-3.12
Gasoline (premium)	80.2	68.0	12.2	10.50	14.86	-4.36
Jet Fuel	85.0	65.3	19.7	15.36	12.14	3.22
Diesel	84.3	65.7	18.6	14.63	12.53	2.10
Fuel Oil	67.0	50.8	16.2	-2.62	-2.33	-0.29

In 2018, crude prices were volatile with Dubai crude price moving between US\$49.50/bbl and US\$84.41/bbl, with an average of US\$69.65/bbl, which was higher than 2017 average of US\$53.16/bbl. Crude price were impacted by Venezuela's production decline due to deteriorating economy, production at Sharara oilfield dropped and Iran's crude oil exports are expected to decline after the U.S. withdrew from the Iran's nuclear deal. In Q4/18, average Dubai price decrease to US\$67.44/bbl because of global supply increased and investors worried about the impact on fuel demand from of lower economic growth and trade disputes. OPEC and other large oil producers led by Russia agreed in December to cut their combined crude output by 1.2 million barrels per day from January 2019 in order to stem the fall in oil prices. The U.S. crude oil stocks have reached low record stock levels at 441 million barrels at the end of December.

Petroleum product prices also moved, following crude prices. The average gasoline crack in 2018 was US\$10.50/bbl which was lower than 2017 average of US\$14.86/bbl. Gasoline market trended downward mainly influenced by ample global supply. Gasoline becoming a byproduct as increasing refinery capacity gain benefit from middle distillate. Singapore light distillates stock was 14.46 million barrels on average. Overall, inventories were about 13 percent higher than a year ago.

Naphtha crack over Dubai overall decreased from 2017, impacted by high regional refinery crude runs and processing of lighter crudes that increased light distillates production. The depressed gasoline market also kept the regional naphtha market under pressure.

Jet and Diesel crack spreads over Dubai was stronger than previous year, averaged at US\$15.36/bbl and US\$14.63/bbl, respectively. Middle distillate cracks were supported by higher aviation demand from strong tourism growth from China, India, South Korea and Australia and winter heating demand. Diesel margins improved on robust demand, lower-than-average inventories and tighter supplies ahead of upcoming winter demand.

Fuel oil spread over Dubai in 2018 of minus US\$2.62/bbl, was slightly lower than 2017, supported by tightening global supplies of the residual fuel. Market was concerned on lower Iranian fuel oil exports and the loss of heavy crude amidst declining Venezuelan heavy crude supply.

Sources: IHS, 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)		
	2018	2017	+ / (-)	2018	2017	+ / (-)
Total Revenue	6,439	5,009	1,430	209,159	170,535	38,624
EBITDA	177	406	(230)	5,591	13,845	(8,254)
EBIT	93	324	(231)	2,854	11,017	(8,163)
Exchange gain	24	44	(19)	793	1,509	(716)
Net income	74	261	(188)	2,263	8,895	(6,632)
Net income (US\$ / Baht per share)	0.02	0.06	(0.04)	0.52	2.05	(1.53)
Accounting gross refining margin (US\$/barrel) <sup>(1)</sup>	4.73	8.52	(3.8)	4.73	8.52	(3.8)
Market gross refining margin (US\$ per barrel) <sup>(2)</sup>	5.67	7.34	(1.7)	5.67	7.34	(1.7)

<sup>(1)</sup> margin includes inventory gain/loss based on weighted average inventory cost and loss from write down of inventory to net realizable value at the end of period

<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 2017-2018.

US\$ Million

Petroleum products <sup>(1)</sup>	2018	2017
Polymer Grade Propylene	122	99
Liquefied Petroleum Gas	137	129
Light Naphtha	182	132
Gasoline	1,869	1,556
Jet Fuel	467	286
Diesel	2,695	2,053
Fuel Oil	438	349
Asphalt	49	55
Mix C4	126	116
Crude	0	1
Others <sup>(2)</sup>	354	233
<b>Total Revenue</b>	<b>6,439</b>	<b>5,009</b>

<sup>(1)</sup> Includes Government LPG and oil subsidies.

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

2018 Sale revenue increased 29% compared to 2017. The increase was mainly due to average selling price for petroleum product increased, and increase in volume of petroleum product sold to 66.9 million barrels in 2018 compared to 63.5 million barrels in 2017.

In 2018, the company sold its petroleum products based on sale revenue to Chevron, PTT and other oil and petrochemical companies in the proportion of 52%, 35% and 13%, 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.

Compared 2018 with 2017, cost of sales increased 35% due higher average cost of crude oil, higher sales volume and inventory write down to net realizable value of US\$62 million due to the decreasing in global oil price.

### **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 2018, foreign exchange gain decreased from US\$44 million (Baht 1,509 million) in 2017 to US\$24 million (Baht 793 million) in 2018, primarily due to the lower appreciation of the Baht relative to the U.S. dollar during 2018 compared to the appreciation in 2017. Baht appreciation resulted in an increase in the value of Baht denominated receivables when converted to US\$ 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.

Compared 2018 with 2017, administrative expenses for 2018 in US\$ slightly increased US\$2 million (Baht 4 million) mainly from the impact of 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%.

Profit before tax in 2018 was US\$91 million (Baht 2,804 million) and resulted to income tax expense of US\$17 million (Baht 541 million) compared to profit of US\$321 million (Baht 10,924 million) in 2017.

### **14.3.2 Analysis of Financial Position**

	US\$ Million			Baht Million		
	2018	2017	+ / (-)	2018	2017	+ / (-)
Total Assets	1,687	1,821	(134)	55,011	59,797	(4,786)
Total Liabilities	505	539	(33)	16,482	17,696	(1,214)
Total Shareholders' Equity	1,182	1,282	(100)	38,529	42,101	(3,572)

#### **Assets**

Total assets as of 31 Dec 2018 decreased by US\$134 million (Baht 4,786 million) from 31 Dec 2017.

Total current assets decreased US\$93 million (Baht 3,243 million) due to:

a decrease in cash & cash equivalent of US\$64 million (Baht 2,097 million);

- a) a decrease in inventory of US\$41 million (Baht 1,424 million) from lower inventory price reflecting from the declining oil price comparing to Dec 2017; but partially offset by
- b) a slight increase in trade and other account receivable of US\$12 million (Baht 287 million) from higher sales volume in Dec 2018 comparing to sales volume in Dec 2017 which partly offset by lower average selling price.

Non-current assets were lower year-over-year mainly from a decrease in property, plant and equipment of US\$57 million (Baht 2,093 million) as depreciation expenses for 2018 more than offset the additional capital investment in refinery reliability and efficiency projects. The decrease in property, plant and equipment was partially offset by an increase in prepaid income tax for year 2018 of US\$19 million (Baht 622 million) which was paid in Aug 18 based on the taxable income of 1H/18. Such amount would be refunded from the Revenue department because of taxable loss in 2H/18.

#### **Liabilities**

Total liabilities as of 31 Dec 2018 decreased US\$33 million (Baht 1,214 million) from 31 Dec 2017. The decrease in total liabilities are mainly from:

- a) a decrease in long term borrowing of US\$72 million (Baht 2,354 million) for final payment of its obligation;
- b) a decrease in income tax payable of US\$38 million (Baht 1,236 million). Because of the taxable loss in 2H/18, there is no corporate income tax for payment and part of the income tax for 1H/18 which was paid in Aug will be recovered from the Revenue department; but partially offset by
- c) an increase in trade and other account payables of US\$67 million (Baht 2,101 million). Trade payables increased mainly from timing of crude oil purchase and payment; and
- d) an increase in excise tax payable of US\$13 million (Baht 419 million) due to higher sale volume in Dec 18 comparing to Dec 17.

### Shareholders' Equity

Shareholders' equity as of 31 Dec 2018 decreased US\$100 million (Baht 3,572 million) from 31 Dec 2017 resulted from the net profit in 2018 minus dividend payment for 2H/2017 profit and 1H/2018 profit.

### 14.3.3 Statement of Cash Flow

	US\$ Million		Baht Million	
	2018	2017	2018	2017
Net cash generated from operating activities	204	321	6,483	10,860
Net cash used in investing activities	(25)	(15)	(804)	(503)
Net cash used in financing activities	(243)	(245)	(7,811)	(8,413)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(64)</b>	<b>61</b>	<b>(2,132)</b>	<b>1,944</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>66</b>	<b>6</b>	<b>2,171</b>	<b>233</b>
Adjustments from foreign exchange translation	1	(1)	35	(6)
<b>Cash and cash equivalents at the end of the period</b>	<b>2</b>	<b>66</b>	<b>74</b>	<b>2,171</b>

SPRC cash and cash equivalents was down from US\$66 million (Baht 2,171 million) at 31 Dec 2017 to US\$2 million (Baht 73 million) at 31 Dec 2018.

Details of cash flow activities in 2018 are as follow.

- a) Net cash generated from operating activities of US\$204 million (Baht 6,483 million) which was primarily due to:
  - 2018 net profit of US\$74 million (Baht 2,263 million) and added back non-cash items of US\$85 million (Baht 2,748 million);
  - cash generated from operating liabilities of US\$75 million (Baht 2,426 million), mainly from an increase in trade and other payables of US\$64 million (Baht 2,095 million) due to timing of crude oil purchase and payment and an increase in other current liabilities of US\$10 million (Baht 331 million) mainly from the higher excise tax payable resulting from higher sale volume
  - partially offset by cash used in operating assets of US\$29 million (Baht 954 million), mainly from an increase in inventory value (excluding write down of inventory to net realizable value which is non-cash item) of US\$22 million (Baht 711 million) and an increase in trade

receivable of US\$9 million (Baht 290 million) due to higher sales volume in Dec 18 comparing to Dec 17.

- b) Net cash used in investing activities of US\$25 million (Baht 804 million), primarily on projects spending to increase refinery reliability and efficiency.
- c) Net cash used in financing activities of US\$243 million (Baht 7,811 million) mainly from:
  - cash used for dividends paid of US\$172 million (Baht 5,521 million) for 2H/ 2017 and 1H/2018 net profit; and
  - repayment for long term borrowing of US\$72 million (Baht 2,289 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 (2016 - 2018), the average current ratio was 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, tax payable and the current portion of long term liabilities. As of 31 December 2018 current ratio slightly decrease with prior year due to a decrease in current assets from cash & cash equivalent of US\$64 million (Baht 2,097 million), a decrease in inventory of US\$41 million (Baht 1,424 million), but partially offset by a slightly increase in trade and other account receivable of US\$12 million (Baht 287 million). There were combined with a decrease in current liabilities from a decrease in long term borrowing of US\$72 million (Baht 2,354 million) and a decrease in income tax payable of US\$38 million (Baht 1,236 million), but partially offset by an increase in trade and other account payables of US\$67 million (Baht 2,101 million), an increase in excise tax payable of US\$13 million (Baht 419 million).

Average quick ratios during 2016 - 2018 were less than one, lower than the current ratios due to the exclusion of inventory from the calculation.

Cash flow ratio in 2018 decreased from previous year as a result from decreasing cash flows from operating activities.

Turnover ratios include account receivables turnover, inventory turnover and account payables turnover. All turnover ratios in 2018 slightly increased from previous year resulting in the cash cycle moving in the range of 25 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 decreased from 2017 to 2018 mainly from decrease in crude oil price during end year 2018 resulted to a significant stock loss in 2018 and lower accounting gross refining margin. The stock loss in 2018 also included a loss from inventory write down to net realizable value.

##### Efficiency Ratio

Key Efficiency ratios are return on total assets, return on fixed assets. These ratios decreased mainly from a significant stock loss in 2018 and lower accounting gross refining margin. The stock loss in 2018 also included a loss from inventory write down to net realizable value.

##### Leverage Ratio

The debt to equity ratio equivalents at 0.4 in the past 3 years (2015 - 2018).

In 2018, the interest coverage ratio increased from previous year mainly from a decrease of interest paid and cash from operating activities, while an increase income tax paid in 2018.

Debt services coverage ratio in 2017 increased from 2016 mainly from an increase of cash flow from operating activities and subsequently decreased in 2018 due to decrease cash flow from operating activities and a decrease of dividend payment.