

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 2019 and expressed that it present fairly, in all material respects, the financial position of the Company as at 31 December 2019, 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 2019 is Baht 2,955,000.

13.2 Summary of financial statement

Statement of Financial Positions

As at 31 December	(US\$ Million)			(Baht Million)		
	2019	2018	2017	2019	2018	2017
Assets						
Current assets						
Cash and cash equivalents	1	2	66	20	74	2,171
Trade and other receivables	237	385	373	7,192	12,541	12,253
Value added tax receivables	11	-	-	321	-	-
Inventories, net	589	393	434	17,856	12,820	14,244
Other current assets	4	3	3	135	87	96
Total current assets	842	783	876	25,524	25,521	28,765
Non-current assets						
Prepaid income tax	26	19	-	795	622	-
Property, plant and equipment, net	880	880	937	26,686	28,698	30,791
Intangible asset, net	4	4	5	124	144	173
Deferred tax assets	30	-	-	910	-	-
Other non-current assets	8	1	2	255	25	68
Total non-current assets	949	904	945	28,770	29,489	31,032
Total assets	1,790	1,687	1,821	54,294	55,011	59,797
Liabilities and shareholders' equity						
Current liabilities						
Short-term borrowings	225	-	-	6,819	-	-
Trade and other payables	447	372	305	13,567	12,126	10,025
Current portion of long-term borrowings	-	-	72	-	-	2,354
Value added tax payable	-	4	6	-	131	198
Current income tax payable	-	-	38	-	-	1,236
Other current liabilities	31	106	92	949	3,447	3,036

As at 31 December	(US\$ Million)			(Baht Million)		
	2019	2018	2017	2019	2018	2017
Total current liabilities	703	482	513	21,334	15,704	16,848
Non - current liabilities						
Long-term borrowings - financial institutions	-	-	-	-	-	-
Deferred tax liabilities, net	-	14	17	-	449	549
Employee benefit obligations	16	10	9	484	328	299
Total non - current liabilities	16	24	26	484	778	848
Total liabilities	719	505	539	21,818	16,482	17,696
Shareholders' equity						
Share capital						
Authorised share capital ⁽¹⁾	865	865	865	30,004	30,004	30,004
Issued and paid-up share capital ⁽²⁾	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	86	197	298	6,167	9,511	12,769
Other component of shareholders' equity	-	-	-	(7,674)	(4,965)	(4,650)
Total shareholders' equity	1,071	1,182	1,282	32,476	38,529	42,101
Total liabilities and shareholders' equity	1,790	1,687	1,821	54,294	55,011	59,797

⁽¹⁾ Authorised share capital and number of authorised shares : a par value of Baht 6.92 per share for 4,335,902,125 shares

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

Statement of Comprehensive Income

	(US\$ Million)			(Baht Million)		
	2019	2018	2017	2019	2018	2017
Sales	5,384	6,406	4,982	168,611	208,107	169,620
Liquefied Petroleum Gas and fuel subsidies	7	32	27	228	1,053	915
Total revenue	5,392	6,439	5,009	168,840	209,159	170,535
Cost of sales	(5,498)	(6,342)	(4,703)	(172,051)	(206,188)	(160,131)
Gross profit (loss)	(107)	96	306	(3,211)	2,972	10,405
Other income	1	3	1	36	84	47
Gain on exchange rate	39	24	44	1,225	793	1,509
Profit before expenses	(66)	123	351	(1,950)	3,849	11,961
Administrative expenses	(55)	(29)	(27)	(1,690)	(947)	(943)
Other expenses	(0)	(2)	(0)	(7)	(49)	(1)
Finance costs	(1)	(2)	(3)	(46)	(50)	(92)
Profit before income tax	(123)	91	321	(3,693)	2,804	10,924
Income tax	29	(17)	(60)	885	(541)	(2,029)
Profit for the year	(94)	74	261	(2,809)	2,263	8,895
Other comprehensive income	5,384	6,406	4,982	168,611	208,107	169,620
Items that will not be reclassified subsequently to profit or loss						
Currency translation differences	-	-	-	(2,709)	(314)	(3,715)
Remeasurement of employee benefit obligations	-	-	-	(13)	-	-
Other comprehensive income for the year, net of tax	-	-	-	(2,723)	(314)	(3,715)
Total comprehensive income for the year	(94)	74	261	(5,531)	1,949	5,180
Basic earnings per share	(0.02)	0.02	0.06	(0.65)	0.52	2.05

Statement of Cash Flows

	(US\$ Million)			(Baht Million)		
	2019	2018	2017	2019	2018	2017
Cash flows from operating activities						
Profit before income tax	(123)	91	321	(3,693)	2,804	10,925
Adjustments for:						
Finance income	(0)	(1)	(0)	(5)	(21)	(16)
Finance costs	1	2	3	46	50	92
Depreciation	81	83	81	2,518	2,685	2,775
Amortisation	2	2	2	47	52	53
Loss from disposal of fixed assets	0	1	0	7	45	1
Gain from foreign exchange rate	(11)	(7)	(15)	(344)	(228)	(524)
Loss on obsolete materials and supplies	(0)	0	1	(3)	8	32
Write down of inventory to net realizable value	(60)	62	-	(1,907)	2,048	-
Retirement benefit expenses	4	1	1	138	29	31
Change in operating assets and liabilities						
Trade and other receivables	146	(9)	(50)	4,556	(290)	(1,700)
Inventories	(135)	(22)	(108)	(4,217)	(711)	(3,666)
Other current assets and other non-current assets	(20)	1	(0)	(628)	47	(8)
Trade and other payables	76	64	75	2,383	2,095	2,571
Other current liabilities and other liabilities	(77)	10	66	(2,415)	331	2,259
Cash generated from operations	(117)	279	376	(3,516)	8,943	12,823
Interest received	0	1	0	5	21	16
Interest paid	(1)	(2)	(3)	(42)	(55)	(98)
Income tax paid	(6)	(74)	(53)	(173)	(2,427)	(1,882)

	(US\$ Million)			(Baht Million)		
	2019	2018	2017	2019	2018	2017
Net cash generated from operating activities	(123)	204	321	3,726	6,483	10,860
Cash flows from investing activities						
Purchases of equipment and intangible asset	(83)	(25)	(15)	(2,599)	(805)	(503)
Proceeds from disposal of equipment	-	0	-	-	1	-
Net cash used in investing activities	(83)	(25)	(15)	(2,599)	(804)	(503)
Cash flow from financing activities						
Net proceeds from short-term borrowings	222	-	-	6,728	-	-
Repayment of long-term borrowings	-	(72)	(107)	-	(2,289)	(3,614)
Dividends paid to shareholders	(17)	(172)	(138)	(521)	(5,521)	(4,799)
Net cash used in financing activities	205	(243)	(245)	6207	(7,811)	(8,413)
Net increase (decrease) in cash and cash equivalents	(2)	(65)	61	(118)	(2,132)	1,944
Cash and cash equivalents at the beginning of year	2	66	6	74	2,171	233
Adjustment from foreign exchange translation	0	1	(1)	64	35	(6)
Cash and cash equivalents at the ending of year	1	2	66	20	74	2,171
Non-cash item						
Acquisitions of property, plant and equipment which have not been paid	2	4	1	74	126	45

13.3 Financial Ratios

		Year Ended December 31		
		2019	2018	2017
Liquidity Ratio				
Current Ratio	(Time)	1.2	1.6	1.7
Quick Ratio	(Time)	0.3	0.8	0.9
Cash Flow Ratio ⁽¹⁾	(Time)	(0.2)	0.4	0.7
Account Receivable Turnover	(Time)	17.3	17.0	14.4
Average Collection Period ⁽²⁾	(Day)	20.8	21.2	25.1
Inventory Turnover ⁽³⁾	(Time)	11.2	15.3	12.4
Average Sales Period ⁽²⁾	(Day)	32.1	23.5	29.1
Account Payable Turnover	(Time)	13.4	18.7	17.6
Payment Period ⁽²⁾	(Day)	26.8	19.2	20.4
Cash Cycle	(Day)	26.1	25.5	33.7
Profitability Ratio				
Gross Profit Margin	(%)	(2.0)	1.5	6.1
Operating Profit Margin ⁽⁴⁾	(%)	(3.0)	1.1	5.6
Other Profit Margin ⁽⁵⁾⁽⁶⁾	(%)	0.7	0.4	0.9
Cash Profit Margin ⁽¹⁾⁽⁴⁾	(%)	76.9	299.1	114.7
Net Profit Margin ⁽⁵⁾	(%)	(1.7)	1.1	5.2
Return on Equity	(%)	(8.3)	6.0	21.4
Efficiency Ratio				
Return on Total Assets	(%)	(5.4)	4.2	15.0
Return on Fixed Assets ⁽⁷⁾	(%)	(1.3)	17.4	35.4
Assets Turnover ⁽⁵⁾	(Time)	3.1	3.7	2.9
Leverage Ratio				
Net Debt to Equity ratio	(Time)	0.7	0.4	0.4
Interest Coverage ratio	(Time)	(81.5)	60.1	119.9
Debt Services Coverage ratio (cash basis) ⁽¹⁾	(Time)	(1.2)	0.8	1.2
Dividend Payout Ratio ⁽⁸⁾	(%)	50.0*	104.0	60.0

Note:

⁽¹⁾ Cash flow from operation after deduct interest income / expense and income tax paid

⁽²⁾ Apply 360 days to calculated average collection period, average sale period and payment period

⁽³⁾ Inventory include finish product, raw material, intermediate and goods in transit

⁽⁴⁾ Profit from operation calculated from Profit before interest and tax excluded gain from non-operation such as gain from exchange rate

⁽⁵⁾ Total revenue excluded gain from non-operating income such as gain from exchange rate

⁽⁶⁾ Other income are non-operating income such as gain from exchange rate

⁽⁷⁾ Fixed asset calculated from net property, plant and equipment

⁽⁸⁾ Dividend payout ratio based on the performance of period of dividend declaration

*In 2019 calculated from 1H net profit

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	= earnings before interest and taxes (EBIT) / interest expenses	(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 of the performance period	(%)

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. Prior to the major turnaround in 2019, we operate a complex refinery with a capacity of 165,000 barrels per day of crude oil. We successfully completed the 2019 Turnaround and Expansion project which increase the capacity to 175,000 barrels per day

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 & PTTOR 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.

Total crude intake in 2019 was 134 thousand barrels per day which decreased from 160 thousand barrels per day in 2018 or 16% decrease, impacted from the reduction in refinery unit's throughput to optimize the refinery run during low refining margin in the market, end of run condition of some process units and planned refinery turnaround in Q4/19. This caused sale revenue in 2019 to drop 19% from 2018 which also due to the lower refinery product price. SPRC had negative EBITDA and net income in 2019 which were impacted from low throughput, low accounting refining margin, despite a slight stock gain, weak market refining margin and planned turnaround expenses. Excluding stock gain, market gross refining margin in 2019 was low at US\$3.39/bbl comparing to US\$5.67/bbl in 2018 impacted from product crack spread declined due to sluggish demand. Baht to US\$ remained strong and continued appreciation which resulted to higher exchange gain in 2019 and favorable to 2019 performance.

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.

	Pricing			Spread over Dubai		
	2019	2018	+ / (-)	2019	2018	+ / (-)
Dubai crude oil	63.5	69.7	-6.2	-	-	-
Light Naphtha	58.2	68.2	-10.0	-5.37	-1.21	-4.16
Gasoline (premium)	72.5	80.0	-7.5	8.99	10.50	-1.51
Jet Fuel	77.2	84.8	-7.6	13.72	15.36	-1.64
Diesel	77.2	84.1	-6.9	13.71	14.63	-0.92
Fuel Oil (HSFO)	58.6	66.8	-8.2	-4.91	-2.62	-2.29

In 2019, crude prices were volatile with Dubai crude price moving between US\$59.08/bbl and US\$70.95/bbl, with an average of US\$63.52/bbl, which was lower than 2018 average of US\$69.65/bbl as a result from U.S. attempts to drive Iranian oil exports down to zero come against the backdrop of a global market, OPEC supply cuts and Middle East tensions outweighed the U.S.-China trade dispute that has been dragging on the global economy and oil demand. Moreover, the attack on top oil exporter Saudi Arabia's oil facilities also threatens global oil supplies. Average Dubai price for Q4/19 was US\$62.08/bbl as concern on cost of freight rates to ship U.S. crude to Asia, a possible delay in resolving the U.S.-China trade war and sharply rose in global oil inventories despite OPEC and its allies deepening their output cuts and slowing U.S. production growth.

Petroleum product prices also moved, following crude prices. The average gasoline crack in 2019 was US\$8.99/bbl which was lower than 2018 average of US\$10.5/bbl. Gasoline market in this year was volatile as high supplies across regions of Asia, U.S. and Europe in Q1/19 and increased in Q2/19 due to peak Asian refinery turnarounds. Gasoline crack was higher in October and November as supply tightened slightly owing to heavy refinery turnarounds and unplanned outages, more demand from India and Indonesia. Significant inventory drawdowns in North America, and ARA and Singapore inventories which are below the five-year-average. However, in December market still under pressure for rising inventories due to the start-up of new refining capacities from Rongsheng in China and Hengyi in Brunei.

Naphtha crack over Dubai in 2019 was minus US\$5.37/bbl. This was decreased from 2018 as affected by the volatile gasoline market, which kept the regional naphtha market under pressure.

Jet and Diesel crack spreads over Dubai was relatively weaker than 2018, averaged at US\$13.72/bbl and US\$13.71/bbl, respectively. Middle distillate cracks were pressure on weak demand growth stemming from the region's protracted trade dispute with the United States, a surge of exports out of India and China.

Fuel oil spread over Dubai in 2019 was lower than 2018, averaged at minus US\$4.91/bbl. The weaker Fuel oil market was mainly due to concern on the IMO 2020 deadline, the transition into the low sulfur world was in full swing.

Exchange rate fluctuations

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)		
	2019	2018	+ / (-)		2019	2018	+ / (-)
Total Revenue	5,392	6,439	(1,047)		168,840	209,159	(40,320)
EBITDA	(39)	177	(216)		(1,082)	5,591	(6,672)
EBIT	(121)	93	(214)		(3,647)	2,854	(6,501)
Exchange gain	39	24	15		1,225	793	432
Net income (Loss)	(94)	74	(168)		(2,809)	2,263	(5,072)
Net income (Loss) (US\$/Baht per share)	(0.02)	0.02	0.00		(0.65)	0.52	(1.17)
Accounting refining margin (US\$ per barrel) ⁽¹⁾	4.12	4.73	(0.61)		4.12	4.73	(0.61)
Market gross refining margin (US\$ per barrel) ⁽²⁾	3.39	5.67	(2.28)		3.39	5.67	(2.28)

⁽¹⁾ 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

⁽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 2018-2019.

Petroleum products ⁽¹⁾	US\$ Million	
	2019	2018
Polymer Grade Propylene	87	122
Liquefied Petroleum Gas	103	137
Light Naphtha	129	182
Gasoline	1,616	1,869
Jet Fuel	346	467
Diesel	2,394	2,695
Fuel Oil	255	438
Asphalt	43	49
Mix C4	93	126
Crude	30	0
Others ⁽²⁾	296	354
Total Revenue	5,392	6,439

⁽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).

SPRC had sale revenue of US\$5,392 million in 2019, decreased by US\$1,047 million from 2018 or 16%. The decrease was mainly due to lower refinery production from 1) the optimization of economic returns, 2) the end of run plant condition of some process units before the planned turnaround and 3) the planned turnaround in Nov-Dec 19. Sales volume of petroleum products was at 58.0 million barrels in 2019, lower than 2018 which was at 66.9 million barrels. A decrease in global oil price and weak product crack spread comparing to crude oil in 2019 also led to lower sale revenue.

In 2019, the company sold its petroleum products based on sale revenue to Chevron, PTT & PTTOR and other oil and petrochemical companies in the proportion of 54%, 34% and 12%, 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 2019 with 2018, 2019 cost of sale also decreased from prior year which in line with the decrease in sale volume impacted from the planned turnaround in Nov-Dec 19. Cost of sales in 2018 included 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.

Baht to US\$ continued appreciation in 2019. This resulted to higher exchange gain in this year comparing to prior year. 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.

Comparing 2019 with 2018, administrative expenses increasing was mainly from a business email compromise late last year which resulted in the payment of invoices to an incorrect account. SPRC immediately involved internal and external IT experts for incident investigation and has strengthened its internal control. SPRC is working with the appropriate authorities regarding potential recovery of the payment but conservatively recorded the financial loss in Q4/19. Aside from this incorrect payment, administrative expense increased US\$3 million from the provision of employee benefit from the change in Labor Protection Act recorded in 2019 and exchange rate impact from Baht appreciation.

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%.

The company had loss profit before tax in 2019 of US\$123 million (Baht 3,693 million). Therefore there is no current income tax. Tax loss in 2019 will be carried forward to offset profit in future years.

14.3.2 Analysis of Financial Position

	(US\$ Million)			(Baht Million)		
	2019	2018	+/(−)	2019	2018	+/(−)
Total Assets	1,790	1,687	103	54,294	55,011	(717)
Total Liabilities	719	505	214	21,818	16,482	5,336
Total Shareholders' Equity	1,071	1,182	(111)	32,476	38,529	(6,052)

Assets

Total assets as of 31 Dec 2019 increased by US\$103 million (but decreased Baht 717 million due to the translation of US\$ to Baht at period end FX) from 31 Dec 2018.

Total current assets increased US\$59 million (Baht 3 million) mainly due to:

- a) an increase in inventory of US\$196 million (Baht 5,036 million) from increase in both inventory volume, to support refinery run after start-up from the turnaround, and inventory price.
- b) an increase in VAT receivables of US\$11 million (Baht 321 million) from high VAT on purchase of crude oil in Dec 19 to prepare for refinery run after turnaround while VAT on sale was lower due to low sale volume from refinery shutdown in Nov until mid Dec; but partly offset by
- c) a decrease in trade and other account receivables of US\$148 million (Baht 5,349) due to lower sale volume in Dec 19

Non-current assets increased US\$44 million (but decreased Baht 719 million due to FX translation) mainly due to an increase in deferred tax asset of US\$30 million (Baht 910 million) from 2019 operating loss carryforward, an increase in prepaid income tax of US\$7 million (Baht 173 million) from 1H19 income tax paid which will be refunded from the government, and an increase in other non-current assets of US\$8 million (Baht 231 million) from prepaid expenses. Capital investment in 2019 of US\$81 million, which include investment in refinery reliability and efficiency project, was offset by depreciation expenses in 2019.

Liabilities

Total liabilities as of 31 Dec 19 increased US\$214 million (Baht 5,336 million) from 31 Dec 2018. The increase is mainly from:

- a) an increase in S-T borrowing of US\$225 million (Baht 6,819 million) to support movement in working capital and turnaround spending;
- b) an increase in trade and other account payables of US\$75 million (Baht 1,441 million) from crude purchase for refinery start up in Dec 19 and higher crude price;
- c) an increase in employee benefit obligation of US\$6 million (Baht 156 million) due to the provision of employee benefit impacted from the change in Thai Labor Act severance pay; but partially offset by
- d) a decrease in excise tax payable of US\$75 million (Baht 2,520 million) due to the change in excise tax regulation on the payment date of excise tax and fund; and
- e) a decrease in deferred tax liabilities of US\$14 million (Baht 449 million). Due to 2019 operating loss carry forward, deferred tax was presented net in deferred tax asset.

Shareholders' Equity

Shareholders' equity as of 31 Dec 2019 decreased US\$111 million (Baht 6,052 million) from 31 Dec 2018 resulted from the net loss in 2019 and dividend payment for 1H/19 profit.

14.3.3 Statement of Cash Flow

	(US\$ Million)		(Baht Million)	
	2019	2018	2019	2018
Net cash generated from operating activities	(123)	204	(3,726)	6,483
Net cash used in investing activities	(83)	(25)	(2,599)	(804)
Net cash used in financing activities	205	(243)	6,207	(7,811)
Net increase (decrease) in cash and cash equivalents	(2)	(64)	(118)	(2,132)
Cash and cash equivalents at the beginning of the period	2	66	74	2,171
Adjustments from foreign exchange translation	0	1	64	35
Cash and cash equivalents at the end of the period	1	2	20	74

SPRC cash and cash equivalents slightly decreased from US\$2 million (Baht 74 million) at 31 Dec 2018 to US\$1 million (Baht 20 million) at 31 Dec 2019.

Details of cash flow activities in 2019 are as follow.

- a) Net cash used in operating activities of US\$123 million (Baht 3,726 million) which was primarily due to:
 - a. 2019 net loss of US\$94 million (Baht 2,809 million) and non-cash items of US\$19 million (Baht 596 million);
 - b. cash used in operating assets of US\$9 million (Baht 289 million), mainly from an increase in inventory US\$135 million (Baht 4,217 million) from higher inventory volume and an increase in other assets of US\$20 million (Baht 627 million) but offset by a decrease in trade receivables of US\$146 million (Baht 4,556 million) due to lower sale volumes
- b) Net cash used in investing activities of US\$83 million (Baht 2,599 million), primarily on projects spending to increase refinery capacity, reliability, and efficiency.
- c) Net cash provided from financing activities of US\$205 million (Baht 6,207 million) from short term borrowing of US\$222 million (Baht 6,728 million) primarily to support working capital and major turnaround spending but partially offset by dividend payment for 1H/19 net income of US\$17 million (Baht 521 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 (2017 - 2019), 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, short term borrowings and current portion of long term borrowings. As of 31 December 2019 both current assets and current liabilities increased but current assets increased in a lesser extent than liabilities which caused current ratio decreased from prior year. Increase in current assets was due to an increase in inventory of US\$196 million (Baht 5,036 million) and an increase in VAT receivables of US\$11 million (Baht 321 million) but partially offset by a decrease in trade and other account receivables of US\$148 million (Baht 5,349 million), While there was a higher increase in current liabilities from an increase in short term borrowing of US\$225 million (Baht 6,819 million) and an increase in trade and

other account payables of US\$75 million (Baht 1,441 million), but partially offset by a decrease in excise tax payable of US\$75 million (Baht 2,520 million).

Quick ratios during 2017 - 2019 were less than one, lower than the current ratios due to the exclusion of inventory from the calculation. Quick ratios dropped in 2019 mainly as a result of the increase in current liabilities from short term borrowing and trade and other payables.

Cash flow ratio in 2019 was negative as a result of net cash used in operating activities from net loss in 2019 and higher working capital.

Turnover ratio of account receivables turnover ratio in 2019 slightly increased while an inventory turnover and account payables turnover ratios decreased 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 significantly decreased from 2018 to 2019 with negative ratios mainly from weak product crack spread and a decrease in global oil price in 2019 together with a reduction in refinery unit's throughput from planned major turnaround of all process units in Nov-Dec. Profitability in 2019 was also negatively impacted from the expenses relating to major turnaround.

Efficiency Ratio

Key Efficiency ratios are return on total assets, return on fixed assets. These ratios also significantly decreased and are negative due to net loss in 2019 mainly from a drop of refinery margin and the impact from the planned major turnaround.

Leverage Ratio

The debt to equity ratio equivalents at 0.4 in the past 2 years (2017 - 2018) and increased to 0.7 in 2019. Debt increased in 2019 due to an increase of in short term borrowing, to support the increase in working capital and expenditure relating to the turnaround, and an increase in trade and other account payables from higher purchase of crude oil, partially offset by a decrease in excise tax payable from the change in the payment date of excise tax & fund. Equity decreased from 2018 resulted from net loss in 2019.

In 2019, the interest coverage ratio decreased from previous year and was negative due to negative EBIT while financing costs increased in 2019 due to higher borrowings.

Debt services coverage ratio in 2018 decreased from 2017 mainly from a decrease in cash generated from operating activities. The ratio significantly decreased in 2019 and was negative due to cash used in operating activities. In 2019, dividend payment was less and no loan repayment but partly offset by higher fixed asset purchase.