

## Part 3

### Financial Statements and Operating Results

#### 13. Financial Overview

##### 13.1 Financial Statements

###### 1. Audit Report Summary

Year	Certified Auditor	No.	Company	Auditor's Opinion
2013	Miss Siraporn Ouuanunkun	3844	Ernst & Young Office Limited	Unqualified Opinion
2014	Miss Supannee Triyanantakul	4498	EY Office Limited	Unqualified Opinion
2015	Miss Sirirat Sricharoensup	5419	EY Office Limited	Unqualified Opinion
2016	Miss Sirirat Sricharoensup	5419	EY Office Limited	Unqualified Opinion

###### 2. Summary of Financial Statements and Operating Results

The statement of financial position, comprehensive income and cash flow are summarized as below;

(Unit : '000)

Financial Statements	2016	2015	2014	2013
<u>Assets</u>				
Cash and cash equivalents	190,316	112,768	68,720	63,899
Increase restricted bank deposits	812	-	-	-
Current investments-securities held for trading	267	264	261	256
Trade and other receivables	535,841	573,155	632,164	634,981
Prepaid expenses	30,428	30,124	22,104	12,919
Inventories-net	197,866	264,301	279,610	282,272
Other current assets	26,891	15,168	40,552	45,423
<b>Total current assets</b>	<b><u>982,422</u></b>	<b><u>995,781</u></b>	<b><u>1,043,411</u></b>	<b><u>1,039,750</u></b>

<b>Financial Statements (continued)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Other long-term investments-available-for-sale securities	9,200	9,410	9,800	9,590
Property, plant and equipment-net	5,750,731	5,047,680	5,188,052	5,095,157
Biological assets	51,075	69,166	74,786	82,571
Deferred tax assets	22,715	20,223	18,002	15,922
Intangible assets-net	14,028	17,145	18,451	-
Other non-current assets	507	360	17,180	17,739
Total non-current assets	<u>5,848,256</u>	<u>5,163,984</u>	<u>5,326,271</u>	<u>5,220,979</u>
<b>Total assets</b>	<b><u>6,830,677</u></b>	<b><u>6,159,765</u></b>	<b><u>6,369,682</u></b>	<b><u>6,260,729</u></b>
<b><u>Liabilities</u></b>				
Bank overdrafts and short-term loans from financial institutions	24,000	1,077,197	763,100	117,000
Trade and other payables	251,067	297,323	341,989	573,706
Other short-term loan	5,000	5,000	-	-
Current portion of long-term loans	598,878	373,333	697,183	330,873
Income tax payable	24,719	31,369	26,105	20,084
Other current liabilities	38,480	29,339	41,174	45,547
<b>Total current liabilities</b>	<b><u>942,144</u></b>	<b><u>1,813,561</u></b>	<b><u>1,869,552</u></b>	<b><u>1,087,209</u></b>
Long-term loans-net	3,394,902	1,950,040	1,978,413	2,675,597
Provision for long-term employee benefits	12,515	13,584	11,314	9,070
Retention	35,954	-	-	-
Total non-current liabilities	<u>3,443,371</u>	<u>1,963,624</u>	<u>1,989,727</u>	<u>2,684,667</u>
<b>Total liabilities</b>	<b><u>4,385,515</u></b>	<b><u>3,777,185</u></b>	<b><u>3,859,279</u></b>	<b><u>3,771,876</u></b>
<b><u>Shareholders' equity</u></b>				
Registered capital	955,000	955,000	955,000	955,000
Paid-up capital	955,000	955,000	955,000	955,000
Share premium	285,447	285,447	285,447	285,447
Retained earnings-appropriated statutory reserve	95,500	95,500	95,500	95,500
Retained earnings-unappropriated	1,087,286	1,019,382	1,224,743	1,191,253
Other component of shareholders' equity	(33,161)	(1,192)	(880)	(1,048)
Non-controlling interests of the subsidiaries	55,090	28,443	46,093	54,033
<b>Total shareholders' equity</b>	<b><u>2,445,163</u></b>	<b><u>2,382,580</u></b>	<b><u>2,510,402</u></b>	<b><u>2,484,685</u></b>
<b>Total liabilities and shareholders' equity</b>	<b><u>6,830,677</u></b>	<b><u>6,159,765</u></b>	<b><u>6,369,682</u></b>	<b><u>6,256,561</u></b>

Statement of Comprehensive Income	2016	2015	2014	2013
Sales	3,964,956	3,910,263	4,707,831	4,556,724
Claim refund from the fire incident	-	169,505	-	-
Other income	7,930	2,196	6,679	26,951
<b>Total revenues</b>	<b>3,972,886</b>	<b>4,081,964</b>	<b>4,714,510</b>	<b>4,583,675</b>
Cost of sales	3,397,552	3,606,604	4,117,424	3,932,836
Administrative expenses	150,915	167,398	162,449	143,782
Loss from write-off assets from the fire incident	-	14,908	-	-
Impairment loss on assets	79,902	47,744	-	-
Loss on disposal assets	-	8,237	-	-
Profit before finance cost and income tax expenses	344,518	237,073	434,638	507,057
Finance cost	125,199	138,570	152,497	146,441
<b>Profit before income tax expenses</b>	<b>219,319</b>	<b>98,503</b>	<b>282,141</b>	<b>360,616</b>
Income tax expenses	59,818	54,114	69,760	42,811
<b>Profit for the year</b>	<b>159,502</b>	<b>44,390</b>	<b>212,381</b>	<b>317,805</b>
Total comprehensive income for the year	161,841	44,078	212,549	317,285
Basic earnings per share	0.17	0.06	0.23	0.33
Par value per share	1	1	1	1
Weighted average number of common shares	955,000,000	955,000,000	955,000,000	955,000,000
Cash flow from operating activities	709,497	565,425	372,010	436,905
Cash flow from (used in) investing activities	1,153,659	(316,351)	(491,416)	(230,156)
Cash flow from (used in) financing activities	521,710	(205,026)	124,227	(255,463)
Net increase (decrease) in cash and cash equivalents	77,548	44,048	4,821	(48,715)
Cash and cash equivalents at beginning of year	112,768	68,720	63,899	112,614
Cash and cash equivalents at end of year	190,316	112,768	68,720	63,899

Remarks: The 2016 financial statements can be seen in the Annual Report heading “Independent Auditor’s Report” or [www.sahacogen.com](http://www.sahacogen.com) in “Financial Statement”.

**Financial Ratio Table**

	2010	2011	2012	2013	2014	2015	2016	
<b>Liquidity Ratio</b>								
Current Ratio	0.73	1.21	0.77	0.96	0.56	0.55	1.04	time
Quick Ratio	0.49	0.82	0.61	0.64	0.38	0.38	0.77	time
Current Cash Flow Ratio	1.02	0.51	1.04	0.44	0.25	0.30	0.51	time
Accounts Receivable Turnover	7.80	8.66	9.55	8.39	7.43	6.49	7.15	time
Average Collection Period	46.18	41.56	37.68	42.89	48.45	55.48	50.35	days
Accounts Payable Turnover	8.73	7.82	7.98	6.87	8.99	11.28	12.39	time
Payment Period	41.22	46.01	45.13	52.41	40.03	31.91	29.05	days
Cash Cycle	4.96	-4.45	-7.45	-9.52	8.42	23.58	21.29	days
<b>Profitability Ratio</b>								
Gross Profit	18.26	16.94	14.16	13.87	12.54	7.77	14.31	%
Operating Profit	12.60	11.69	10.07	11.19	9.23	6.06	8.69	%
Other Profit	0.60	0.14	0.16	0.59	0.14	4.21	0.20	%
Operating Cash Flow Turnover	176.59	100.11	193.94	86.16	84.50	235.77	205.94	%
Net Profit	8.19	7.13	6.58	6.97	4.50	1.09	4.01	%
Return on Equity	12.61	11.67	11.87	13.15	8.50	2.39	6.61	%
<b>Efficiency Ratio</b>								
Return on Total Asset	4.95	4.52	4.63	5.15	3.36	0.71	2.46	%
Return on Fixed Asset	11.67	11.57	11.76	12.88	11.82	8.63	10.50	%
Total Asset Turnover	0.59	0.65	0.69	0.75	0.76	0.66	0.58	time
<b>Financial Policy Ratio</b>								
Debt to Equity	1.63	1.53	1.28	1.52	1.54	1.59	1.79	time
Interest Coverage	6.74	4.13	6.67	4.10	3.81	5.35	6.86	time
Payout Ratio	61.38	66.71	57.15	63.79	60.10	80.94	215.14	%

### 13.2 The Board of Directors' Responsibility Report towards Financial Statements

The Board of Directors duly recognized their obligations and responsibilities in their status as the directors of SET listed company, with regard to the compilation of financial statements for Sahacogen (Chonburi) Public Company Limited and its subsidiary companies. Said financial statements were prepared in accordance with Thai Financial Reporting Standards (TFRS), based on the adoption of appropriate accounting policies on a consistent basis, accompanied by careful consideration and justifiable accounting estimates.

Furthermore, adequate significant information was disclosed per the notes to the financial statements, together with necessary clarification and analysis regarding the financial positions and performances by the company and its subsidiaries, so as to contribute to the interests of the shareholders and general investors. Moreover, said financial statements were duly audited and unconditionally verified by independent certified public accountants.

At the same time, The Board of Directors had exercised efforts to promote good governance practices, and to establish risk management system and internal control system in an efficient and effective manner. These practices were intended to ensure that the recording of accounting information was carried out in an accurate, complete, and sufficient manner, in order to safeguard the assets of the company and its subsidiaries, while also safeguarding against any significant fraud or abuse.

In this regard, The Company's Audit Committee whose members comprising independent directors had duly carried out audit work on the quality of the financial statements and the efficiency of internal control system. The opinions of The Audit Committee were displayed per the Audit Committee's report contained in the annual report publication, as well as the annual registration statement (form 56-1).

Accordingly, The Board of Directors concluded that, the good corporate governance practice, the risk management system, as well as the internal control system already in place at the company, were well adequate and sufficient, reasonably providing sufficient confidence to all the concerned parties that, the financial statements of the company and its subsidiaries ending December 31, 2016, were prepared and presented in substantial context, in an accurate and reliable manner.

Mr. Sujarit Patchimnan  
Chairman

Mr. Viroj Theeravatvatee  
Managing Director

## **14. Management Discussion and Analysis**

### **14.1 Discussion and Analysis of Operating Result and Financial Status**

This analysis is based on the consolidated financial statements of the year 2016 comparing to the year 2015 as described as follows:

#### **1. Operating Result**

##### **1.1 Overview of Operations**

Regarding to the situation of energy in Global Markets, the company experienced continued volatility and decrease of fuel oil price. This may impact the price on electricity and steam, the main income of Sahacogen Group which is accounted 98.46% of the consolidated income, in a low earning. It is because some structure of electricity and steam price is subject to energy price. However, natural gas price, the main fuel, estimated by 74.92% of all cost decreases in the same direction. Moreover, some risks also go to energy price according to the Agreement with Electricity Generating Authority of Thailand (EGAT) whose price structure is subordinate to actual cost of natural gas. For energy price distributed to customers in Sriracha Saha Group Industrial Park, it is subject to price rate of PEA and dependent on Float Time (FT). In case of FT rate not in line with fuel costs, this may impact the company's performance. However, the mentioned risks are the external factors which are beyond to be controlled, the company has approaches to improve the efficiency of production as well as to control production cost carefully and consistently in order to reduce the effect on business operation with said risks.

In the year 2016 compared to the year 2015, the revenues of the company and its subsidiaries totaled THB 3,973 million, decreased by THB 109 million or 2.67%. The total expenses were THB 3,628 million, decreased by THB 216 million or 5.63% due to the decrease of cost of sales THB 209 million and other expenses THB 7.47 million. Financial expenses decreased THB 13 million or 9.65%. The corporate income tax increased THB 6 million or 10.54%. The above changes resulted in the net profit on its consolidated statements of THB 160 million, increased by THB 115 million or 259.32%.

In 2016, the company and its subsidiaries do not show the expense of research and development due to the very low amount and no significant matter to the total expense.

##### **1.2 Operating Result of Each Product Units**

###### **● Revenues from Sales**

The total selling revenues from the consolidated financial statements was THB 3,964 million, increased by THB 55 million or 1.40%, comparing to year 2015. This change resulted from the transition from Adder to Feed-in Tariff (FiT), which caused more income towards its subsidiaries generating electricity from renewable energy distributed to the PEA (Sahacogen Green Co., Ltd. and Sahagreen Forest Co., Ltd.), totaling THB 86 million. Moreover, the revenue from selling steam decreased THB 39 million according to the selling price.

- **Other Revenues**

The other revenues totaled THB 8 million, increased by THB 6 million due to the exchange rate profit.

- **Cost and Expenses**

- Cost of sales: The cost of sales in consolidated financial statements was THB 3,398 million, decreased by THB 209 million or 5.80% according to the natural gas price.
- The administrative expenses in the consolidated financial statements were THB 151 million, decreased by THB 17 million or 9.85% according to the management.
- Loss on impairment of assets was accounted for THB 80 million, increased by THB 32 million or 67.36% of its subsidiary (Sahagreen Energy Co., Ltd.) due to the additional impairment of assets of its production shutdown.
- The financial expenses in the consolidated financial statements were THB 125 million, decreased by THB 13 million or 9.65% as the result of the reduction in the interest rate with some financial institutions.
- The corporate income tax in the consolidated financial statements was THB 60 million, increased by THB 6 million or 10.54% according to the operating performance.

- **Profit**

- In 2016, the actuarial gains were THB 2 million.
- The comprehensive income was THB 162 million, increased by THB 118 million or 267.17%, which was the result from its subsidiaries THB 94 million, and the company's separate financial statement THB 24 million.
- **Gross Profit Margin:** 14.31% was increased from the year 2015 by 6.54% or 84.17%.
- **Dividend Payments to the Shareholders:** 6.61% was increased from the year 2015 by 4.22% or 176.57%.

## 2. Financial Status

- **Assets:** the total assets was THB 6,831 million, which mostly were land, building and equipment valued THB 5,750 million, increased from the year 2015 by THB 671 million or 10.89%, mainly from an increase of the expansion project of the combined-cycle power plant run by natural gas with the net capacity of 21 MW in order to meet the customers' need and those who are interested in investing in the Saha Group Industrial Park-Sriracha.
- **Liabilities:** The total liabilities were THB 4,386 million, increased from the year 2015 by THB 608 million or 16.10%, which was resulted from the increasing long-term loan for the expansion project of the combined-cycle power plant run by natural gas.

- **Shareholders' Equity:** Shareholders' equity was THB 2,445 million, increased from the year 2015 by THB 63 million or 2.62%, resulting from the operating performance of the company and its subsidiaries.

### 3. Liquidity

- **Cash Flow:**

- The company had earned net cash from operating activities THB 709 million, which was increased from the year 2015 by THB 144 million or 25.48% due to the debt repayment, lower balance of liabilities according to the natural gas price, purchase of biomass reduced for reserve, and the decrease of interest payment according to the decreasing principle.
- The cash flow from investment was THB 1,154 million, increased from the year 2015 by THB 837 million due to the expenses for the expansion project of the combined-cycle power plant run by natural gas.
- The cash flow from financing increased from the year 2015 by THB 727 million due to the long-term borrowings for the expansion project of the combined-cycle power plant run by natural gas. In 2016, the company's net cash flow and cash equivalents increased from the year 2015 by THB 78 million or 68.76%.

- **Liquidity Ratio:** The current assets were THB 982 million, decreased from the year 2015 by THB 13 million or 1.34%, that from trade and other receivables according to those customers' creditworthiness, and purchase of biomass reduced for reserve.

The current liabilities were THB 942 million, decreased from the year 2015 by THB 871 million or 48.05%, mainly from the decrease of short-term loan. Therefore, the liquidity ratio was 1.04 times in 2016, an increase of 0.49 times or 89.09% comparing to the year 2015.

- **EBITDA/Interest paid:** 6.86 times in 2016, an increase of 1.51 times or 28.22% comparing to the year 2015.

### 4. Operation Effectiveness

The return on total assets was 2.46%, higher than last year 246.48%. The return on fixed assets was 10.50%, higher than last year 21.67%. The total asset turnover was 0.58 times, lower than last year 12.12%. This was mainly resulted from the fire incident at the power transformer of the company's plant, which needed the maintenance of the damaged electricity generating system from April 16, 2015 to July 20, 2015.

### 5. Factors posing possible impact on the company's future business operations and financial statement

The company has disclosed factors posing possible impact on the company's future business operations and financial statement in "Note to Consolidated Financial Statements" in the item 32 "Financial Instruments" and also published on [www.sahacogen.com](http://www.sahacogen.com).