

Management's discussion and analysis of financial condition and results of unreviewed Financial Statements

Fiscal Year 2014 compared to Fiscal Year 2013

Starting 2014, Thai accounting standard has adopted international accounting standard related to Financial Lease. The only generating unit of Glow Group affected from this change in accounting standard is Glow IPP, 713 MW gas-fired IPP. Implication of Financial Lease accounting standard included, but not limited to, following key aspects:

- Recording Availability payment received from EGAT as Financial Lease Income and amortization of Lease Receivables
- Recording of Lease Receivables, rather than Property Plant and Equipment as per old standard, and hence no recording of depreciation expense

However, Energy Payment, gas cost, and other operating costs are recorded essentially with the same method.

For 2014, adjustments to reflect Financial Lease accounting standard from old standard are:

- Net adjustment to exclude Availability Payment (Baht -2,221.8 million) and depreciation (Baht +337.3 million) of Baht -1,884.5 million
- Net adjustment to include Financial Lease income of Baht +1,275.1 million, which consists of retained earning adjustment of Baht +300.9 million and recurring financial lease income of Baht +974.3 million
- Net adjustment on Deferred Tax of Baht +187.6 million

Revenues

Total revenues, included other income, was Baht 73,323.7 million in 2014, a 5.1 per cent increase from Baht 69,771.5 million in 2013. The increase was attributable to the following main factors:

- Revenue received from EGAT by GIPP, under IPP scheme, In 2014, amounted to Baht 13,193.1 million, a 8.5 per cent decreased from Baht 14,423.9 million in 2013, This decrease was mainly due to lower power dispatch to EGAT, decreased by 15.4 per cent from 5,101 GWh to 4,316 GWh for 2013 and 2014 respectively, despite Thai Baht depreciation in 2014 which affect USD-linked revenue.

However, with the adoption of Financial lease, Sales of electricity to EGAT recorded in financial statement consisting of financial lease income amounted of Baht 1,275.1 million and revenue from sales amounted of Baht 10,971.3 million.

- Sales of electricity to EGAT by GHECO-One, under IPP scheme, amounted to Baht 15,021.9 million in 2014, a 25.5 per cent increased from Baht 11,969.6 million in 2013, This increase was mainly due to higher availability, higher power dispatch to EGAT, and Thai Baht depreciation in 2014 which affect USD-linked revenue.
- Sales of electricity to EGAT and EDL by Houay Ho Power (HHPC), under IPP scheme, amounted to Baht 1,056.4 million in 2014, a 96.6 per cent increased from Baht 537.4 million in 2013. This increase was mainly due to higher volume dispatch to EGAT increased by 87.4 per cent, even though the sale to EGAT just resumed at beginning of February 2014 as a result of transmission line disruption since the fourth quarter 2013.
- Sales of electricity to EGAT under SPP scheme decreased by 0.1 per cent to Baht 18,251.9 million, This decrease was mainly due to lower power dispatch to EGAT due to some cogeneration facilities unit had schedule major maintenance in 2014.
- Sales of electricity to industrial customers increased by 11.8 per cent to Baht 17,591.5 million, This increase was mainly due to higher sale volume increased by 8.2 per cent and higher electricity tariff as a result of Ft adjustments.
- Sales of steam to industrial customers increased by 6.4 per cent to Baht 8,359.5 million, This increase was mainly due to higher sale volume increased by 3.7 per cent and higher steam tariff due to higher gas price.
- Sales of other products and services increased by 8.8 per cent to Baht 463.3 million, This increase was mainly due to higher sale volume and sale price.
- Other income was Baht 332.7 million, a 41.1 per cent decrease from Baht 564.6 million in 2013. In 2013, there was a business interruption claim of GHECO-One of Baht 296.9 million booked in December 2013, whereas in 2014 there was a business interruption claim of GHECO-One of Baht 98.9 million booked in the second quarter of 2014.

Costs of sales

Cost of sales of goods was Baht 57,255.9 million in 2014, a 2.8 per cent increased from Baht 55,693.0 million in 2013. The increase was attributable to the following main factors:

Fuel Cost

- Gas cost of IPP business decreased by 11.5 per cent to Baht 9,825.7 million, This decrease was mainly due to lower gas consumption as a result of lower power dispatch from GIPP, despite higher gas price.
- Gas cost of Cogen business increased by 8.3 per cent to Baht 27,451.3 million, This increase was mainly due to higher gas consumption as a result of increased electricity and steam sale volume and higher gas price.
- Coal cost of IPP business increased by 17.4 per cent to Baht 7,220.3 million, This increase was mainly due to higher coal consumption as a result of higher power dispatch from GHECO-One, despite lower average coal price.

- Coal cost of Cogen business decreased by 18.9 per cent to Baht 2,946.6 million, This decrease was mainly due to lower coal consumption as a result of Coal fired units performed schedule maintenance and lower average coal price.

Maintenance Cost

- Maintenance of IPP business increased by Baht 165.0 million to Baht 424.1 million, This increase was mainly due to scheduled major maintenance of GHECO-One.
- Maintenance of Cogen business increased by 38.4 per cent to Baht 1,428.2 million, This increase was mainly due to some cogeneration facilities unit had scheduled major maintenance.

Selling and administrative expenses

Selling and administrative expenses in 2014 were Baht 773.0 million, a 1.6 per cent increased from Baht 760.8 million in 2013.

Finance costs

Finance costs in 2014 were Baht 3,385.7 million, a 0.1 per cent decrease from Baht 3,388.7 million in the same period of 2013. These finance costs consist of interest expenses and financial fee.

Income Tax Expenses

Income Tax Expenses is comprised of 2 parts: (a) Current Income Tax Expenses and (b) Net Change in Deferred Tax Asset/Liability (or Net Deferred Tax Revenues/Expenses).

(a) Current Income Tax Expenses

Current Income tax expenses in 2014 were Baht 1,116.6 million, a 25.9 per cent increase from Baht 887.1 million in the same period of 2013. This increase was mainly due to higher taxable income.

(b) Net Change in Deferred Tax Asset/Liability (or Deferred Tax Revenues/Expenses)

There is a booking of net change in Deferred Tax liability (Deferred Tax Expenses) of Baht 144.2 million and net change in Deferred Tax Asset (Deferred Tax Revenue) of Baht 111.3 million, including the adjustment of deferred tax revenue booked under financial lease of GIPP amounted of Baht 187.6 million in 2013 (restatement) and 2014 respectively.

Minority Interest

There was a net profit attributed to minority interest of Baht 1,696.9 million in 2014, whereas the attribution to minority interest in 2013 was net gain of Baht 672.4 million.

Net Profit

Net profit in 2014 was Baht 9,138.9 million, a 26.7 per cent increase from Baht 7,214.4 million in 2013, whereas net profit excluding the adjustment of financial lease accounting of GIPP was Baht 9,539.5 million in 2014.

Net Exchange Gain /Loss

In 2014, there was a net exchange loss of Baht 61.7 million, whereas there was a net exchange loss of Baht 1,002.7 million in the same period of 2013, This exchange loss is derived from the US dollar-denominated debt.

Normalized Net Profit¹

In 2014, normalized net profit, excluding the adjustment of financial lease accounting of GIPP, was Baht 9,667.9 million, which was net income excluding Baht 55.4² million of net foreign exchange loss and deferred tax expenses of Baht 78.3 million, an increase of 19.9 per cent from Baht 8,060.6 million in 2013. This normalized net profit is the basis used to determine our dividend distribution.

.....
Mr. Natthapatt Tanboon-ek
Vice President – Finance and Investor Relations

¹ Definition of Normalized Net Profit is amended to 'Net Profit excluding net exchange gain or loss and net change in deferred tax assets or liabilities'.

² Excluded foreign exchange gain/ loss attributed to minority shareholders in subsidiaries.