

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

Year to date 2015 compared to Year to date 2014

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 the first quarter 2015, adjustments to reflect Financial Lease accounting standard from old standard are:

- Net adjustment to exclude Availability Payment (Baht -455.1 million) and depreciation (Baht +83.9 million) of Baht -371.1 million
- Net adjustment to include Financial Lease income of Baht +198.4 million
- Net adjustment on Deferred Tax of Baht +29.0 million

Revenues

Total revenues, included other income, was Baht 16,131.0 million in the first quarter 2015, a 12.4 per cent decrease from Baht 18,404.1 million in the first quarter 2014. The decrease was attributable to the following main factors:

- Revenue received from EGAT by GIPP, under IPP scheme, in the first quarter 2015 amounted to Baht 1,928.7 million, being 47.5 per cent decreased from Baht 3,674.7 million in the first quarter 2014. This decrease was mainly due to lower availability and lower power dispatch to EGAT, decreased by 60.5 per cent from 1,291 GWh to 510 GWh for the first quarter 2014 and 2015 respectively.

However, with the adoption of Financial lease, Sales of electricity to EGAT recorded in financial statement consisting of financial lease income amounted of Baht 198.4 million and revenue from sales amounted of Baht 1,473.7 million.

- Sales of electricity to EGAT by GHECO-One, under IPP scheme, amounted to Baht 2,350.4 million in the first quarter 2015, a 31.7 per cent decreased from Baht 3,443.8 million in the first quarter 2014, This decrease was mainly due to major maintenance performed during the quarter (during 1 January until early February 2015), resulting in both lower Availability payment and lower power dispatch to EGAT.
- Sales of electricity to EGAT and EDL by Houay Ho Power (HHPC), under IPP scheme, amounted to Baht 173.3 million in the first quarter 2015, a 15.8 per cent decreased from Baht 205.8 million in the first quarter 2014. This decrease was mainly due to lower volume dispatch to EGAT, decreased by 16.9 per cent from 118 GWh to 98 GWh for the first quarter 2014 and 2015 respectively.
- Sales of electricity to EGAT under SPP scheme increased by 2.5 per cent to Baht 4,427.4 million, This increase was mainly due to higher power dispatch to EGAT, whereas some cogeneration facilities unit had schedule major maintenance in the first quarter 2014.
- Sales of electricity to industrial customers decreased by 0.7 per cent to Baht 4,273.6 million. This decrease was mainly due to lower sale volume decreased by 1.4 per cent.
- Sales of steam to industrial customers decreased by 3.1 per cent to Baht 1,998.8 million. This decrease was mainly due to lower sale volume decreased by 4.2 per cent.
- Sales of other products and services increased by 3.7 per cent to Baht 114.5 million. This increase was mainly due to higher sale volume.
- Other income was Baht 1,120.9 million in the first quarter 2015, increased by Baht 843.1 million from Baht 277.8 million in the first quarter 2014. In the first quarter 2015, there was a booking of compensation of GHECO-One delayed completion of Baht 729.8 million and there was a business interruption claim of CFB3 of Baht 250.0 million booked in March 2015, and net exchange gain of Baht 109.4 million, whereas in the first quarter 2014 there was net exchange gain of Baht 191.2 million.

Costs of sales

Cost of sales of goods was Baht 12,281.9 million in the first quarter 2015, a 14.9 per cent decreased from Baht 14,432.3 million in the first quarter 2014. The decrease was attributable to the following main factors:

Fuel Cost

- Gas cost of IPP business decreased by 55.6 percent to Baht 1,265.0 million, This decrease was mainly due to lower gas consumption as a result of lower power dispatch to EGAT from GIPP.
- Gas cost of Cogen business decreased by 2.2 per cent to Baht 6,607.7 million, This decrease was mainly due to lower gas consumption as a result of decreased electricity and steam sale volume.

- Coal cost of IPP business decreased by 38.3 per cent to Baht 1,114.3 million. This decrease was mainly due to lower coal consumption, as a result of lower power dispatch to EGAT from GHECO-One having scheduled major maintenance, and lower average coal price.
- Coal cost of Cogen business decreased by 5.4 per cent to Baht 664.2 million. This decrease was mainly due to lower average coal price and Coal fired units performed schedule maintenance.

Maintenance Cost

- Maintenance of IPP business increased by Baht 325.8 million to Baht 388.5 million. This increase was mainly due to scheduled major maintenance of GHECO-One.
- Maintenance of Cogen business increased by 0.7 per cent to Baht 351.4 million.

Selling and administrative expenses

Selling and administrative expenses in the first quarter 2015 were Baht 135.2 million, a 27.4 per cent decreased from Baht 186.2 million in the first quarter 2014.

Finance costs

Finance costs in the first quarter 2015 were Baht 787.4 million, a 8.4 per cent decrease from Baht 860.0 million in the same period of 2014. These finance costs consist of interest expenses and financial fee. The decrease was mainly due to lower outstanding interest-bearing debt.

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 the first quarter 2015 were Baht 429.0 million, increased by Baht 166.7 million from Baht 262.3 million in the same period of 2014. 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 Asset (Deferred Tax Revenue) of Baht 13.6 million and net change in Deferred Tax Asset (Deferred Tax Revenue) of Baht 4.4 million, including the adjustment of deferred tax revenue booked under financial lease of GIPP amounted of Baht 29.0 million in the first quarter 2014 and 2015 respectively.

Minority Interest

There was a net profit attributed to minority interest of Baht 317.7 million in the first quarter 2015, whereas the attribution to minority interest in the first quarter 2014 was net gain of Baht 369.2 million.

Net Profit

Net profit in the first quarter 2015 was Baht 2,182.7 million, a 5.3 per cent decrease from Baht 2,306.0 million in the first quarter 2014, whereas net profit excluding the adjustment of financial lease accounting of GIPP was Baht 2,319.3 million in the first quarter 2015.

Net Exchange Gain /Loss

In the first quarter 2015, there was a net exchange gain of Baht 109.4 million, whereas there was a net exchange gain of Baht 191.2 million in the same period of 2014, This exchange gain is derived from the US dollar-denominated debt.

Normalized Net Profit¹

In the first quarter 2015, normalized net profit, excluding the adjustment of financial lease accounting of GIPP, was Baht 2,286.2 million, which was net income excluding Baht 57.9² million of net foreign exchange gain and deferred tax expenses of Baht 24.7 million, an increase of 10.1 per cent from Baht 2,075.8 million in the first quarter 2014. This normalized net profit is the basis used to determine our dividend distribution.

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.

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