

# Ratchaburi Electricity Generating Holding PCL

## Management Discussion and Analysis

For the 1<sup>st</sup> Quarter Ended 31 March, 2016



(Translation)

## **1. Significant events of the 1<sup>st</sup> quarter of 2016**

### **1.1 The Commencement of Commercial Operation of Hongsa Thermal Power Project Unit 3**

On March 2, 2016, Hongsa Thermal Power Plant in Lao PDR, held 40 percent stake by RH International (Singapore) Corporation PTE., a subsidiary, has commenced commercial operation of the unit 3 of its power plant as scheduled. As a result, all 3 units of Hongsa Thermal Power Plant are commercially operated, with the total installed capacity of 1,878 megawatts, 751.20 megawatts of which the Company's attribution.

### **1.2 Purchase of EDL-Generation Public Company's Shares in Stock Exchange of Lao PDR**

In February 2016, RH International (Singapore) Corporation PTE. Ltd. ("RHIS") purchased the shares of EDL-Generation Public Company ("EDL-Gen") in Stock Exchange of Lao PDR for 4.51 million shares; as a result, RHIS has held the shares of EDL-Gen in the totaling of 74.92 million shares (4.46 percent) and the proportion of Company's shareholding in EDL-Gen through RATCH-Lao Services Co., Ltd. and RHIS increased to 10.11 percent.

## 2. Operation performance according to consolidated financial statement

(Million Baht)

	Quarter 1		Increase (Decrease)	%
	2016	2015		
Revenue	13,796.46	16,031.67	(2,235.21)	(13.9)
<u>Less</u> Fuel Cost	10,405.81	12,386.38	(1,980.57)	(16.0)
Revenue (excluded Fuel Cost)	3,390.65	3,645.29	(254.64)	(7.0)
Cost of Sales and Expenses (excluded Fuel Cost)	2,161.48	2,288.28	(126.80)	(5.5)
Profit for the period	1,229.17	1,357.01	(127.84)	(9.4)
Non-controlling Interests	23.67	38.90	(15.23)	(39.2)
<b>Profit Attributable to Owner of the Company before exchange</b>	<b>1,252.84</b>	<b>1,395.91</b>	<b>(143.07)</b>	<b>(10.2)</b>
Profit (Loss) from Exchange Rate	6.49	(232.99)	239.48	102.8
<b>Profit Attributable to Owner of the Company</b>	<b>1,259.33</b>	<b>1,162.92</b>	<b>96.41</b>	<b>8.3</b>
Earnings per share (Baht)	0.87	0.80		

The operating result according to the consolidated financial statements of the Company and its subsidiaries for the 1<sup>st</sup> quarter of 2016 showed the profit of Baht 1,259.33 million or Baht 0.87 per share, compared to the profit of Baht 1,162.92 million or Baht 0.80 per share of the 1<sup>st</sup> quarter of 2015, which showed an increase in profit of Baht 96.41 million, or 8.3 percent. The significant transactions were as follows:-

### 2.1 Revenue from Sales and Rendering of Services (excluding fuel costs)

Revenue from sale and rendering of services (excluding fuel costs of Baht 10,405.81 million) for the 1<sup>st</sup> quarter of 2016 was Baht 1,670.54 million, decreasing by Baht 263.90 million or 13.6 percent from revenue from sale and rendering of services (excluding fuel costs of Baht 12,386.38 million) of Baht 1,934.44 million in the 1<sup>st</sup> quarter of 2015. The main reason was the decrease in revenue from sale of Ratchaburi Electricity Generating Company Limited, in the amount of Baht 348.98 million due to the decrease in Base Availability Credit in 2016 comparing to 2015, as specified in the Power Purchase Agreement. On the other hand, the revenue from sale of RATCH-Australia Corporation Limited increased in the amount of Baht 92 million. The main reason was, in the 1<sup>st</sup> quarter of 2016, there were higher power generating compared to the same period of the previous year.

## 2.2 Revenue from Finance Leases Contracts

Revenue from finance leases contracts for the 1<sup>st</sup> quarter of 2016 was Baht 1,168.23 million, decreasing by Baht 136.23 million from 1,304.46 million or 10.4 percent in the 1<sup>st</sup> quarter of 2015. The decrease was from the recognition of lease receivable, in accordance with the Effective Interest Method.

## 2.3 Cost of sale and rendering of services (excluding fuel costs)

Cost of sale and rendering of services (excluding fuel costs of Baht 10,405.81 million) for the 1<sup>st</sup> quarter of 2016 was Baht 1,154.55 million, decreasing by Baht 49.52 million, or 4.1 percent from revenue from Sale and rendering of services (excluding fuel costs of Baht 12,386.38 million) Baht 1,204.07 million in the 1<sup>st</sup> quarter of 2015. The main reason was from the decrease in operations & maintenance expenses and spare part expenses of Ratchaburi Power Plants and Tri Energy Power Plant by Baht 49.41 million since the shutdowns for planned maintenance in the year 2016 were less than those of the previous year.

## 2.4 Gain (loss) on exchange rate

In the 1<sup>st</sup> quarter of 2016, the Company recorded gain on exchange rate of Baht 6.49 million; while, in the 1<sup>st</sup> quarter of 2015, the Company recorded loss on exchange rate of Baht 232.99 million. The main reason was Australian dollar appreciated in the 1<sup>st</sup> quarter of 2016.

## 2.5 Share of profits of associated entities and joint ventures

Share of profits in associate entities and joint ventures for the 1<sup>st</sup> quarter of 2016 was Baht 358.38 million, increasing by Baht 160.20 million or 80.8 percent from Baht 198.18 million in the 1<sup>st</sup> quarter of 2015. The main reasons were as follows:-

2.5.1 The share of profit in Hongsa Power Company Limited, a joint venture, in a portion of 40 increased in the amount of Baht 79.14 million since Hongsa Power Plants had commenced its commercial operation for 3 units on June 2, 2015, November 2, 2015, and March 2, 2016, respectively.

2.5.2 The share of profit in Ratchaburi World Cogeneration Company Limited, a joint venture, in a portion of 40 percent, increased in the amount of Baht 60.73 million since the power plant has commenced commercial operation for 2 units on November 1, 2014 and March 1, 2015, respectively.

## **2.6 Income tax expense**

Income tax expense in the 1<sup>st</sup> quarter of 2016 was Baht 309.06 million, decreasing by Baht 39.76 million or 11.4 percent from Baht 348.82 million in the 1<sup>st</sup> quarter of 2015. The main reason was the decrease in tax profit compared to the same period of the previous year.

### 3. Analysis of Statements of Financial Position

#### 3.1 Analysis of Assets

As at March 31, 2016, the total assets were Baht 92,115.35 million, decreasing by Baht 489.70 million or 0.5 percent from Baht 92,605.05 million as at December 31, 2015. The details were as follows:

(Million Baht)

	Mar 31, 2016	Dec 31, 2015	Increase (Decrease)	%
Current assets	19,366.37	25,983.50	(6,617.13)	(25.5)
Non-current assets	72,748.98	66,621.55	6,127.43	9.2
<b>Total Assets</b>	<b>92,115.35</b>	<b>92,605.05</b>	<b>(489.70)</b>	<b>(0.5)</b>

3.1.1 Cash and cash equivalents decreased in the amount of Baht 2,088.48 million. The details are described in no.4. In addition, current investments decreased in the amount of Baht 1,554.25 million.

3.1.2 Trade accounts receivable from related parties of Ratchaburi Electricity Generating Co., Ltd., a subsidiary, decreased in the amount of Baht 3,496.91 million since, as at March 31, 2016, the receivable consisted of the electricity sale in March 2016; whereas, as at December 31, 2015, the receivable consisted of the electricity sale in the November and December 2015.

3.1.3 Investments in joint ventures increased in the amount of Baht 6,804.44 million due to the additional investments in Hongsa Power Co., Ltd. during the 1<sup>st</sup> quarter of 2016 in the total amount of Baht 6,910.07 million.

3.1.4 Financial lease receivables from related party decreased in the amount of Baht 767.55 million.

## 3.2 Analysis of Liabilities

As at March 31, 2016, total liabilities were Baht 30,083.36 million, decreasing by Baht 2,101.85 million or 6.5 percent from Baht 32,185.21 million as at December 31, 2015. The details were as follows:

	(Million Baht)			
	Mar 31, 2016	Dec 31, 2015	Increase (Decrease)	%
Current Liabilities	9,515.94	11,658.07	(2,142.13)	(18.4)
Non-Current Liabilities	20,567.42	20,527.14	40.28	0.2
<b>Liabilities</b>	<b>30,083.36</b>	<b>32,185.21</b>	<b>(2,101.85)</b>	<b>(6.5)</b>

3.2.1 Short-term loans from financial institutions increased in the amount of Baht 1,200 million due to the liquidity management during the period.

3.2.2 Trade accounts payable of Ratchaburi Electricity Generating Co., Ltd., a subsidiary, decreased in the amount of Baht 3,704.94 million. since, as at March 31, 2016, the accounts payable consisted of the fuel charge in March 2016; whereas, as at December 31, 2015, the receivable consisted of the fuel charge in November and December 2015.

### **3.3 Analysis of Equity**

As at March 31, 2016, equity was Baht 62,031.99 million, increasing by Baht 1,612.15 million or 2.7 percent from Baht 60,419.84 million as at December 31, 2015. The main reasons were as follows:

3.3.1 The profit of the 1<sup>st</sup> quarter of 2016 in the amount of Baht 1,259.33 million

3.3.2 Other components of equity increased in the amount of Baht 386.49 million. The main reason was currency translation differences increased the equity in the amount of Baht 400.82 million.

3.3.3 Non-controlling interests decreased by Baht 33.67 million.



#### 4. Analysis of Cash Flows

Cash and cash equivalents of the Company and its subsidiaries as at March 31, 2016 were Baht 5,376.05 million, decreasing by Baht 2,088.48 million from Baht 7,464.53 million on December 31, 2015. The details were summarized below:

	(Million Baht)
Net cash from operating activities	2,201.82
Net cash used in investing activities	(5,070.68)
Net cash from financing activities	849.23
Effect of exchange rate changes on balances held in foreign currencies	(68.85)
Net cash increase (decrease) during the period	<b>(2,088.48)</b>

4.1 Net cash from operating activities increased cash flow in the amount of Baht 2,201.82 million. The reason was the operating result of the 1<sup>st</sup> quarter of 2016 increased cash in the amount of Baht 1,687.34 million. In addition, the change in operating assets and liabilities increased cash in the amount of Baht 514.48 million.

4.2 Net cash used in investing activities decreased cash flow in the amount of Baht 5,070.68 million. The main reason was, in the 1<sup>st</sup> quarter of 2016, the Company additionally invested in Hongsa Power Co., Ltd. in the total amount of Baht 6,910.07 million.

4.3 Net cash from financing activities increased cash flow in the amount of Baht 849.23 million. The main reason was net cash received from short-term loans from financial institutions increased in the amount of Baht 1,200 million due to the liquidity management during the period.

**5. Significant Financial Ratios (Excluded the effect of foreign exchange rate)**

Ratios		Quarter 1	
		2016	2015
1) Current Ratio	(Times)	2.04	2.11
2) Net Profit to Total Revenue (excluded fuel costs)	(%)	36.25	37.23
3) Return on Equity **	(%)	7.11	7.48
4) Return on Assets **	(%)	4.43	4.61
5) EBITDA *	(Million Baht)	2,131	2,367
6) EBITDA to Total Assets	(%)	2.31	2.43
7) Debt to Equity Ratio	(Times)	0.48	0.60
8) Debt Service Coverage Ratio	(Times)	5.70	3.20
9) Book Value per Share	(Baht)	42.65	42.33
* Not included the change in lease receivable		796.19	948.32

\*\* Data for 12-month period