

Management's discussion and analysis of financial condition and results of operations

Overview

Glow Energy Public Company Limited and its subsidiaries are one of the largest private electricity generators and providers of industrial utilities in Thailand and neighboring country. We operate IPP and cogeneration facilities (most of which operate as SPPs under Thailand's SPP program) and our core business is to produce and supply electricity to EGAT and to produce and supply electricity and steam to industrial customers in the MIE¹ Area and SEIP² Area. As of June 30, 2016, we had a total generating capacity of 3,207 MW of electricity and 1,206 tons per hour of steam.

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 half of 2016, adjustments to reflect Financial Lease accounting standard from old standard are:

- Net adjustment to exclude Availability Payment (Baht -684.0 million) and depreciation (Baht +170.0 million) of Baht -514.0 million
- Net adjustment to include Financial Lease income of Baht +332.7 million
- Net adjustment on Deferred Tax of Baht +36.3 million

As a result, consolidated net profit for the first half of 2016, under the new accounting standard, was Baht 5,525.6 million. However, our normalized net profit³, excluding the adjustment of financial lease accounting, which is the basis used to determine our dividend distribution, was Baht 5,515.6 million in the first half of 2016, a 8.7 per cent increase from Baht 5,073.1 million in the first half of 2015.

Revenues

We derive our revenues primarily from sales of electricity to EGAT and sales of electricity, steam, clarified and demineralized water and chilled water to industrial users in the MIE Area and SEIP Area. The following table breaks down our revenues by sources for the periods indicated:

	Revenues					
	Year to Date Ended June 30,					
	2016		2015		Difference	
	(Million Baht)	(%)	(Million Baht)	(%)	(Million Baht)	(%)
Revenues from Sales of Goods and Rendering of Services						
Electricity						
Sales to EGAT by IPPs.....	7,898.9	28.1	10,222.3	30.9	(2,323.3)	(22.7)
Sales to EGAT by SPPs ⁽¹⁾	7,745.8	27.5	8,765.6	26.5	(1,019.7)	(11.6)
Sales to Industrial Customers.....	7,849.9	27.9	8,438.6	25.5	(588.7)	(7.0)
Financial Lease Income (Glow IPP).....	332.7	1.2	396.8	1.2	(64.1)	(16.1)
Total.....	23,827.3	84.7	27,823.2	84.0	(3,995.9)	(14.4)
Steam	3,586.9	12.8	3,972.4	12.0	(385.5)	(9.7)
Other Products	231.4	0.8	234.3	0.7	(2.9)	(1.2)
Total	27,645.6	98.3	32,029.9	96.7	(4,384.3)	(13.7)
Other Incomes.....	481.9	1.7	1,100.2	3.3	(618.2)	(56.2)
Total Revenue.....	28,127.5	100.0	33,130.1	100.0	(5,002.5)	(15.1)

Note:

- (1) Included revenues from electricity sales to PEA under VSPP scheme by Glow Energy Solar which accounted for Baht 14.5 million and Baht 14.6 million in the first half of 2015 and 2016, respectively.

¹Map Ta Phut Industrial Estate in Rayong Province

²Siam Eastern Industrial Park in Pluak Daeng, Rayong Province

³Definition of "Normalized Net Profit" is amended to "Net profit excluding net exchange gain or loss and net change in deferred tax asset(revenues) or liability(expenses)"

Our revenues are in part driven by the volumes of electricity and industrial utilities that we produce and sell to our industrial customers in MIE Area and SEIP Area.

The following table demonstrates our volumes of electricity and industrial utilities sold for the indicated periods:

	Volumes Sold			
	Year to Date Ended June 30,			
	2016	2015	Difference	%
Electricity dispatch (GWh)				
To EGAT by IPPs	2,947.0	3,829.0	(882.0)	(23.0)
To EGAT by SPPs ⁽¹⁾	2,680.7	2,735.8	(55.1)	(2.0)
To Industrial Customers.....	2,528.4	2,505.0	23.5	0.9
Total.....	8,156.1	9,069.8	(913.7)	(10.1)
Steam (thousands of tons).....	3,808.4	3,627.9	180.5	5.0
Processed water (thousands of cubic meters).....	6,355.5	6,433.9	(78.4)	(1.2)
Chilled water (thousands of refrigerated tons).....	5,918.9	6,706.6	(787.7)	(11.7)

Note:

- (1) Included electricity dispatch to PEA under VSPP scheme by Glow Energy Solar which accounted for 1.19 GWh and 1.24 GWh in the first half of 2015 and 2016, respectively.

Revenues from Sales of Goods

Electricity Sales to EGAT

We sell electricity to EGAT under our EGAT power purchase agreements¹. We are currently party to 3 IPP power purchase agreements, in respect of 1,373 MW of electricity located in Thailand and 128 MW of electricity located in Lao PDR in which 126 MW sales to EGAT and 2 MW to Electricite Du Laos (EDL). We are also a party to 11 SPP power purchase agreements and 1 VSPP power purchase agreement (Glow Energy Solar), in respect of an aggregate of 844 MW and 1.55 MW of electricity respectively.

Electricity Sales to Industrial Customers

We sell electricity to our industrial customers under our power supply agreements. As of June 30, 2016, we were party to a total of 83 power supply agreements with 62 industrial customers in respect of an aggregate of 729 MW of electricity.

Steam Sales

We sell steam to our industrial customers under our steam supply agreements. As of June 30, 2016, we were party to a total of 34 steam supply agreements with 22 industrial customers in respect of an aggregate of 1,231 tons per hour of steam.

Processed Water Sales

We sell clarified water and demineralized water to our industrial customers under our water supply agreements. As of June 30, 2016, we were party to a total of 15 water supply agreements with 9 customers in respect of an aggregate of 1,668 cubic meters per hour of water.

Chilled Water Sales

We sell chilled water to our industrial customers under our water supply agreement. As of June 30, 2016, we were party to a total of 2 water supply agreements with 2 customers in respect of an aggregate of 2,050 refrigerated tons of chilled water.

¹ Sales of electricity to EGAT, under IPP program, consist of Availability Payment and Energy Payment whereas sales of electricity to EGAT, under SPP program, consist of Capacity Payment and Energy Payment.

Expenses

Our expenses consist of cost of goods sold and selling and administrative expenses. The following table demonstrates the different components of our expenses by their amount and as a percentage of our total expenses for the periods indicated:

	Expenses					
	Year to Date Ended June 30,					
	2016		2015		Difference	
	(Million Baht)	(%)	(Million Baht)	(%)	(Million Baht)	(%)
Cost of Goods Sold						
Fuel						
Natural Gas.....	11,073.9	55.7	16,092.8	62.6	(5,018.8)	(31.2)
Coal.....	3,883.8	19.5	3,832.0	14.9	51.8	1.4
Diesel.....	27.3	0.1	42.3	0.2	(15.0)	(35.4)
Maintenance	1,010.1	5.1	1,298.0	5.0	(287.9)	(22.2)
Depreciation and Amortization.....	2,105.5	10.6	2,206.2	8.6	(100.7)	(4.6)
Other.....	1,430.5	7.2	1,581.4	6.2	(150.9)	(9.5)
Total Cost of Goods Sold.....	19,531.2	98.3	25,052.7	97.5	(5,521.5)	(22.0)
Selling and Administrative Expenses						
Depreciation and Amortization.....	14.7	0.1	14.6	0.1	0.1	0.9
General.....	319.4	1.6	318.2	1.2	1.2	0.4
Total Selling and Administrative Expenses.....	334.1	1.7	332.7	1.3	1.3	0.4
Other Expenses.....	7.2	0.0	318.5	1.2	(311.3)	(97.7)
Total Expenses	19,872.4	100.0	25,703.9	100.0	(5,831.5)	(22.7)

The following table shows a breakdown of our costs for our IPP facilities, on one hand, and for our cogeneration facilities, on the other:

	IPP and Cogeneration Facilities Cost of Goods Sold Breakdown⁽¹⁾					
	Year to Date Ended June 30,					
	2016		2015		Difference	
	(Million Baht)	(%)	(Million Baht)	(%)	(Million Baht)	(%)
IPP Facilities						
Natural Gas	515.3	11.1	3,064.5	41.0	(2,549.2)	(83.2)
Coal.....	2,675.2	57.6	2,575.7	34.4	99.6	3.9
Diesel.....	26.0	0.6	40.3	0.5	(14.3)	(35.6)
Maintenance.....	316.5	6.8	534.0	7.1	(217.5)	(40.7)
Depreciation and Amortization.....	703.1	15.1	807.4	10.8	(104.3)	(12.9)
Others.....	406.0	8.7	455.6	6.1	(49.6)	(10.9)
Total Cost of Goods Sold.....	4,642.1	100.0	7,477.4	100.0	(2,835.3)	(37.9)
Cogeneration Facilities						
Natural Gas.....	10,558.7	70.9	13,028.3	74.1	(2,469.6)	(19.0)
Coal.....	1,208.6	8.1	1,256.3	7.1	(47.8)	(3.8)
Diesel.....	1.4	0.0	2.0	0.01	(0.7)	100.0
Maintenance.....	693.5	4.7	764.0	4.3	(70.4)	(9.2)
Depreciation and Amortization.....	1,402.4	9.4	1,398.8	8.0	3.6	0.3
Others.....	1,024.5	6.9	1,125.9	6.4	(101.4)	(9.0)
Total Cost of Goods Sold.....	14,889.1	100.0	17,575.3	100.0	(2,686.2)	(15.3)

Note:

- (1) The data presented herein as the cost of sales of our cogeneration facilities is our consolidated financial results less the results of Glow IPP Co., Ltd., Houay Ho Power Co., Ltd and GHECO-One Co., Ltd. In fact, certain of these amounts are attributable to portions of our business, which are not technically our cogeneration facilities, although these amounts represent only a small portion thereof.

Cost of Goods Sold*Fuel*

The principal fuels that we use to generate electricity and steam are natural gas and coal. Purchases of natural gas constitute our single largest portion of operating expenses, accounted for 55.7 per cent of our total expenses in the first half of 2016.

The following table demonstrates our average gas costs for the periods indicated:

	Average Effective Cost of Natural Gas⁽¹⁾			
	Year to Date Ended June 30,			
	2016	2015	Difference	
	(Bt/mmBTU)	(Bt/mmBTU)	(Bt/mmBTU)	(%)
Average cost				
To Glow IPP ⁽²⁾	731.7	324.0	407.7	>100
To Cogeneration facilities ⁽³⁾	257.3	317.1	(59.9)	(18.9)

Note:

- (1) These are not our actual gas prices, but are derived by taking our total natural gas expenses and dividing by total fuel consumption of the facilities for the periods presented.
- (2) Average Effective Cost included cost related to gas pipeline transmission (Tdc1). However, in case of Glow IPP in 1H/2016, as a result of low dispatch from EGAT, an actual gas consumption was less than a minimum Contracted Delivery Capacity, resulting in higher Average Effective Cost despite relatively lower IPP gas price.
- (3) This is a "blended" rate, reflecting principally prices paid to PTT (i) by our cogeneration facilities for gas used to supply electricity to EGAT and industrial customers, (ii) for gas used to fire boilers to generate steam for industrial customers. Each of the prices set out in (i) and (ii) are different. We also purchase small amounts of tail gas from another Thai supplier, which prices are separate and are also factored into the foregoing rates.

Purchases of coal accounted for 19.5 per cent of our total expenses in the first half of 2016.

The following table demonstrates average coal costs for the periods indicated:

	Average Cost of Coal			
	Year to Date Ended June 30,			
	2016	2015	Difference	
	(\$/ton)	(\$/ton)	(\$/ton)	(%)
IPP facilities				
Equivalent coal price @ 6,322 kcal/kg ^{(1) (AR)}	67.2	88.5	(21.3)	(24.1)
Freight costs ⁽²⁾	9.7	9.7	0.0	0.3
Cogeneration facilities				
Equivalent coal price @ 6,700 kcal/kg ^{(1) (AD)}	60.1	72.0	(11.9)	(16.6)
Freight costs ⁽²⁾	8.0	8.2	(0.2)	(2.9)

Note:

- (1) This equivalent coal price is not actual reference coal price of each facility. It is derived from our actual average coal price (accounted also for inventory) converted into equivalent price at stated calorific value.
- (2) These reflect our actual freight and insurance costs.

The key determinants of our fuel expenses are the amounts of electricity and steam produced by our facilities and the efficiency with which we are able to generate such products.

The following table demonstrates the energy production levels and heat rates of our facilities for the periods indicated:

	Production and Heat Rates	
	Year to Date Ended June 30,	
	2016	2015
Glow IPP		
Equivalent energy production (GWh).....	95	1,348
Fuel consumption (mmBTU, HHV).....	770,103	9,463,643
Heat rate (BTU/kWhe, HHV).....	8,127	7,021
GHECO-One		
Equivalent energy production (GWh).....	2,673	2,206
Fuel consumption (mmBTU, HHV).....	23,833,573	19,419,819
Heat rate (BTU/kWhe, HHV).....	8,917	8,804
Cogeneration facilities (MIE) ⁽¹⁾		
Allocated energy production (GWh equivalent) ⁽²⁾		
Gas-fired cogeneration facilities.....	4,183	4,272
Coal-fired cogeneration facilities.....	1,253	1,170
Fuel consumption (mmBTU, HHV)		
Gas-fired cogeneration facilities.....	34,081,771	34,458,719
Coal-fired cogeneration facilities	12,887,318	12,241,986
Allocated heat rates (BTU/kWhe, HHV)		
Gas-fired cogeneration facilities	8,148	8,067
Coal-fired cogeneration facilities ⁽³⁾	10,288	10,468
Cogeneration facilities (SEIP)		
Equivalent energy production (GWh) ⁽²⁾	815	786
Fuel consumption (mmBTU, HHV).....	6,715,017	6,451,703
Heat rate (BTU/kWhe, HHV).....	8,235	8,207

Notes:

- (1) We present an "allocated" heat rate, which is a deemed heat rate for our cogeneration facilities that we derive by dividing the total fuel energy consumption of such facilities over a specified period of time by the energy produced during such period. This is not a straightforward exercise, particularly with respect of our Glow SPP 2/SPP 3 hybrid facility, where, for purposes of such calculation, we are required to "allocate" the amount of energy produced using steam and the amount of energy used producing gas. We make this allocation on the basis of the contribution of each energy source to total energy input, which involves subjective judgments and the use of simplifying assumptions.
- (2) Includes production of electricity and steam and chilled water (if applicable). For these purposes, steam and chilled water (if applicable) has been converted into MW at a deemed equivalent electrical energy value.
- (3) CFB start-up gas is charged to the coal heat rates for purposes of the figures presented in this table.

Results of operations

The First Half of 2016 compared to The First Half of 2015

Revenues

Revenues from sales of goods and the rendering of services and other incomes that ended June 30, 2016, were Baht 28,127.5 million, a 15.1 per cent decrease from Baht 33,130.1 million in first half of 2015. The decreases were attributable to the following factors:

- Revenue received from EGAT by Glow IPP, under IPP scheme, accounted for Baht 1,554.5 million in the first half of 2016, a 65.4 per cent decrease from Baht 4,492.6 million in the first half of 2015. The important drivers of decreasing were lower availability payment and lower energy payment. The decrease in availability payment of Baht 272.3 million from Baht 1,244.1 million to Baht 971.8 million resulted from lower availability payment rate, and having planned outage for major maintenance for 1 of the 2 units during 3rd January until 19th February 2016, even though Thai Baht had depreciated which had positive effect on USD-linked revenue, while energy payment decreased by Baht 2,665.8 million from Baht 3,248.5 million to Baht 582.7 million due to lower power dispatch to EGAT which decreased by 94.7 per cent from 1,343.9 GWh to 71.6 GWh as compared with the same period of last year.

However, with the adoption of Financial Lease, sales of electricity to EGAT recorded in financial statement consisting of financial lease income accounted for Baht 332.7 million and revenue from sales accounted for Baht 870.5 million.

- Sales of electricity to EGAT by GHECO-One, under IPP scheme, accounted for Baht 6,648.1 million in the first half of 2016, an increase of 7.6 per cent from Baht 6,176.6 million in first half of 2015. These increases were largely because of 21.7 per cent higher in power dispatch to EGAT from 2,195.7 GWh to 2,672.5 GWh as GHECO-One performed major planned maintenance in the first half of 2015. However, the increase in power dispatch was partially offset by lower energy payment rate resulting from decrease in coal price.
- Sales of electricity to EGAT and EDL by Houay Ho Power (HHPC), under IPP scheme, accounted for Baht 380.3 million in first half of 2016, a 25.4 per cent decrease from Baht 509.7 million in the same period prior year. These decreases were mainly due to a 29.4 per cent decrease in volume dispatch to EGAT from 286.6 GWh to 202.5 GWh.
- Sales of electricity to EGAT by our cogeneration facilities, under SPP scheme, accounted for Baht 7,745.8 million in first half of 2016, a decline of 11.6 per cent from Baht 8,765.6 million, when compared to the same period in the prior year. These declines were mostly due to a 16.3 per cent decrease in energy payment as a result of 18.9 per cent lower in gas price and lower power dispatch to EGAT by 2.0 per cent from 2,735.8 GWh to 2,680.7 GWh, despite favorable impact on capacity payment from Thai Baht depreciation.
- Sales of electricity to industrial customers by our cogeneration facilities accounted for Baht 7,849.9 million in first half of 2016, a 7.0 per cent decrease from Baht 8,438.6 million in the first half of 2015. These decreases were mainly due to lower electricity tariff by 7.9 per cent as a result of decrease in electricity tariff rate charged to industrial customers, despite the slight higher in electricity sale volume to industrial customers by 0.9 per cent from 2,505.0 GWh to 2,528.4 GWh.
- Sales of steam to industrial customers by our cogeneration facilities accounted for Baht 3,586.9 million in the first half of 2016, a decrease of 9.7 per cent from Baht 3,972.4 million compared to the same period in the prior year. These decreases were mainly due to a 14.0 per cent lower in selling price as a result of lower gas price, while sale volume increased by 4.9 per cent to 3,807.2 ktons from 3,627.9 ktons.
- Sales of other products and services accounted for Baht 231.4 million in the first half of 2016 as compared of 234.3 million in the same period of the prior year.

Our other incomes consist mainly of revenue from interest income and other items.

We recognized interest income for Baht 32.2 million in the first half of 2016, an increase of Baht 9.9 million from Baht 22.3 million in first half of 2015. The interest income was principally attributable to interest earned on cash held in the form of deposits, financial instruments and in reserve accounts under our project financing agreements.

Other items totaled Baht 101.0 million, decreased by Baht 976.9 million from Baht 1,077.9 million in the first half of 2015. There were a booking of compensation of GHECO-One delayed completion of Baht 729.8 million and a booking of business interruption claim of CFB3 of Baht 316.6 million in the first half of 2015.

Additionally, we booked net exchange gain of Baht 348.7 million as other incomes in the first half of 2016, while net exchange loss of Baht 315.4 million was recorded as other expenses in the first half of 2015. The Foreign Exchange exposure is derived from the US dollar-denominated debt in Glow IPP, GHECO-One and Houay Ho Power¹ which are being served by the US dollar-linked and US dollar revenue from sales of electricity to EGAT.

As a result of the foregoing, total revenue accounted for Baht 28,127.5 million in the first half of 2016, a 15.1 per cent decrease from Baht 33,130.1 million in the first half of 2015.

¹ Financial Statement of HHPC is presented in US Dollar and be consolidated into our financial statement presented in Thai Baht

Expenses

Cost of goods sold was Baht 19,531.2 million in the first half of 2016, a decrease of 22.0 per cent from Baht 25,052.7 million in the first half of 2015. This decrease was attributable to the following factors:

IPP facilities

- IPP facilities' cost of natural gas from Glow IPP was Baht 515.3 million in the first half of 2016, a decrease of Baht 2,549.2 million from Baht 3,064.5 million in the first half of 2015. The majority of decrease in gas cost of GIPP was attributable to lower gas consumption by 92.6 per cent as a result of lower power dispatch to EGAT.
- IPP facilities' cost of coal from GHECO-One was Baht 2,675.2 million in the first half of 2016, a 3.9 per cent increase from Baht 2,575.7 million in the first half of 2015. This increase was primarily due to higher coal consumption from GHECO-One as a result of higher power dispatch to EGAT, despite lower coal price for the first half of 2016.
- IPP facilities' cost of diesel was Baht 26.0 million in the first half of 2016, a decrease of Baht 14.3 million from Baht 40.3 million compared to the same period in the prior year.
- IPP facilities' maintenance costs were Baht 316.5 million in the first half of 2016, a decrease of Baht 217.5 million from Baht 534.0 million in the first half 2015. These decreases was mostly due to no plan for scheduled maintenance of GHECO-One which was performed in the first half of 2015.
- IPP facilities' depreciation and amortization costs were Baht 703.1 million in the first half of 2016, a 12.9 per cent decrease from Baht 807.4 million in the first half of 2015.
- IPP facilities' other costs of goods sold were Baht 406.0 million in the first half of 2016, a 10.9 per cent decrease from Baht 455.6 million compared to the same period of previous year. IPP facilities' other costs of sales of goods consist mainly of water, chemicals and general overhead costs as well as contribution to Power Community Development Fund.

Cogeneration facilities

- Our cogeneration facilities' cost of natural gas was Baht 10,558.7 million in the first half of 2016, a 19.0 per cent decrease from Baht 13,028.3 million, when compared to the same period in the prior year. This decrease was mainly due to lower gas price by 18.9 per cent while gas consumption remained stable.
- Our cogeneration facilities' cost of coal was Baht 1,208.6 million in the first half of 2016, an decrease of 3.8 per cent from Baht 1,256.3 million compared to the same period of previous year. The decrease was mainly due to lower average coal price at FOB by 16.6 per cent from 72.0 USD/ton to 60.1 USD/ton while coal index also decreased by 10.6 per cent from 66.8 USD/ton to 74.7 USD/ton, despite higher coal consumption as a result of higher availability.
- Our cogeneration facilities' cost of diesel was Baht 1.4 million in the first half of 2016, a decrease by 33.1 per cent from Baht 2.0 million compared to the same period in the prior year.
- Our cogeneration facilities' maintenance costs were Baht 693.5 million in the first half of 2016, a decrease of 9.2 or equivalent to Baht 70.4 million from Baht 764.0 million in the first half of 2015. The decrease in these maintenance costs was attributable to less scheduled major maintenances as compared to the year before.
- Our cogeneration facilities' depreciation and amortization costs were Baht 1,402.4 million in the first half of 2016, a slight increase of 0.3 per cent from Baht 1,398.8 million as compared to the same period of previous year.
- Our cogeneration facilities' other costs of goods sold were Baht 1,024.5 million in the first half of 2016, a decrease of 9.0 per cent from Baht 1,125.9 million in the first half of 2015. Cogeneration facilities' other costs of sales of goods sold consist mainly of water, chemicals, and general overhead costs as well as contribution to Power Community Development Fund.

Selling and administrative expenses accounted for Baht 334.1 million in the first half of 2016, a slight increase of 0.4 per cent or equivalent to Baht 1.3 million from Baht 332.7 million in the first half of 2015. These were attributable to the following factors:

- Depreciation and amortization accounted for Baht 14.7 million in the first half of 2016, a slight increase 0.9 per cent from Baht 14.6 million in the first half of 2015.
- Other selling and administrative expenses accounted for Baht 319.4 million in the first half of 2016, a slight increase of 0.4 per cent from Baht 318.2 million in the first half of 2015.

As a result of the foregoing, our total expenses were Baht 19,872.4 million in the first half of 2016, a 22.7 per cent decrease from Baht 25,703.9 million in the first half of 2015.

Profit Before Finance Costs and Income Tax

As a result of the foregoing, our profit before finance costs and income tax was Baht 8,255.1 million in the first half of 2016,

an increase of 11.2 per cent from Baht 7,426.1 million in the first half of 2015.

Finance costs

Our finance costs were Baht 1,284.3 million in the first half of 2016, a decrease of 17.6 per cent from Baht 1,558.8 million in the first half of 2015. The finance costs consist of interest expenses and financial fees.

Our interest expenses were Baht 1,249.4 million in the first half of 2016, a decline of 17.1 per cent from Baht 1,506.3 million in the first half of 2015. The decline in interest expenses was mainly due to the reduction in outstanding interest-bearing debt.

Our financial fees decreased by Baht 17.6 million to Baht 34.9 million from Baht 52.5 million in the first half of 2015.

Income Tax Expenses

Income Tax Expenses are 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 were Baht 468.3 million in the first half of 2016, a decrease of 29.3 per cent or equivalent to Baht 194.3 million from Baht 662.7 million as compared to the year before. The majority of the decreases in current income tax expenses were mainly due to taxable other incomes booked in the first half of 2015.

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

There were a bookings of net change in Deferred Tax Asset (Deferred Tax Revenue) of Baht 9.8 million in the first half of 2015 and net change in Deferred Tax Liability (Deferred Tax Expenses) of Baht 59.0 million in the first half of 2016. Furthermore, net change in Deferred Tax Asset/Liability (Deferred Tax Revenues/Expenses) including the adjustment of deferred tax revenue booked under financial lease of GIPP accounted for Baht 72.8 million and Baht 36.3 million in the first half of 2015 and 2016, respectively.

Profit After Tax

As a result of the foregoing, our profit after tax accounted for Baht 6,443.5 million in the first half of 2016, an increase of 23.6 per cent from Baht 5,214.5 million in the first half of 2015.

Minority Interest

There was a net profit attributed to minority interest of Baht 917.9 million in the first half of 2016, while the attribution to minority interest was Baht 736.0 million in the first half of 2015. The minority interest is mainly net profit of GHECO-One attributed to 35% minority shareholders. In the first half of 2016, GHECO-One had net profit of Baht 2,470.4 million, including net exchange gain of Baht 306.8 million, while the net profit from GHECO-One in the first half of 2015 was Baht 1,846.0 million, including net exchange loss of Baht 214.3 million.

Net Profit

As a result of the foregoing, our net profit was Baht 5,525.6 million in the first half of 2016, an increase of 23.4 per cent from Baht 4,478.5 million in the same period of previous year, whereas net profit excluding the adjustment of financial lease accounting of GIPP was Baht 4,781.7 million and Baht 5,663.4 million in the first half of 2015 and 2016, respectively.

Normalized Net Profit¹

Our normalized net profit, which was net income excluding net foreign exchange gain of Baht 239.2² million and deferred tax expenses of Baht 94.0³ million, and excluding the adjustment of financial lease accounting of GIPP, was Baht 5,515.6 million in the first half of 2016, an increase of 8.7 per cent from Baht 5,073.1 million in the the first half of 2015. This normalized net profit is the basis used to determine our dividend distribution.

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Mr. Natthapatt Tanboon-ek
SVP – Treasurer

¹ Definition of "Normalized Net Profit" is amended to "Net Profit excluding net exchange gain or loss and net change in deferred tax assets(revenues) or liabilities(expenses)"

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

³ Excluded deferred tax revenues or expenses attributed to minority shareholders in subsidiaries.