

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

For Quarter 1/2017

1) Company's Operating Result

(US\$ Million)	Q1/17	Q4/16	+ /(-)	Q1/16	+ /(-)
Total Revenue	1,276	1,245	31	933	343
EBITDA	123	122	2	81	42
EBIT	103	101	1	61	42
Exchange gain (loss)	20	(5)	26	7	13
Net income	82	79	3	48	34
Net income (US\$ per share)	0.02	0.02	0.00	0.01	0.01
Accounting gross refining margin (US\$/barrel) ⁽¹⁾	8.92	10.02	(1.10)	6.69	2.23
Market gross refining margin (US\$/barrel) ⁽²⁾	7.98	7.53	0.45	8.26	(0.28)

Crude intake (thousand barrels/day)	158.6	163.3	(4.7)	163.4	(4.8)
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(Baht Million)	Q1/17	Q4/16	+ /(-)	Q1/16	+ /(-)
Total Revenue	44,880	44,299	581	33,408	11,472
EBITDA	4,361	4,337	23	2,894	1,466
EBIT	3,628	3,602	26	2,158	1,471
Exchange gain (loss)	722	(183)	905	267	455
Net income	2,909	2,810	99	1,703	1,206
Net income (Baht per share)	0.67	0.65	0.02	0.39	0.28

⁽¹⁾ margin includes inventory gain/loss based on weighted average inventory cost⁽²⁾ margin is calculated based on current replacement cost

Exchange rate (Baht/US\$)	Q1/17	Q4/16	+ /(-)	Q1/16	+ /(-)
Average FX	35.28	35.57	(0.29)	35.81	(0.53)
Closing FX	34.61	36.00	(1.39)	35.41	(0.79)

In Q1/17 SPRC crude intake was 158.6 thousand barrels per day, or 96.1% of the refining capacity, a decrease of 4.7 thousand barrels per day from Q4/16 due to crude unit reduction as a result of plant constrain. Total sale revenue was US\$1,276 million (Baht 44,880 million) which was slightly increased from Q4/16 mainly due to higher average selling price but partly offset by lower sale volume reflecting from lower throughput. EBITDA for Q1/17 was very close to Q4/16 and net income slightly increased from US\$79 million (Baht 2,810 million) in Q4/16 to US\$82 million (Baht 2,909 million) in Q1/17. Gain on foreign exchange in Q1/17 more than offset the lower accounting gross refining margin and resulted to higher net income. However, excluding stock gain impact, market refining margin was still strong and rose from US\$7.53/bbl to US\$7.98/bbl supported by healthy domestic demand and in Asia mainly in gasoline.

Compared Q1/17 with Q1/16, SPRC crude intake in Q1/17 also decreased from prior year quarter due to crude unit slowdown. Despite the lower throughput, total sale revenue in Q1/17 increased US\$343 million (Baht 11,472 million) as a result of the increase in average oil and product price. EBITDA and net income in Q1/17 also increased driven by higher accounting gross refining margin, which include stock gain, during the increase in oil price while there was stock loss in Q1/16. Excluding stock gain (loss), market gross refining margin in Q1/17 of US\$7.98/bbl was slightly lower than prior year quarter. Baht appreciation in Q1/17 also contributed to higher net income in Q1/17.

2) Market Condition

MOPS Pricing	Q1/17	Q4/16	+ / (-)
Dubai crude oil	53.08	48.36	4.71
Light Naphtha (MOPJ)	55.35	50.02	5.33
Gasoline (premium)	67.83	62.94	4.90
Jet Fuel	64.38	60.62	3.76
Diesel	64.89	60.38	4.51
Fuel Oil	49.98	46.70	3.28

Q1/16	+ / (-)
30.44	22.63
38.29	17.06
49.34	18.49
42.12	22.26
40.08	24.81
25.27	24.71

Spread over Dubai	Q1/17	Q4/16	+ / (-)
Light Naphtha (MOPJ)	2.28	1.65	0.62
Gasoline (premium)	14.76	14.57	0.18
Jet Fuel	11.30	12.26	-0.95
Diesel	11.82	12.02	-0.20
Fuel Oil	-3.10	-1.67	-1.43

Q1/16	+ / (-)
7.85	-7.05
18.90	-4.12
11.68	-1.82
9.64	-1.74
-5.17	4.87

Average Dubai price for Q1/17 was US\$53.08/bbl, increased from US\$48.36/bbl in Q4/16, as a result of agreement of reduced supply from OPEC and non OPEC producers started from January 2017 onwards. OPEC compliance was high and close to oil production cut target. The most contribution member is Saudi Arabia that reduced output by 660,000 barrels per day, compared with target at 486,000 barrels per day. Despite OPEC production cut, Russia compliance and US crude production still weigh on market. Russia production cut was lower than 300,000 barrels per day as agreed output reduction. US oil rig count has been increased by 26% Q-o-Q to 662. US crude oil stock remains close record high level. End of Q1/17, US crude stock level was 535.5 barrels, up 11.8% Q-o-Q.

Gasoline spread over Dubai remained stable at US\$14.76/bbl. Gasoline market in this quarter remained strong supported by healthy demand ahead/after Lunar New Year celebrations from Northeast Asia, strong naphtha market (Gasoline blending component) and unplanned supply disruption as the Ruwais refinery fire. End of this quarter, Singapore light distillates stocks were 14.2 million barrels, increased 15% Q-o-Q.

Naphtha spread over Dubai in Q1/17 averaged US\$2.28/bbl, supported by strong demand with healthy petrochemical cracker margins and tight supply due to plan and unplanned refinery outage in India, Japan, Singapore and United Arab Emirates. Moreover, Naphtha market was also supported by unfavorable alternative feedstock price.

Jet and Diesel crack spread over Dubai was slightly lower than previous quarter, averaged US\$11.30/bbl and US\$11.82/bbl, respectively. Middle distillate cracks were supported by supply disruptions from refinery unplanned shutdown, starting of refinery maintenance in Asia, and spot demand from Sri Lanka and Pakistan. Singapore middle distillates stocks increased to 12.6 MMB at the end of March, up 21.2% Q-o-Q. U.S. middle distillates inventories fell 5.7% Q-o-Q to 152.4 MMB. The export diesel volume from China decreased by 24% Q-o-Q, export volume mainly ship to Singapore, Philippines and South Korea.

Fuel oil spread over Dubai in Q1/17, averaged minus US\$3.10/bbl, lower than Q4/16, even healthy bunker fuel demand. Fuel oil market was affected by more fuel oil export from United Arab Emirate as Ruwais

refinery shutdown and increasing of arbitrage volume flow to Asia. In this quarter, Singapore onshore fuel oil inventories increased by 14.5% Q-o-Q to 25.4 MMB.

Even lower overall product crack spreads, SPRC's average market refining margin in Q1/17 was US\$7.98/bbl as compared to US\$7.53/bbl in Q4/16 and US\$8.26/bbl in Q1/16. In Q1/17, SPRC maximized margin by capturing crude benefit from term supply and processing opportunity crudes, capturing benefit from cracker unit optimization and maximizing domestic placement for all products.

Sources: EIA, Reuters, IHS, Platts

3) Financial Results

	US\$ Million			% +/-	US\$ Million		
	Q1/17	Q4/16	+ /(-)		Q1/16	+ /(-)	% +/-
Total Revenue	1,276	1,245	31	2%	933	343	37%
Cost of sales	(1,186)	(1,132)	(55)	5%	(873)	(313)	36%
Gross profit	89	113	(24)	-21%	60	30	50%
Other income	0	0	0	44%	1	(0)	-33%
Gain (loss) on exchange rate	20	(5)	26	-497%	7	13	173%
Administrative expenses	(8)	(7)	(1)	8%	(7)	(1)	14%
Income tax	(20)	(21)	2	-9%	(12)	(7)	58%
Net income	82	79	3	4%	48	34	71%

	Baht Million			Baht Million	
	Q1/17	Q4/16	+ /(-)	Q1/16	+ /(-)
Total Revenue	44,880	44,299	581	33,408	11,472
Cost of sales	(41,721)	(40,273)	(1,449)	(31,295)	(10,426)
Gross profit	3,159	4,026	(868)	2,113	1,046
Other income	16	11	5	24	(8)
Gain (loss) on exchange rate	722	(183)	905	267	455
Administrative expenses	(268)	(251)	(17)	(239)	(29)
Income tax	(692)	(763)	70	(441)	(251)
Net income	2,909	2,810	99	1,703	1,206

Production Volumes

	Q1/17	Q4/16	Q1/16
Polymer Grade Propylene	417	440	431
Liquefied Petroleum Gas	815	776	832
Light Naphtha	688	684	628
Gasoline	3,885	4,096	3,982
Jet Fuel	1,008	1,130	1,146
Diesel	5,555	5,915	5,616
Fuel Oil	1,672	1,770	1,751
Asphalt	335	339	391
Mix C4	413	437	410
Other ⁽¹⁾	1,049	1,299	1,214
Total production	15,837	16,885	16,400

⁽¹⁾ Includes sulfur and reformat and products sold pursuant to our cracker feed exchange with PTT Global Chemical (PTTGC).

Total Sale Revenue

Petroleum products (US\$ Mil)	Q1/17	Q4/16	Q1/16
Polymer Grade Propylene	31	28	23
Liquefied Petroleum Gas ⁽¹⁾	43	29	32
Light Naphtha	37	31	24
Gasoline	398	383	316
Jet Fuel	69	69	48
Diesel	516	512	368
Fuel Oil	77	80	40
Asphalt	17	12	7
Mix C4	30	28	16
Crude	0	0	21
Others ⁽²⁾	58	72	38
Total Revenue	1,276	1,245	933

⁽¹⁾ Includes Government LPG and oil subsidies.

⁽²⁾ Includes sulfur, reformat and products sold pursuant to our cracker feed exchange with PTT Global Chemical (PTTGC).

Q1/17 sale revenue slightly increased 2% compared to Q4/16 and increased 37% from Q1/16. The increase was mainly due to higher petroleum products price which was in line with the increase in crude oil price and partly offset with a decrease in sales volume of petroleum products to 16.0 million barrels in Q1/17 compared to 17.6 million barrels in Q4/16 and 17.1 million barrels in Q1/16.

In Q1/17, the company sold its petroleum products based on sale revenue to Chevron, PTT and other oil and petrochemical companies in the proportion of 54%, 33% and 13%, respectively.

Cost of Sales

Cost of sales in Q1/17 increased by 5% from Q4/16 and by 36% from Q1/16 primarily due to a higher average cost of crude oil but partially offset by lower sale volume from the slowdown on crude intake.

Gain (loss) on Foreign Exchange

Gain on foreign exchange for Q1/17 increased to US\$20 million (Baht 722 million) from loss of foreign exchange of US\$5 million (Baht 183 million) in Q4/16 and increased US\$13 million (Baht 455 million) from Q1/16.

Gain on foreign exchange in Q1/17 primarily due to the appreciation of the Baht relative to the U.S. dollar during Q1/17 while Baht relative to the U.S dollar depreciated in Q4/16 which resulted to loss on foreign exchange in that quarter. Higher foreign exchange gain in Q1/17 compared to Q1/2016 was due to higher appreciation of Baht relative to U.S dollar in Q1/2017.

Administrative Expenses

Administrative expenses in Q1/17 slightly increased US\$1 million (Baht 17 million) from Q4/16 and US\$1 million (Baht 29 million) from Q1/16 mainly from expenses relating to software program maintenance and employee benefit.

4) Analysis of Financial Position

	US\$ Million				Baht Million		
	31 Mar 2017	31 Dec 2016	+ / (-)	% + / (-)	31 Mar 2017	31 Dec 2016	+ / (-)
Assets							
Cash & cash equivalent	135	6	128	1,980%	4,658	233	4,425
Other current assets	699	652	47	7%	24,202	23,474	728
Non-current assets	994	1,013	(19)	-2%	34,419	36,481	(2,062)
Total assets	1,828	1,672	156	9%	63,279	60,188	3,091
Liabilities							
Current liabilities	506	397	109	28%	17,529	14,291	3,238
Non-current liabilities	80	116	(36)	-31%	2,778	4,178	(1,399)
Total liabilities	587	513	74	14%	20,308	18,469	1,839
Equity							
Share capital & retained earnings	1,242	1,159	82	7%	45,564	42,654	2,909
Other component of shareholders' equity					(2,592)	(935)	(1,657)
Total equity	1,242	1,159	82	7%	42,971	41,719	1,252
Total liabilities & equity	1,828	1,672	156	9%	63,279	60,188	3,091

Assets

Total assets as of 31 Mar 2017 increased by US\$156 million (Baht 3,091 million) from 31 Dec 2016, mainly from an increase in cash and current assets but partially offset by a decrease in non-current assets.

Total current assets increased US\$175 million (Baht 5,153 million) due to:

- an increase in cash & cash equivalent of US\$128 million (Baht 4,425 million);
- an increase in inventory of US\$69 million (Baht 1,918 million) mainly from higher crude inventory reflecting from the reduction in crude intake and
- partially offset by a decrease in trade and other account receivable of US\$23 million (Baht 1,216 million) from lower sale volume.

Non-current assets was lower mainly from a decrease in property, plant and equipment of US\$18 million (Baht 2,028 million) as depreciation expenses for Q1/2017 more than offset the additional capital investment in refinery reliability and efficiency projects.

Liabilities

Total liabilities as of 31 Mar 2017 increased US\$74 million (Baht 1,839 million) from 31 Dec 2016. The changes in total liabilities are mainly from:

- a) an increase in trade and other account payables of US\$83 million (Baht 2,557 million). Trade payables increased from timing of crude payment;
- b) an increase in income tax payable of US\$21 million (Baht 691 million) for the income tax for Q1/2017 profit which will be paid in Aug 17; and
- c) partially offset by a decrease in long term borrowing of US\$27 million (Baht 1,023 million) for loan repayment.

Shareholders' Equity

Shareholders' equity as of 31 Mar 2017 increased US\$82 million (Baht 1,252 million) from 31 Dec 2016 resulted from the net profit in Q1/2017.

5) Statement of Cash Flow

Q1/2017	US\$ Million	Baht Million
Net cash generated from operating activities	158	5,575
Net cash used in investing activities	(3)	(93)
Net cash used in financing activities	(27)	(933)
Net decrease in cash and cash equivalents	128	4,549
Cash and cash equivalents at the beginning of the period	6	233
Adjustments from foreign exchange translation	(0)	(124)
Cash and cash equivalents at the end of the period	135	4,658

SPRC cash and cash equivalents at 31 Mar 2017 was US\$135 million (Baht 4,658 million), an increase of US\$128 million (Baht 4,549 million) from 31 Dec 2016.

Details of cash flow activities in Q1/2017 are as follow.

- a) Net cash generated from operating activities of US\$158 million (Baht 5,575 million) which was primarily due to:
 - Q1/2017 net profit of US\$82 million (Baht 2,909 million) and add back non-cash items of US\$31 million (Baht 1,087 million);
 - cash generated from operating liabilities of US\$89 million (Baht 3,126 million), mainly from an increase in trade and other payables of US\$83 million (Baht 2,938 million) due to timing of crude payment; and
 - partially offset by cash used in operating assets of US\$44 million (Baht 1,548 million), mainly from an increase in inventory of US\$69 million (Baht 2,425 million) due to the increase in inventory volume in Mar 2017, but partially offset by a decrease in trade receivable of US\$25 million (Baht 895 million) due to lower sales volume reflected from lower throughput.

- b) Net cash used in investing activities of US\$3 million (Baht 93 million), primarily on projects spending to increase refinery reliability and efficiency.
- c) Net cash used in financing activities of US\$27 million (Baht 933 million) for the long-term loan repayment.

6) Financial Ratios

		Q1/17	Q4/16	Q1/16
Current Ratio	(Time)	1.6	1.7	1.2
Net Profit Margin	(%)	6.4	6.3	5.1
Net Debt to Equity ratio	(Time)	0.5	0.4	0.7
Net Interest Bearing Debt to Equity ratio	(Time)	0.0	0.1	0.0

Note:

Current Ratio	= Current Assets / Current Liabilities	(Time)
Net Profit Margin	= Quarter (Net Profit(Loss) / Total Revenue	(%)
Net Debt to Equity Ratio	= Total Liabilities / Total Shareholders' Equity	(Time)
Net Interest Bearing Debt to Equity ratio	= Interest Bearing Debt - Cash / Total Shareholders' Equity	(Time)