

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

For Quarter 2/2017 and 6 months ended June 2017

1) Company's Operating Result

(US\$ Million)	Q2/17	Q1/17	+ /(-)	Q2/16	+ /(-)	6M/17	6M/16	+ /(-)
Total Revenue	1,094	1,276	(181)	1,083	11	2,370	2,016	354
EBITDA	42	123	(82)	127	(85)	165	209	(43)
EBIT	21	103	(82)	107	(86)	124	167	(44)
Exchange gain	5	20	(15)	6	(1)	25	13	12
Net income	17	82	(65)	85	(68)	99	133	(33)
Net income (US\$ per share)	0.00	0.02	(0.02)	0.02	(0.02)	0.02	0.03	(0.01)
Gross refining margin (US\$/barrel) – accounting ⁽¹⁾	5.05	8.92	(3.87)	9.92	(4.87)	7.17	8.28	(1.11)
Market gross refining margin (US\$/barrel) ⁽²⁾	6.85	7.98	(1.13)	5.25	1.60	7.47	6.78	0.69

Crude intake (thousand barrels/day)	130.6	158.6	(27.9)	158.7	(28.0)	144.5	161.0	(16.5)
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(Baht Million)	Q2/17	Q1/17	+ /(-)	Q2/16	+ /(-)	6M/17	6M/16	+ /(-)
Total Revenue	37,748	44,880	(7,132)	38,419	(671)	82,627	71,827	10,801
EBITDA	1,447	4,361	(2,913)	4,516	(3,068)	5,808	7,410	(1,602)
EBIT	734	3,628	(2,894)	3,790	(3,056)	4,362	5,948	(1,585)
Exchange gain	173	722	(549)	202	(29)	896	469	426
Net income	594	2,909	(2,315)	3,003	(2,409)	3,503	4,706	(1,203)
Net income (Baht per share)	0.14	0.67	(0.53)	0.69	(0.56)	0.81	1.09	(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\$)	Q2/17	Q1/17	+ /(-)	Q2/16	+ /(-)	6M/17	6M/16	+ /(-)
Average FX	34.45	35.28	(0.83)	35.45	(1.00)	34.87	35.64	(0.77)
Closing FX	34.15	34.61	(0.47)	35.34	(1.20)	34.15	35.34	(1.20)

In Q2/17 the company had sale revenue of US\$1,094 million (Baht 37,748 million), decreased by US\$181 million from Q1/17 due to lower product sale and average selling price. Lower product sale in Q2/17 was due to lower crude intake which was 130.6 thousand barrels per day, or 79.2% of the refining capacity, lower than 158.6 thousand barrels per day in Q1/17. Decreased crude intake in Q2/17 was mainly attributable to the Crude Distillation Unit (CDU) maintenance activity for 10 days in June for internal inspection and cleaning. The company EBITDA for Q2/17 was US\$42 million (Baht 1,447 million), a decrease of US\$82 million (Baht 2,913 million) from Q1/17. Similarly, net income for Q2/17 was US\$17 million (Baht 594 million), lower than net income in Q1/17. The decrease in EBITDA and net income comparing to Q1/17 was primarily impacted from lower accounting gross refining margin due to stock loss in declining market price in this quarter which included a write down of inventory to net realizable value (NRV) of US\$1.9 million and lower sale as a consequence of the CDU maintenance activity. Excluding stock loss, market refining margin of US\$6.85/bbl was also lower than Q1/17 mainly impacted from the CDU maintenance activity and weaker crack spread.

Compared Q2/17 with Q2/16, total sale revenue in Q2/17 slightly increased as a result of higher average oil and product price. On the contrary, EBITDA and net income in Q2/17 decreased driven by lower sale volume and lower accounting gross refining margin, which include stock loss and inventory write down to NRV, during the decrease in oil price while there was stock gain in Q2/16. Excluding stock loss (gain), market gross refining margin in Q2/17 was better than prior year quarter due to healthy fuel oil demand.

Compared 6M/17 with 6M/16, crude intake was 144.5 thousand barrels per day, decreased from 161.0 thousand barrels per day. Including stock loss and inventory write down to NRV during declining oil and product price during 6M/17 and impact from the lower crude intake, EBITDA and net income for 6M/17 decreased from 6M/16. Excluding stock loss (gain), market gross refining margin in 6M/17 was higher than 6M/16 due to healthy demand for gasoline and fuel oil.

2) Market Condition

MOPS Pricing	Q2/17	Q1/17	+ / (-)	Q2/16	+ / (-)
Dubai crude oil	49.78	53.08	-3.30	43.20	6.58
Light Naphtha (MOPJ)	49.58	55.35	-5.77	45.62	3.97
Gasoline (premium)	63.98	67.83	-3.85	57.65	6.34
Jet Fuel	60.58	64.38	-3.80	54.34	6.24
Diesel	61.14	64.89	-3.75	53.70	7.44
Fuel Oil	47.95	49.98	-2.03	34.45	13.50

Spread over Dubai	Q2/17	Q1/17	+ / (-)	Q2/16	+ / (-)
Light Naphtha (MOPJ)	-0.19	2.28	-2.47	2.42	-2.61
Gasoline (premium)	14.21	14.76	-0.55	14.45	-0.24
Jet Fuel	10.80	11.30	-0.50	11.15	-0.34
Diesel	11.37	11.82	-0.45	10.51	0.86
Fuel Oil	-1.82	-3.10	1.27	-8.74	6.92

Average Dubai price for Q2/17 was US\$49.78/bbl, decreased from US\$53.08/bbl in Q1/17 due to market remained over supply even OPEC and non-OPEC partners formally agreed on 25 May 2017 to extend their cuts through March 2018. The production of 1.8 million barrels per day has been clamped as agreement that may offset by fast-increasing of US shale oil production. In Q2/17, US oil rig count has been increased by 14% Q-o-Q to 756. End of Q2/17, US crude stock level was 509.2 million barrels above last five-year average from 2012 to 2016. Crude oil market has also been weighed by increasing crude production from OPEC that has increased by 115 thousand barrels per day from Q1/17 to average 32.2 million barrels per day in Q2/2017, mostly from Libya, Nigeria, Angola, Iraq and Saudi Arabia. OPEC compliance on production cut fell to 78%. Libya and Nigeria have continued to be exempt from the cuts.

Gasoline spread over Dubai remained stable at US\$14.21/bbl. Gasoline market in Q2/17 was pressured by most refineries back from maintenance, lower US summer demand than usual and high inventories in US. Even healthy demand from Ramadan and lower export volume from China as foresee export volume down by 7% Q-o-Q. End of this quarter, Singapore light distillates stocks were 11.1 million barrels, decreased 21% Q-o-Q.

Naphtha spread over Dubai in Q2/17 averaged minus US\$0.19/bbl, was pressured by more production from end of refinery maintenance, starting naphtha cracker turnarounds period, weak gasoline market and more arbitrage from Europe. In addition, cheaper LPG continues to weigh on Naphtha market.

Jet and Diesel crack spreads over Dubai was slightly lower than previous quarter, averaged US\$10.80/bbl and US\$11.37/bbl, respectively. Middle Distillate cracks were supported by healthy regional demand during Ramadan and summer. Regional demand for Jet fuel has continued grows as rising in air travel. Arbitrage economics to ship Diesel from Asia to the West were not economic. The estimated export Diesel volume from China, mainly ship to Singapore, Hong Kong and Philippines, was decreased by 10% Q-o-Q. Singapore Middle Distillates stocks decreased to 9.9 million barrels at the end of June, down by 20% Q-o-Q. US Middle Distillates inventories slightly fell to 150.4 million barrels.

Fuel oil spread over Dubai in Q2/17, averaged minus US\$1.82/bbl, was better than Q1/17 supported by healthy bunker fuel demand, summer demand for power generation and limited arbitrage volume to Asia. Fuel oil supply was low due to falling supplies from Russia and Venezuela. In this quarter, Singapore onshore Fuel oil inventories decreased by 12% Q-o-Q to 22.2 million barrels.

Due to weaker overall product crack spreads, SPRC's average market refining margin in Q2/17 was US\$6.85/bbl as compared to US\$7.98/bbl in Q1/17 and US\$5.25/bbl in Q2/16. SPRC's margin was supported by capturing benefit from process unit optimization, cracker unit upgrading, and maximized domestic supply especially on Gasoline.

Sources: EIA, IATA, IHS, OPEC, PLATTS, Reuters

3) Financial Results

	US\$ Million			US\$ Million		US\$ Million		
	Q2/17	Q1/17	+ /(-)	Q2/16	+ /(-)	6M/17	6M/16	+ /(-)
Total Revenue	1,094	1,276	(181)	1,083	11	2,370	2,016	354
Cost of sales	(1,072)	(1,186)	114	(976)	(96)	(2,259)	(1,849)	(410)
Gross profit	22	89	(68)	107	(86)	111	167	(56)
Other income	0	0	(0)	0	(0)	1	1	(0)
Gain on exchange rate	5	20	(15)	6	(1)	25	13	12
Administrative expenses	(6)	(8)	2	(6)	0	(14)	(13)	(1)
Income tax	(3)	(20)	16	(21)	18	(23)	(34)	11
Net income	17	82	(65)	85	(68)	99	133	(33)

	Baht Million			Baht Million		Baht Million		
	Q2/17	Q1/17	+ /(-)	Q2/16	+ /(-)	6M/17	6M/16	+ /(-)
Total Revenue	37,748	44,880	(7,132)	38,419	(671)	82,627	71,827	10,801
Cost of sales	(36,989)	(41,721)	4,732	(34,613)	(2,376)	(78,710)	(65,908)	(12,802)
Gross profit	759	3,159	(2,400)	3,806	(3,047)	3,917	5,919	(2,001)
Other income	11	16	(5)	14	(3)	27	38	(11)
Gain on exchange rate	173	722	(549)	202	(29)	896	469	426
Administrative expenses	(209)	(268)	59	(223)	14	(477)	(462)	(15)
Income tax	(115)	(692)	577	(765)	650	(808)	(1,206)	398
Net income	594	2,909	(2,315)	3,003	(2,409)	3,503	4,706	(1,203)

Production Volumes

Petroleum products	Q2/17	Q1/17	Q2/16	Thousands barrels	
				6M/17	6M/16
Polymer Grade Propylene	382	417	381	799	812
Liquefied Petroleum Gas	589	815	619	1,404	1,451
Light Naphtha	508	688	594	1,196	1,222
Gasoline	3,701	3,885	4,010	7,586	7,992
Jet Fuel	790	1,008	1,056	1,797	2,201
Diesel	4,449	5,555	5,495	10,003	11,111
Fuel Oil	1,579	1,672	2,172	3,252	3,923
Asphalt	219	335	288	554	679
Mix C4	579	413	522	992	932
Other ⁽¹⁾	986	1,049	190	2,035	1,404
Total production	13,782	15,837	15,327	29,618	31,727

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

Total Sale Revenue

Petroleum products	Q2/17	Q1/17	Q2/16	US\$ Million	
				6M/17	6M/16
Polymer Grade Propylene	25	31	24	56	47
Liquefied Petroleum Gas ⁽¹⁾	27	43	25	70	57
Light Naphtha	26	37	26	62	50
Gasoline	361	398	367	759	683
Jet Fuel	48	69	60	117	108
Diesel	445	516	461	961	829
Fuel Oil	71	77	64	148	104
Asphalt	9	17	6	27	13
Mix C4	35	30	25	65	41
Crude	0	0	4	1	25
Others ⁽²⁾	47	58	21	104	59
Total Revenue	1,094	1,276	1,083	2,370	2,016

(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).

Total sale revenue for Q2/17 decreased 14% as compared to Q1/17 but slightly increased 1% compared to Q2/16. The decrease was mainly due to decrease in average selling price for petroleum products which is in line with the decrease in crude oil price and also decrease in sales volume of petroleum products to 14.5 million barrels in Q2/17 as compared to 16.0 million barrels in Q1/17 and 15.9 million barrels in Q2/16.

Sale revenue for 6M/17 increased 17% as compared to 6M/16. The increase was mainly due to an increase in average selling price for petroleum products which is in line with the increase in crude oil price, partly offset with a decrease in sales volume of petroleum products to 30.5 million barrels in 6M/17 as compared to 33.0 million barrels in 6M/16.

In Q2/17, the company sold its petroleum products based on sale revenue to Chevron, PTT and other oil and petrochemical companies in the proportion of 59%, 29% and 12%, respectively.

Cost of Sales

Cost of sales in Q2/17 decreased by 10% from Q1/17 primarily due to a lower average cost of crude oil and lower sale volume from the a decrease in crude intake.

However, compared Q2/17 and 6M/17 with same period of last year, cost of sale increased 10% and 22% respectively primary due to higher average cost crude oil but partially offset by lower sale volume.

Gain on Foreign Exchange

Foreign exchange gain for Q2/17 decreased to US\$5 million (Baht 173 million) from US\$20 million (Baht 722 million) in Q1/17 and US\$6 million (Baht 202 million) from Q2/16. Lower foreign exchange gain in Q2/17 primarily due to the lower appreciation of the Baht relative to the U.S. dollar during Q2/17.

Compared 6M/17 with 6M/16, foreign exchange gain increased by US\$12 million (Baht 426 million) due higher appreciation of Baht relative to U.S dollar in 6M/17.

Administrative Expenses

Administrative expenses in Q2/17 slightly decreased US\$2 million (Baht 59 million) from Q1/17 mainly from higher expenses relating to software program maintenance and employee benefit incurred in last quarter.

Compared Q2/17 with Q2/16 and 6M/17 with 6M/16, administrative expenses were almost at the same with prior year.

4) Analysis of Financial Position

	US\$ Million				Baht Million		
	30 Jun 2017	31 Dec 2016	+ / (-)	% + / (-)	30 Jun 2017	31 Dec 2016	+ / (-)
Assets							
Cash & cash equivalent	6	6	(1)	-11%	197	233	(36)
Other current assets	644	652	(9)	-1%	21,981	23,474	(1,493)
Non-current assets	977	1,013	(36)	-4%	33,361	36,481	(3,120)
Total assets	1,626	1,672	(46)	-3%	55,538	60,188	(4,650)
Liabilities							
Current liabilities	395	397	(2)	0%	13,492	14,291	(799)
Non-current liabilities	52	116	(64)	-56%	1,760	4,178	(2,417)
Total liabilities	447	513	(66)	-13%	15,252	18,469	(3,216)
Equity							
Share capital & retained earnings	1,180	1,159	21	2%	43,362	42,654	708
Other component of shareholders' equity					(3,077)	(935)	(2,141)
Total equity	1,180	1,159	21	2%	40,286	41,719	(1,433)
Total liabilities & equity	1,626	1,672	(46)	-3%	55,538	60,188	(4,650)

Assets

Total assets as of 30 Jun 2017 decreased by US\$46 million (Baht 4,650 million) from 31 Dec 2016.

Total current assets decreased US\$9 million (Baht 1,529 million) mainly due to:

- a) a decrease in trade and other account receivable of US\$121 million (Baht 4,733 million) from lower sale volume as a result of the CDU maintenance activity in Jun 17; and
- b) partially offset by an increase in inventory of US\$112 million (Baht 3,217 million) mainly from higher crude inventory reflecting from the reduction in crude intake.

Non-current assets was lower mainly from a decrease in property, plant and equipment of US\$36 million (Baht 3,120 million) as depreciation expenses for 6M/2017 more than offset the additional capital investment in refinery reliability and efficiency projects.

Liabilities

Total liabilities as of 30 Jun 2017 decreased US\$66 million (Baht 3,216 million) from 31 Dec 2016. The changes in total liabilities are mainly from:

- a) a decrease in long term borrowing of US\$53 million (Baht 1,954 million) for loan repayment;
- b) a decrease in deferred tax liabilities of US\$12 million (Baht 479 million) resulted from exchange rate impact on temporary difference between accounting and tax book; and
- c) a decrease in income tax payable of US\$6 million (Baht 258 million) due to payment of 2016 income tax in May 17 net with additional corporate income tax for 6M/17 profit.

Shareholders' Equity

Shareholders' equity as of 30 Jun 2017 increased US\$21 million (but decrease Baht 1,433 million due to currency translation impact) from 31 Dec 2016 resulted from the net profit in 6M/2017 but partially offset by dividend payment from 2016 net profit of US\$79 million (Baht 2,795 million).

5) Statement of Cash Flow

6M/2017	US\$ Million	Baht Million
Net cash generated from operating activities	139	4,876
Net cash used in investing activities	(6)	(218)
Net cash used in financing activities	(132)	(4,646)
Net decrease in cash and cash equivalents	1	12
Cash and cash equivalents at the beginning of the period	6	233
Adjustments from foreign exchange translation	(1)	(48)
Cash and cash equivalents at the end of the period	6	197

SPRC cash and cash equivalents at 30 Jun 2017 was US\$6 million (Baht 197 million), approximately the same with 31 Dec 2016.

Details of cash flow activities in 6M/2017 are as follow.

- a) Net cash generated from operating activities of US\$139 million (Baht 4,876 million) which was primarily due to:
- 6M/2017 net profit of US\$99 million (Baht 3,503 million) and add back non-cash items of US\$29 million (Baht 986 million);
 - cash generated from operating assets of US\$7 million (Baht 239 million), mainly from a decrease in trade receivable of US\$121 million (Baht 4,227 million) due to lower sales volume reflected from lower throughput but partially offset by an increase in inventory of US\$114 million (Baht 3,984 million) due to the increase in inventory volume in Jun 17; and
 - cash generated from operating liabilities of US\$4 million (Baht 148 million), mainly from a small increase in trade and other payables of US\$7 million (Baht 247 million).
- b) Net cash used in investing activities of US\$6 million (Baht 218 million), primarily on projects spending to increase refinery reliability and efficiency.
- c) Net cash used in financing activities of US\$132 million (Baht 4,646 million) for the long-term loan repayment of US\$53 million (Baht 1,851 million) and dividend payment of US\$79 (2,795 million) for 2016 net profit.

6) Financial Ratios

		Q2/17	Q1/17	Q2/16	6M/17	6M/16
Current Ratio	(Time)	1.6	1.6	1.6	1.6	1.6
Net Profit Margin	(%)	1.6	6.4	7.8	4.2	6.6
Net Debt to Equity ratio	(Time)	0.4	0.5	0.5	0.4	0.5
Net Interest Bearing Debt to Equity ratio	(Time)	0.1	0.0	0.1	0.1	0.1

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)