

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

For Quarter 3/2017 and 9 months ended September 2017

## 1) Company's Operating Result

(US\$ Million)	Q3/17	Q2/17	+ /(-)	Q3/16	+ /(-)	9M/17	9M/16	+ /(-)
Total Revenue	1,269	1,094	175	1,113	156	3,639	3,129	510
EBITDA	125	42	83	64	61	290	272	18
EBIT	104	21	83	43	61	227	210	17
Exchange gain	7	5	2	8	(1)	32	21	11
Net income	84	17	67	33	51	183	166	17
Net income (US\$ per share)	0.02	0.00	0.02	0.01	0.01	0.04	0.04	0.00
Gross refining margin (US\$/barrel) – accounting <sup>(1)</sup>	9.70	5.05	4.65	5.17	4.53	8.08	7.22	0.86
Market gross refining margin (US\$/barrel) <sup>(2)</sup>	8.91	6.85	2.06	5.64	3.27	7.99	6.39	1.60

Crude intake (thousand barrels/day)	161.1	130.6	30.5	164.3	(3.2)	150.1	162.1	(12.0)
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(Baht Million)	Q3/17	Q2/17	+ /(-)	Q3/16	+ /(-)	9M/17	9M/16	+ /(-)
Total Revenue	42,572	37,748	4,825	38,956	3,616	125,200	110,783	14,417
EBITDA	4,172	1,447	2,725	2,216	1,956	9,980	9,626	354
EBIT	3,477	734	2,743	1,494	1,983	7,839	7,441	398
Exchange gain	225	173	51	262	(38)	1,120	731	389
Net income	2,819	594	2,225	1,172	1,647	6,322	5,878	444
Net income (Baht per share)	0.65	0.14	0.51	0.27	0.38	1.46	1.36	0.10

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

Exchange rate (Baht/US\$)	Q3/17	Q2/17	+ /(-)	Q3/16	+ /(-)	9M/17	9M/16	+ /(-)
Average FX	33.54	34.45	(0.91)	35.00	(1.46)	34.42	35.42	(1.00)
Closing FX	33.53	34.15	(0.62)	34.88	(1.34)	33.53	34.88	(1.34)

Compared Q3/17 with Q2/17, SPRC crude intake in Q3/17 was 161.1 thousand barrels per day, or 97.7% of the refining capacity, an increase of 30.5 thousand barrels per day from prior quarter which was impacted from the Crude Distillation Unit (CDU) maintenance activity in June. Total sale revenue was US\$1,269 million (Baht 42,572 million), which was higher than Q2/17 mainly because of the increase in both sale volume and product selling price. SPRC EBITDA for Q3/17 was also higher at US\$125 million (Baht 4,172 million), an increase of US\$83 million (Baht 2,725 million) from Q2/17 primarily from a stronger refining margin and also from a stock gain in the quarter, while there was stock loss in prior quarter. Net income in Q3/17 was US\$84 million (Baht 2,819 million), higher than net income in Q2/17. Excluding stock gain (loss), market refining margin rose from US\$6.85/bbl in Q2/17 to US\$8.91/bbl to Q3/17 supported by tight supply.

Compared Q3/17 with Q3/16, total sale revenue increased because of the increasing average product price following the rise in global oil price. EBITDA and net income in Q3/17 were also higher driven by high market gross refining margin and accounting gross refining margin, which include stock gain while there was stock loss in Q3/16. Excluding stock gain (loss), market gross refining margin in Q3/17 was

better than prior year quarter due to tight supply from refineries shutdown.

Compared 9M/17 with 9M/16, crude intake was 150.1 thousand barrels per day, decreased from 162.1 thousand barrels per day which was impacted from the CDU maintenance activity in Jun 17. However total sale revenue increased as a result of higher average product price. Higher in both accounting refining margin and market refining margin in 9M/17 contributed to higher EBITDA and net income in 9M/17.

## 2) Market Condition

MOPS Pricing	Q3/17	Q2/17	+ / (-)	Q3/16	+ / (-)
Dubai crude oil	<b>50.45</b>	<b>49.78</b>	0.68	43.16	7.29
Light Naphtha (MOPJ)	<b>51.97</b>	<b>49.58</b>	2.39	43.24	8.74
Gasoline (premium)	<b>66.54</b>	<b>63.98</b>	2.55	54.70	11.83
Jet Fuel	<b>63.59</b>	<b>60.58</b>	3.01	54.30	9.29
Diesel	<b>64.30</b>	<b>61.14</b>	3.15	54.12	10.18
Fuel Oil	<b>49.11</b>	<b>47.95</b>	1.16	38.90	10.21

  

Spread over Dubai	Q3/17	Q2/17	+ / (-)	Q3/16	+ / (-)
Light Naphtha (MOPJ)	<b>1.52</b>	-0.19	1.71	<b>0.07</b>	1.45
Gasoline (premium)	<b>16.09</b>	14.21	1.88	<b>11.54</b>	4.55
Jet Fuel	<b>13.14</b>	10.80	2.33	<b>11.14</b>	2.00
Diesel	<b>13.85</b>	11.37	2.48	<b>10.96</b>	2.89
Fuel Oil	<b>-1.34</b>	-1.82	0.48	<b>-4.27</b>	2.92

Average Dubai price for Q3/17 was US\$50.45/bbl, slightly increased from US\$49.78/bbl in Q2/17. Dubai price increased from decline in U.S. crude inventories due to Hurricane Harvey, US oil rig count decreased to 750 rigs, lower Libyan oil production due to the shutdown of El Sharara oilfield and OPEC and non-OPEC partners had met to extend production cut beyond March 2018. In Q4/17, Dubai price is expected to be pressured by increase in US production.

Gasoline spread over Dubai in Q3/17 was US\$16.09/bbl. Gasoline market in Q3/17 was improved by decline in the US gasoline inventory, U.S. refinery shutdowns resulting from Tropical Storm Harvey effect to supply shortage and healthy demand from Asia. Singapore Light Distillates stocks were 10.9 million barrels, decreased 2.2% Q-o-Q.

Naphtha spread over Dubai in Q3/17 averaged US\$1.52/bbl, was improved by petrochemical crackers back from turnarounds, high utilization of petrochemical crackers continued robust margins, and strong Gasoline market and unusual strength in the LPG market encouraged crackers to switch from LPG to naphtha.

Jet and Diesel crack spreads over Dubai was higher than previous quarter, averaged US\$13.14/bbl and US\$13.85/bbl, respectively. Middle Distillate cracks were supported by seasonal demand from the Middle East, unplanned refinery outages in Europe and the rippling impact of supply disruption in U.S. owing to Hurricane Harvey. Arbitrage economics to ship Diesel from Asia to the Europe as well as to Latin America were supported due to supply shortage. Singapore Middle Distillates stocks increased to 10.5 million barrels at the end of September, up by 4.9% Q-o-Q. U.S. Middle Distillates inventories slightly fell to 147.8 million barrels.

Fuel Oil spread over Dubai in Q3/17, averaged minus US\$1.34/bbl, was better than Q2/17 supported by summer demand for power generation, U.S. refinery shutdown caused by Tropical Storm Harvey and lower export volumes from U.S. to Asia leading to tightness in high viscosity market. In this quarter, Singapore onshore Fuel Oil inventories increased by 4.7% Q-o-Q to 23.3 million barrels.

Due to higher overall product crack spreads, SPRC's average market refining margin in Q3/17 was US\$8.91/bbl as compared to US\$6.85/bbl in Q2/17 and US\$5.64/bbl in Q3/16. SPRC's margin was also supported by maximizing CDU throughput to capture high margin and maximizing domestic supply especially on Gasoline.

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

### 3) Financial Results

	US\$ Million			US\$ Million		US\$ Million		
	Q3/17	Q2/17	+/(-)	Q3/16	+/(-)	9M/17	9M/16	+/(-)
Total Revenue	1,269	1,094	175	1,113	156	3,639	3,129	510
Cost of sales	(1,166)	(1,072)	(93)	(1,072)	(93)	(3,424)	(2,921)	(503)
<b>Gross profit</b>	<b>104</b>	<b>22</b>	<b>82</b>	<b>41</b>	<b>63</b>	<b>215</b>	<b>207</b>	<b>7</b>
Other income	0	0	(0)	0	(0)	1	1	(0)
Gain on exchange rate	7	5	2	8	(1)	32	21	11
Administrative expenses	(7)	(6)	(1)	(6)	(1)	(20)	(19)	(2)
Income tax	(19)	(3)	(16)	(9)	(10)	(42)	(42)	1
<b>Net income</b>	<b>84</b>	<b>17</b>	<b>67</b>	<b>33</b>	<b>51</b>	<b>183</b>	<b>166</b>	<b>17</b>

  

	Baht Million			Baht Million		Baht Million		
	Q3/17	Q2/17	+/(-)	Q3/16	+/(-)	9M/17	9M/16	+/(-)
Total Revenue	42,572	37,748	4,825	38,956	3,616	125,200	110,783	14,417
Cost of sales	(39,106)	(36,989)	(2,117)	(37,534)	(1,572)	(117,816)	(103,442)	(14,374)
<b>Gross profit</b>	<b>3,467</b>	<b>759</b>	<b>2,708</b>	<b>1,422</b>	<b>2,045</b>	<b>7,384</b>	<b>7,341</b>	<b>43</b>
Other income	8	11	(2)	15	(6)	35	52	(17)
Gain on exchange rate	225	173	51	262	(38)	1,120	731	389
Administrative expenses	(223)	(209)	(15)	(201)	(22)	(700)	(663)	(37)
Income tax	(635)	(115)	(519)	(292)	(343)	(1,442)	(1,498)	56
<b>Net income</b>	<b>2,819</b>	<b>594</b>	<b>2,225</b>	<b>1,172</b>	<b>1,647</b>	<b>6,322</b>	<b>5,878</b>	<b>444</b>

**Production volume**

Petroleum products	Q3/17	Q2/17	Q3/16	Thousands barrels	
				9M/17	9M/16
Polymer Grade Propylene	354	382	364	1,154	1,176
Liquefied Petroleum Gas	645	589	589	2,049	2,040
Light Naphtha	616	508	680	1,812	1,902
Gasoline	3,990	3,701	4,051	11,576	12,043
Jet Fuel	1,176	790	1,137	2,973	3,339
Diesel	5,805	4,449	5,998	15,808	17,108
Fuel Oil	2,045	1,579	1,978	5,297	5,901
Asphalt	286	219	272	840	950
Mix C4	486	579	531	1,477	1,463
Other <sup>(1)</sup>	904	986	1,025	2,938	2,429
<b>Total production</b>	<b>16,307</b>	<b>13,782</b>	<b>16,625</b>	<b>45,925</b>	<b>48,351</b>

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

**Total sale revenue**

Petroleum products	Q3/17	Q2/17	Q3/16	US\$ Million	
				9M/17	9M/16
Polymer Grade Propylene	24	25	23	80	70
Liquefied Petroleum Gas <sup>(1)</sup>	27	27	22	96	79
Light Naphtha	33	26	28	95	78
Gasoline	398	361	354	1,157	1,037
Jet Fuel	73	48	56	190	165
Diesel	519	445	477	1,481	1,306
Fuel Oil	103	71	70	251	174
Asphalt	12	9	8	39	22
Mix C4	35	35	23	100	63
Crude	0	0	0	0	25
Others <sup>(2)</sup>	45	47	52	150	110
<b>Total Revenue</b>	<b>1,269</b>	<b>1,094</b>	<b>1,113</b>	<b>3,639</b>	<b>3,129</b>

<sup>(1)</sup> Includes Government LPG and oil subsidies.

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

Total sale revenue for Q3/17 increased 16% as compared to Q2/17 and also increased 14% compared to Q3/16. The increase was mainly due to increase in average selling price for petroleum products which is in line with the increase in crude oil price and also increase in sales volume of petroleum products to 16.6 million barrels in Q3/17 as compared to 14.5 million barrels in Q2/17 and 16.4 million barrels in Q3/16.

Sale revenue for 9M/17 increased 16% as compared to 9M/16. The increase was mainly due to average selling price rising 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 47.1 million barrels in 9M/17 as compared to 49.4 million barrels in 9M/16.

In Q3/17, the company sold its petroleum products based on sale revenue to Chevron, PTT and other oil and petrochemical companies in the proportion of 56%, 33% and 11%, respectively.

### Cost of Sales

Cost of sales in Q3/17 increased by 9% from both Q2/17 and Q3/16 primarily due to a higher average cost of crude oil and higher sale volume.

Compared 9M/17 with same period of last year, cost of sale increased 17% primarily due to a higher average cost of crude oil but partially offset by lower sale volume resulting from the CDU maintenance in Jun 17.

### Gain on Foreign Exchange

Foreign exchange gain for Q3/17 increased to US\$7 million (Baht 225 million) from US\$5 million (Baht 173 million) in Q2/17 primarily due to the higher appreciation of the Baht relative to the U.S. dollar during Q3/17. Compared Q3/17 with prior year quarter, foreign exchange gain was approximately the same.

Compared 9M/17 with 9M/16, foreign exchange gain increased by US\$11 million (Baht 389 million) due to higher appreciation of Baht relative to U.S dollar in 9M/17.

### Administrative Expenses

Administrative expenses in Q3/17 slightly increased US\$1 million (Baht 15 million) from Q2/17 and increased US\$1 million (Baht 22 million) from prior year quarter mainly from higher expenses relating to the write off of obsolete spare part and materials.

Compared 9M/17 with 9M/16, administrative expenses increased US\$2 million (Baht 37 million) mainly from expense relating to employee benefit and software program maintenance.

## 4) Analysis of Financial Position

	US\$ Million				Baht Million		
	30 Sep 2017	31 Dec 2016	+ / (-)	% + / (-)	30 Sep 2017	31 Dec 2016	+ / (-)
<b>Assets</b>							
Cash & cash equivalent	42	6	36	552%	1,413	233	1,181
Other current assets	674	652	22	3%	22,594	23,474	(879)
Non-current assets	960	1,013	(53)	-5%	32,200	36,481	(4,282)
<b>Total assets</b>	<b>1,677</b>	<b>1,672</b>	<b>4</b>	<b>0%</b>	<b>56,207</b>	<b>60,188</b>	<b>(3,981)</b>
<b>Liabilities</b>							
Current liabilities	433	397	36	9%	14,509	14,291	218
Non-current liabilities	40	116	(76)	-66%	1,326	4,178	(2,851)
<b>Total liabilities</b>	<b>472</b>	<b>513</b>	<b>(41)</b>	<b>-8%</b>	<b>15,835</b>	<b>18,469</b>	<b>(2,633)</b>
<b>Equity</b>							
Share capital & retained earnings	1,204	1,159	45	4%	44,178	42,654	1,524
Other component of shareholders' equity					(3,806)	(935)	(2,871)
<b>Total equity</b>	<b>1,204</b>	<b>1,159</b>	<b>45</b>	<b>4%</b>	<b>40,372</b>	<b>41,719</b>	<b>(1,347)</b>
<b>Total liabilities &amp; equity</b>	<b>1,677</b>	<b>1,672</b>	<b>4</b>	<b>0%</b>	<b>56,207</b>	<b>60,188</b>	<b>(3,981)</b>

## Assets

Total assets in US\$ as of 30 Sep 2017 slightly increased by US\$4 million (but decreased by Baht 3,981 million due to impact from currency translation from US\$ to Baht) from 31 Dec 2016.

Total current assets increased US\$57 million (Baht 301 million) mainly due to:

- an increase in cash & cash equivalent of US\$36 (Baht 1,181 million);
- an increase in inventory of US\$55 million (Baht 1,040 million) from higher crude inventory due to timing of crude shipment and also higher inventory price reflecting from increasing in oil price;
- partially offset by a decrease in trade and other account receivable of US\$35 million (Baht 1,961 million) from lower sale volume in Sep 17 but partly offset by higher selling price.

Non-current assets was lower mainly from a decrease in property, plant and equipment of US\$51 million (Baht 4,195 million) as depreciation expenses for 9M/2017 more than offset the additional capital investment in refinery reliability and efficiency projects.

## Liabilities

Total liabilities as of 30 Sep 2017 decreased US\$41 million (Baht 2,633 million) from 31 Dec 2016. The decrease in total liabilities are mainly from:

- a decrease in long term borrowing of US\$80 million (Baht 2,737 million) for loan repayment;
- a decrease in deferred tax liabilities of US\$15 million (Baht 602 million) resulted from exchange rate impact on temporary difference between accounting and tax book; and
- a decrease in income tax payable of US\$11 million (Baht 426 million) due to payment of 2016 and 6M/17 income tax in May 17 and 6M/17 respectively net with additional corporate income tax for Q3/17 profit.

The decrease was partially offset by an increase in trade and other payable of US\$63 million (Baht 1,555 million) from timing of crude shipment and payment and also from higher crude price.

## Shareholders' Equity

Shareholders' equity as of 30 Sep 2017 increased US\$45 million (but decrease Baht 1,347 million due to currency translation impact) from 31 Dec 2016 resulted from the net profit in 9M/2017 but partially offset by dividend payment from net profit of 2016 and 6M/17 with total US\$138 million (Baht 4,799 million).

## 5) Statement of Cash Flow

9M/2017	US\$ Million	Baht Million
Net cash generated from operating activities	266	9,124
Net cash used in investing activities	(11)	(365)
Net cash used in financing activities	(218)	(7,536)
<b>Net decrease in cash and cash equivalents</b>	<b>37</b>	<b>1,223</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6</b>	<b>233</b>
Adjustments from foreign exchange translation	(1)	(42)
<b>Cash and cash equivalents at the end of the period</b>	<b>42</b>	<b>1,413</b>

SPRC cash and cash equivalents at 30 Sep 2017 was US\$42 million (Baht 1,413 million), an increase of US\$36 million (Baht 1,181 million) from 31 Dec 2016.

Details of cash flow activities in 9M/2017 are as follow.

- a) Net cash generated from operating activities of US\$266 million (Baht 9,124 million) which was primarily due to:
- 9M/2017 net profit of US\$183 million (Baht 6,322 million) and add back non-cash items of US\$42 million (Baht 1,402 million);
  - cash generated from operating liabilities of US\$64 million (Baht 2,214 million), mainly from an increase in trade and other payables of US\$63 million (Baht 2,191 million) due to timing of payment on crude purchase;
  - cash generated from a decrease in trade receivable of US\$33 million (Baht 1,122 million) due to lower sales volume;
  - partially offset by cash used in an increase in inventory of US\$56 million (Baht 1,923 million) due to the increase in inventory volume and price in Sep 17.
- b) Net cash used in investing activities of US\$11 million (Baht 365 million), primarily on projects spending to increase refinery reliability and efficiency.
- c) Net cash used in financing activities of US\$218 million (Baht 7,536 million) for the long-term loan repayment of US\$80 million (Baht 2,737 million) and dividend payment of US\$138 (4,799 million) for net profit of 2016 and 6M/17.

## 6) Financial Ratios

		Q3/17	Q2/17	Q3/16	9M/17	9M/16
Current Ratio	(Time)	1.7	1.6	1.5	1.7	1.5
Net Profit Margin	(%)	6.6	1.6	3.0	5.0	5.3
Net Debt to Equity ratio	(Time)	0.4	0.4	0.5	0.4	0.5
Net Interest Bearing Debt to Equity ratio	(Time)	0.0	0.1	0.1	0.0	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)