

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

For Quarter 3/2018 and 9 months ended September 2018

1) Company's Operating Result

(US\$ Million)	Q3/18	Q2/18	+/-	Q3/17	+/-	9M/18	9M/17	+/-
Total Revenue	1,571	1,650	(80)	1,269	302	4,781	3,639	1,142
EBITDA	71	116	(45)	125	(53)	305	290	15
EBIT	50	95	(45)	104	(53)	242	227	14
Exchange gain (loss)	16	(15)	31	7	9	23	32	(9)
Net income	38	73	(35)	84	(46)	191	183	8
Net income (US\$ per share)	0.01	0.02	(0.01)	0.02	(0.01)	0.04	0.04	0.00
Gross refining margin (US\$/barrel) – accounting ⁽¹⁾	6.34	10.51	(4.17)	9.70	(3.36)	8.51	8.08	0.43
Market gross refining margin (US\$/barrel) ⁽²⁾	5.05	6.02	(0.97)	8.91	(3.86)	6.12	7.99	(1.87)

Crude intake (thousand barrels/day)	143.3	165.1	(21.8)	161.1	(17.8)	157.7	150.1	7.6
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(Baht Million)	Q3/18	Q2/18	+/-	Q3/17	+/-	9M/18	9M/17	+/-
Total Revenue	52,050	52,984	(934)	42,572	9,478	154,492	125,200	29,292
EBITDA	2,359	3,717	(1,358)	4,172	(1,814)	9,807	9,980	(173)
EBIT	1,662	3,040	(1,378)	3,477	(1,814)	7,764	7,839	(75)
Exchange gain (loss)	526	(482)	1,009	225	302	757	1,120	(363)
Net income	1,248	2,323	(1,075)	2,819	(1,571)	6,144	6,322	(178)
Net income (Baht per share)	0.29	0.54	(0.25)	0.65	(0.36)	1.42	1.46	(0.04)

⁽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\$)	Q3/18	Q2/18	+/-	Q3/17	+/-	9M/18	9M/17	+/-
Average FX	33.15	32.12	1.03	33.54	(0.39)	32.33	34.42	(2.10)
Closing FX	32.58	33.33	(0.75)	33.53	(0.96)	32.58	33.53	(0.96)

In Q3/18 SPRC crude intake was 143.3 thousand barrels per day, or 86.8% of refining capacity, lower than 165.1 thousand barrels per day in Q2/18 due to the maintenance and cleaning activity of the Crude Distillation Unit (CDU) and Vacuum Distillation Unit (VDU) in August. Total sale revenue was US\$1,571 million (Baht 52,050 million), slightly decreased from Q2/18 due to lower sale volume from lower throughput but partially offset by higher average oil and product price in Q3/18. SPRC EBITDA for Q3/18 was US\$71 million (Baht 2,359 million), a decrease of US\$45 million (Baht 1,358 million) from Q2/18. Similarly, net income for Q3/18 was US\$38 (Baht 1,248 million), lower than Q2/18. The decrease in EBITDA and net income comparing to Q2/18 was primarily impacted from lower in both accounting and market gross refining margin during the quarter and lower sale volume as a consequence of the maintenance activity. The oil price during Q3/18 was increased slightly and reflected to the stock gain in accounting gross refining margin. Excluding stock gain, market gross refining margin of US\$5.05/bbl was lower than Q2/18 mainly impacted from the CDU/VDU maintenance and weak product demand especially on gasoline and jet.

Compared Q3/18 with Q3/17, crude intake also decreased due to the maintenance activity. Despite the lower throughput and sale volume, total sale revenue in Q3/18 increased US\$302 million (Baht 9,478 million) as a result of the increase in product price. The lower throughput and lower gross

refining margin from weak demand during Q3/18 contributed to the lower EBITDA and lower net income. Baht appreciation during Q3/18 resulted to exchange gain in this quarter.

Compared 9M/18 with 9M/17, crude intake was 157.7 thousand barrels per day, increased from 150.1 thousand barrels per day in 9M/17. Lower crude intake in the same period of prior year was due to the CDU maintenance in Q2/17. Sale revenue for 9M/18 increased from 9M/17 due to the increase in both product price and sale volume. EBITDA and net income for 9M/18 slightly increased from 9M/17 which was mainly attributed to the higher sale volume and higher accounting gross refining margin due to the stock gain in increasing oil price in this year. Excluding stock gain, market gross refining margin in 9M/18 of US\$6.12/bbl was lower than 9M/17 mainly impacted from weaker crack spread of gasoline.

2) Market Condition

MOPS Pricing	Q3/18	Q2/18	+ / (-)
Dubai crude oil	74.25	72.12	2.14
Light Naphtha (MOPJ)	74.08	71.21	2.87
Gasoline (premium)	85.80	84.25	1.55
Jet Fuel	88.73	87.37	1.36
Diesel	88.63	86.73	1.90
Fuel Oil	71.74	67.69	4.05

Q3/17	+ / (-)
50.45	23.80
51.97	22.11
66.54	19.26
63.59	25.14
64.30	24.33
49.11	22.63

Spread over Dubai	Q3/18	Q2/18	Q3/18
Light Naphtha (MOPJ)	-0.18	-0.91	0.74
Gasoline (premium)	11.54	12.13	-0.59
Jet Fuel	14.48	15.26	-0.78
Diesel	14.38	14.61	-0.23
Fuel Oil	-2.52	-4.43	1.91

Q3/17	+ / (-)
1.52	-1.69
16.09	-4.54
13.14	1.34
13.85	0.53
-1.34	-1.17

Average Dubai price for Q3/18 was US\$74.25/bbl, increased from US\$72.12/bbl in Q2/18 support by supply concerns ahead of U.S. sanctions against Iran, strong crude demand from China and Japan before winter and declining U.S. fuel inventories amid the ongoing crude supply outage at Syncrude Canada in Alberta. Moreover Libya's National Oil had declared force majeure on exports from Zawiya oil terminal as production at Sharara oilfield dropped to 125,000 barrels per day. In Q4/18, Dubai price is expected to be rise as signs OPEC may not raise output to address shrinking supplies from Iran.

Gasoline spread over Dubai fell to US\$11.54/bbl. Gasoline market trended downward in this quarter mainly influenced by the oversupplied global market, rising gasoline stocks particularly in the U.S. East Coast and lower regional demand after Muslim festival month which is reducing driving demand in the Middle East and South-East Asia. Singapore light distillates stock was 12.4 million barrels on average. Overall inventories were about 9 percent higher than a year ago.

Naphtha spread over Dubai in Q3/18 averaged minus US\$0.18/bbl. Naphtha margins was improved by higher demand in North Asia, with most petrochemical crackers completing their scheduled turnarounds. However higher crude oil price and the end of summer driving season in the West have also reduced naphtha demand for gasoline blending which pressured on naphtha market.

Jet and Diesel crack spreads over Dubai was slightly lower than previous quarter, averaged US\$14.48/bbl and US\$14.38/bbl, respectively. Middle distillate cracks were pressured by a seasonal decline in demand particularly in South Asia and Southeast Asia, monsoon season begins and more export from China and India. Overall onshore middle-distillate inventories were about 3 percent lower

than a year ago. High supplies, especially from India and China were a key factor weight on market.

Fuel oil spread over Dubai in Q3/18 was minus US\$2.52/bbl, better than Q2/18 supported by firmed regional fuel oil market as summer demand picked up in the Middle East, increased demand for electricity generation and renewed U.S. sanctions on Iranian oil products are also contributing to lower fuel oil supplies. In this quarter, Singapore onshore fuel oil inventories decreased by 24% Q-o-Q to 17.6 MMB.

Due to higher crude price, weak in gasoline market, CDU and VDU shutdown, SPRC's average market refining margin in Q3/18 was US\$5.05/bbl as compared to US\$6.02/bbl in Q2/18 and US\$8.91/bbl in Q3/17. In Q3/18, SPRC maximized margin by capturing benefit from process optimization, maximized synergy transfer with PTTGC and maximized domestic placement for all products.

Sources: Reuters, IHS, Platts

3) Financial Results

	US\$ Million		
	Q3/18	Q2/18	+ /(-)
Total Revenue	1,571	1,650	(80)
Cost of sales	(1,530)	(1,535)	5
Gross profit	41	116	(75)
Other income	0	1	(1)
Exchange gain (loss)	16	(15)	31
Administrative expenses	(6)	(7)	0
Income tax	(12)	(22)	10
Net income	38	73	(35)

US\$ Million	
Q3/17	+ /(-)
1,269	302
(1,166)	(365)
104	(63)
0	0
7	9
(7)	0
(19)	7
84	(46)

US\$ Million		
9M/18	9M/17	+ /(-)
4,781	3,639	1,142
(4,542)	(3,424)	(1,118)
239	215	24
2	1	1
23	32	(9)
(22)	(20)	(1)
(49)	(42)	(7)
191	183	8

	Baht Million		
	Q3/18	Q2/18	+ /(-)
Total Revenue	52,050	52,984	(934)
Cost of sales	(50,709)	(49,278)	(1,431)
Gross profit	1,341	3,706	(2,364)
Other income	11	35	(24)
Exchange gain (loss)	526	(482)	1,009
Administrative expenses	(213)	(218)	5
Income tax	(398)	(707)	309
Net income	1,248	2,323	(1,075)

Baht Million	
Q3/17	+ /(-)
42,572	9,478
(39,106)	(11,603)
3,467	(2,126)
8	2
225	302
(223)	10
(635)	237
2,819	(1,571)

Baht Million		
9M/18	9M/17	+ /(-)
154,492	125,200	29,292
(146,818)	(117,816)	(29,002)
7,673	7,384	289
72	35	37
757	1,120	(363)
(695)	(700)	5
(1,580)	(1,442)	(138)
6,144	6,322	(178)

Production Volumes

Petroleum products	Q3/18	Q2/18	Q3/17	Thousands barrels	
				9M/18	9M/17
Polymer Grade Propylene	399	362	354	1,136	1,154
Liquefied Petroleum Gas	665	650	645	1,980	2,049
Light Naphtha	504	662	616	1,831	1,812
Gasoline	3,818	4,110	3,990	11,930	11,576
Jet Fuel	1,194	1,188	1,176	3,826	2,973
Diesel	5,308	6,055	5,805	17,323	15,808
Fuel Oil	1,597	1,796	2,045	5,099	5,297
Asphalt	197	226	286	596	840
Mix C4	439	467	486	1,348	1,477
Other ⁽¹⁾	1,215	1,199	904	3,449	2,938
Total production	15,336	16,715	16,307	48,518	45,925

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

Total Sale Revenue⁽¹⁾

Petroleum products	Q3/18	Q2/18	Q3/17	US\$ Million	
				9M/18	9M/17
Polymer Grade Propylene	34	31	24	94	80
Liquefied Petroleum Gas	37	32	27	100	96
Light Naphtha	45	49	33	133	95
Gasoline	470	486	398	1,429	1,157
Jet Fuel	104	113	73	338	190
Diesel	645	692	519	1,996	1,481
Fuel Oil	112	111	103	315	251
Asphalt	10	12	12	34	39
Mix C4	31	43	35	104	100
Crude	0	0	0	0	0
Others ⁽²⁾	83	81	45	238	150
Total Revenue	1,571	1,650	1,269	4,781	3,639

⁽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)

Q3/18 sale revenue slightly decreased 5% compared to Q2/18 mainly from decrease in sales volume of petroleum products, but increased 24% compared to Q3/17. The increase was mainly due to higher petroleum products price which was in line with the increase in crude oil price, partly offset with decrease in sales volume of petroleum products to 15.5 million barrels in Q3/18 compared to 16.6 million barrels in Q2/18 and decreased from 16.6 million barrels in Q3/17.

Sale revenue for 9M/18 increased 31% compared to 9M/17. 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 48.9 million barrels in 9M/18 as compared to 47.1 million barrels in 9M/17.

In Q3/18, the company sold its petroleum products based on sale revenue to Chevron, PTT and other oil and petrochemical companies in the proportion of 53%, 34% and 13%, respectively.

Cost of Sales

Cost of sales in Q3/18 and Q2/18 were approximately the same. The higher crude oil price in Q3/18 was offset by the decrease in sale volume.

Compared Q3/18 and 9M/18 with same period of last year, cost of sale increased 31% and 33% respectively primary due to higher average cost crude oil.

Foreign Exchange Gain (Loss)

Gain on foreign exchange in Q3/18 was primarily due to the appreciation of Baht relating to U.S. Dollar in Q3/18 while Baht relating to U.S. Dollar depreciated in Q2/18 which resulted to loss on foreign exchange in that quarter.

Higher foreign exchange gain in Q3/18 comparing to Q3/17 was due to the higher appreciation of Baht relating to U.S. Dollar in Q3/18.

Compared 9M/18 with 9M/17, foreign exchange gain decreased from US\$32 million (Baht 1,120 million) in 9M/17 to US\$23 million (Baht 757 million) in 9M/18 due lower appreciation of Baht relative to U.S dollar in 9M/18.

Administrative Expenses

Administrative expenses in Q3/18, Q2/18 and Q3/17 were approximately the same.

Compared 9M/18 with 9M/17, administrative expenses in 2018 were slight above the same period of prior year.

4) Analysis of Financial Position

	US\$ Million				Baht Million		
	30 Sep 2018	31 Dec 2017	+ / (-)	% + / (-)	30 Sep 2018	31 Dec 2017	+ / (-)
Assets							
Cash & cash equivalent	1	66	(65)	-98%	43	2,171	(2,128)
Other current assets	1,035	810	225	28%	33,694	26,593	7,101
Non-current assets	890	945	(54)	-6%	29,007	31,032	(2,026)
Total assets	1,926	1,821	106	6%	62,744	59,797	2,947
Liabilities							
Current liabilities	605	513	92	18%	19,697	16,848	2,849
Non-current liabilities	22	26	(4)	-14%	724	848	(124)
Total liabilities	627	539	88	16%	20,421	17,696	2,725
Equity							
Share capital & retained earnings	1,300	1,282	17	1%	47,374	46,751	623
Other component of shareholders' equity					(5,051)	(4,650)	(401)
Total equity	1,300	1,282	17	1%	42,323	42,101	222
Total liabilities & equity	1,926	1,821	106	6%	62,744	59,797	2,947

Assets

Total assets as of 30 Sep 2018 increased by US\$106 million (Baht 2,947 million) from 31 Dec 2017.

Total current assets increased US\$160 million (Baht 4,973 million) mainly due to:

- an increase in inventory of US\$129 million (Baht 4,083 million) mainly from higher crude inventory reflecting from the timing of crude purchase and higher crude price;
- an increase in trade and other account receivable of US\$96 million (Baht 3,016 million) from higher product selling price; but
- partially offset by a decrease in cash & cash equivalent of US\$65 million (Baht 2,128 million)

Non-current assets was lower mainly from a decrease in property, plant and equipment of US\$53 million (Baht 1,972 million) as depreciation expenses for 9M/2018 more than offset the additional capital investment in refinery reliability and efficiency projects.

Liabilities

Total liabilities as of 30 Sep 2018 increased US\$88 million (Baht 2,725 million) from 31 Dec 2017. The increase in total liabilities are mainly from:

- a net increase in bank borrowing of US\$203 million (Baht 6,581 million) for operating working capital; but partially offset by
- a decrease in excise tax payable of US\$59 million (Baht 1,933 million) due to the prepayment of excise tax and oil fund of Sep 18 to the government in Sep 18. Generally the excise tax which included in product selling price will be paid to the government in the following month;
- a decrease in trade and other payables of US\$36 (Baht 1,240 million) mainly from lower quantity of crude purchase but partly offset by higher crude price;
- a decrease in corporate income tax payable of US\$25 million (Baht 838 million) due to the payment of income tax for 2017 but partly offset by additional income tax for Q3/18; and
- a decrease in deferred tax liabilities of US\$4 million (Baht 149 million) resulted from exchange rate impact on temporary difference between accounting and tax book.

Shareholders' Equity

Shareholders' equity as of 30 Sep 2018 increased US\$17 million (Baht 222 million) from 31 Dec 2017 resulted from the net profit in 9M/2018 but partially offset by dividend payment from 2017 and 1H/2018 net profit of US\$97 million (Baht 2,951 million) and US\$77 million (Baht 2,570 million) respectively.

5) Statement of Cash Flow

9M/2018	US\$ Million	Baht Million
Net cash used in operating activities	(83)	(2,738)
Net cash used in investing activities	(12)	(404)
Net cash generated in financing activities	30	1,164
Net decrease in cash and cash equivalents	(66)	(1,979)
Cash and cash equivalents at the beginning of the period	66	2,171
Adjustments from foreign exchange translation	1	(150)
Cash and cash equivalents at the end of the period	1	43

SPRC cash and cash equivalents at 30 Sep 2018 was US\$1 million (Baht 43 million), a decrease of US\$66 million (Baht 1,979 million) from 31 Dec 2017.

Details of cash flow activities in 9M/2018 are as follow.

- a) Net cash used in operating activities of US\$83 million (Baht 2,738 million) which was primarily due to:
- cash used in operating assets of US\$222 million (Baht 7,176 million), mainly from an increase in inventory of US\$129 million (Baht 4,173 million) due to the increase in both inventory volume and price in Sep 18 and an increase in trade receivable of US\$94 million (Baht 3,034 million) due to higher product selling price;
 - cash used in operating liabilities of US\$85 million (Baht 2,736 million), mainly from a decrease in current liabilities and other liabilities of US\$51 million (Baht 1,638 million) primarily from the prepayment of excise tax and oil fund and a decrease in trade and other payables of US\$34 million (Baht 1,099 million) due to lower quantity of crude purchase in Sep; but
 - partially offset by 9M/2018 net profit of US\$191 million (Baht 6,144 million) and add back non-cash items of US\$33 million (Baht 1,030 million).
- b) Net cash used in investing activities of US\$12 million (Baht 404 million), primarily on projects spending to increase refinery reliability and efficiency.
- c) Net cash generated in financing activities of US\$30 million (Baht 1,164 million) for the net increase in bank borrowing of US\$201 million (Baht 6,685 million) for operating working capital but partly offset by dividend payment of US\$172 million (Baht 5,521 million) for the net profit of 2017 and 9M/2018.

6) Financial Ratios

		Q3/18	Q2/18	Q3/17	9M/18	9M/17
Current Ratio	(Time)	1.7	1.7	1.7	1.7	1.7
Net Profit Margin	(%)	2.4	4.4	6.6	4.0	5.0
Debt to Equity ratio	(Time)	0.5	0.5	0.4	0.5	0.4
Net Interest Bearing Debt to Equity ratio	(Time)	0.2	0.0	0.0	0.2	0.0

Note:

Current Ratio	= Current Assets / Current Liabilities	(Time)
Net Profit Margin	= Quarter (Net Profit(Loss) / Total Revenue)	(%)
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)