



Esso (Thailand) Public Company Limited

Management Discussion and Analysis

Fourth Quarter of 2022 and Full Year 2022



**Management's Discussion and Analysis (MD&A)
for the Fourth Quarter of 2022 and Full Year 2022**

1. Financial and Operating Highlights

	4Q 2022	4Q 2021	2022	2021
Crude intake (Kbd)	130	124	131	123
Paraxylene production (Ktons)	0	0	0	53
Average forex rate (Baht/US\$)	36.4	33.4	35.1	32.0
Accounting gross refining margin (US\$/Bbl)	(1.5)	7.4	9.4	7.5
Operating gross refining margin (US\$/Bbl) ⁽¹⁾	6.9	5.4	9.0	3.1
Total revenue (million Baht)	63,637	52,311	263,000	172,878
Gross profit (million Baht)	(304)	2,262	17,293	10,618
EBITDA (million Baht)	(1,203)	2,066	14,659	8,783
Profit (loss) for the period (million Baht)	(1,563)	750	9,509	4,444
Earnings (loss) per share (Baht) ⁽²⁾	(0.45)	0.22	2.75	1.28

⁽¹⁾ Reflects production volume at market reference price and crude consumption at current replacement cost basis

⁽²⁾ Based on current number of shares: 3,461 million shares

2. Benchmark Prices for Crude Oil and Refined Petroleum Products

Average Platts Singapore quoted prices for crude oil and refined products

Unit: US\$/Bbl	4Q 2022	4Q 2021	3Q 2022	2022	2021
Dubai	84.9	78.3	96.9	96.3	69.2
Gasoline (95 Ron)	94.2	93.8	110.1	115.2	80.3
Jet fuel / kerosene	118.3	88.6	129.3	126.6	75.1
Diesel (50 ppmS)	125.6	90.6	137.3	134.5	77.3
Fuel oil (180 cs)	61.0	69.8	72.9	80.4	62.9
LPG	53.7	70.5	59.4	64.8	56.0

Source: Mean of Platts Singapore and PCI

4Q 2022 versus 3Q 2022

Dubai prices in the fourth quarter of 2022 averaged \$84.9/Bbl, a decrease of \$12.0/Bbl compared to the previous quarter mainly due to growing concerns over global economic prospects.

Following the same trend as crude prices, all product prices also declined in the fourth quarter of 2022 when compared to the previous quarter primarily due to higher supply from China following the release of product export quotas despite stronger oil demand during year-end holiday season.

4Q 2022 versus 4Q 2021

Dubai prices in the fourth quarter of 2022 increased by \$6.6/Bbl compared to the same period of last year at \$78.3/Bbl mainly due to rising demand from overall relaxation of global COVID-19 restrictions including China's Zero-COVID policy and impacts from the Russia-Ukraine conflict.

Following the same trend as crude prices, all product prices except fuel oil and LPG improved especially in middle distillate products when compared with the same period last year as a result of rising demand from resumed mobility and gas-to-liquid switching.

2022 versus 2021

Full year 2022 Dubai prices averaged \$96.3/Bbl, an increase of \$27.1/Bbl compared to last year mainly due to demand recovery from overall improved COVID-19 situation, the Russia-Ukraine conflict, and rising oil demand from gas-to-liquid switching as a result of higher natural gas price. However, concerns over bearish sentiment of global economy had pressured crude prices to be volatile throughout the year.

In tandem with crude prices, all product prices continued to move in upward trend as a result of higher demand from resumed economic activities supported by recovery in global tourism industry as well as gas-to-liquid switching in power generation industry.

3. Production and Gross Margin

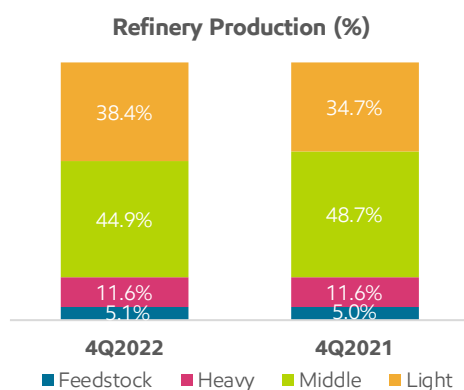
	4Q 2022	4Q2021	+ / -	2022	2021	+ / -
Refining capacity (Kbd)	174	174	0	174	174	0
Crude intake (Kbd)	130	124	+6	131	123	+8
Paraxylene production (Ktons)	0	0	0	0	53	-53
Accounting gross refining margin (US\$/Bbl)	(1.5)	7.4	-8.9	9.4	7.5	+1.9
Operating gross refining margin (US\$/Bbl) ⁽¹⁾	6.9	5.4	+1.5	9.0	3.1	+5.9
Total Fuel Product Sales (KBbl)	13,354	12,170	+1,184	51,342	46,933	+4,409
- LPG	777	637	+140	2,853	2,657	+196
- Gasoline	4,206	3,610	+596	15,401	12,984	+2,417
- Naptha	143	147	-4	454	1,234	-780
- Jet Fuel/Kerosene	675	561	+114	2,389	1,878	+511
- Diesel	6,061	5,740	+321	24,472	22,255	+2,217
- Fuel Oil	1,174	1,055	+119	4,370	4,047	+323
- Asphalt	318	420	-102	1,403	1,878	-475

⁽¹⁾ Reflects production volume at market reference price and crude consumption at current replacement cost basis

Production 4Q 2022 versus 4Q 2021

Refinery crude intake in the fourth quarter of 2022 was 130 Kbd or 75% utilization, 6 Kbd higher than the same period last year mainly due to improved industry demand from resumed mobility and fully-reopen-to-tourism policy despite refinery planned maintenance.

Accounting Gross Refining Margin (GRM) in the fourth quarter of 2022 was negative \$1.5/Bbl, \$8.9/Bbl lower than the same period of 2021, largely contributed by unfavorable inventory effects. While Operating Gross Refining Margin (GRM) in the fourth quarter of 2022 was \$6.9/Bbl, \$1.5/Bbl higher than the same period last year, primarily driven by higher industry margins partially offset by higher crude premium.



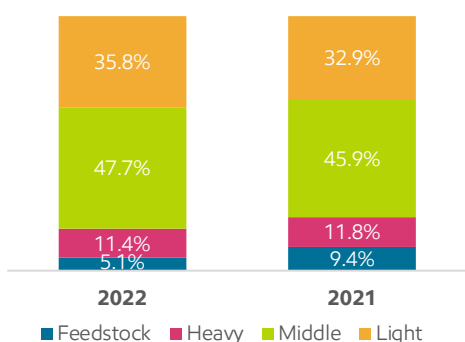
Refinery production yields in the fourth quarter of 2022 reflected production to support rising demand from resumed mobility. Compared with the same period of last year, middle distillates decreased mainly due to the refinery planned maintenance in December. While an increase in light production of 17% was also contributed by dedicated effort to alleviate logistic constraints and demand recovery.

Production 2022 versus 2021

2022 crude intake was reported at 131 Kbd or 75% utilization, 8 Kbd higher than the last year mainly due to demand recovery following domestic COVID-19 reclassification to a communicable disease under surveillance and gas-to-liquid switching in the power generation industry. Paraxylene production has been suspended since April 2021.

Accounting Gross Refining Margin (GRM) in 2022 was \$9.4/Bbl, \$1.9/Bbl higher than last year. The improvement was primarily driven by higher industry margins partially offset by higher crude premium and energy cost. While Operating Gross Refining Margin (GRM) in 2022 was \$9.0/Bbl, \$5.9/Bbl higher than last year, essentially driven by strong industry margins partially offset by higher crude premium.

Refinery Production (%)



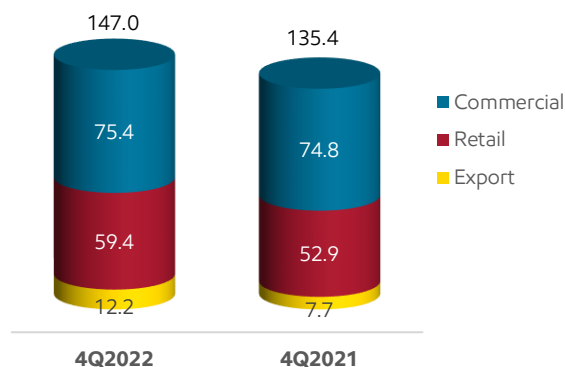
Refinery yields in 2022 reflected production in response to improved COVID-19 situation. Compared with last year, higher light product yields were mainly contributed by higher gasoline production as a result of the effort to alleviate logistic constraints and paraxylene production suspension. Middle distillate yields also increased from last year primarily contributed by higher diesel production from product high-grading and gas-to-liquid switching in the power generation industry. The company continued to maximize gasoline and diesel production to capture strong margin opportunity.

Marketing Performance 4Q 2022 versus 4Q 2021

Total fuel product sales volume in the fourth quarter of 2022 was 147 Kbd, 9% higher than the same period of last year mainly from gasoline, diesel and jet fuel following improved demand from full country reopening.

The overall sales growth was a result of the effort to optimize sales volume through higher margin channels and retail network growth. Commercial channel continued to capture growth opportunity in product high-grading and power generation industry. While retail business achieved record-high sales volume in December of 61.8 kbd since 2012 resulting from effective marketing programs and network expansion.

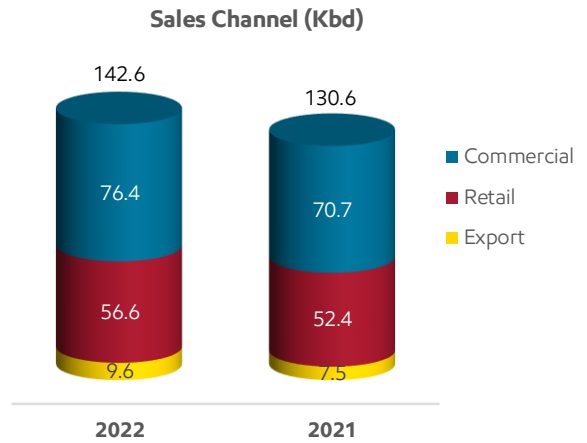
Sales Channel (Kbd)



Marketing Performance 2022 versus 2021

Overall product sales volume in 2022 was 142.6 kbd, 9% higher than last year mainly due to industry demand recovery from the relaxation of travel restrictions as seen in gasoline, diesel and jet fuel sales volume. Commercial channel made an outstanding business result to capture growth opportunity in domestic sales from product high-grading, gas-to-liquid switching in power generation industry and entering private jet and domestic airlines segment. Retail business also delivered a remarkable performance to grow volume, expand network, improve brand awareness and enhance customer experiences through mobile EDC payment integration with Esso Smiles. In 2022, the company remained at the 4th position among oil companies as well as 1st position among international oil companies and maintained market penetration of 11.6%.

At year-end 2022, there were 802 service stations nationwide which had exceeded the target or net increase of 73 service stations from year-end 2021.



4. Financial Performance

Unit: million Baht	4Q 2022	4Q 2021	+ / -	2022	2021	+ / -
Total revenue	63,637	52,311	+11,326	263,000	172,878	+90,122
Cost of sales	(63,941)	(50,049)	-13,892	(245,707)	(162,260)	-83,447
Gross profit	(304)	2,262	-2,566	17,293	10,618	+6,675
Selling expenses	(1,535)	(1,261)	-274	(5,205)	(4,834)	-371
Administrative expenses	(60)	(60)	0	(235)	(234)	-1
Profit (loss) from sales	(1,899)	941	-2,840	11,853	5,550	+6,303
Other income	9	5	+4	23	26	-3
Finance costs, net	(149)	(75)	-74	(359)	(308)	-51
Share of profit from an associate	78	59	+19	312	227	+85
Profit (loss) before income tax	(1,961)	930	-2,891	11,829	5,495	+6,334
Income tax (expense) credit	398	(180)	+578	(2,320)	(1,051)	-1,269
Profit (loss) for the period	(1,563)	750	-2,313	9,509	4,444	+5,065
Other comprehensive income	(14)	217	-231	218	406	-188
Total comprehensive income (loss) for the period	(1,577)	967	-2,544	9,727	4,850	+4,877

4Q 2022 versus 4Q 2021

Total revenue for the fourth quarter of 2022 was higher than the same period last year, largely due to higher market selling prices and sales volume. Loss from sales was Baht 1,899 million, which was Baht 2,840 million lower than the same period of last year mainly due to unfavorable inventory effects. Compared to the same period last year, net finance costs increased by Baht 74 million, primarily driven by higher interest rates and higher loan balance.

2022 versus 2021

Total revenue of 2022 was higher than last year, largely due to higher market selling prices and sales volume. In 2022, profit from sales was Baht 11,853 million which was Baht 6,303 million higher than last year as a result of the effort to increase sales volume and stronger industry margins. Compared to last year, net finance costs increased by Baht 51 million primarily driven by higher interest rates and higher loan balance.

5. Statement of Financial Position

<i>Unit: million Baht except for percentages</i>	31 Dec 2022	31 Dec 2021	+/-	+/- %
Assets				
- Current assets	51,922	33,784	+18,138	+54%
- Non-current assets	33,619	36,271	-2,652	-7%
Total assets	85,541	70,055	+15,486	+22%
Liabilities				
- Current liabilities	49,624	42,008	+7,616	+18%
- Non-current liabilities	8,713	8,839	-126	-1%
Total liabilities	58,337	50,847	+7,490	+15%
Equity				
- Issued & paid-up share capital	17,075	17,075	0	0%
- Premium on share capital	4,032	4,032	0	0%
- Legal reserve	1,254	1,001	+253	+25%
- Unappropriated retained earnings (deficits)	4,145	(3,638)	+7,783	+214%
- Other components of equity	691	731	-40	-5%
Non-controlling interests	7	7	0	0%
Total equity	27,204	19,208	+7,996	+42%
Total liabilities and equity	85,541	70,055	+15,486	+22%

Current assets as of December 31, 2022 increased by Baht 18,138 million from year-end 2021, mainly from higher oil fuel fund subsidy claims as well as higher inventory balance from higher crude and product prices. Non-current assets decreased by Baht 2,652 million mainly from decrease in deferred income tax assets related to tax loss carried forward which was fully utilized in 2022.

Total liabilities of Baht 58,337 million, an increase of Baht 7,490 million, were primarily contributed by higher short-term loans.

Total debt was Baht 35,935 million (long term loans of Baht 4,166 million and short term loans of Baht 31,769 million) as of December 31, 2022 compared to Baht 28,990 million at year-end 2021. The company continued to maintain adequate financing sources to support payment obligations.

Total equity increased by Baht 7,996 million reflecting profits for full year 2022 and unrealized gain from the re-measurement of Bangkok Aviation Fuel Services Public Company Limited (BAFS) investment partially offset by dividend payment.

6. Statement of Cash Flows

Unit: million Baht	2022	2021
Cash flow from (used in) operating activities	(3,858)	1,541
Cash flow from (used in) investing activities	(1,085)	(1,341)
Cash flow from (used in) financing activities	4,728	340

Cash flow used in operating activities was Baht 3,858 million for 2022, which reflected positive earnings for the period offset by unfavorable working capital effects and income tax paid. Cash flow used in investing activities was Baht 1,085 million mainly for retail and refinery projects including investment for Euro 5 compliance, partly offset by dividends received and proceeds from disposal of a portion of equity investments. Cash flows from financing activities was Baht 4,728 million, mainly reflected net proceeds from borrowings partially offset by dividend payment.

7. Financial Ratios

Profitability ratios

	4Q 2022	4Q 2021	3Q 2022	2022	2021
Gross profit margin (%)	(0.5%)	4.3%	(4.0%)	6.6%	6.1%
Net profit margin (%)	(2.5%)	1.4%	(4.8%)	3.6%	2.6%
Interest coverage ratio (times)	(7.4)	27.2	(51.7)	39.0	28.3

Liquidity and debt to equity ratios

	31 Dec 2022	30 Sep 2022	31 Dec 2021
Current ratio (times)	1.0	1.1	0.8
Quick ratio (times)	0.2	0.2	0.2
Total debt to equity ratio (times)	1.3	1.3	1.5
Long term debt to equity ratio (times)	0.2	0.2	0.2
Net debt to equity ratio (times)	1.3	1.2	1.5

Financial ratios calculation:

Gross profit margin = Gross profit / Total revenue

Net profit margin = Net profit / Total revenue

Interest coverage ratio = EBITDA / Interest expense

Current ratio = Current assets / Current liabilities

Quick ratio = (Cash and cash equivalents + Short term investments + Trade receivables) / Current liabilities

Total debt to equity ratio = Total debt / Total shareholders' equity

Long term debt to equity ratio = Non-current borrowings / Total shareholders' equity

Net debt to equity ratio = (Total debt – Cash and cash equivalents) / Total shareholder's equity

- Signed -

Ratrimani Pasiphol
Managing Director and
Designated CFO

February 24, 2023