Esso (Thailand) Public Company Limited

# Management Discussion and Analysis

## Second Quarter 2023

**Management's Discussion and Analysis (MD&A)**
**for the Second Quarter of 2023 and the Six-Month Period Ended June 30, 2023**

## 1. Financial and Operating Highlights

| | 2Q 2023 | 2Q 2022 | 1H 2023 | 1H 2022 |
|---|---|---|---|---|
| Crude intake (Kbd) | 110 | 132 | 124 | 130 |
| Average forex rate (Baht/US$) | 34.5 | 34.4 | 34.2 | 33.7 |
| Accounting gross refining margin (US$/Bbl) | (2.6) | 26.9 | 1.1 | 24.9 |
| Operating gross refining margin (US$/Bbl) (1) | 2.2 | 19.4 | 5.8 | 12.3 |
| Total Revenue (million Baht) | 51,673 | 76,092 | 111,399 | 133,772 |
| Gross profit (million Baht) | (425) | 11,667 | 1,925 | 20,235 |
| EBITDA (million Baht) | (1,094) | 11,086 | 628 | 19,147 |
| Profit (loss) for the period (million Baht) | (1,293) | 8,299 | (469) | 14,199 |
| Earnings (loss) per share (Baht) (2) | (0.37) | 2.40 | (0.14) | 4.10 |

(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* | 2Q 2023 | 2Q 2022 | 1H 2023 | 1H 2022 |
|---|---|---|---|---|
| Dubai | 77.8 | 108.1 | 79.0 | 101.8 |
| Gasoline (95 Ron) | 94.4 | 143.0 | 96.7 | 128.2 |
| Jet fuel / kerosene | 91.7 | 147.2 | 99.3 | 129.5 |
| Diesel (50 ppmS) | 92.9 | 158.4 | 100.7 | 137.5 |
| Fuel oil (180 cs) | 67.5 | 102.4 | 65.0 | 93.8 |
| LPG | 45.4 | 75.2 | 53.9 | 72.9 |

Source: Mean of Platts Singapore and PCI

### 2Q 2023 versus 2Q 2022

Dubai prices in the second quarter of 2023 averaged $77.8/Bbl, a decrease of $30.3/Bbl from the same period of last year. Crude prices continued in downward direction and remained volatile from ongoing bearish sentiment of global economy despite tight supply from OPEC+ production cuts.

In tandem with crude prices, all product prices decreased in the second quarter of 2023 when compared with the same period of last year mainly due to slowdown in oil demand growth globally from concerns over economic condition.

### 1H 2023 versus 1H 2022

Dubai prices in the first half of 2023 averaged $79/Bbl, a decrease of $22.8/Bbl from the same period of last year mainly from the ongoing concerns over economic recession and easing impact from Russia-Ukraine conflicts.

In tandem with crude prices, all product prices decreased in the first half of 2023 when compared with the same period of last year.

## 3. Production and Gross Margin

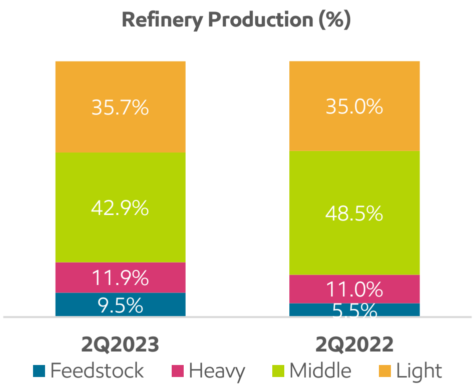
| | 2Q 2023 | 2Q 2022 | + / - | 1H 2023 | 1H 2022 | + / - |
|---|---|---|---|---|---|---|
| Refining capacity (Kbd) | 174 | 174 | *0* | 174 | 174 | *0* |
| Crude intake (Kbd) | 110 | 132 | *-22* | 124 | 130 | *-6* |
| Accounting gross refining margin (US$/Bbl) | (2.6) | 26.9 | *-29.5* | 1.1 | 24.9 | *-23.8* |
| Operating gross refining margin* (US$/Bbl) | 2.2 | 19.4 | *-17.2* | 5.8 | 12.3 | *-6.5* |
| Total Fuel Product Sales (KBbl) | 11,700 | 12,915 | *-1,215* | 24,624 | 25,104 | *-480* |
| - *LPG* | 541 | 674 | *-133* | 1,291 | 1,365 | *-74* |
| - *Gasoline* | 3,553 | 3,839 | *-286* | 7,731 | 7,328 | *+403* |
| - *Naphtha* | 97 | 136 | *-39* | 192 | 260 | *-68* |
| - *Jet Fuel/Kerosene* | 520 | 521 | *-1* | 1,204 | 1,051 | *+153* |
| - *Diesel* | 5,565 | 6,345 | *-780* | 11,530 | 12,338 | *-808* |
| - *Fuel Oil* | 1,147 | 1,091 | *+56* | 1,960 | 2,018 | *-58* |
| - *Asphalt* | 277 | 309 | *-32* | 716 | 744 | *-28* |

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

**Production 2Q 2023 versus 2Q 2022**

Refinery crude intake for this period was 110 KBD or 63% utilization, lower than the same period of last year mainly due to refinery partial shutdown in May for scheduled maintenance and as part of preparation for Euro 5 Project.

Accounting Gross Refining Margin (GRM) in the second quarter of 2023 was negative $2.6/Bbl, $29.5/Bbl lower than the same period of 2022 largely contributed by unfavorable inventory effects. Operating Gross Refining Margin (GRM) in the second quarter of 2023 was $2.2/Bbl, $17.2/Bbl lower than that of 2022 as a result of lower industry margins from easing impact of Russia-Ukraine conflicts as well as impact from refinery shutdown partly offset by lower crude premium.

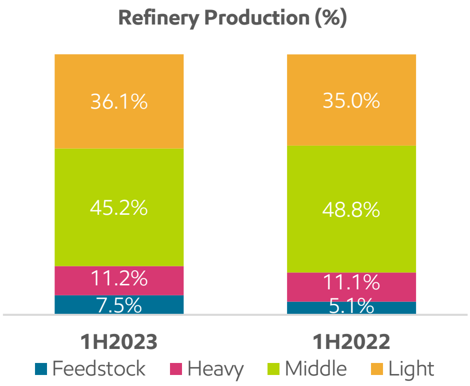



Refinery production yields in the second quarter of 2023 reflected production adjustment to maximize refining economics during partial plant shutdown. Compared with the same period of last year, light and middle distillate production volume decreased as a result of refinery partial shutdown.

**Production 1H 2023 versus 1H 2022**

Refinery crude intake for the period was 124 Kbd or 71% utilization, lower than the same period of last year mainly due to partial shutdown in May.

Accounting Gross Refining Margin (GRM) in the first half of 2023 was $1.1/Bbl, $23.8/Bbl lower than that of the same period of 2022 largely contributed by unfavorable inventory effects and lower industry margins. Operating Gross Refining Margin (GRM) in the first half of 2023 was $5.8/Bbl, $6.5/Bbl lower than that of 2022 as a result of lower industry margins from easing impact of Russia-Ukraine conflicts on price volatility as well as impact from refinery shutdown.

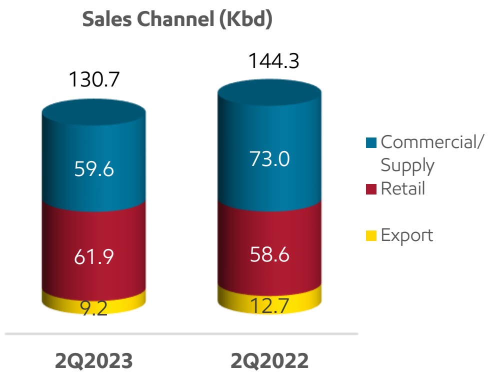



Refinery production yields in the first half of 2023 reflected impact from partial plant shutdown partly offset by demand recovery. Compared with the same period of last year, light and middle distillate volume decreased mainly from partial plant shutdown. Refinery continued to maximize refining margin.

**Marketing Performance 2Q 2023 versus 2Q 2022**

Total fuel product sales volume in the second quarter of 2023 was lower than the same period of last year with lower production from partial plant shutdown in May.

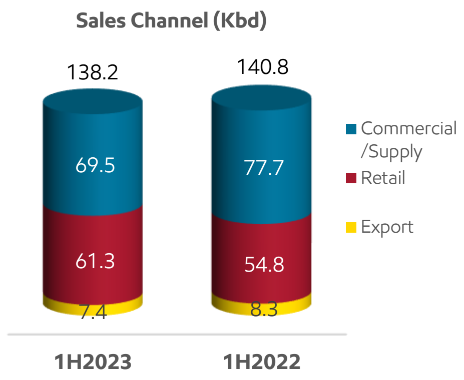
Despite refinery partial shutdown, the company was able to meet customer demand through effective product management and optimization among higher margin channels. Retail business achieved new record high in May of 62.6 Kbd since 2012 as a result of network expansion and effective marketing programs. Commercial channel continued to maximize domestic sales and high-grade products despite lower demand from power generation industry and volume limitation from refinery partial shutdown.



**Marketing Performance 1H 2023 versus 1H 2022**

Total fuel product sales volume in the first half of 2023 was slightly lower than the same period of last year mainly from diesel. While gasoline and jet fuel sales volume increased from the effort to meet the growing country demand.

With limited production capacity from refinery partial shutdown in May, the company optimized sales through higher margin channels with 12% retail sales growth comparing to the same period of last year. Commercial channel continued to maintain sales opportunity in domestic sales by high grading portfolio despite lower demand from power generation industry and volume limitation from refinery partial shutdown.




The company continued to maintain market position and grow footprint via service station expansion. At the end of the second quarter, there were 832 service stations nationwide, or net increase of 30 service stations from year-end 2022.

**4. Financial Performance**

| *Unit: million Baht* | 2Q 2023 | 2Q 2022 | + / - | 1H 2023 | 1H 2022 | + / - |
|---|---|---|---|---|---|---|
| Total revenue | 51,672 | 76,092 | *-24,420* | 111,399 | 133,772 | *-22,373* |
| Cost of sales | (52,098) | (64,425) | *+12,327* | (109,474) | (113,537) | *+4,063* |
| **Gross profit** | **(426)** | **11,667** | ***-12,093*** | **1,925** | **20,235** | ***-18,310*** |
| Selling expenses | (1,279) | (1,249) | *-30* | (2,517) | (2,412) | *-105* |
| Administrative expenses | (71) | (56) | *-15* | (139) | (118) | *-21* |
| **Profit (loss) from sales** | **(1,776)** | **10,362** | ***-12,138*** | **(731)** | **17,705** | ***-18,436*** |
| Other income | 128 | 4 | *+124* | 129 | 5 | *+124* |
| Finance costs, net | (124) | (74) | *-50* | (266) | (147) | *-119* |
| Share of profit from an associate | 91 | 75 | *+16* | 191 | 157 | *+34* |
| **Profit (loss) before income tax** | **(1,681)** | **10,367** | ***-12,048*** | **(677)** | **17,720** | ***-18,397*** |
| Income tax expense | 388 | (2,068) | *+2,456* | 208 | (3,521) | *+3,729* |
| **Profit (loss) for the period** | **(1,293)** | **8,299** | ***-9,592*** | **(469)** | **14,199** | ***-14,668*** |
| Other comprehensive income | (19) | 108 | *-127* | (26) | 117 | *-143* |
| **Total comprehensive income for the period** | **(1,312)** | **8,407** | ***-9,719*** | **(495)** | **14,316** | ***-14,811*** |

**2Q 2023 versus 2Q 2022**

Total revenue for the second quarter of 2023 was lower than the same period of last year, largely due to lower market selling prices and sales volume. Loss from sales was Baht 1,776 million, which was Baht 12,138 million lower than the same period of last year mainly due to lower refining margin and unfavorable inventory effects. Compared with the same period last year, net finance costs increased by Baht 50 million in the second quarter of 2023 from the increase in interest rates.

**1H 2023 versus 1H 2022**

Total revenue for the first half of 2023 were also lower than the same periods of last year, largely due to lower market selling prices. Loss from sales was Baht 731 million, which was Baht 18,436 million lower than the same period of last year mainly due to lower refining margin and unfavorable inventory effects. Compared with the same period last year, net finance costs increased by Baht 119 million in the first half of 2023 in tandem with rising interest rates.

## 5. Statement of Financial Position

| *Unit: million Baht except for percentages* | 30 Jun 2023 | 31 Dec 2022 | +/- | +/- % |
|---|---|---|---|---|
| Assets | | | | |
| - Current assets | 37,477 | 51,922 | *-14,445* | *-28%* |
| - Non-current assets | 34,868 | 33,619 | *+1,249* | *+4%* |
| **Total assets** | **72,345** | **85,541** | ***-13,196*** | ***-15%*** |
| Liabilities | | | | |
| - Current liabilities | 41,161 | 49,624 | *-8,463* | *-17%* |
| - Non-current liabilities | 5,514 | 8,713 | *-3,199* | *-37%* |
| **Total liabilities** | **46,675** | **58,337** | ***-11,662*** | ***-20%*** |
| 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 | 1,254 | *0* | *0%* |
| - Unappropriated retained earnings | 2,669 | 4,145 | *-1,476* | *-36%* |
| - Other components of equity | 633 | 691 | *-58* | *-8%* |
| Non-controlling interests | 7 | 7 | *0* | *0%* |
| **Total equity** | **25,670** | **27,204** | ***-1,534*** | ***-6%*** |
| **Total liabilities and equity** | **72,345** | **85,541** | ***-13,196*** | ***-15%*** |

Current assets as of June 30, 2023 decreased by Baht 14,445 million from year-end 2022, mainly due to lower oil fuel fund subsidy claims and trade receivables partially offset by higher inventory balance.

Total liabilities of Baht 46,675 million, a decrease of Baht 11,662 million, were primarily driven by loan repayment.

Total debt was Baht 24,136 million (long term loans of Baht 833 million and short term loans of Baht 23,303 million) as of June 30, 2023, a decrease of Baht 11,799 million from Baht 35,935 million at year-end 2022 mainly due to collection of oil fuel fund subsidy claims. The company continued to maintain adequate financing sources to support payment obligations.

Total equity decreased by Baht 1,534 million as a result of loss for the first six months of 2023 and dividend payment partially offset by unrealized gain from the re-measurement of financial assets.

**6. Statement of Cash Flows**

| Unit: million Baht | 1H 2023 | 1H 2022 |
|---|---|---|
| Cash flows from (used in) operating activities | 13,951 | 9,636 |
| Cash flows from (used in) investing activities | (885) | (564) |
| Cash flows from (used in) financing activities | (13,085) | (8,569) |

Cash flows from operating activities was Baht 13,951 million for the six-month period ended June 30, 2023, reflecting favorable working capital effects mainly from oil fuel fund subsidy claims. Cash flows used in investing activities was Baht 885 million, mainly for retail and refinery projects including investment for Euro 5 compliance and payments for equity investments partly offset by dividends received from investments. Cash flows used in financing activities was Baht 13,085 million, reflecting repayment of borrowings.

## 7. Financial Ratios

Profitability ratios

| | 2Q 2023 | 2Q 2022 | 1Q 2023 | 1H 2023 | 1H 2022 |
|---|---|---|---|---|---|
| Gross profit margin (%) | -0.8% | 15.3% | 3.9% | 1.7% | 15.1% |
| Net profit margin (%) | -2.5% | 10.9% | 1.4% | -0.4% | 10.6% |
| Interest coverage ratio (times) | -7.8 | 146.2 | 12.1 | 2.2 | 127.7 |

Liquidity and debt to equity ratios

| | 30 Jun 2023 | 31 Mar 2023 | 31 Dec 2022 |
|---|---|---|---|
| Current ratio (times) | 0.9 | 1.0 | 1.0 |
| Quick ratio (times) | 0.2 | 0.2 | 0.2 |
| Interest-bearing debt to equity ratio (times) | 0.9 | 0.9 | 1.3 |
| Long term debt to equity ratio (times) | 0.0 | 0.1 | 0.2 |
| Net debt to equity ratio (times) | 0.9 | 0.9 | 1.3 |

Financial ratios calculation:

| | |
|---|---|
| Gross profit margin | = Gross profit / Sales |
| Net profit margin | = Net profit / Sales |
| 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 |
| Interest-bearing debt to equity ratio | = Total interest-bearing 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

August 9, 2023