Esso (Thailand) Public Company Limited

Management Discussion and Analysis

Third Quarter 2023

Management's Discussion and Analysis (MD&A)

for the Third Quarter of 2023 and the Nine-Month Period Ended September 30, 2023

1. Financial and Operating Highlight

	3Q 2023	3Q 2022	9M 2023	9M 2022
Crude intake (Kbd)	107.0	134.1	118.0	131.4
Average forex rate (Baht/US$)	35.2	36.4	34.5	34.6
Accounting gross refining margin (US$/Bbl)	19.0	(7.4)	6.7	13.3
Operating gross refining margin (US$/Bbl) [(1)]	11.3	4.5	7.4	9.6
Total revenue (million Baht)	58,680	65,591	170,080	199,363
Gross profit (million Baht)	7,084	(2,638)	9,009	17,597
EBITDA (million Baht) [(2)]	6,227	(3,435)	7,462	16,186
Profit (loss) for the period (million Baht)	4,600	(3,127)	4,131	11,072
Earnings (loss) per share (Baht) [(3)]	1.33	(0.90)	1.19	3.20

[(1)] Reflects production volume at market reference price and crude consumption at current replacement cost basis
[(2)] Restated to reflect Earnings Before Interest, Taxes, Depreciation and Amortization, Gain (loss) from foreign exchange, loss from impairment of assets.
[(3)] Based on current number of shares: 3,461 million shares

Key events in 3Q 2023 and subsequent events

- Completion of 65.99% share transfer between ExxonMobil Asia Holdings Pte.Ltd. and Bangchak Corporation Public Company Limited ("BCP") on 31 August, 2023. BCP completed tender offer process on 16 October, 2023 which concluded its shareholding in the Company at 262,157,198 shares or 76.34%.

- Plant Shutdown covering scheduled maintenance, implementing and connecting new facility for Euro 5 Project, and CCR and APS-1 unit improvement for 40 days until 15 October, 2023 that completed safely and successfully

- The company and BCP jointly established Refinery Optimization and Synergy Enterprise Company Limited ("ROSE") with 50:50 shareholding, to provide planning including management services to the refinery business. The main scope of services includes refinery planning, selection and procurement of crude oil, raw materials and other products and related transportation planning, allocating synergy benefits arising from the Linear Programming of both refineries, and providing advice in managing oil price risk (Hedging) according to the market situation in order to achieve the best efficient operation, minimize cost, and maximize profit with fairness and transparency to all stakeholders.

2. Benchmark Prices for Crude Oil and Refined Petroleum Product spreads

Average Platts Singapore quoted Crude oil prices and Crack spreads

Crude oil prices *(US$/Bbl)*	**3Q 2023**	**3Q 2022**	**9M 2023**	**9M 2022**
Dubai (DB)	86.63	96.68	81.53	100.29
Dated Brent (DTD)	86.75	100.84	82.07	105.51
DTD-DB	0.12	4.16	0.54	5.22

Crack spreads *(US$/Bbl)*	**3Q 2023**	**3Q 2022**	**9M 2023**	**9M 2022**
Gasoline - Dubai	18.97	13.07	18.09	21.84
Jet (Kerosene) - Dubai	26.07	32.43	22.09	29.50
Gasoil - Dubai	26.93	35.23	22.16	32.87
LSFO - Dubai	3.06	13.37	4.92	17.30

Source: Mean of Platts Singapore

3Q 2023 versus 3Q 2022

Dubai crude prices in the third quarter of 2023 averaged $86.63/Bbl, a decrease of $10.05/Bbl from the same period of last year. Crude prices moved in downward direction mainly due to easing impact of Russia-Ukraine conflicts, global economic uncertainties, and slowdown in China's economic recovery. The effects of OPEC+ production cuts and the extension of Saudi Arabia voluntary production cuts not only supported rising crude prices in this quarter but also narrowed spread of dated Brent and Dubai.

Crack spreads of middle distillate also decreased compared with the same period of last year primarily driven by impacts of challenging economic environment on oil demand growth despite low inventory level from production cuts and temporary restriction of Russia product export. On the other hand, Gasoline and Dubai spread moved in upward direction compared with the same period of last year supported by refineries maintenance in both US and Asia.

9M 2023 versus 9M 2022

Dubai crude prices in the nine-month period of 2023 averaged $81.53/Bbl, a decrease of $18.76/Bbl from the same period of last year. Crude prices remained volatile in downward direction primarily driven by easing impact of Russia-Ukraine conflicts, global economic slowdown from banking crisis, and tight monetary policy despite limited global supply in response to OPEC+ production cuts.

In tandem with crude prices, all product crack spreads also decreased compared with the same period of last year. Slowdown in global manufacturing activities and lower demand from gas-to-liquid switching in power generation industry resulted in lower middle distillate crack spreads. Higher product export quotas from China also affected both light and middle distillate crack spreads.

3. Production and Gross Margin

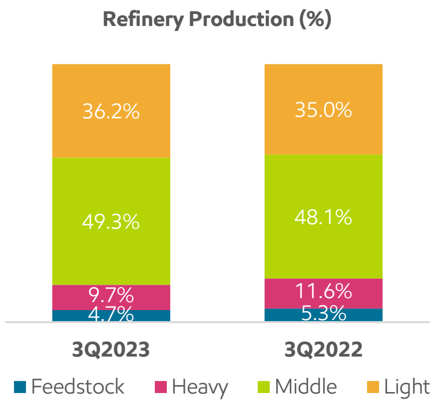
	3Q 2023	3Q 2022	+ / -	9M 2023	9M 2022	+ / -
Refining capacity (Kbd)	174.0	174.0	*0*	174.0	174.0	*0*
Crude intake (Kbd)	107.0	134.1	*-27.1*	118.0	131.4	*-13.4*
Accounting gross refining margin (US$/Bbl)	19.0	(7.4)	*+26.4*	6.7	13.3	*-6.6*
Operating gross refining margin* (US$/Bbl)	11.3	4.5	*+6.8*	7.4	9.6	*-2.2*
Total Fuel Product Sales (Million Liters)	1,839	2,048	*-199*	5,754	6,040	*-286*
• *LPG*	106	113	*-7*	311	330	*-19*
• *Gasoline*	561	615	*-54*	1,790	1,780	*+10*
• *Naphtha*	8	8	*0*	38	49	*-11*
• *Jet Fuel/Kerosene*	58	105	*-47*	249	273	*-24*
• *Diesel*	945	966	*-21*	2,778	2,927	*-149*
• *Fuel Oil*	120	187	*-67*	431	508	*-77*
• *Asphalt*	43	54	*-11*	157	173	*-16*

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

Production 3Q 2023 versus 3Q 2022

Refinery crude intake for this period was 107 KBD or 61% utilization rate, lower than the same period of last year mainly due to refinery shutdown in September for scheduled maintenance as well as implementing and connecting new facility for Euro 5 project.

Accounting Gross Refining Margin (GRM) in the third quarter of 2023 was $19.0/Bbl, $26.4/Bbl higher than the same period of 2022, largely contributed by favorable inventory effects. While Operating Gross Refining Margin (GRM) in the third quarter of 2023 was $11.3/Bbl, $6.8/Bbl higher than the same period of last year supported by higher industry margins and lower crude premium.

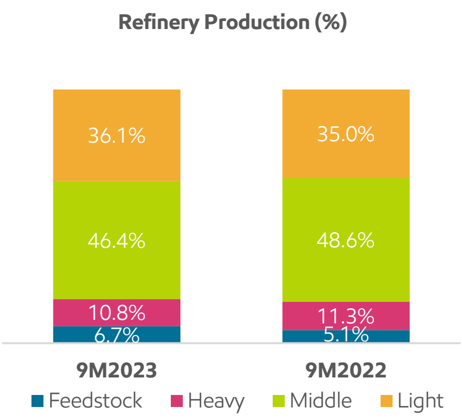


Refinery product yields in the third quarter of 2023 reflected production adjustment to maximize refining economics. Compared with the same period of last year, overall production volume decreased from refinery shutdown.

Production 9M 2023 versus 9M 2022

Refinery crude intake for this period was 118 KBD or 68% utilization rate, lower than the same period of last year mainly due to refinery shutdown in May and September.

Accounting Gross Refining Margin (GRM) in the nine-month of 2023 was $6.7/Bbl, $6.6/Bbl lower than the same period of 2022 contributed by lower favorable inventory effects. While Operating Gross Refining Margin (GRM) in the nine-month of 2023 was $7.4/Bbl, $2.2/Bbl lower than the same period of last year driven by lower industry margins partially offset by lower crude premium.

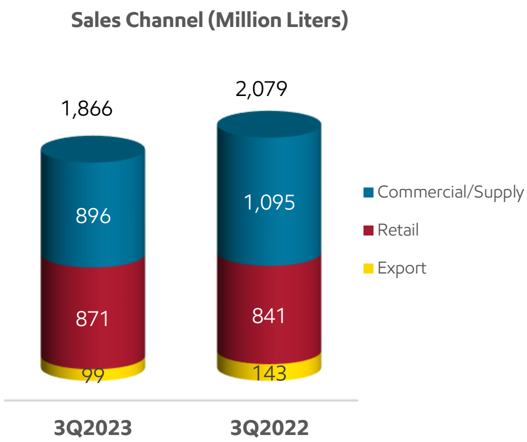


Refinery yields in the nine-month of 2023 reflected production adjustment to maximize refining economics. Total production volume also decreased when compared with the same period of last year.

Marketing Performance 3Q 2023 versus 3Q 2022

Total fuel product sales volume in the third quarter of 2023 was lower than the same period of last year mainly due to limited production from plant shutdown in September.

During refinery shutdown, the company was able to effectively allocate products to meet customer demand and maximize margins through sales channel optimization. Commercial channel continued to capture domestic sales through product high-grading despite lower demand from gas-to-liquid switching in power generation sector. Retail business continued to grow as a result of network expansion and effective marketing activities.



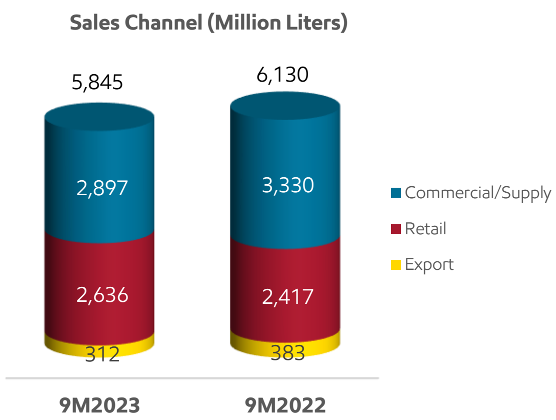
Service station rebranding to Bangchak is being progressed. At the end of third quarter, the company completed rebranding of 13 sites.

Marketing Performance 9M 2023 versus 9M 2022

Total fuel product sales volume in the nine-month period of 2023 was lower than the same period of last year mainly due to limited production from refinery planned shutdowns in May and September. Diesel and fuel oil sales volume decreased following lower demand from power generation industry.

Due to limited production, the company effectively optimized sales through higher margin channels as seen in 9% growth in retail sales volume compared with the same period of last year. Commercial channel continued to maintain opportunistic sales in domestic by high grading portfolio as a result of volume limitation from refinery shutdowns.

At the end of third quarter, the company maintained network size at 833 service stations nationwide, or net increase of 31 service stations from year-end 2022.



4. Financial Performance

Unit: million Baht	3Q 2023	3Q 2022	+ / -	9M 2023	9M 2022	+ / -
Total revenue	58,680	65,591	*-6,911*	170,080	199,363	*-29,283*
Cost of sales	(51,596)	(68,229)	*+16,633*	(161,070)	(181,766)	*+20,696*
Gross profit	**7,084**	**(2,638)**	***+9,722***	**9,010**	**17,597**	***-8,587***
Selling expenses	(1,275)	(1,258)	*-17*	(3,792)	(3,670)	*-122*
Administrative expenses	(42)	(57)	*+15*	(181)	(175)	-6
Profit (loss) from sales	**5,767**	**(3,953)**	***+9,720***	**5,037**	**13,752**	***-8,715***
Other income	95	9	*+86*	224	14	*+210*
Finance costs, net	(175)	(63)	*-112*	(441)	(210)	*-231*
Share of profit from an associate	85	77	*+8*	275	234	*+41*
Profit (loss) before income tax	**5,772**	**(3,930)**	***+9,702***	**5,095**	**13,790**	***-8,695***
Income tax (expense) credit	(1,172)	803	*-1,975*	(964)	(2,718)	*+1,754*
Profit (loss) for the period	**4,600**	**(3,127)**	***+7,727***	**4,131**	**11,072**	***-6,941***
Other comprehensive income	(180)	115	*-295*	(206)	232	*-438*
Total comprehensive income (loss) for the period	**4,420**	**(3,012)**	***+7,432***	**3,925**	**11,304**	***-7,379***

3Q 2023 versus 3Q 2022

Total revenue for the third quarter of 2023 was lower than the same period of last year, largely due to lower market selling prices and sales volume. Profit from sales was Baht 5,767 million, which was Baht 9,720 million higher than the same period of last year mainly from improved refining margins and favorable inventory effects. Compared with the same period of last year, net finance costs increased by Baht 112 million in the third quarter of 2023 primarily due to higher interest rates.

9M 2023 versus 9M 2022

Total revenue for the nine-month period of 2023 was lower than the same period of last year, largely due to lower market selling prices and sales volume. Profit from sales was Baht 5,037 million, which was Baht 8,715 million lower mainly due to easing refining margins and lower favorable inventory effects. Compared with the same period of last year, net finance costs increased by Baht 231 million primarily due to higher interest rates.

5. Statement of Financial Position

Unit: million Baht except for percentages	**30 Sep 2023**	**31 Dec 2022**	**+/-**	**+/- %**
Assets				
- Current assets	39,380	51,922	-12,542	-24%
- Non-current assets	34,435	33,619	+816	+2%
Total assets	**73,815**	**85,541**	**-11,726**	**-14%**
Liabilities				
- Current liabilities	22,503	49,624	-27,121	-55%
- Non-current liabilities	21,222	8,713	+12,509	+144%
Total liabilities	**43,725**	**58,337**	**-14,612**	**-25%**
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	7,269	4,145	+3,124	+75%
- Other components of equity	453	691	-238	-34%
Non-controlling interests	7	7	0	0%
Total equity	**30,090**	**27,204**	**+2,886**	**+11%**
Total liabilities and equity	**73,815**	**85,541**	**-11,726**	**-14%**

Current assets as of September 30, 2023 decreased by Baht 12,542 million from year-end 2022, mainly due to lower oil fuel fund subsidy claims partly offset by higher inventory balance.

Total liabilities of Baht 43,725 million decreased by Baht 14,612 million, driven by net loan repayment and lower crude payables as a result of refinery shutdown.

Total debt was Baht 23,204 million (long-term loans of Baht 16,593 million and short-term loans of Baht 6,611 million) as of September 30, 2023, a decrease of Baht 12,731 million from Baht 35,935 million at year-end 2022 primarily driven by collection of oil fuel fund subsidy claims. The company continued to maintain adequate financing sources to support payment obligations.

Total equity increased by Baht 2,886 million as a result of profits for the nine-month period of 2023.

6. Statement of Cash Flows

Unit: million Baht	9M 2023	9M 2022
Cash flows from (used in) operating activities	15,626	(6,304)
Cash flows from (used in) investing activities	(1,321)	(745)
Cash flows from (used in) financing activities	(14,146)	7,091

Cash flows from operating activities was Baht 15,626 million for the nine-month period ended September 30, 2023, reflected positive earnings and favorable working capital effects from collection of oil fuel fund subsidy claims. Cash flows used in investing activities was Baht 1,321 million, mainly for retail and refinery projects including investment for Euro 5 compliance and payment for equity investments partially offset by dividends received. Cash flows used in financing activities was Baht 14,146 million, mainly from repayment of borrowings.

7. Financial Ratios

Profitability ratios

	3Q 2023	3Q 2022	2Q2023
Gross profit margin (%)	12.1%	(4.0%)	(0.8%)
Net profit margin (%)	7.8%	(4.8%)	(2.5%)
Interest coverage ratio (times)	35.3	(54.0)	(3.8)
EBITDA margin (%)	10.7%	(5.2%)	(1.0%)
Return of Equity (%)	8.7%	50.3%	(17.4%)

9M 2023	9M 2022
5.3%	8.8%
2.4%	5.6%
16.2	75.8
4.4%	8.1%

Efficiency ratio

	3Q 2023	3Q 2022	2Q2023
Return on Assets (%)	4.4%	18.3%	(7.3%)

Liquidity ratios

	30 Sep 2023	30 Jun 2023	31 Dec 2022
Current ratio (times)	1.8	0.9	1.0
Quick ratio (times)	0.4	0.2	0.2
AR Turnover (times)	30.2	30.4	31.7
Collection Period (days)	12.1	12.0	11.5
AP Turnover (times)	24.5	20.0	30.5
Payment Period (days)	14.9	18.2	12.0

Leverage ratios

	30 Sep 2023	30 Jun 2023	31 Dec 2022
Interest bearing Debt to Equity ratio (times)	0.8	0.9	1.3
Long term debt to equity ratio (times)	0.6	0.0	0.2
Net Interest-bearing Debt to Equity ratio (times)	0.8	0.9	1.3

Financial ratios calculation:

Profitability ratios

Gross profit margin (%)	= Gross profit / Total revenue
Net profit margin (%)	= Net profit / Total revenue
Interest coverage ratio (times)	= EBITDA / Interest expense
EBITDA margin (%)	= EBITDA / Total revenue
Return of Equity (%)	= Annualized Profit attribute to owners of the parent / Average Total Equity attribute to owners of the parent[(1)]

Efficiency ratios

Return of Assets (%)	= Annualized EBIT / Average Total asset [(2)]

Liquidity ratios

Current ratio (Times)	= Current assets / Current liabilities
Quick ratio (Times)	= (Cash and cash equivalents + Short term investments + Trade receivables) / Current liabilities
Account Receivable Turnover (Times)	= Total Revenue/ Average Account receivable before doubtful debt [(3)]
Collection Period (days)	= 365 / Account Receivable Turnover
Account Payable Turnover (Times)	= Cost of sale / Average Account Payable[(4)]
Payment Period (days)	= 365 / Account Payable Turnover

Leverage ratios

Interest-bearing Debt to Equity (times)	= Total interest-bearing debt / Total shareholders' equity
Long term debt to equity ratio (times)	= Non-current borrowings / Total shareholders' equity
Net Interest-bearing Debt to Equity (times)	= (Total interest-bearing debt - Cash and cash equivalents – Short term investments) / Total shareholders' equity

<u>Remark</u>:

[(1)]Average Total Equity attributable to owners of the parent

= (Total Equity attributable to owners of the parent of the same period prior year + Total Equity attributable to owners of the parent of the period this year) / 2

[(2)]Average Total asset

= (Total assets of the quarter of the same period prior year + Total asset of the period this year) / 2

[(3)] Average Account receivable before doubtful debt

= (Account receivable before doubtful debt of the same period prior year + Account receivable before doubtful debt of the period this year) / 2

[(4)] Average Account Payable

= Account payable of the same period prior year + Account Payable of the period this year) / 2

8. <u>Economic and industry outlook in the fourth quarter of 2023</u>

Economic outlook

The International Monetary Fund (IMF) projects global economic growth in the fourth quarter of 2023 is likely to remain slow and still pressured by the persistent of high interest rates, slowdown in China economic recovery from real estate crisis, extreme weather of El Niño phenomenon and Isarael-Hamas conflicts that could affect economic activities. However, the acceleration of U.S. economic growth mainly contributed from consumer spending with tight labor market should support overall global economy in the near term. Global inflation is expected to ease from tight monetary policy of central banks in many regions and global GDP growth is kept at constant rate of 3% for 2023.

Thai economy should continue to recover in the fourth quarter of 2023 supported by private consumption growth and recovery in service sector resulting in higher number of tourists during year-end holiday. However, slow recovery in export and private spending sector could pressure Thailand GDP growth in this year.

Industry outlook

The International Energy Agency (IEA) and U.S. Energy Information Administration (EIA) forecasts Dubai crude prices to remain volatile and have upside potential to increase in the fourth quarter of 2023 primarily contributed by global supply tightness from the extension of Saudi Arabia voluntary production cuts until the end of this year and growing concern over supply disruption from the escalation of Isarael-Hamas conflicts. However, slowdown in global economic and oil demand growth from the tight monetary policy might affect crude prices in the near term.

For product crack spreads, Jet fuels and kerosene demand should continue to improve from strong international air travel and heating oil demand during the upcoming winter holiday which should support jet (kerosene) and Dubai spreads. However, El Niño effects might cause warmer weather than expected which could affect heating oil demand. On the other hand, Gasoline and Dubai spreads in the fourth quarter of 2023 is likely to be affected from weaker gasoline demand following recent high retail prices together with end of summer driving season. Several refineries are also expected to return from planned maintenance resulting in an increase of gasoline supplies during end of this year.

Source : International Monetary fund (IMF) , Bank of Thailand, U.S. Energy Information Administration (EIA) and International Energy Agency (IEA)

\- Signed -

Ratrimani Pasiphol
Managing Director and
Designated CFO
November 6, 2023