



Bangchak Sriracha Public Company Limited

Management Discussion and Analysis

First Quarter of 2024



Management's Discussion and Analysis (MD&A) for the first quarter of 2024

1. Key Financial and Operating Performance

	1Q 2023	4Q 2023	1Q 2024	QoQ (+/-)	YoY (+/-)
Crude run (Kbd)	138.0	119.3	150.3	+31.0	+12.3
Average forex rate (Baht/US\$)	33.9	35.6	35.6	0	+1.7
Operating gross refining margin (US\$/Bbl)	5.8	2.0	5.0	+3.0	-0.8
Oil Hedging Gain/(Loss) (US\$/Bbl)	-	-	0.3	+0.3	+0.3
Inventory Gain/(Loss) (US\$/Bbl) ⁽¹⁾	(6.4)	(3.3)	(0.1)	+3.2	+6.3
Accounting gross refining margin (US\$/Bbl) ⁽³⁾	(0.6)	(1.3)	5.2	+6.5	+5.8
Total Sales Volume (Million Liters)	2,156	2,283	2,359	+76	+203
	1Q 2023	4Q 2023	1Q 2024	QoQ (%)	YoY (%)
Total revenue (THB million)	59,727	59,458	63,583	+7%	+6%
Refinery business	124,891	143,820	147,219	+2%	+18%
Marketing business	47,423	47,887	46,803	-2%	-1%
Elimination and Others ⁽²⁾	(112,587)	(132,249)	(130,439)	+1%	-16%
EBITDA (THB million) ⁽³⁾	114	(223)	2,117	+1,049%	+1,757%
Refinery business	(1,089)	(1,746)	1,588	+191%	+246%
Marketing business	1,098	1,465	465	-68%	-58%
Others	105	58	64	+10%	-39%
Profit (loss) for the period (THB million) ⁽³⁾	(524)	(871)	855	+198%	+263%
Earnings (loss) per share (Baht) ^{(3),(4)}	(0.15)	(0.25)	0.25	+200%	+267%

⁽¹⁾ Inventory Gain/(Loss) included (reversal of) losses on inventory devaluation (NRV).

⁽²⁾ Elimination and Others reflected transactions between Refinery and Marketing businesses.

⁽³⁾ Restated numbers following changes as disclosed in Financial Statements for the period ended 31 March 2024.

⁽⁴⁾ Based on current number of shares: 3,461 million shares.

Key events in 1Q 2024 and subsequent events

- The company restated numbers following changes in accounting policies to be in line with Bangchak Group as disclosed in Financial Statements for the period ended 31 March 2024.
- Following the resolutions of the 2024 Annual General Meeting of Shareholders held on 10 April 2024;
 - Dividend payments of Baht 0.25 per share, or total of Baht 865,214,500, will be paid from the unappropriated retained earnings from the net profits for the year 2023.

- The issuance and offering of debentures up to Baht 30,000 million (revolving basis) at any time within 5 years (the year 2024-2028) was approved.
- The restructuring of the company's subsidiaries, considered as the acquisition or acceptance of business transfer of other company by the company under Section 107 of the Public Limited Companies Act B.E. 2535 (as amended), was approved.
- The company's subsidiary, Mobil Enterprise (Thailand) Limited ("METL"), had completed its liquidation process and registration with the Department of Business Development, Ministry of Commerce, on 24 April 2024.

2. Performance by Business Segment

1) Refinery Business

Benchmark Prices for Crude Oil and Refined Petroleum Product spreads

Crude oil prices (US\$/Bbl)	1Q 2023	4Q 2023	1Q 2024	QoQ (+/-)	YoY (+/-)
Dubai (DB)	80.26	83.55	81.30	-2.25	+1.04
Dated Brent (DTD)	81.23	84.05	83.23	-0.82	+2.00
DTD-DB	0.97	0.50	1.93	+1.43	+0.96

Crack spreads (US\$/Bbl)	1Q 2023	4Q 2023	1Q 2024	QoQ (+/-)	YoY (+/-)
Gasoline - Dubai	18.69	12.53	17.87	+5.34	-0.82
Jet (Kerosene) - Dubai	26.52	23.65	21.11	-2.54	-5.41
Gasoil (10 ppm)– Dubai	28.66	24.42	23.05	-1.37	-5.61
LSFO - Dubai	6.56	7.97	7.65	-0.32	+1.09

Source: Mean of Platts Singapore

The average Dubai crude oil price in 1Q 2024 ebbed by US\$2.25/BBL compared to 4Q 2023. The decline was mainly due to a slowdown in global oil demand, particularly from China, which currently grapples with the real estate crisis. Furthermore, the market has scaled back its expectations on the Fed's rate cut in March 2024, which could hamper economic growth and oil demand. At the same time, global crude oil supply has become less tightened as non-OPEC+ producers ramped up their outputs. Still, crude oil prices face upward pressures from geopolitical tensions that have been ongoing since late 2023 in the Middle East and the Red Sea forcing many marine shipping companies to reroute their vessels around Africa in the wake of mounting attacks. Since January 2024, Ukraine has shifted its war strategy to target Russia's energy infrastructure. The recent attacks significantly disrupted Russian refining capacity, prompting Russia to cut its oil production by 0.4 million barrels per day in 2Q 2024. Apart from that, the OPEC+ members, led by Saudi Arabia, agreed to extend their voluntary oil production cuts for another three months until the end of 2Q 2024 to support oil prices. The extensions have fueled concerns over a potential tightening of global oil supply.

The average Dated Brent-Dubai spread (DTD-DB) in 1Q 2024 rose by US\$1.43/BBL compared to 4Q 2023. The Dated Brent was bolstered by uncertainties over European crude oil supply due to the Red Sea crisis. Extreme cold weather in the US also depleted oil production by as much as 650,000–700,000 barrels per day throughout January, resulting in lower US crude oil exports and tighter European crude oil supply. Similarly, the Dubai crude oil prices still gained impetus from market concerns over supply constraints of heavy crude oil, as Saudi Arabia extended its voluntary oil output cut of 1 million barrels per day until the end of 2Q 2024.

The spread between finished products and Dubai Price

- **Gasoline and Dubai crack spread (UNL95-DB)** in 1Q 2024, on average, increased from 4Q 2023. The widening spread was driven by higher road activities during the Chinese New Year coupled with an increased gasoline imports from Indonesia, resulting from the closure of Indonesian refineries for maintenance during the quarter.
- **Jet (Kerosene) and Dubai crack spread (IK-DB)** in 1Q 2024, on average, dipped from 4Q 2023 as a warmer winter in North Asia kept demand for heating kerosene at low levels.
- **Diesel and Dubai crack spread (GO-DB)** in 1Q 2024, on average, plummeted from 4Q 2023. The decline was attributed to higher supply in Asia, as soaring transportation costs from the Red Sea turmoil deterred the east-west diesel arbitrage.
- **Low-sulfur fuel oil and Dubai crack spread (LSFO-DB)** in 1Q 2024, on average, shrank from 4Q 2023 owing to higher supply in Asia as the Kuwait refinery 'Al Zour' continued to export Low-sulfur fuel oil into the global market.

Refinery Performance

	1Q 2023	4Q 2023	1Q 2024	QoQ (%)	YoY (%)
Revenue (THB million)	124,891	143,820	147,219	+2%	+18%
EBITDA (THB million)	(1,089)	(1,746)	1,588	+191%	+246%
Refining capacity (Kbd)	174	174	174	0	0
Crude run (Kbd)	138.0	119.3	150.3	+26%	+9%
Refinery Sales Volume ⁽¹⁾ (Million Liters)	504	611	706	+16%	+40%
- Petroleum traders per section 7	422 ⁽²⁾	501 ⁽²⁾	526	+5%	+25%
- Export	82	110	180	+64%	+120%
Unit: US\$/Bbl	1Q 2023	4Q 2023	1Q 2024	QoQ (+/-)	YoY (+/-)
Operating gross refining margin	5.8	2.0	5.0	+3.0	-0.8
Oil Hedging Gain/(Loss)	-	-	0.3	+0.3	+0.3
Inventory Gain/(Loss) ⁽³⁾	(6.4)	(3.3)	(0.1)	+3.2	+6.3
Accounting gross refining margin	(0.6)	(1.3)	5.2	+6.5	+5.8

⁽¹⁾ Sales volume excluding oil swaps between petroleum traders in accordance with section 7 and sales of crude oil

⁽²⁾ Asphalt volume in 2023 was reported as part of sales to Petroleum traders per section 7 while in 2024 reported as part of Industrial

⁽³⁾ Inventory Gain/(Loss) included (reversal of) losses on inventory devaluation (NRV)

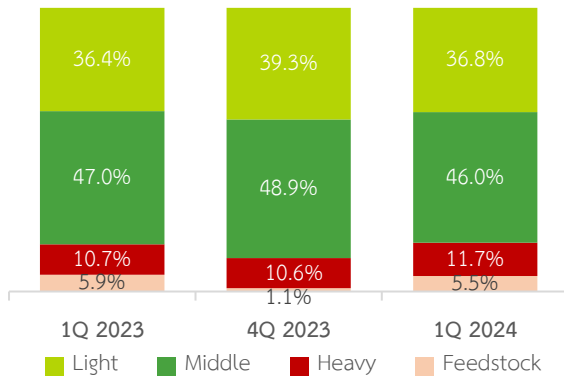
Refinery crude run for this period was 150.3 KBD or 86% utilization which marked the new record high utilization for Sriracha refinery. This achievement was resulted from the Company's effort to maximize utilization in order to meet strategic target and capture synergy benefits with Bangchak group.

Refinery sales volume in 1Q 2024 was 40% higher than that of 1Q 2023 and 16% higher than that of 4Q 2023. Sales to Petroleum traders per section 7 increased primarily contributed by higher gasoline demand from Bangchak.

Operating Gross Refining Margin (GRM) in 1Q 2024 was \$5.0/Bbl, \$0.8/Bbl lower than that of 1Q 2023 driven by lower crack spreads despite lower crude premium. On the other hand, Operating Gross Refining Margin (GRM) in 1Q 2024 increased \$3.0/Bbl from that of 4Q 2023 mainly supported by higher utilization, higher industry margins and lower crude premium.

The company started hedging activities in 1Q 2024 and realized oil hedging gain of \$0.3/Bbl. With inventory loss of \$0.1/Bbl, Accounting Gross Refining Margin (GRM) in 1Q 2024 was reported at \$5.2/Bbl, \$5.8/Bbl higher than 1Q 2023 and \$6.5/Bbl higher than 4Q 2023 largely contributed by lower unfavorable inventory effects.

Refinery Production (%)



With regards to refinery production, total production volume increased in 1Q 2024 mainly from gasoline, diesel, and jet fuel when compared with 1Q 2023 and 4Q 2023 as a result of the Company's effort to maximize CCR and FCC units. Heavy product yields also increased from fuel oil to capture margin opportunities in Marine fuels. In February, Sriracha refinery achieved record high in Marine fuel production. The Company continued to improve operating process and enhance cost savings to further uplift refining margins.

2) Marketing Business

Marketing Performance

	1Q 2023	4Q 2023	1Q 2024	QoQ (%)	YoY (%)
Revenue (THB million)	47,423	47,887	46,803	-2%	-1%
EBITDA (THB million)	1,098	1,465	465	-68%	-58%
No. of Service Stations	820	830	829	0	+1%
Marketing sales volume (Million Liters)	1,652	1,672	1,653	-1%	0
- Retail	883	849	887	+4%	0
- Industrial	769	823	766 ⁽¹⁾	-7%	0
Total Marketing Sales by Product (Million Liters)	1,652	1,672	1,653	-1%	0
- LPG	68	55	34	-38%	-50%
- Gasoline	406	435	461	+6%	+14%
- Jet Fuel/Kerosene	110	112	131	+17%	+19%
- Diesel	962	996	891	-11%	-7%
- Fuel Oil	97	74	89	+20%	-8%
- Asphalt	0	0	47 ⁽¹⁾	+100%	+100%
- Other	9	0	0	0	-100%
Marketing margin (Baht/Liters)	1.33	1.36	0.80	-41%	-40%
Net marketing margin (Baht/Liters) ⁽²⁾	1.20	1.30	0.79	-39%	-34%

⁽¹⁾ Asphalt volume in 2023 was reported as part of sales to Petroleum traders per section 7 while in 2024 reported as part of Industrial

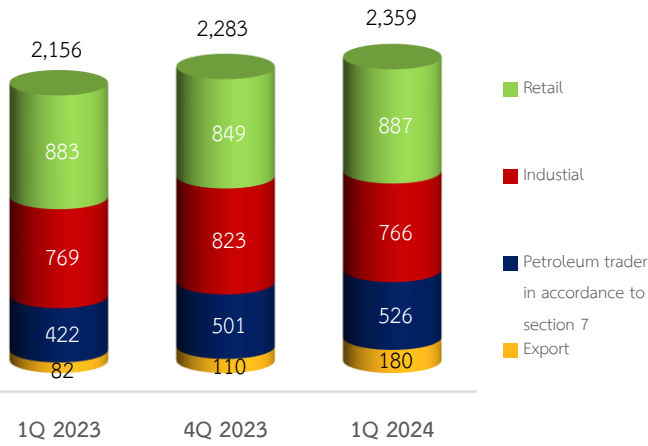
⁽²⁾ Net marketing margin included inventory Gain (Loss) and NRV

Retail sales volume increased 4% from 4Q 2023 supported by effective marketing programs and volume recovery after rebranding activities completed for company-owned service stations. Industrial sales volume decreased from the restructuring of Bangchak common products to be reported under Petroleum traders per section 7. Jet fuel sales improved following traveling demand recovery and Marine fuel sales achieved record high volume in February.

Marketing margin in 1Q 2024 was decreased from 1Q 2023 and 4Q 2023 as a result of the restructuring of transferred price from refinery in order to align with Bangchak's basis.

At the end of March 2024, the Company had 829 service stations nationwide and completed rebranding activities to Bangchak for 332 sites. The Company targets to complete all site rebranding within 2024.

Total Company Sales Volume



Total sales volume from all channels increased following higher production volume mainly from sales to Petroleum traders per section 7 and retail sales through service stations.

* Total sales volume including Lubricant & Grease and others.

3. Financial Performance

Unit: THB million	1Q 2023 ⁽¹⁾	4Q 2023 ⁽²⁾	1Q 2024	QoQ (+/-)	YoY (+/-)
Total revenue	59,727	59,458	63,583	+4,125	+3,856
Cost of sales	(59,060)	(59,177)	(61,196)	-2,019	-2,136
Gross profit	667	281	2,387	+2,106	1,720
Other income	1	15	25	+10	+24
Interest Income	1	30	1	-29	0
Gain (Loss) from derivatives	-	-	(41)	-41	-41
Selling expenses	(1,238)	(1,200)	(1,125)	+75	+113
Administrative expenses	(69)	(43)	(27)	+16	+42
Profit (loss) from operating activities	(638)	(917)	1,220	+2,137	+1,858
Finance costs	(142)	(273)	(279)	-6	-137
Share of profit from an associate	100	86	102	+16	+2
Profit (loss) before income tax	(680)	(1,104)	1,043	+2,147	+1,723
Income tax (expense) credit	157	233	(188)	-421	-345
Profit (loss) for the period	(523)	(871)	855	+1,726	+1,378
Other comprehensive income	(8)	(139)	190	+329	+198
Total comprehensive income (loss) for the period	(531)	(1,010)	1,045	+2,055	+1,576

^{(1), (2)} Restated numbers following changes as disclosed in Financial Statements for the period ended 31 March 2024

Performance of 1Q 2024 compared with 1Q 2023

Total revenue for 1Q 2024 was higher mainly due to higher sales volume. Profit from operating activities was posted at Baht 1,220 million, Baht 1,858 million higher mainly from higher refining margins and lower selling and administrative expenses partially offset by realized loss from derivatives. Finance costs increased by Baht 137 million from 1Q 2023 primarily due to higher policy interest rates as well as loan restructuring to long term.

Performance of 1Q 2024 compared with 4Q 2023

Total revenue for 1Q 2024 was higher mainly due to higher sales volume. Profit from operating activities was Baht 2,137 million higher mainly from higher refining margins and lower selling and administrative expenses partially offset by realized loss from derivatives. Finance costs increased by Baht 6 million primarily due to higher loan balance.

4. Statement of Financial Position

<i>Unit: THB million except for percentages</i>	31 Dec 2023*	31 Mar 2024	+/-	+/- %
Assets				
- Current assets	36,408	46,259	+9,851	+27%
- Non-current assets	34,654	34,230	-424	-1%
Total assets	71,062	80,489	+9,427	+13%
Liabilities				
- Current liabilities	22,618	32,701	+10,083	+45%
- Non-current liabilities	20,121	18,420	-1,701	-8%
Total liabilities	42,739	51,121	+8,382	+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	1,366	1,366	0	0
- Unappropriated retained earnings	5,313	6,373	+1,060	+20%
- Other components of equity	530	515	-15	-3%
Non-controlling interests	7	7	0	0
Total equity	28,323	29,368	+1,045	+4%
Total liabilities and equity	71,062	80,489	+9,427	+13%

(*) Restated numbers following changes as disclosed in Financial Statements for the period ended 31 March 2024

Current assets as of March 31, 2024 increased by Baht 9,851 million from year-end 2023, mainly due to higher inventory balance driven by higher volume and higher trade and other current receivables from higher sales volume to customers and to Bangchak group as well as higher oil fuel fund subsidy claims as a result of the increase in subsidy rate.

Total liabilities as of March 31, 2024 was Baht 51,121 million, increased by Baht 8,382 million, mainly driven by higher crude payables to support higher refinery utilization and higher debt balance.

Total debt as of March 31, 2024 was Baht 31,362 million (long-term loans of Baht 14,273 million and short-term loans of Baht 17,089 million), an increase of Baht 3,054 million from Baht 28,308 million at year-end 2023 mainly driven by higher working capital requirement. The company continued to maintain adequate financing sources to support payment obligations.

Total equity increased by Baht 1,045 million as a result of profits for the period and remeasurements of defined benefit plans.

5. Statement of Cash Flows

Unit: THB million	1Q 2023	1Q 2024
Cash flows from (used in) operating activities	11,696	(2,078)
Cash flows from (used in) investing activities	(892)	(456)
Cash flows from (used in) financing activities	(10,634)	2,929

Cash flows used in operating activities was Baht 2,078 million for the period ended March 31, 2024, reflected higher working capital requirement partially offset by positive earnings. Cash flows used in investing activities was Baht 456 million, mainly for retail projects related to rebranding to Bangchak, corporate facility management and refinery projects. Cash flows from financing activities was Baht 2,929 million, mainly from net proceeds of borrowings.

6. Financial Ratios

Profitability ratios

	1Q 2023	4Q 2023	1Q 2024
Gross profit margin (%)	1.1%	0.5%	3.8%
Net profit margin (%)	(0.9%)	(1.5%)	1.3%
Interest coverage ratio (times)	0.8	(0.8)	7.6
EBITDA margin (%)	0.2%	(0.4%)	3.3%
Return of Equity (%)	24.8%	2.7%	7.5%

Efficiency ratio

	1Q 2023	4Q 2023	1Q 2024
Return on Assets (%)	9.9%	2.0%	4.2%

Liquidity ratios

	31 Mar 2023	31 Dec 2023	31 Mar 2024
Current ratio (times)	1.1	1.6	1.4
Quick ratio (times)	0.2	0.6	0.6
AR Turnover (times)	25.9	25.4	24.3
Collection Period (days)	14.1	14.4	15.0
AP Turnover (times)	10.2	17.9	12.2
Payment Period (days)	35.9	20.4	30.0

Leverage ratios

	31 Mar 2023	31 Dec 2023	31 Mar 2024
Interest bearing Debt to Equity ratio (times)	0.9	1.0	1.1
Long term debt to equity ratio (times)	0.1	0.5	0.5
Net Interest-bearing Debt to Equity ratio (times)	0.9	1.0	1.0

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⁾
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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

Remark:

⁽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

7. Economic and industry outlook in 2Q 2024

Economic outlook

The global economy exhibits signs of steady growth. The International Monetary Fund (IMF) slightly upgraded the 2024 global economic growth forecast from 3.1% in January to 3.2% in its latest outlook report, citing more upbeat prospects among advanced economies. However, an anticipated slowdown in China and major emerging markets may have repercussions for their trade partners around the world. Furthermore, we observed sticky inflation globally as central banks tend to maintain high policy rates for an extended period in response to the ongoing Middle East conflicts and escalating trade tensions.

In the first half of 2024, we expect the Thai economy to witness stronger growth compared to 2023, buoyed by solid private consumption and a robust rebound in the tourism sector both in terms of tourist arrivals and tourism spending per capita. The government spending will likely regain traction throughout the remainder of 2024, contributing positively to the overall economic outlook. Thailand's inflation has stayed modest, but there is potential for acceleration if the government cuts back or withdraws energy subsidies. Global supply chain disruptions triggered by geopolitical challenges also pose risks of upward pressure on inflation.

Industry outlook

Based on our assessment, the average Dubai crude oil price in 2Q 2024 will likely move between US\$85-95/BBL, buoyed by uncertainties over geopolitical tensions worldwide. Most recently, Iran launched a large-scale missile and drone attack on Israel in mid-April, marking its first direct military strike against Israel in decades. This event triggered fears that such attacks could escalate into a wider war in the Middle East and potentially unsettle the global crude oil supply. In the meantime, OPEC+ members agreed to have voluntary oil output cuts in place until the end of 2Q 2024 to support oil prices.

The Dated Brent-Dubai (DTD-DB) spread in 2Q 2024 is expected to settle between US\$1.0–1.5/BBL. The Dated Brent continues to benefit from uncertainties surrounding European crude oil supply due to geopolitical tensions. In contrast, European demand for crude oil has edged up as refineries gradually resumed operations after seasonal maintenance.

In 2Q 2024, we expect the refining margin of cracking refineries in Singapore to shrink from 1Q 2024, owing to a slowdown in demand amidst somber economic conditions and high inflation globally and continuously rising supply. Given the ongoing real estate crisis, a rebound in Chinese oil demand might also be slower than anticipated. Nonetheless, the decline in refining margin is expected to be limited by uncertainties over the ongoing Middle East conflict and oil output cuts, as refiners are likely to be tempted to extend their production cuts due to the weak refining margin.

Signed

Matana Sutatham
Chief Financial Officer
May 08, 2024