

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For Quarter 2/2016 and 6 months ended June 2016

## 1) Company's Operating Result

(US\$ Million)	Q2/16	Q1/16	+/(–)	Q2/15	+/(–)	6M/16	6M/15	+/(–)
Total Revenue	1,083	933	151	1,483	(399)	2,016	2,866	(850)
EBITDA	127	81	46	188	(61)	209	307	(99)
EBIT	107	61	46	168	(61)	167	267	(100)
Exchange gain (loss)	6	7	(2)	(2)	8	13	2	11
Net income	85	48	37	131	(47)	133	211	(78)
Net income (US\$ per share)	0.02	0.01	0	0.03	(0)	0.03	0.05	(0)
Gross refining margin (US\$/barrel) – accounting <sup>(1)</sup>	9.92	6.69	3.23	14.29	(4.37)	8.28	11.84	(3.56)
Market gross refining margin (US\$/barrel) <sup>(2)</sup>	5.25	8.26	(3.01)	10.64	(5.39)	6.78	11.23	(4.45)

Crude intake (thousand barrels/day)	158.7	163.4	(4.7)	163.8	(0.4)	161.0	163.4	(2.4)
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(Baht Million)	Q2/16	Q1/16	+/(–)	Q2/15	+/(–)	6M/16	6M/15	+/(–)
Total Revenue	38,419	33,408	5,011	49,545	(11,126)	71,827	94,909	(23,082)
EBITDA	4,516	2,894	1,621	6,288	(1,772)	7,410	10,192	(2,782)
EBIT	3,790	2,158	1,633	5,614	(1,824)	5,948	8,863	(2,915)
Exchange gain (loss)	202	267	(65)	(77)	279	469	80	389
Net income	3,003	1,703	1,300	4,390	(1,387)	4,706	6,991	(2,285)
Net income (Baht per share)	0.69	0.39	0.30	1.07	(0.38)	1.09	1.70	(0.62)

<sup>(1)</sup> margin includes inventory gain/loss based on weighted average inventory cost<sup>(2)</sup> margin is calculated based on current replacement cost

Exchange rate (Baht/US\$)	Q2/16	Q1/16	+/(–)	Q2/15	+/(–)	6M/16	6M/15	+/(–)
Average FX	35.45	35.81	(0.36)	33.44	2.02	35.64	33.11	2.54
Closing FX	35.34	35.41	(0.06)	33.93	1.42	35.34	33.93	1.42

In Q2/16 the company crude intake was 158.7 thousand barrels per day, or 96.2% of the refining capacity, lower than 163.4 thousand barrels per day in Q1/16 attributable to maintenance on the Single Point Mooring (SPM) and minor repairs on our Vacuum Distillation Unit (VDU) which caused the Crude Distillation Unit (CDU) to slowdown in April. For Q2/16, the company EBITDA was US\$127 million (Baht 4,516 million) an increase of US\$46 million (Baht 1,621 million) from Q1/16, but a decrease of US\$61 million (Baht 1,772 million) from Q2/15. Similarly, net income for Q2/16 was US\$85 million (Baht 3,003 million), higher than Q1/16 but lower than Q2/15. The increase in EBITDA and net income comparing to Q1/16 was primarily from a higher accounting gross refining margin as a result of inventory gain in rising market price. Excluding inventory gain, market refining margin was lower than Q1/16 and Q2/15 impacted from weaker product market.

Average oil and product prices increased in Q2/16 and as a result total sale revenue increased comparing to Q1/16 but still lower than Q2/15. Crude oil price in Q2/16 increased in a higher proportion than the increase in product price and resulted to lower market gross refining margin in

Q2/16 which was at US\$5.25 per barrel, lower than US\$8.26 per barrel in Q1/16 and \$10.64 per barrel in Q2/15. Lower market gross refining margin was mainly due to refinery overproduction and high US stock especially on Gasoline pool.

Compared 6M/16 with 6M/15, crude intake was 161.0 thousand barrels per day, which was slightly decreased from 163.4 thousand barrels per day in 6M/15, impacted from the slowdown of CDU. Although oil and product prices increased in 6M/16, they are still lower than average price in 6M/15 and as a result total sale revenue decreased in 6M/16. Over production of refined products in 6M/16 contributed to lower Singapore refining margins, and resulted in lower market gross refining margin. For such market conditions, EBITDA for 6M/16 decreased to US\$209 million (Baht 7,410 million) from US\$307 million (Baht 10,192 million) in 6M/15. However, operating expenses were lower and gain on exchange was higher in 6M/16 compared to 6M/15.

## 2) Market Condition

MOPS Pricing	Q2/16	Q1/16	+/(-)	Q2/15	+/(-)
Dubai crude oil	43.20	30.44	12.76	61.32	(18.12)
Light Naphtha (MOPJ)	45.62	38.29	7.33	62.63	(17.01)
Gasoline (premium)	57.65	49.34	8.31	81.11	(23.46)
Jet Fuel	54.34	42.12	12.22	74.80	(20.46)
Diesel	53.70	40.08	13.62	75.07	(21.37)
Fuel Oil	34.45	25.27	9.18	57.82	(23.37)

  

Spread over Dubai	Q2/16	Q1/16	+/(-)	Q2/15	+/(-)
Light Naphtha (MOPJ)	2.42	7.85	(5.43)	1.30	1.12
Gasoline (premium)	14.45	18.90	(4.45)	19.79	(5.34)
Jet Fuel	11.15	11.68	(0.53)	13.48	(2.33)
Diesel	10.51	9.64	0.87	13.75	(3.24)
Fuel Oil	(8.74)	(5.17)	(3.57)	(3.51)	(5.23)

The average Dubai price for Q2/16 was US\$43.2/bbl, increased from Q1/16 as a result of inventory withdrawals and unplanned global supply outages. The U.S. crude oil stocks declined from 534.8 million barrels in Q1/16 to 526.5 million barrels in Q2/16. Crude oil price was also supported by wild fires in Alberta, Canada that shut in around 1.5 million barrels per day of oil sands production in early May. OPEC output has declined by 310,000 barrels per day from previous quarter due to labor strike in Qatar, financial and operational problem in Venezuela and militant attacks in Nigeria.

Gasoline spread over Dubai in Q2/16 was US\$14.45/bbl. It decreased from Q1/16 due to high inventories despite seasonal peak demand. U.S. gasoline stocks reached 238.9 million barrels in Q2/16. Higher gasoline demand for U.S. driving did not support Asia gasoline spread. Indonesia, Asia's top gasoline importer, increased domestic supply by 29% to 101 million barrels in 2016 and reduced import volume. Singapore light distillates stocks were 13.2 million barrels, increased 3% Y-O-Y.

Naphtha spread over Dubai in Q2/16 averaged US\$2.42/bbl, affected by lower demand for blending into the gasoline pool and low demand for petrochemical feedstock due to maintenance. Naphtha was also replaced by LPG 5-15% as ethylene cracker feed. The regional market was positively supported by lower arbitrage volumes arriving in Asia due to narrow differentials.

Jet spread over Dubai remained stable at US\$11.15/bbl, supported by aviation fuel demand.

Diesel crack averaged US\$10.51/bbl, better than previous quarter. Disruption to French refineries eased

EU's stock inventories. There was demand from Australia and India to fuel agricultural machinery. South Asia especially India required extra diesel for power generators as a record heat-wave in South Asia had pushed up fuel demand to operate air conditioners. U.S. Diesel stocks hit a record high at 150.5 million barrels in Q2/16. Singapore stocks were at 11.59 million barrels, down 7% from previous quarter. The export diesel volume from China increased, mainly to Hong Kong and Philippines.

Fuel oil spread over Dubai in Q2/16, averaged minus US\$8.74/bbl, lower than Q1/16, due to high inventory and weaker demand. Maximum fuel oil inventories of 31.2 million barrels in May were at nearly full capacity resulting in ullage issues. It was also affected by reduced fuel oil demand from China after tea-pot refineries received licenses for direct crude import.

Due to higher crude premiums and weaker overall product crack spreads, SPRC's average market refining margin in Q2/16 was US\$5.25/bbl as compared to US\$8.26/bbl in Q1/16 and US\$10.64/bbl in Q2/15. In Q2/16, SPRC maximized margin by capturing crude benefit from term supply and processing opportunity crudes and maximized domestic placement for all products, with only 10% product exports.

Sources: EIA, Reuters, IHS, Platts

### 3) Financial Results

	US\$ Million				US\$ Million				US\$ Million		
	Q2/16	Q1/16	+/(−)		Q2/15	+/(−)			6M/16	6M/15	+/(−)
Total Revenue	1,083	933	151		1,483	(399)			2,016	2,866	(850)
Cost of sales	(976)	(873)	(103)		(1,307)	331			(1,849)	(2,590)	741
<b>Gross profit</b>	<b>107</b>	<b>60</b>	<b>48</b>		<b>176</b>	<b>(68)</b>			<b>167</b>	<b>276</b>	<b>(109)</b>
Other income	0	1	(0)		2	(2)			1	5	(3)
Gain (loss) on exchange rate	6	7	(2)		(2)	8			13	2	11
Administrative expenses	(6)	(7)	0		(8)	1			(13)	(15)	2
Income tax	(21)	(12)	(9)		(37)	15			(34)	(56)	23
<b>Net income</b>	<b>85</b>	<b>48</b>	<b>37</b>		<b>131</b>	<b>(47)</b>			<b>133</b>	<b>211</b>	<b>(78)</b>

	Baht Million				Baht Million				Baht Million		
	Q2/16	Q1/16	+/(−)		Q2/15	+/(−)			6M/16	6M/15	+/(−)
Total Revenue	38,419	33,408	5,011		49,545	(11,126)			71,827	94,909	(23,082)
Cost of sales	(34,613)	(31,295)	(3,318)		(43,676)	9,063			(65,908)	(85,761)	19,852
<b>Gross profit</b>	<b>3,806</b>	<b>2,113</b>	<b>1,693</b>		<b>5,869</b>	<b>(2,063)</b>			<b>5,919</b>	<b>9,148</b>	<b>(3,230)</b>
Other income	14	24	(10)		80	(67)			38	151	(113)
Gain (loss) on exchange rate	202	267	(65)		(77)	279			469	80	389
Administrative expenses	(223)	(239)	16		(258)	36			(462)	(506)	45
Income tax	(765)	(441)	(324)		(1,222)	457			(1,206)	(1,869)	662
<b>Net income</b>	<b>3,003</b>	<b>1,703</b>	<b>1,300</b>		<b>4,390</b>	<b>(1,387)</b>			<b>4,706</b>	<b>6,991</b>	<b>(2,285)</b>

## Production volume

Petroleum products	Q2/16	Q1/16	Q2/15	Thousands barrels	
				6M/16	6M/15
Polymer Grade Propylene	381	431	460	812	917
Liquefied Petroleum Gas	619	832	760	1,451	1,796
Light Naphtha	594	628	674	1,222	1,395
Gasoline	4,010	3,982	3,896	7,992	7,574
Jet Fuel	1,056	1,145	1,156	2,201	2,346
Diesel	5,495	5,616	5,886	11,111	11,657
Fuel Oil	2,172	1,751	1,693	3,923	3,068
Asphalt	288	391	259	679	663
Mix C4	522	410	615	932	922
Other <sup>(1)</sup>	190	1,214	1,382	1,404	2,849
<b>Total production</b>	<b>15,327</b>	<b>16,400</b>	<b>16,781</b>	<b>31,727</b>	<b>33,187</b>

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

Overall production volumes in Q2/16 were reduced slight as a result of lower crude throughput. Gasoline production increased, primarily as a trade off with PGP production, due to economics favoring shifting PGP yield to gasoline yield. Middle Distillate production reduced somewhat and fuel oil production increased as a result of feedstock optimization to process heavier crude. Other production reduced significantly as a result or reduced cracker feed exchange with PTTGC due to their refinery shutdown in Q2/16.

## Total sale revenue

Petroleum products	Q2/16	Q1/16	Q2/15	US\$ Million	
				6M/16	6M/15
Polymer Grade Propylene	24	23	45	47	77
Liquefied Petroleum Gas <sup>(1)</sup>	25	32	37	57	86
Light Naphtha	26	24	42	50	79
Gasoline	367	316	439	683	822
Jet Fuel	60	48	89	108	167
Diesel	461	368	580	829	1,165
Fuel Oil	64	40	88	104	155
Asphalt	6	7	18	13	47
Mix C4	25	16	39	41	70
Crude	4	21	0	25	4
Others <sup>(2)</sup>	21	38	105	59	195
<b>Total Revenue</b>	<b>1,083</b>	<b>933</b>	<b>1,483</b>	<b>2,016</b>	<b>2,866</b>

(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).

Total sale revenue in US\$ for Q2/16 increased 16% as compared to Q1/16 and decreased 27% compared to Q2/15. 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 but partially offset with a decrease in sale volume as a result of the lower crude intake and lower cracker feed exchange. Sale volume was 15.9 million barrels in Q2/16 as compared to 17.1 million barrels in Q1/16 and 16.9 million barrels in Q2/15.

Total sale revenue in US\$ for 6M/16 decreased 30% as compared to 6M/15. The decrease was mainly due to decline in average selling price for petroleum products which is in line with the decrease in crude oil price and a decrease in sale volume to 33.0 million barrels in 6M/16 as compared to 33.7 million barrels in 6M/15.

In Q2/16, the company sold its petroleum products to Chevron, PTT and other oil and petrochemical companies in the proportion of 53%, 38% and 9%, respectively, by sale revenue.

### ***Cost of Sales***

The change in cost of sales in US\$ in Q2/16 was in line with the change in crude oil price. Cost of sales rose by 12% in Q2/16 from Q1/16 primarily due to an increase in the average cost of crude oil, in line with average prices quoted by MOPS for Dubai crude oil but partially offset by a decrease in sale volume. Cost of sale dropped 25% from Q2/15 reflecting from lower crude oil price.

In 6M/16, cost of sales in US\$ also decreased 29% from 6M/15 which was primarily due to a decrease in the average cost of crude oil, in line with average prices quoted by MOPS for Dubai crude oil. The decrease was also from a decrease in sale volume.

### ***Other Income***

Other income for Q2/16 was US\$0.4 million (Baht 14 million), slightly decreased from Q1/16 from lower interest income.

Compared Q2/16 with Q2/15 and 6M/16 with 6M/15, other income also decreased US\$2 million (Baht 67 million) and US\$3 million (Baht 113 million) respectively, primarily due to a decrease in interest income from deposit accounts, lower oil storage fee, and less export tax subsidy.

### ***Gain (loss) on Foreign Exchange***

Gain on foreign exchange for Q2/16 slightly decreased US\$2 million (Baht 65 million) from Q1/16 but increased US\$8 million (Baht 279 million) from Q2/15. Gain on foreign exchange in Q2/16 was primarily due to the appreciation of the Baht relative to the U.S. dollar. This resulted in an increase in the value of our Baht denominated receivables when converted to U.S dollar equivalent. Whereas there was loss on foreign exchange in Q2/15 due to the depreciation of the Baht relative to the U.S. dollar during the quarter which resulted to a decrease in the value of U.S dollar equivalent when converted from Baht denominated receivable.

For 6M/16, gain on foreign exchange increased US\$11 million (Baht 389 million) compared to 6M/15, primarily due to the appreciation of the Baht relative to the U.S. dollar during 6M/16 while Baht was depreciated relative to the U.S. dollar during 6M/15. Baht appreciation resulted in an increase in the value of our Baht denominated receivables when converted to U.S dollar equivalent while Baht depreciation in 6M/15 resulted to a decrease in the value of our Baht denominated receivables when converted to U.S dollar equivalent.

### ***Administrative Expenses***

Q2/16 administrative expenses slightly decreased US\$0.4 million (Baht 16 million) from Q1/16, and decreased US\$1 million (Baht 36 million) from Q2/15 mainly from expenses relating to IPO last year.

For 6M/16, administrative expenses decreased US\$2 million (Baht 45 million) comparing to 6M/2015 mainly from last year consulting fee relating to the IPO and the write off of certain obsolete spare parts and other materials which were not incurred in 6M/16.

### Income Tax Expenses

Corporate income tax rate is 20%. Income tax expense for Q2/16 increased US\$9 million (Baht 324 million) from Q1/16 from higher taxable profit mainly from higher refining margin which included inventory gain during increasing oil price. Comparing to Q2/15, income tax was lower in Q2/16 from lower taxable profit while there was higher refining margin and higher inventory gain from rising oil price in Q2/15.

Taxable profit in 6M/16 decreased compared to 6M/15 which resulted to lower income tax. Taxable profit in 6M/15 included the reversal of a write down of inventory to net realizable value US\$76 million (Baht 2,532 million).

### 4) Analysis of Financial Position

	US\$ Million				Baht Million		
	30 Jun 2016	31 Dec 2015	+ / (-)	% + / (-)	30 Jun 2016	31 Dec 2015	+ / (-)
<b>Assets</b>							
Cash & cash equivalent	80	109	(29)	-26%	2,833	3,949	(1,115)
Other current assets	559	495	65	13%	19,767	17,933	1,835
Non-current assets	1,046	1,082	(36)	-3%	36,977	39,240	(2,263)
<b>Total assets</b>	<b>1,686</b>	<b>1,686</b>	<b>(0)</b>	<b>0%</b>	<b>59,578</b>	<b>61,122</b>	<b>(1,544)</b>
<b>Liabilities</b>							
Current liabilities	406	552	(147)	-27%	14,340	20,021	(5,682)
Non-current liabilities	167	121	46	38%	5,897	4,376	1,522
<b>Total liabilities</b>	<b>573</b>	<b>673</b>	<b>(100)</b>	<b>-15%</b>	<b>20,237</b>	<b>24,397</b>	<b>(4,160)</b>
<b>Equity</b>							
Share capital & retained earnings	1,113	1,013	100	10%	41,004	37,468	3,536
Other component of shareholders' equity					(1,663)	(743)	(919)
<b>Total equity</b>	<b>1,113</b>	<b>1,013</b>	<b>100</b>	<b>10%</b>	<b>39,341</b>	<b>36,725</b>	<b>2,616</b>
<b>Total liabilities &amp; equity</b>	<b>1,686</b>	<b>1,686</b>	<b>(0)</b>	<b>0%</b>	<b>59,578</b>	<b>61,122</b>	<b>(1,544)</b>

#### Assets

Total assets in US\$ were US\$1,686 million both as of 30 June 2016 and as of 31 Dec 2015. However total asset in Baht as of 30 June 16 was Baht 59,578 million which was Baht 1,544 million lower than total asset as of 31 Dec 2015 as a result of the exchange rates that were used to converted US\$ to Baht amount.

As of 30 Jun 2016 current asset increased US\$36 million (Baht 719 million) from 31 Dec 2015. The movement in current assets was mainly from

- 1) an increase in inventory of US\$60 million (Baht 1,884 million) from higher inventory price reflecting from the increase in oil price and higher inventory volume;
- 2) an increase in trade and other account receivable of US\$10 million (Baht 134 million) from higher average selling prices (which include excise tax) in June 2016 comparing to average selling price in December 2015;
- 3) partially offset by a decrease in cash & cash equivalent of US\$29 million (Baht 1,115 million); and
- 4) a decrease in advance income tax of US\$5 million (Baht 193 million) due to a refund of 2014 advance income tax that the company received from government authority in February 2016.

Non-current assets decreased from a decrease in property, plant and equipment of US\$37 million (Baht 2,293 million) mainly from depreciation for 6M/2016 partially offset by capital investment in small projects to increase refinery reliability.

### **Liabilities**

As of 30 June 2016, SPRC's total liabilities decreased US\$100 million (Baht 4,160 million) from 31 December 2015. The changes in total liabilities are mainly from decreases in:

- 1) dividend payables of US\$171 million (Baht 6,027 million) for 3<sup>rd</sup> tranche dividend approved in 2012 which was paid in April 2016;
- 2) capital reduction payables of US\$101 million (Baht 3,580 million) from payment of remaining capital reduction to shareholders prior to IPO;
- 3) other current liabilities of US\$7 million (Baht 276 million) from withholding tax payable; and
- 4) deferred tax liabilities of US\$7 million (Baht 286 million) which resulted from the temporary differences between the amount of assets and liabilities in tax base and in the financial statements which were mainly caused by the translation of US\$ financial statements using exchange rates at the period end.

The decrease was partially offset by increases in:

- 1) net long term borrowing of US\$122 million (Baht 4,220 million) from additional borrowing of US\$140 million in May 16 but partially offset by US\$18 million repayment in March and Jun 2016;
- 2) trade and other account payables of US\$38 million (Baht 1,174 million). Trade payables increased mainly from timing of crude payment and higher purchase price of crude oil; and
- 3) current income tax payable of US\$17 million (Baht 592 million) from taxable profit in 6M/16 net with 2015 corporate income tax payment in May 2016.

### **Shareholders' Equity**

As of 30 Jun 2016, the company's shareholders' equity increased US\$100 million (Baht 2,616 million) from 31 December 2015 resulted from the net profit in 6M/16 minus dividend payment for second half of 2015 profit.

## **5) Statement of Cashflow**

	US\$ Million 6M/16	Baht Million 6M/16
Net cash generated from operating activities	161	5,732
Net cash used in investing activities	(7)	(243)
Net cash used in financing activities	(182)	(6,449)
<b>Net decrease in cash and cash equivalents</b>	<b>(28)</b>	<b>(959)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>109</b>	<b>3,949</b>
Adjustments from foreign exchange translation	(1)	(156)
<b>Cash and cash equivalents at the end of the period</b>	<b>80</b>	<b>2,833</b>

The company cash and cash equivalents at 30 Jun 2016 was US\$80 million (Baht 2,833 million), a decrease of US\$29 million (Baht 1,115 million) from 31 December 2015.

Details of cash flow activities in 6M/16 are as follows:



- 1) Net cash generated from operating activities of US\$161 million (Baht 5,732 million) which was primarily due to:
  - 6M/16 net profit of US\$133 million (Baht 4,706 million) and added back non-cash items of US\$60 million (Baht 2,168 million);
  - cash generated from operating liabilities of US\$31 million (Baht 1,116 million) mainly from an increase in trade and other payables of US\$39 million (Baht 1,383 million) due to timing of payment on crude purchase;
  - partially offset by cash used in operating assets of US\$63 million (Baht 2,258 million) mainly from an increase in inventory of US\$60 million (Baht 2,259 million) due to the increase in both inventory price and volume in June 2016
- 2) Net cash used in investing activities of US\$7 million (Baht 243 million), primarily attributable to projects to increase refinery reliability.
- 3) Net cash used in financing activities of US\$182 million (Baht 6,449 million) mainly from
  - cash used for payment for capital reduction of US\$101 million (Baht 3,580 million) to our shareholders before the IPO from the reduction in par value of the company shares;
  - cash used for dividends paid to our shareholders before the IPO of US\$171 million (Baht 6,027 million) from profit prior to 2015 and after IPO of USD \$32 million (Baht 1,144 million) for the last six months of 2015;
  - repayment for long term borrowing of US\$18 million (Baht 658 million); and
  - proceeds from additional long term borrowing of US\$140 million (Baht 4,959 million).

## 6) Financial Ratios

		Q2/16	Q1/16	Q2/15		6M/16	6M/15
Current Ratio	(Time)	1.6	1.2	1.5		1.6	1.5
Net Profit Margin	(%)	7.8	5.1	8.8		6.6	7.3
Net Debt to Equity ratio	(Time)	0.5	0.7	0.6		0.5	0.6
Net Interest Bearing Debt to Equity ratio	(Time)	0.1	0.0	0.0		0.1	0.0

### Note:

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