



บริษัท บางจากปิโตรเลียม จำกัด (มหาชน)

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Management Discussion and Analysis for Business Operation

For the first quarter ended March 31, 2014

1. Executive Summary

In Q1/2014, the Consolidated Financial Statement recorded revenue from sale of goods and rendering of services of 49,657 million, an EBITDA of Baht 2,589 million, net profit of Baht 1,586 million and the net profit attributable to the equity owners of the Company amounted Baht 1,562 million and earnings per share of Baht 1.13.

The Consolidated Financial Statement recorded an increase of Baht 2,381 million (+5% YoY) in revenue from sale of goods and rendering of services and a decrease in EBITDA by Baht 916 million (-26% YoY). Comparing to Q4/2013, the revenue from sale of goods and rendering of services increased by Baht 1,593 million (+3% QoQ) and EBITDA was increased by Baht 779 million (+43% QoQ).

Refinery business reported an average crude run of 97.82 thousand barrel per day, a slightly decrease from 99.95 thousand barrel per day in Q1/2013. Total GRM was Baht 1,986 million (6.88 \$/BBL), decreased by Baht 775 million (3.38 \$/BBL) due to a decrease in crack spreads of all products, and a decrease in inventory gain by Baht 516 million (-92% YoY). An average crude run in Q1/2014 decreased from average crude run in Q4/2013, which was at 101.17 thousand barrel per day. Total GRM decreased by Baht 418 million (1.22 \$/BBL), and a decrease in inventory gain by Baht 577 million (-93% QoQ).

In Q1/2014, Total sales volume was 1,646 million litres, a decrease of 46 million litres (-3% YoY) from Q1/2013. Marketing business reported a slightly decrease in sales volume by 1% YoY and a decrease in sales volume of wholesale business due to the economic slowdown in FY2014, which led to a drop in diesel product demand. Comparing to Q4/2013, total sales volume decreased by 47 million litres (-3 QoQ). The sales volume of marketing business decreased by 4% QoQ and sales volume of wholesale business increased by 2% QoQ

Revenues from Solar Power business was recorded at Baht 456 million, an increase of Baht 227 million (+99% YoY) from commercial operations of solar power plant phase 2 (PPA of 32 MW) of two sites, and a commercial operation of solar power plant phase 3 at Prakhonchai, Buriram province (PPA of 8 MW) on March 19, 2014. As such, total electricity generation for Q1/2014 was 39.13 million kWh, an increase of 19.38 million kWh (+98% YoY) from Q1/2013.

Revenue of solar power business in Q1/2014 increased by Baht 25 million (+6% QoQ) from that of Q4/2013. Total electricity generation increased by 2.25 million kWh (+6% QoQ) from a higher irradiation rate and a commercial operation of solar power plant phase 3.

Revenue from Biodiesel Business was recorded at Baht 1,422 million in Q1/2014, an increase of Baht 289 million (+26 YoY) and comparing to Q4/2013, revenue increased by Baht 159 million (+13% QoQ). An



increase in B100 price led to an increase in gross profit margin. Total sales volume of B100 decreased by 12% YoY and decreased by 7% QoQ mainly from economic slowdown, leading to a decrease in diesel product demand, and from the government mandate to reduce the portion of B100 mixing with diesel, from 7% to 4% in February of 2014. In Q1/2014, an average daily production rate was 0.36 million litre, an increase of 9% YoY and 3% QoQ increase from the biodiesel plant efficiency improvement program.

Note: The Company and its subsidiaries' operating results of Q1/2013 were restated according to the new and revised TFRS that are effective from 1 January 2014.

The Company and its subsidiaries' operating results were summarized as below;

| Unit: Million Baht | Q1/2014 | Q1/2013 ^{1/} (Restated) | YoY (%) | Q4/2013 ^{2/} | QoQ (%) |
|--|--------------|-------------------------------------|-------------|-----------------------|-------------|
| Revenue from sale of goods and rendering of services | 49,657 | 47,276 | 5% | 48,064 | 3% |
| Total EBITDA^{3/} | 2,589 | 3,505 | -26% | 1,810 | 43% |
| <i>EBITDA Refinery</i> | 1,431 | 2,733 | -48% | 1,154 | 24% |
| <i>EBITDA Marketing^{4/}</i> | 607 | 438 | 39% | 121 | 401% |
| <i>EBITDA Solar Power^{5/}</i> | 441 | 218 | 103% | 412 | 7% |
| <i>EBITDA Biofuel^{6/}</i> | 110 | 119 | -7% | 123 | -11% |
| Total equity attributed to owners of the company | 1,562 | 2,197 | -29% | 688 | 127% |
| Basic earnings (loss) per share (Baht) | 1.13 | 1.60 | -29% | 0.50 | 126% |

1/ The Company and its subsidiaries' operating results of Q1/2013 were restated according to the new and revised TFRS that are effective from 1 January 2014.

2/ Q4/2013 results were not restated

3/ The different between total EBITDA and the sum of each business EBITDA was due to the elimination items

4/ EBITDA from Marketing Business and Bangchak Greenet Co.,Ltd

5/ EBITDA from Solar Power Plant Business, Bangchak Solar Energy Co.,Ltd. and its subsidiaries

6/ EBITDA from Bangchak Biofuel Co., Ltd. and share of profit from Ubon Bio Ethanol Co, Ltd



Changes in accounting policies

From 1 January 2014, according to the adoption of new and revised TFRS, the Company has changed its accounting policies in the following items which have material effects to financial statements, :

- TFRIC Interpretation 4 – Determining whether an arrangement contains a lease
- TFRIC Interpretation 13 - Customer loyalty programmes

Details can be found under section 3(b) to 3(d) of Footnotes to The Company's Financial Statements.

The impacts to the Company's Financial Statements 2013 are as follows

Statement of Financial Position

Unit: Million Baht

| As of 31 December 2013 | Before | Effect | | After |
|--|--------|---------|----------|--------|
| | | TFRIC 4 | TFRIC 13 | |
| Assets | | | | |
| Property, plant and equipment | 31,771 | 1,146 | | 32,917 |
| Deferred tax assets | 336 | (12) | 14 | 338 |
| | | 1,134 | 14 | |
| Liabilities and equity | | | | |
| Other current liabilities | 565 | | 70 | 635 |
| Current portion of finance lease liabilities | - | 1,085 | | 1,085 |
| Retained earnings - Unappropriated | 21,835 | 49 | (56) | 21,828 |
| | | 1,134 | 14 | |

Statement of Income

Unit: Million Baht

| Three month period ended 31 March 2013 | TFRIC 4 | TFRIC 13 | Total |
|--|---------|----------|--------|
| Revenue from sale of goods and rendering of services | | ▼ (7) | ▼ (7) |
| Cost of sale of goods and rendering of services | ▼ (21) | | ▼ (21) |
| Finance costs | ▲ 16 | | ▲ 16 |
| Income tax expense | ▼ (1) | ▲ 1 | - |
| Profit for the period | ▲ 4 | ▼ (6) | ▼ (2) |



Analysis of the Consolidated Statement of Income

| Unit: Million Baht | Q1/2014 | Q1/2013 ^{1/} (Restated) | YoY (%) | Q4/2013 ^{2/} | QoQ (%) |
|---|--------------|-------------------------------------|-------------|-----------------------|-------------|
| Revenue from sale of goods and rendering of services | 49,657 | 47,276 | 5% | 48,064 | 3% |
| Cost of sale of goods and rendering of services | (47,035) | (44,299) | 6% | (45,620) | 3% |
| Gross Profit | 2,621 | 2,977 | -12% | 2,444 | 7% |
| Investment income and other income | 89 | 101 | -12% | 93 | -4% |
| Selling and administrative expenses | (954) | (924) | 3% | (1,381) | -31% |
| Gain from crude and product oil price hedging contract | 90 | 19 | 368% | 358 | -75% |
| Gain (loss) from foreign currencies forward contract | 55 | 614 | -91% | (418) | N/A |
| Gain (loss) on foreign exchange | 247 | 201 | 23% | (111) | N/A |
| Reversal of loss from impairment of assets | 1 | 8 | -86% | 54 | -98% |
| Share of profit of associate | 10 | 25 | -59% | 4 | 174% |
| Profit before finance costs and income tax expense | 2,160 | 3,022 | -29% | 1,041 | 107% |
| Finance costs | (264) | (284) | -7% | (255) | 3% |
| Profit before income tax expense | 1,896 | 2,738 | -31% | 786 | 141% |
| Income tax expense | (310) | (520) | -40% | (68) | 356% |
| Profit for the period | 1,586 | 2,218 | -28% | 718 | 121% |
| Total equity attributable to owners of the Company | 1,562 | 2,197 | | 688 | |
| Non-controlling interests | 24 | 21 | | 29 | |
| Earnings per share (Baht per Share) | 1.13 | 1.60 | | 0.50 | |

1/ The Company and its subsidiaries' operating results of Q1/2013 were restated according to the new and revised TFRS that are effective from 1 January 2014.

2/ Q4/2013 results were not restated



Sales volume in each market category of the Company

Unit: Million Litre

| Marketing Business | Q1/2014 | Q1/2013 | YoY (%) | Q4/2013 | QoQ (%) |
|--|--------------|--------------|------------|--------------|------------|
| Retail | 713 | 729 | -2% | 754 | -5% |
| Industrial | 527 | 527 | -0.02% | 542 | -3% |
| Total | 1,240 | 1,256 | -1% | 1,295 | -4% |
| Wholesale Business | | | | | |
| Petroleum traders in accordance with section 7 ^{1/} | 192 | 182 | 5% | 193 | -1% |
| Export | 214 | 254 | -16% | 206 | 4% |
| Total | 406 | 436 | -7% | 398 | 2% |
| Total Sales Volume | 1,646 | 1,692 | -3% | 1,694 | -3% |

Note: 1/ Total sales volume figures excluding the swap amount between petroleum traders in accordance with section 7 and the sales volume of crude

Summary of The Company and its subsidiaries' Operating Results

Comparison of Q1/2014 and Q1/2013 Operating Results

In Q1/2014, Consolidated Financial Statement recorded revenue from sale of goods and rendering of services of Baht 49,657 million, increased by Baht 2,381 million (+5% YoY). The Company's revenue from sale of goods and rendering of services increased by 5% YoY, and the subsidiaries' revenue from sale of goods and rendering of services increased by 12% YoY.

The Consolidated Financial Statement recorded a gross profit of Baht 2,621 million, decreased by Baht 355 million (-12% YoY). Market GRM was Baht 1,851 million, a decrease of Baht 331 million (-15% YoY) resulting from a 2% drop in average crude run and a decrease in crack spreads of all products. However, total marketing margin in Q1/2014 was 0.67 Baht per litre, increase of 37% YoY.

The Company had a Baht 90 million gain from crude and product oil price hedging contract, increased by Baht 71 million (+368% YoY) and a foreign currencies forward contract gain of Baht 55 million, decreased by Baht 560 million (-91% YoY). In Q1/2014 exchange rate of Thai Baht/USD moved from 32.90 Baht/USD at the beginning of FY2014 to 32.44 Baht/USD at the end of Q1/2014, while in Q1/2013 the exchange rate was from 30.49 Baht/USD in the beginning of FY2013 moved to 29.31 Baht/USD at the end of Q1/2013.

Gain on foreign exchange was Baht 247 million, an increase of Baht 46 million (+23% YoY) mainly from gain on foreign currency debt.

The Company's Income tax was Baht 310 million. The effective tax rate was 16.35% from the revenues under BOI tax exempt privileges of solar power and biodiesel businesses.

The Consolidated Financial Statement recorded a net profit of Baht 1,586 million, a decrease of Baht 632 million (-28% YoY). Net Profit attributable to the owners of the Company was Baht 1,562 million, a decrease of Baht 635 million (-29% YoY). Earnings per share of 1.13 Baht, compared to 1.60 Baht in Q1/2013.



Comparison of Q1/2014 and Q4/2013 Operating Results

Consolidated revenue from sale of goods and rendering of services increased by Baht 1,593 million from Q4/2013 (+3% QoQ). The Company's revenue from sale of goods and rendering of services increased by 3% QoQ, while subsidiaries' revenue from sale of goods and rendering of services increased by 5% QoQ.

Consolidated gross profit increased by Baht 178 million (+7% QoQ). The market GRM was Baht 1,851 million, an increase of Baht 422 million over Q4/2013 (+30% QoQ). This quarter there was a 3% decrease in average crude run when compared to previous quarter, but the Company's major products crack spreads had increased from the previous quarter. Total marketing margin increased by 37% QoQ in Q1/2014.

Gain from crude and product oil price hedging contract dropped by Baht 267 million (-75% QoQ). The consolidated result reported a gain from foreign currencies forward contract of Baht 55 million, compared to a loss of Baht 418 million in Q4/2013. In Q4/2013 exchange rate of Thai Baht/USD moved from 31.19 Baht/USD at the beginning of the quarter to 32.81 Baht per Dollar at the end of the quarter.

Gain from foreign exchange increased by Baht 358 million as Thai Baht appreciated around 0.46 Baht/USD in Q1/2557 led to a decrease in foreign currencies debt.

Consolidated net profit increased by Baht 868 million (+121% QoQ). Net Profit attributable to the owners of the Company increased by Baht 873 million (+127% YoY). An Earnings per share was 1.13 Baht, compared to 0.50 Baht in Q4/2013.



2. Performance Summary

2.1 Crude Oil Price Situation

In Q1/2014, an average Dubai crude oil price was declined by \$2.36 from the average price in the previous quarter. The crude oil prices were pressured by the overall increase of U.S. crude oil reserves throughout the first quarter. This was due to freezing cold snap, covering around the U.S. that dragged economic activities down. Moreover, some turnaround-refineries in the U.S. during January to February 2014 were accounted as another factor to raise the levels of crude oil reserves. Furthermore, the Federal Reserve had continued to easing the stimulus program because it was clearly that U.S. economic and employment situation improved. On Asian side, the Chinese gross domestic product (GDP) was likely to grow slower at the 7.7% growth rate in Q4/2013, compared to the 7.8% growth rate in the quarter earlier. Also, the Chinese Manufacturer Purchasing Managers Index continued to shrink in Q1/2014. The crude oil prices had been pressured as an interim agreement between the Major power countries (P5+1) and Iran had been reached and started to taking effects. Iran could possibly export more amounts of oil during this 6-month relieved period of agreement. And also, Iraq's crude supplies had been added after the completed project of the expansion of oil export terminal in the southern part of the country.

However, crude oil prices had not dropped much after the International Monetary Fund (IMF) raised its forecast on the global economic growth in 2014. It projected a 3.7% growth in 2014, up 0.1% from the previous forecast. Importantly, the economic in Eurozone was likely to recover after the economy grew by 0.3% in Q4/2013. On supply side to support crude oil prices, the market has concerned about the conflict between Russia and the West on the problem of Ukraine's unrest. The oil and gas transportation from Russia through Ukraine could be terminated. In addition, the oil prices had been also supported by the Libyan limited production and exports, remaining at a low level.

For the 3-month of this year compare to last year, Oil prices were declined by \$3.64 as the FED QE tapering, slowing down of Chinese economy, ongoing surged of Non-OPEC supply including tension eased in Middle East.

Crack Spreads Analysis

- For the petroleum products market, an average Mogas/Dubai crack spread in the first quarter was \$14.56, compared to the average of \$9.18 in the previous quarter. The spread was driven by the regional demand especially from Philippines and Vietnam. On the supply side, the supply had been tighter due to an outage of gasoline making unit in Taiwan, an upcoming refinery maintenance period in Asia in the second quarter and also refinery closures in Japan.



For the 3-month of this year compare to last year, the spread had declined by \$3.59 as heavy maintenance in many Asian countries period during March-April 2013 that come faster when compared to the peak period in 2014 during May-June.

- An average of Jet (Kerosene)/Dubai crack spread was \$17.00, compared to the average of \$17.31 in the previous quarter. The spread had weakened by slower heating demand in Japan and also higher supply from China, India and South Korea. The arbitrage from Asia to the West had been shut that was one of mainly factor to pressure the spread.

For the 3-month of this year compare to last year, the spread had declined by \$3.18 as slower heating demand and shut arbitrage to west.

- An average of Gasoil/Dubai crack spread was \$17.79, compared to \$17.70 in the previous quarter. The spread was supported by Asian and African demand before the peak refinery maintenance period in Asia in the second quarter. The spread was also raised from the unplanned shutdown of the Residue Desulfurizer unit in Taiwan. However, the spread was pressured by slower Chinese demand due to the slowdown of manufacturing sector. The dropped Chinese demand was also from the Lunar new year in the first quarter.

For the 3-month of this year compare to last year, the spread had declined by \$1.73 due to higher export from China, slower demand from Indonesia.

- An average of Fuel Oil/Dubai crack spread was -\$8.45, compared to the average of -\$10.40 in the previous quarter. The spread had been improved from the higher demand for power generation in winter in the North Asia. Moreover, the bunker activities had been improved, leading to support the spread. However the demand from China's private refineries (Teapot) had been remained at the slow levels because there were the new crude import quotas.
- For the 3-month of this year compare to last year, the spread had declined by \$1.15 as lower power generating demand in Japan and slower Chinese Teapot demand.



The table of oil prices and crack spreads comparison

Unit: USD/bbl

| | Q1/2014 | | | Q1 2013 | YoY (%) | Q4 2013 | QoQ (%) |
|-----------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | MAX | MIN | AVG | | | | |
| DB | 107.80 | 101.99 | 104.45 | 108.09 | -3.37% | 106.81 | -2.21% |
| UNL95/DB | 16.89 | 13.05 | 14.56 | 18.15 | -19.78% | 9.18 | 58.61% |
| IK/DB | 18.76 | 14.39 | 17.00 | 20.17 | -15.72% | 17.31 | -1.79% |
| GO/DB | 19.32 | 16.29 | 17.79 | 19.52 | -8.86% | 17.70 | 0.51% |
| FO/DB | -5.74 | -10.72 | -8.45 | -7.30 | -15.75% | -10.40 | 18.75% |



2.2 Refinery Business Performance

The table of refinery business performance

| Refinery Business | Q1/2014 | Q1/2013 | YoY (%) | Q4/2013 | QoQ (%) |
|-------------------------|---------|---------|---------|---------|---------|
| Average Crude Run (KBD) | 97.82 | 99.95 | -2% | 101.17 | -3% |
| Utilization Rate (%) | 82% | 83% | - | 84% | - |
| Average FX (THB/USD) | 32.80 | 29.94 | 10% | 31.87 | 3% |

| Unit: Million Baht | Q1/2014 | Q1/2013 ^{1/} (Restated) | YoY (%) | Q4/2013 ^{2/} | QoQ (%) |
|---|--------------|-------------------------------------|-------------|-----------------------|-------------|
| Market GRM | 1,851 | 2,182 | -15% | 1,429 | 30% |
| GRM Hedging | 90 | 19 | 368% | 353 | -74% |
| Gain/(Loss) from Inventory (include Inventory Hedging) | 45 | 561 | -92% | 622 | -93% |
| Total GRM | 1,986 | 2,762 | -28% | 2,404 | -17% |
| EBITDA | 1,431 | 2,733 | -48% | 1,154 | 24% |

| Unit: USD/bbl | Q1/2014 | Q1/2013 ^{1/} (Restated) | Δ | Q4/2013 ^{2/} | Δ |
|---|-------------|-------------------------------------|--------------|-----------------------|--------------|
| Market GRM ^{1/} | 6.41 | 8.10 | -1.69 | 4.82 | +1.59 |
| GRM Hedging | 0.31 | 0.07 | +0.24 | 1.19 | -0.88 |
| Gain/(Loss) from Inventory (include Inventory Hedging) | 0.16 | 2.08 | -1.92 | 2.10 | -1.94 |
| Total GRM | 6.88 | 10.25 | -3.38 | 8.10 | -1.22 |

1/ The Company and its subsidiaries' operating results of Q1/2013 has been restated to be consistent with the new and revised

TFRS that are effective for annual periods beginning on or after 1 January 2014.

2/ Q4/2013 results were not restated



Comparison of Q1/2014 and Q1/2013 operating results

Refinery Business had an average crude run of 97.82 thousand barrel per day (Utilization rate of 82%), a decrease of 2% YoY as a few equipment approach their maintenance turnaround cycles, consequently did not operate at their start of run efficiency level.

Market GRM was Baht 1,851 million, a decrease of Baht 331 million (-15% YoY), resulting from a lower average crude run as well as from a decline in products crack spreads in all items.

The Company had a Baht 90 million gain from crude and product oil price hedging contract (GRM hedging), increased by Baht 71 million (+368% YoY) and a decrease in inventory gain of Baht 515 million (-92% YoY). Total GRM was Baht 1,986 million, a decrease of Baht 775 million (-28% YoY).

The Company had a Baht 55 million gain from foreign currencies forward contract, a decrease of Baht 560 million (-91% YoY). So, Refinery Business had an EBITDA of Baht 1,431 million, a decrease of Baht 1,302 million (-48% YoY)

Comparison of Q1/2014 and Q4/2013 operating results

In Q1/2014, Refinery Business had an average crude run of 97.82 thousand barrel per day (Utilization rate of 82%), a decrease of 3% QoQ as a few equipment approach their maintenance turnaround cycles, consequently did not operate at their start of run efficiency level.

Market GRM increased by Baht 422 million compared to Q4/2013 (+30% QoQ) as crack spreads of Company's major products increased, especially for UNL95/DB and FO/DB which increased significantly. However, IK/DB slightly decreased.

The Company's gain from crude and product oil price hedging contract (GRM Hedging) decreased by Baht 263 million (-74% QoQ), and inventory gain decreased by Baht 577 million (-93% QoQ). Consequently, total GRM decreased by Baht 418 million (-17% QoQ).

The Company had a Baht 55 million gains from foreign currencies forward contract, whereas in Q4/2013 there was a Baht 418 million loss from foreign currencies forward contract.

EBITDA from Refinery Business increased by Baht 277 million (+24% QoQ).



2.3 Marketing Business and Bangchak Green Net Co., Ltd.

Sales volume in each market category of Marketing Business

Unit: Million Litre

| Marketing Business | Q1/2014 | Q1/2013 | YoY (%) | Q4/2013 | QoQ (%) |
|--------------------|--------------|--------------|------------|--------------|------------|
| Retail | 713 | 729 | -2% | 754 | -5% |
| Industrial | 527 | 527 | -0.02% | 542 | -3% |
| Total | 1,240 | 1,256 | -1% | 1,295 | -4% |

Sales volume in each product category of Marketing Business

| Unit: Million Litre | Q1/2014 | Q1/2013 | YoY (%) | Q4/2013 | QoQ (%) |
|---------------------|--------------|--------------|------------|--------------|------------|
| Diesel | 650 | 709 | -8% | 712 | -9% |
| UNL 91 | 12 | 7 | 72% | 14 | -15% |
| Gasohol | 324 | 292 | 11% | 331 | -2% |
| <i>Gasohol 91</i> | 127 | 127 | -0.07% | 130 | -2% |
| <i>Gasohol 95</i> | 83 | 81 | 3% | 88 | -6% |
| <i>Gasohol E20</i> | 80 | 69 | 16% | 81 | -1% |
| <i>Gasohol E85</i> | 34 | 15 | 132% | 31 | 8% |
| Jet Fuel | 181 | 180 | 1% | 164 | 10% |
| Fuel Oil | 43 | 50 | -14% | 42 | 2% |
| LPG | 16 | 5 | 246% | 14 | 11% |
| Lubricant | 14 | 14 | -2% | 17 | -23% |
| Others | 0.61 | 0.58 | 4% | 0.48 | 27% |
| Total | 1,240 | 1,256 | -1% | 1,295 | -4% |



The table below shows detail of Marketing Margin

| Unit: Baht/Litre | Q1/2014 | Q1/2013 ^{1/} (Restated) | YoY (%) | Q4/2013 ^{2/} | QoQ (%) |
|-------------------|-------------|-------------------------------------|------------|-----------------------|------------|
| Retail Margin | 0.95 | 0.67 | 42% | 0.71 | 34% |
| Industrial Margin | 0.30 | 0.25 | 19% | 0.19 | 59% |
| Total | 0.67 | 0.49 | 37% | 0.49 | 37% |

1/ The Company and its subsidiaries' operating results of Q1/2013 has been restated to be consistent with the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2014.

2/ Q4/2013 results were not restated

Comparison of Q1/2014 and Q1/2013 Operating Results

In Q1/2014, total sales volumes of marketing business was 1,240 million litre, a decrease of 16 million litre (-1% YoY) due to the economic slowdown in the year 2014 which led to a decrease in demand for diesel (-8%YoY), which mainly used by agricultural, industrial, and transportation sectors. Demand for gasohol products increased, especially for E20 and E85 from the continuously expansion of our E85 and E20 service stations and together with the Government Policy of discontinue selling 91-octane petrol since January 2013.

In Q1/2014, there were 680 of E20 service stations, an increase of 40 service stations from Q1/2013, and 170 of E85 service stations, an increase of 56 service stations from Q1/2013. In 2014, the Company has continued to emphasize selling its products through service stations as they bring best margin among all channels.

Total Marketing Margin was 0.67 Baht per litre, an increase of 37% YoY. Retail Margin increased by 42% YoY from the higher marketing margin in Gasohol products especially in E20 and E85 which have had high growth rates, and partly from the Company's lower cost of ethanol compared to reference price. Industrial Margin increased by 20% YoY from the ease of industrial market competition as there were schedule maintenances of refiners in the quarter which decreased the supply of refined products.

Therefore, in Q1/2014, EBITDA of Marketing Business was Baht 607 million, an increase of Baht 169 million (+39% YoY).

Comparison of Q1/2014 and Q4/2013 Operating Results

Total sales volumes of marketing business in Q1/2014 decreased by 39 million Litre from Q4/2013 (-4% QoQ) resulting from a continued economic slowdown since the end of FY2013 led to a decrease in demand for diesel (-9% QoQ) which mainly used by agricultural, industrial, transportation and tourism sectors.

Total Marketing Margin was 0.67 Baht per litre, an increase of 37% QoQ mainly from an increase in Retail Margin (+34% QoQ) partly from the Company's lower cost of ethanol compared to reference price. Industrial Margin increased by 59% YoY from the ease in industrial market competition. Therefore, EBITDA of Marketing Business in Q1/2014 increased by Baht 486 million (+401% QoQ)



2.4 Solar Power Plant Business

Production Capacity and Solar Irradiation of Solar Power Plant Phase 1

| | Q1 2014 | Q1 2013 | YoY (%) | Q4 2013 | QoQ (%) |
|---|------------|------------|---------|------------|---------|
| Electricity Generation (Million kWh) | 18.14 | 16.87 | 7% | 17.32 | 5% |
| Irradiation (kW/m ²) | 5.19 | 5.01 | 4% | 4.72 | 10% |

Electricity Generation and Solar Irradiation of Solar Power Plant Phase 2

| | Q1 2014 | Q1 2013 | YoY (%) | Q4 2013 | QoQ (%) |
|---|------------|------------|---------|------------|---------|
| Electricity Generation (Million kWh) | 20.32 | 2.85 | N/A | 19.57 | 4% |
| Irradiation (kW/m ²) | 5.28 | 5.84 | N/A | 4.92 | 7% |

Note: 1/ Solar Power Plant Phase 2 were COD on March 6, 2013 and April 5, 2013, so in Q1/2013 there was only a small amount of electricity generation in Q1/2013

Electricity Generation and Solar Irradiation of Solar Power Business Phase 3 (only 1 site at Prakhonchai, Buriram province/PPA of 8 MW commercial operated on March 19, 2014)

| | Q1/2014 |
|---|---------|
| Electricity Generation (Million kWh) | 0.67 |
| Irradiation (kW/m ²) | 6.90 |

Total Electricity Generation of Solar Power Plant of Phase 1, Phase 2 and Phase 3

| | Q1 2014 | Q1 2013 | YoY (%) | Q4 2013 | QoQ (%) |
|---|------------|------------|---------|------------|---------|
| Electricity Generation (Million kWh) | 39.13 | 19.73 | 98% | 36.82 | 6% |
| Revenue (Million Baht) | 456 | 229 | 99% | 431 | 6% |

Note: Solar Power Plant Phase 2 were COD on March 6, 2013 and April 5, 2013. Solar Power Plant Phase 3 (only 1 site at Prakhonchai, Buriram province / PPA 8 MW) was COD on March 19, 2014



Comparison of Q1/2014 and Q1/2013 Operating Results

Solar Power Plant Phase 1 (PPA of 38 MW) had a total electricity generation of 18.14 million kWh, an increase of 7% YoY. An average Solar Irradiation increased from 5.01 kW/m²/day in Q1/2013 to 5.19 kW/m²/day in Q1/2014.

Solar Power Business Phase 2 (PPA of 32 MW) had a total electricity generation of 20.32 million kWh, an increase from the same period of last year which was 2.86 million kWh, as 2 sites at Bamnet Narong, Chaiyaphum Province and Bang Pa Han, Ayutthaya Province, commercial operated on March 6, 2013 and April 5, 2013, respectively. Average Solar Irradiation was 5.28 kW/m²/day in Q1/2014.

Solar Power Business Phase 3, Site at Prakhonchai, Buriram province (PPA of 8 MW) commercial operated on March 19, 2014 had a total electricity generation of 0.67 million kWh. Average Solar Irradiation was 6.90 kW/m²/day.

Total revenue from solar power business was Baht 456 million, an increase of Baht 227 million (+99% YoY). Total EBITDA was Baht 441 million, an increase of Baht 224 million (+103% YoY).

Comparison of Q1/2014 and Q4/2013 Operating Results

Solar Power Plant Phase 1 (PPA of 38 MW) had an increase in total electricity generation of 0.82 million kWh (+5% QoQ) from an increase in an average solar irradiation (+10% QoQ). In Q4/2013 an average solar irradiation was 4.72 kW/m²/day due to the seasonal weather condition.

Solar Power Business Phase 2 (PPA of 32 MW) had an increase in total electricity generation of 0.82 million kWh (+4% QoQ) from an increase in average solar irradiation (+7% QoQ). In Q4/2013 average solar irradiation was at 4.92 kW/m²/day.

Solar Power Business Phase 3 at Prakhonchai, Buriram province (PPA of 8 MW) commercial operated on March 19, 2014, so total revenue from all phases of solar power business increased by Baht 25 million (+6% QoQ) and EBITDA increased by Baht 29 million (+7% QoQ).



2.5 Biofuel Business

Biofuel business generated EBITDA of Baht 110 million, a decrease of 7% YoY, which was Baht 119 million, comprised of EBITDA from Biodiesel Business Baht 100 million and share of profit from Ubon Bio Ethanol Co, Ltd Baht 10 million.

The table of biodiesel business performance (by Bangchak Biofuel Co., Ltd)

| Biodiesel Business | Q1/2014 | Q1/2013 | YoY (%) | Q4/2013 | QoQ (%) |
|---|---------|---------|---------|---------|---------|
| Average Daily Production Rate (Million litre/ day) | 0.36 | 0.33 | 9% | 0.35 | 3% |
| Utilization Rate | 100% | 92% | - | 98% | - |
| B100 Sales Volume (Million litre) | 39 | 45 | -12% | 42 | -7% |
| Revenue (Million Baht) | 1,422 | 1,133 | 26% | 1,263 | 13% |
| EBITDA (Million Baht) | 100 | 93 | 7% | 119 | -16% |

Comparison of Q1/2014 and Q1/2013 Operating Results

In Q1/2014, Biodiesel Business had total sales revenue of Baht 1,422 million, an increase of Baht 289 million (+26% YoY) from an increase in the selling price of B100. The average daily production rate was 0.36 million litre per day, an increase of 9% YoY from the plant efficiency improvement program. Total sales volume of B100 was 39 million litre, a decrease of 5 million litre (-12% YoY) from the economic slowdown which affected the demand for diesel, and also, the government mandate of reducing the portion of B100 mixing with diesel from 7% to 4% in February of 2014 as there was a shortage of crude palm in the country (Note: the government mandate of the portion of B100 mixing with diesel from 5% increase to 7% was enforced since January of 2014, however, in February of 2014, the government temporary reducing the mixing portion).

Selling price of B100 increased as selling price of crude palm oil (CPO) increased, according to a price structure formula (according to Energy Policy and Planning Office, Ministry of Energy: The selling price of crude palm oil in Q1/2014 was 33.03 Baht per litre whereas in Q1/2013 it was 24.83 Baht per litre). Margin per unit of B100 increased as well as margin per unit of glycerin (by-product from biodiesel production) increased. In Q1/2014, there was an inventory gain of Baht 20 million and a record of reversal of allowance for loss from impairment of assets of Baht 23 million, while in Q1/2013 there was an inventory gain of Baht 27 million.

EBITDA in Q1/2014 was Baht 100 million, an increase of Baht 7 million (+7% YoY).

Comparison of Q1/2014 and Q4/2013 Operating Results

Total sales revenue in Q1/2014 increased by Baht 159 million from Q4/2013 (+13% QoQ) from an increase in the selling price of B100. The average daily production rate increased by 3% from the plant



efficiency improvement program, however, total sales volume of B100 decreased by 3 million litre (-7% QoQ) from the decrease in diesel demand in Q1/2014.

Selling price of B100 increased as selling price of crude palm oil (CPO) increased, according to a price structure formula (according to Energy Policy and Planning Office, Ministry of Energy: The selling price of crude palm oil in Q1/2014 was 33.03 Baht per litre whereas in Q4/2013 it was 28.29 Baht per litre). Margin per unit of B100 increased as well as margin per unit of glycerin (by-product from biodiesel production) increased. Inventory gain was decreased by Baht 45 million (QoQ) and a record of reversal of allowance for loss from impairment of assets of Baht 23 million. Therefore, EBITDA decreased by Baht 19 million (-16% QoQ).



3. Analysis of the Financial Position of the Company and its subsidiaries (Consolidated)

Unit: Million Baht

| Financial Position | 31 March 2014 | | 31 December 2013 ^{1/} | | Δ |
|---|---------------|-------------|--------------------------------|-------------|---------------|
| | | | (Restated) | | |
| Current assets | 40,955 | 51% | 36,568 | 50% | +4,387 |
| Investments in associates | 767 | 1% | 757 | 1% | +10 |
| Property, plant and equipment | 34,567 | 43% | 32,917 | 45% | +1,650 |
| Other non-current assets | 3,365 | 4% | 3,295 | 4% | +70 |
| Total assets | 79,654 | 100% | 73,537 | 100% | +6,117 |
| Current liabilities | 20,364 | 26% | 15,433 | 21% | +4,931 |
| Long-term borrowings (including current portion of long-term loans) | 20,513 | 26% | 20,830 | 28% | -316 |
| Other non-current liabilities | 2,216 | 3% | 2,301 | 3% | -85 |
| Total liabilities | 43,094 | 54% | 38,563 | 52% | +4,531 |
| Total equity attributable to owners of the Company | 36,286 | 46% | 34,274 | 47% | +1,562 |
| Non-controlling interests | 275 | 0.34% | 250 | 0.34% | +24 |
| Total equity | 36,560 | 46% | 34,974 | 48% | +1,586 |
| Total liabilities and equity | 79,654 | 100% | 73,537 | 100% | +6,117 |

Note: 1/ The Company and its subsidiaries' operating results of Q1/2013 has been restated to be consistent with the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2014.

Assets

As of March 31, 2014, Total Assets of the Company and its subsidiaries were Baht 79,654 million, an increase of Baht 6,117 million when compared to the end of 2013 which was Baht 73,537 million. The changes in assets were mainly from:

- Cash as of March 31, 2014 was decreased by Baht 2,030 million (Details are stated under Analysis of the Cash Flow Statement, Section 4)
- Current investments were decreased by Baht 658 million, mainly from subsidiaries' short-term deposits with financial institutions which will be paid to EPC contractors of Solar Power Plant phase 3 and repayment of long-term loan.
- Trade Accounts Receivable was increased by Baht 714 million from an increase in total sales volume (the total sales volumes which included the swap amount between petroleum traders in accordance with section 7 and the sales volume of crude) which increased mainly from export trade accounts receivable.



- Inventory was increased by Baht 4,948 million, mainly from crude oil and finished oil products' inventory which was increased from 4.3 million barrels in December 31, 2013 to 5.7 million barrels in March 31, 2014.
- Oil Fuel Fund subsidies receivable was increased by Baht 1,034 million, mainly from Oil Fuel Fund subsidies for Gasohol E85, E20, Diesel and LPG.
- Other Current Assets were increased by Baht 345 million, mainly from an increase in Value Added Tax Receivable.
- Property, plant and equipment were increased by Baht 1,650 million, mainly from assets of Solar Power Plant of Baht 1,444 million, refinery machinery and equipment of Baht 623 million , and others of Baht 216 million. Depreciation and amortization amount in this quarter was Baht 633 million.

Liabilities

As of March 31, 2013, Total Liabilities of the Company and its subsidiaries were Baht 43,094 million, increased by Baht 4,531 million from the end of 2013 which was Baht 38,563 Million. The changes in liabilities were mainly from:

- Trade Accounts Payable as of March 31, 2014 was decreased by Baht 1,676 million, mainly Account Payable - PTT Plc. There was a high amount of Trade Accounts Payable at the end of 2013 due to the year-end public holiday, but such amount had been paid in early of January 2014 .
- Other Payables were decreased by Baht 244 million, which were mainly from decrease in accrued expenses and contractor's payments due.
- Short-term loans from financial institutions, Long-term loans from financial institutions and Debentures (including current portion of long-term loans) was Baht 27,013 million, increased by Baht 6,183 million. The Company had borrowed Short-term loans amount of Baht 6,500 million and made repayment of Long-term loans portion of Baht 249 million. There was a decrease in USD loans of Baht 74 million due to an adjustment in foreign exchange rate.

Equities

As of March 31, 2013, Total Equity attributable to owners of the Company was Baht 36,286 million, increased by Baht 1,562 million from Net Profit in Q1/2014. Consolidated book value was Baht 26.55 per share.



4. Analysis of the Cash Flows Statement of the Company and its subsidiaries (Consolidated)

In Q1/2014, the Company and its subsidiaries had net cash used from operating activities of Baht 6,355 million, net cash used in investing activities of Baht 1,576 million and net cash received in financing activities of Baht 5,901 million. As a result, there was a net decrease in cash and cash equivalents of Baht 2,030 million. Cash and cash equivalents on 1 January, 2014 was Baht 6,527 million, when accounted for all activities, cash and cash equivalents as of March 31, 2014 was Baht 4,497 million.

Details of cash received and used are as follows:

Unit: Million Baht

| Cash Flows | 31 March 2014 | 31 March 2013 |
|---|----------------|---------------|
| Net cash received (used) from operating activities | (6,355) | 3,642 |
| Net cash used in investing activities | (1,576) | (2,259) |
| Net cash received (used) in financing activities | 5,901 | (530) |
| Net increase (decrease) in cash and cash equivalents | (2,030) | 853 |
| Cash and cash equivalents at 1 January | 6,527 | 8,006 |
| Cash and cash equivalents at 31 March | 4,497 | 8,859 |

Cash received and used details are as follows:

1. The Company and its subsidiaries had net cash used from operating activities of Baht 6,355 million, mainly from
 - Net cash received from operating activities of Baht 2,838 million which was from Net Profit of Baht 1,586 million and added back Non-Cash Expenses of Baht 679 million, Finance Costs and Income Tax of Baht 574 million.
 - Cash used in the operating assets of Baht 7,086 million, mainly from an increase in Inventory of Baht 4,971 million, Trade Account Receivable increased of Baht 709 million, Other Receivables increased of Baht 33 million, Oil fuel fund subsidies receivable increased of Baht 1,034 million and Other Assets increased of Baht 339 million.
 - Cash used in operating liabilities of Baht 2,101 million, mainly from a decrease in Trade Accounts Payable of Baht 1,680 million, Other Payables decreased of Baht 265 million and Accrued Expenses decreased of Baht 156 million.
 - Income Tax Received of Baht 6 million



2. Net cash used in investing activities of Baht 1,576 million, mainly from

- Investment in property, plant and equipment of Baht 2,151 million which were mainly from assets of Solar Power Plant of Baht 1,444 million, refinery Machinery and equipment of Baht 623 million and others of Baht 84 million.
- Current investment of Baht 658 million from subsidiaries' Short-term deposits with financial institutions.
- Interest income of Baht 14 million

3. Net cash received in financing activities of Baht 5,901 million, mainly from

- Short – term loans from financial institutions of Baht 6,500 million
- Repayment of long – term loans of Baht 249 million
- Finance costs of Baht 350 million



5. Financial Ratios (Consolidated)

| | Q1 2014 | Q1 2013 | Δ | Q4 2013 | Δ |
|--------------------------------------|------------|------------|--------|------------|--------|
| Profitability Ratios (%) | | | | | |
| EBITDA Margin | 5.21% | 7.41% | -2.20% | 3.77% | 1.45% |
| Profit Margin | 3.19% | 4.69% | -1.50% | 1.49% | 1.70% |
| Return on Equity (ROE) ^{1/} | 11.38% | 12.12% | -0.74% | 13.91% | -2.53% |
| Return on Assets (ROA) | 7.63% | 7.90% | -0.27% | 9.34% | -1.71% |

| | 31-Mar-14 | 31-Dec-13 | Δ |
|--|-----------|-----------|-------|
| Liquidity Ratios (times) | | | |
| Current Ratio | 1.91 | 2.22 | -0.31 |
| Quick Ratio | 0.88 | 1.18 | -0.30 |
| Financial Policy Ratios (times) | | | |
| DSCR ^{2/} | 4.10 | 4.69 | -0.60 |
| Interest bearing debt to Equity | 0.77 | 0.63 | 0.14 |
| Net Interest bearing debt to Equity | 0.64 | 0.42 | 0.22 |

1/ Total equity attributable to owners of the Company

2/ DSCR in 2013 was excluded prepayment loan of Baht 5,500 million



Financial Ratios Calculation

| | | |
|---|---|--|
| ▪ EBITDA Margin (%) | = | EBITDA / Revenue from sale of goods and rendering of services |
| ▪ Profit Margin (%) | = | Profit attributable to owners of the Company / Revenue from sale of goods and rendering of services |
| ▪ Return on Equity (%) | = | Profit attributable to owners of the Company (Yearly) / Total Equity attributable to owners of the Company (Average) |
| ▪ Return on Assets (%) | = | EBIT (Yearly) / Total Asset (Average) |
| ▪ Current Ratio (times) | = | Current Asset / Current Liabilities |
| ▪ Quick Ratio (times) | = | (Current Asset – Inventory) / Current Liabilities |
| ▪ DSCR | = | EBITDA (Yearly) / (Paid for long-term debt + Finance cost) |
| ▪ Interest Bearing Debt to Equity (times) | = | Interest Bearing Debt / Total equity |
| ▪ Net Interest bearing debt to Equity | = | (Interest Bearing Debt – Cash and cash equivalents – Current investments) / Total equity |

Note:

1/ Average Total Equity attributable to owners of the Company

- Yearly = (Total Equity attributable to owners of the Company of the year before + Total Equity attributable to owners of the Company of this year) / 2
- Quarterly = (Total Equity attributable to owners of the Company of the quarter of the year before + Total Equity attributable to owners of the Company the quarter this year) / 2

2/ Average Total Assets

- Yearly = (Total Assets of the year before + Total Assets of the Company of this year) / 2
- Quarterly = (Total Assets of the Company of the quarter of the year before + Total Assets of the Company the quarter this year) / 2

3/ The numerator of ROE is defined as the Profit attributable to owners of the Company and have to be annualized.

4/ The numerator of ROA is defined as EBIT and have to be annualized.

5/ Interest Bearing Debt is defined as Short-term loans + Long-term loans (including Current portion of long-term loans) + Debentures + Finance lease liabilities (including current portion of finance lease liabilities)



6. Environment Management Accounting (EMA)

Having the environmental concerns and social responsibilities, the Company has prepared the environmental management accounting report since 2005. The environmental cost accounting helps the Company to keep track with the information which is useful for enhancing the environmental management effectiveness, and resource utilization. The Environmental Cost Accounting report covers refinery business unit, Bangchak and Bang Pa-in Oil distribution Centre.

| Unit: Million Baht | 2014 | 2013 | Δ% |
|--|---------------|---------------|-------------|
| Material Costs of Product Outputs | | | |
| : Consist of crude oil, ethanol, bio-diesel, chemical, energy and utilities in production | 36,549 | 36,905 | -356 |
| Material Costs of Non-Product Outputs | | | |
| : Consist of slop and sludge oil, waste water, chemical surplus | 29 | 41 | -12 |
| Waste and Emission Control Costs | | | |
| : Consist of maintenance cost of environmental control equipment and depreciation and other fees | 46 | 43 | +3 |
| Prevention and Other Environmental Management Costs | | | |
| : Consist of monitoring and measurement cost, environmental management system expenses | 3 | 2 | +1 |
| Benefit from by-product and waste recycling | | | |
| : The revenue realization from liquid sulfur, glycerin, waste paper | (6.27) | (6.49) | -0.22 |
| Total Expenses | 36,620 | 36,984 | -364 |

Environmental costs in Q1/2014, in total, decreased by Baht 364 million from Q1/2013. 99% of the cost was Material Costs of Product Outputs. An average crude run of Q1/2014 and Q1/2013 was relatively the same at 97.82 KBD and 99.95 KBD respectively, in which the value of crude feed decreased by Baht 1,134 million. Material costs of non-product outputs decreased Baht 12 million from mostly a decrease in the slop and sludge oil of 16 million litre. Waste and Emission Control Costs increased by 7% from the rise in monitoring and measurement cost of Baht 2 million while the revenue from selling of liquid sulfur, paper and metal scraps decreased 3% from the decrease of Baht 0.22 million in selling liquid sulfur.