Management's Discussion and Analysis for Business Operations
For the three-month period ended March 31, 2010

Business Overview for 2010

Oil Price Situation

For the first quarter of 2010, the oil prices in the World's markets remained unchanged much from the fourth quarter of 2009, however, were dramatically high when compared with the same period of 2009. The oil prices in the first quarter were supported by the depreciation of the US Dollar and continuous cold weather in the US, Europe, and Northern Asia which led to the increase of petroleum demand. Nonetheless, the investors were concerned about Chinese's strict economic measures which might cause the slowdown of economy, leading to the shrink of the energy demand.

The comparison of oil prices are shown in the table below;

USD/BBL

Price	1st Quarter, 2010			2009		Changing	
	Max	Min	Avg (A)	Avg. 1st Quarter (B)	Avg. 4th Quarter (C)	(A)-(B)	(A)-(C)
DB	81.30	69.40	75.78	44.31	75.35	+31.47	+0.43
UNL95/DB	15.13	8.42	12.52	10.69	5.08	+1.83	+7.44
GO/DB	11.52	6.68	8.96	8.81	6.19	+0.15	+2.77
FO/DB	0.11	-6.37	-3.04	-6.69	-4.48	+3.65	+1.44

The change of the oil prices swung in narrow ranges of up and down movements following fundamental factors and news which created daily psychological effect. The factors which will place pressure on the oil prices to be eased in the second quarter consist of the appreciation of the US Dollar when compared with the Euro after the Greece's debt crisis which has had an impact on the financial stability of the European Union (EU) and the impact from the eruption of the volcano in Iceland on the airline and tourism business. However, the fundamental factor of the recovery of the World's economy and the confidence toward the strengthening of industrial products, which have a direct impact on the oil consumption demand, are the main drivers to increase oil prices.

Production and Sales

In the first quarter of 2010, the Company's crude run was at an average of 86.3 thousand barrels per day increased from 81.6 thousand barrels per day in the first quarter of 2009 after being the Complex Refinery by running the PQI project which has started its commercial operation since December 7, 2009 onwards.

For oil distribution in the first quarter of 2010, the Company's total sale (crude oil and lubricant were excluded) was at an average of 101.9 thousand barrels per day, increased from 96.5 thousand barrels per day of the same period of last year. The distribution though marketing business was accounted for 69.0 thousand barrels per day when compared with the first quarter of 2009's 58.3 thousand barrels per day. According to the information from January-March 2010 of the Department of Energy Business, to consider the distribution through retail gas stations in Thailand, it shows that the total sale of all brands decreased by 7.8% when compared with the same period of 2009. However, the Company's sale through gas stations decreased by only 3.7%, leading to an increase of its market share rank to the third place for retail business in January-March 2010 with an increase from 13.1% from the same period of last year to 13.7%.

1. Explanation and Analysis of the Operating Results for 1st quarter of 2010 compared with that of the year 2009

Consolidated Financial Statement	1st Quarter		Changing	
(Unit : Million Baht)	2010	2009	Increase(+)/ Decrease(-)	%
Revenue from sale of goods	33,980	21,522	+12,458	57.9
Cost of sale of goods	(32,410)	(20,268)	+12,142	59.9
Gross Profit	**1,570**	**1,254**	**+316**	**+25.2**
Selling & administrative expenses	(698)	(644)	+54	+8.4
Other operating income	56	54	+2	+3.7
Gain from operating before financial costs	**928**	**664**	**+264**	**+39.8**
Finance costs	(209)	(141)	+68	+48.2
Gain from operating after financial costs	**719**	**523**	**+196**	**+37.5**
Add (deduct) other income/expenses				
LCM reversal	-	930	-930	N/A
Gain from oil hedging	25	1,307	-1,282	-98.1
Gain (loss) on foreign exchange	219	(503)	+722	+143.5
Assets impairment reversal	114	-	+114	N/A
Profit before income tax	**1,077**	**2,257**	**-1,180**	**-52.3**
Income tax expense	(283)	(666)	-383	-57.5
Net profit	**794**	**1,591**	**-797**	**-50.1**
• Minority interests	11	(0.62)	+11	N/A
• Attributable to the Company	**783**	**1,591**	**-808**	**-50.8**

1.1 Net Profit/(Loss) Analysis

1) For the first quarter of 2010, the consolidated financial statements recorded net profit of Baht 794 million, which was the Company's net profit of Baht 752 million, Bangchak Green Net Company Limited - BGN net profit of Baht 5 million and Bangchak Bio Fuel -

BBF net profit of Baht 38 million. The consolidated figures were adjusted by connected transactions of Baht 1 million. While taking out the profit attributed to Minority interests of Baht 11 million, remaining to equity holders of the Company of Baht 783 million. (EPS 0.67 Baht).

The net profit attributed to equity holders of the Company decreased from Baht 1,591 million in the first quarter of 2009 to Baht 783 million in the first quarter of 2010 mainly came from the decrease of the profit from oil hedging transaction. Normally, the Company would consider entering hedging transaction around 1 year in advance. Since in 2009, the unfavorable futures market conditions had limited the window to enter the market therefore the results of hedging transaction in the year 2010 will not receive as much gain as last year performance. However, upon considering the profit from the normal operation of high growth, the profit from operation after deduction of interest increased as much as 37.5%

2) The Company's base performance EBITDA for the first quarter of 2010 was Baht 1,362 million. Combining with another Baht 25 million of gain from hedging transaction and Baht 145 million from inventory effect, total accounting EBITDA was Baht 1,532 million derived from total Gross Integrated Margin-GIM at 8.18 USD/BBL from Gross Refining Margin-GRM and Marketing Margin-MKM. The breakdown EBITDA by business units were summarized as follows:

Table: Details of breakdown EBITDA

(Million Baht)	1st Quarter,10 (A)	1st Quarter,09 (B)	Changing +/ - (A) - (B)
▪ Base Performance EBITDA	1,362	1,917	-555
- Refinery	*976*	*1,346*	*-370*
- Marketing	*386*	*571*	*-185*
▪ Gain from hedging	25	1,307	-1,282
▪ Gain(loss) from inventory effect	145	(179)	+324
▪ Total Accounting EBITDA	1,532	3,045	-1,513
- Refinery	*1,146*	*2,474*	*-1,328*
- Marketing	*386*	*571*	*-185*

- Focusing to Refinery Business, accounting EBITDA was Baht 1,146 million, decreased from Baht 2,474 million of the same period of last year. Total Gross Refining Margin for this period was 6.21 USD/BBL with the Company's crude run at 86.3 thousand barrels per day, comparing to that period of last year which total GRM was 10.81 USD/BBL with the Company's crude run at 81.3 thousand barrels per day. GRM analysis is as follows:

USD/BBL

GRM from	1st Quarter 2010	1st Quarter 2009	Changing +/-
Base GRM	5.54	6.50	-0.96
GRM Hedging	0.10	4.99	-4.89
Inventory Effect	0.57	(0.68)	+1.25
Total	6.21	10.81	-4.60

Base GRM decreased by USD 0.96 per barrel due to the Company's fuel oil export contract at premium price of approximately 8.9 USD/BBL in last year while running as a Complex Refinery in this year has lessened the fuel oil production volume as well as the premium price received from the spot market only around 2.4 USD/BBL after the change of fuel oil configuration and also the narrow spread of FO/DB. Nonetheless, the other product crack spread in this quarter maintained at the same level of first quarter last year of which remained at low level against higher crude oil price when compared to last year. Products crack spread were shown below.

USD/BBL

Products crack spread	1st Quarter 2010	1st Quarter 2009	Changing +/-
UNL95/DB	12.52	10.69	+1.83
IK/DB	9.35	11.14	-1.79
GO/DB	8.96	8.81	+0.15
FO/DB	-3.04	-6.69	+3.65

GRM hedging decreased by 4.89 USD/BBL since the spread of finished products and crude oil was at low level in 2009 amidst unfavorable market condition for entering hedging transaction as risk prevention. Thus, in the first quarter of 2010, the hedged position was at only 7% of the average refinery production level (in 2009, the hedged position was at around 54% of the average production level) In addition, in this quarter, the direction of the spared movement was faintly different from the hedged contract, leading to slight profit from the hedging transaction.

Inventory effect in this quarter recorded profit from the stock gain of 0.57 USD/BBL after the slight increase of the World's oil prices from the end of 2009 which was opposed to the movement of the oil prices at the end of 2008 when the oil prices dramatically plunged, leading to the loss of the stock till the first quarter of 2009 at 0.68 USD/BBL (LCM reversal included).

- The EBITDA from the marketing business of Baht 386 million was lower than Baht 571 million of the same period of last year due to the gradual increase with small fluctuation of oil prices in the World's market in the first quarter of 2010. As a result, the control and the determination of the retail marketing margin were in accordance with the actual cost. To compare with the previous year even though the marketing margin was higher amidst the more fluctuated oil price movement, leading to the slow adjustment of the oil prices at gas stations. Thus, in this quarter, the Company's net marketing margin (lubricant excluded) was at Baht 0.51 per liter (equivalent to 2.46 USD/BBL), lower than last year's net marketing margin of around Baht 0.80 per liter (equivalent to 3.58 USD/BBL). However, the total distribution through marketing business increased from last year's 58.3 thousand barrels per day (accounting for approximately 278 million liters per month) to 69.0 thousand barrels per day (accounting for 329 million liters per month).

1.2 Income Analysis

1) Revenues from sale and services of the Company as well as its subsidiaries for the first quarter of 2010 were Baht 33,980 million, comprised of the Company's sale revenue of Baht 33,224 million and its subsidiaries, Baht 4,842 million from Bangchak Green Net (BGN) as well as Baht 528 million from Bangchak Bio Fuel (BBF), adjusted by connected transaction of Baht 4,615 million which mostly associates with the sale transactions from the Company to BGN. The major combinations of the changes in the Company's revenues comparing to last year were as follows:

- Revenues from total sales (including refinery business sales and marketing business sales) were higher than the same period of last year by Baht 11,905 million or 55.8%. Owing to higher world oil price caused the average oil selling price increased by 54.2%, and total sales volume increased by 1.0%.

- Gain from crude and product oil price hedging contract decreased by Baht 1,282 million or 98.1%. It was caused by the hedging transaction as analyzed in the aforementioned refining margin from GRM hedging.

- In this quarter, gain from foreign exchange rate at Baht 219 million was caused by the Mark-to-Market of loaning item worth around USD 200 million which the Company had swapped the loan currency of Thai Baht to USD (Cross Currency Swap) following the policy of Natural Hedge to protect the business from impact of the exchange rate fluctuations. Therefore, when the Baht appreciates, the revenue in the term of baht will be reduced however the Company will realize gain from the exchange rate. While the same period of last year there was loss of Baht 503 million due to the Baht depreciation.

- In this quarter, there was the reversal of loss from impairment of Baht 114 million. The Company had reviewed the land value in Bang Pa-In District (Ayutthaya Province) and the land value in the area of Sri-nakarintara Road and estimated the recoverable amount follow the lower of indication of impairment, according to the appraisal of the Department of Land.

1.3 Expense Analysis

1) Total expenses of the Company along with its subsidiaries for the first quarter of 2010 primarily were costs of sales and services of Baht 32,410 million, which involved the Company's costs of Baht 31,845 million and its subsidiaries Baht 4,679 million from BGN and Baht 476 million from BBF, adjusted by connected transaction of Baht 4,590 million, which mostly were cost of product sales from the Company to BGN. Major components in changes of the Company's expenses comparing to last year were as follows:

- Cost of sale and services increased by Baht 11,662 million or 57.8% because the cost of oil prices increased following the oil prices in the World's markets.
- Finance costs increased by Baht 58 million or 41.3% after the realization of interest expense for the PQI Project in the statements of income since December 7, 2009.

1.4 Profitability Analysis

	Consolidated		**Company**	
	1st Quarter 2010	**1st Quarter 2009**	**1st Quarter 2010**	**1st Quarter 2009**
▪ Sales and Services, Million Baht	33,980	21,522	33,224	21,319
▪ Net Profit (Loss), Million Baht	783	1,591	752	1,581
▪ Net Profit Margin, %	2.30	7.39	2.26	7.42
▪ Earning Per Share, Baht/Share	0.67	1.42	0.64	1.41
▪ Return on Equity-ROE, %	2.99	7.77	2.87	7.72
▪ ROE (excluded inventory effect), %	3.10	10.96	2.99	10.89

Net profit margin for the first quarter of 2010 as shown in the consolidated financial statement and the Company's were 2.30% and 2.26% respectively, decreased from 7.39%

and 7.42% at the same period of last year. This came from changing in refining margin as well as marketing margin as aforementioned in the section of net profit (loss) analysis. The return on equity then decreased from 7.77% to 2.99% for the consolidated financial statement.

2. Explanation and Analysis of the Financial Position as of March 31, 2010 compared with December 31, 2009

	Consolidated		**Company**	
	Mar 31, 2010	**Dec 31, 2009**	**Mar 31, 2010**	**Dec 31, 2009**
■ Total Assets, Million Baht	55,392	53,891	54,256	52,901
■ Total Liabilities, Million Baht	28,738	27,938	27,765	27,069
■ Total Equity, Million Baht	26,654	25,953	26,491	25,832
■ Current Ratio , Times	1.82	1.78	1.84	1.80
■ Debt to Equity, Times	0.57	0.61	0.55	0.59
■ Book Value, Baht/Share	22.79	22.11	22.65	22.08

2.1 Assets

1) At the end of the first quarter 2010, total assets of the Company and its subsidiaries were totally Baht 55,392 million, which comprised of the Company's total assets of Baht 54,256 million, Baht 739 million of BGN's total assets and Baht 1,304 million of BBF's total assets, adjusted by connected transactions of Baht 907 million which was mainly account receivable-BGN of Baht 583 million.

2) The Company's total assets at the end of first quarter of 2010 increased by Baht 1,355 million or 2.6%, compared to the end of 2009. The major changes of assets were as follows:

- Cash and cash equivalents increased by Baht 2,400 million or 140.3%, caused by cash inflow from operating activities and changes in working capital; more details are showing in Cash Flow statement.
- The material and supplies increased by Baht 166 million or 49.4%, mainly came from the spared part equipment for the PQI unit. For the purpose of risk management to prevent a long halt of operation, the spared equipment will replace when the existing equipment is damaged.
- Other current assets decreased by Baht 919 million or 82.0%, mainly came from the decrease of receivable from oil hedging contracts after receiving the settlement of Baht 536 million. In addition, VAT receivable decreased by Baht 414 million due to

the slight fluctuation of the oil prices situation in the first quarter of 2010. Thus, the Company could manage the input and output VAT as its plan.

2.2 Liabilities

1) At the end of the first quarter of 2010, total liabilities of the Company and its subsidiaries were Baht 28,738 million, which consisted of Baht 27,765 million of the Company's total liabilities and Baht 695 million of BGN's total liabilities as well as Baht 973 million of BBF's total liabilities, adjusted by connected transactions of Baht 695 million most of which arrived from account payable from BGN to BCP of Baht 583 million.
2) Comparing to the end of 2009, the Company's total liabilities increased by Baht 696 million or 2.6% at the end of this period. The major changes of liabilities were as follow:
   - Short-term loan from financial institutions decreased after the repayment of loan of Baht 800 million due to the Company's high liquidity, leading to less demand of revolving funds.
   - Account payables increased by Baht 1,468 million, or 24.4% due to the high oil prices in the World's market and the increase of 0.5 million barrels of crude oil and finished products purchased in March 2010 when compared to December 2009 after the Company's plan to increase refinery production volume in the second quarter.
   - Excise tax and oil fuel fund payable increased by Baht 165 million or 27.5% which was in accordance with the higher production volume in March 2010 when compared with December 2009.
   - Liabilities on hedging contracts decreased by Baht 134 million or 54.2% after the valuation of the forward contracts as risk prevention against the appreciation of foreign exchange rates.

2.3 Shareholders' Equity

1) At the end of the first quarter of 2010, the consolidated total shareholders' equity of the Company were Baht 26,654 million, which comprised of Baht 26,491 million from the total shareholders' equity of the Company and Baht 44 million from BGN's as well as Baht 331 million from BBF's, adjusted by Baht 212 million connected transactions.
2) The Company's total shareholders' equity were increased by Baht 659 million or 2.6% comparing to the end of 2009, this came from net profit of Baht 752 million in the first quarter of 2010 and amortized Baht 93 million of surplus on fixed assets revaluation, this resulted total shareholders' equity at the end of March 2010 to be Baht 26,491 million or equivalent to book value per share at Baht 22.65.
3) As of March 31, 2010 the Company has financial instruments (CDDR, subordinated convertible debenture and warrant), if these were fully converted or exercised,

equivalent to 212 million common shares or approximately 15.3% of total shares in fully dilution.

3. Explanation and Analysis of the Statement of Cash Flows for the first quarter of 2010

3.1 For this first quarter of 2010, the Company and its subsidiaries had beginning cash and cash equivalents of total Baht 2,136 million. During the period, net cash was increased from the utilizing in various activities by Baht 2,489 million, of which Baht 3,385 million were received from operation, Baht 147 million were used in investing activities and Baht 749 million were used in financing activities. Hence, cash and cash equivalent at the end of the first quarter of 2010 were Baht 4,625 million, which consisted of Baht 4,111 million of the Company and Baht 375 million of BGN as well as Baht 139 million of BBF.

3.2 The Company's beginning cash of the period was Baht 1,711 million, consisted of Baht 299 million for PQI project and Baht 1,412 million for normal operation. During this period, the Company had received another Baht 2,400 million from the following activities;

1) Net cash received from operation was Baht 3,337 million;

- Cash from operating profit before changes in operating assets and liabilities worth Baht 1,451 million.
- Cash received from operating assets of Baht 771 million which came from decreasing in inventories of Baht 521 million and drop in other assets of Baht 250 million.
- Cash received from operating liabilities of Baht 1,322 million, combining with Baht 1,460 million from increasing in trade accounts payable and Baht 138 million from decreasing in other operating liabilities.
- Interest and corporate income tax the Company paid by cash amounting to Baht 207 million.

2) Net cash used for investing activities was Baht 137 million;

- Baht 146 million of cash payment for investment in fixed asset-equipment.
- Cash increased from the sale of fixed assets-equipment of Baht 9 million.

3) Net cash used in financing activities was Baht 800 million to repay short-term loan.

At the end of the first quarter of 2010 cash and cash equivalents outstanding was Baht 4,111 million which consisted of Baht 217 million appropriated for PQI project and Baht 3,894 million for normal operation usage.

4. Factors and major influences that may affect the Company's performance or financial status in the future

4.1 Gross Refining Margin Hedging (GRM Hedging)

The situation of oil price likely to continually fluctuate according to fundamental factors both demand side and supply side as well as speculating of which directly affects gross refining margin. Being realized such risk, the Price Risk Management Committee (PRMC) consisted of high-level executives and related divisions, was set up in 2006. PRMC is responsible in officiate prescribed hedging policy and objective as well as closely monitor the oil price market situation by utilizing some hedging instruments available in the market properly, such as buying derivatives to determine the appropriate and level satisfied margin between product and crude in advance and/or inventory price management, etc. The company will continue to pursue hedging policy for risk management to minimize impact on business operations.

4.2 Foreign Exchange

Another factor which may have impact on the Company's performance is the foreign exchange volatility (mostly Baht/USD). The Company pays for the feedstock in US dollar term and sells its product on US dollar-linked basis, and subsequently records transactions as trade payable and trade receivable respectively. Since the Company's assets are greater than liabilities', the appreciation of Thai Baht will cause the shrink in net assets value, Baht margin value, and vise versa. However, being aware of that risk, the Company has been managing to mitigate the risk by utilizing some market financial instrument. In addition, the Company has performed Cross Currency Swap (CCS) from Thai baht loan to Dollar link amounted USD 200 million following the policy to leverage the differences of US dollar liabilities balancing with revenue (natural Hedge) to protect the business from impact of the exchange rate fluctuations. Therefore, when the Baht depreciates, the Company will record loss from exchange rate and realize the increase revenue in the term of baht. But in the other hand, when the Baht appreciates, the revenue in the term of baht will be reduced however the Company will realize gain from the exchange rate. The referred CCS contracts affected from January 5, 2010 to June 30, 2013.

4.3 Investment in new business

With the vision of the Company to create energy business on good governance principles with keen concerns to social and environmental aspects for sustainable development, therefore feasibility studies of investment in new business of every project will provide risk analysis of the impact toward the strategic objective achievement of the project, extreme level assessment of each risk factor, risk management planning to eliminate or minimize the impact from such risk factor, including progress follow-up of risk management plan compliance through the consideration of the Enterprise Risk Management Committee to ensure the operation and achievement of the investment in any new business. The Company has determined business expansion direction toward alternative energy which is not only the business to help lessen the present global warming situation and the source of clean energy to replace fossil energy (oil and coal), it is the business of high growth potential, or it can even expand to the natural resource development business with clean environmental friendly technology, and other new business relating or non-relating current business of the Company. This can be a value added business for the Company or revenue diversification for the Company in the future. With its determination to develop business with environmental friendly and social responsibility for sustainable development, the Company aims to develop its business to be the Zero Global Warming Impact Company

5. Environmental Cost Accounting

Having the environmental concerns and social responsibilities, since 2005, the Company has prepared the environmental management accounting report (production line) and also published in the Sustainability Report. The environmental cost accounting helps the Company to keep track the related information, which is useful for enhancing the environmental management effectiveness, and resource utilization. The report for the first quarter of 2010 compared to the same period of last year is summarized hereunder;

(Unit : Million Baht)	1Q2010	1Q2009	Change +/-
Material Costs of Product Outputs : Consist of crude oil, ethanol, bio-diesel, chemical, energy and utilities in production	20,957	13,301	+7,656
Material Costs of Non-Product Outputs : Consist of slop and sludge oil, waste water, chemical surplus	42	25	+17
Waste and Emission Control Costs : Consist of maintenance cost of environmental control equipments and depreciation and other fees	22	18	+4
Prevention and Other Environmental Management Costs : Consist of monitoring and measurement cost, environmental management system expenses	2	05	+1.5
Benefit from by-product and waste recycling : The revenue realization from liquid sulfur, glycerin, waste paper	-0.5	-1	-0.5

From the above table, the increase of Material Cost of Product Outputs mainly came from the high oil prices and production run, including an increase of chemical, water, and energy expenses which were used for the operation of the PQI units, as well as, the increase of demineralized water production to produce steam for the Co-generation power plant's pipe cleaning during the test run. The material costs of non-product outputs increased from last year by Baht 17 million, mainly came from the cost of oil storage tank maintenance. Waste and emission control costs increased from the wastewater treatment cost which was in accordance with the high water utilization and wastewater. For the prevention and other environmental management costs were 4 times higher than that of the first quarter of last year due to the Company’s emphasis on the environment quality control and more operations on the management system.