

Management's Discussion and Analysis for Business Operations
For the three-month period and six-month period ended June 30, 2010

Business Overview for 2010

Oil Price Situation

In the second quarter of 2010, the price of Dubai crude oil reached its highest level of USD 87.36 per barrel, the highest level of the year and within 17 months, on May 4, 2010. Then, the price had continuously dropped before staying stable around the end of the quarter. The main factors which caused the weakening of the oil price consisted of: an appreciation of the USD against the Euro due to the economic crisis in the Euro zone countries which had an effect on financial stability of the European Union (EU) and it created a concern over the problem expansion which might lead to the slowdown of the World's economic recovery and might have an impact on the World's oil demand; and the impact from the Iceland volcano eruption which had an impact on the airline industry as well as tourism business in the past period.

The table of oil price comparison

Price	USD/BBL						
	2 nd Quarter, 2010			2010	2009	Changing	
	Max	Min	Avg. (A)	Avg. 1 st Quarter (B)	Avg. 2 nd Quarter (C)	(A)-(B)	(A)-(C)
DB	87.36	68.22	78.04	75.78	59.22	+2.26	+18.82
UNL95/DB	13.06	6.60	9.46	12.52	9.58	-3.06	-0.12
GO/DB	13.88	10.26	11.29	8.96	7.07	+2.33	+4.22
FO/DB	-4.26	-9.66	-6.73	-3.04	-5.95	-3.69	-0.78

The crude oil price trend in the third quarter of this year is expected to be continuously fluctuated due to many unclear factors such as an uncertainty of the impact of the hurricane forming toward the oil production in the Gulf of Mexico, and unclear signal on economic recovery. However, the oil price is able to maintain its level after the analysts' forecast of the ongoing expansion of the global oil demand in this year as well as there is a support from the increase of the Dow Jones Industrial Average. However, the hurricane season has not ended and the solution to the EU debt crisis, of which the results of the EU banking stress tests have considerably eased investors' concern over the problem, will push the oil price upwards.

Production and Distribution

In the second quarter of 2010, the Company's crude run was at an average of 80.5 thousand barrels per day decreased from 83.9 thousand barrels per day in the second quarter of 2009. The production

process was run as a Complex Refinery from the PQI project which had started its commercial operation since December 7, 2009 onwards.

In terms of oil distribution in the second quarter of 2010, the Company had a total sales volume (excluding lubricant) at an average of 98.8 thousand barrels per day, decreased from the same period of last year's at 102.5 thousand barrels per day. The distribution through marketing business was accounted for 65.2 thousand barrels per day increased from 63.6 thousand barrels per day of the second quarter of last year. According to the information during April-May 2010 of the Department of Energy Business, to consider the distribution through gas stations in the second quarter of 2010, it shows that the total distribution of all brands decreased by 3.6% in average when compared with the same period of 2009. However, the Company's sales through gas station decreased approximately by 4.9% with the market share of 13.7%, ranked the third place.

1. Explanation and Analysis of the Operating Results

Net Profit/(Loss) Analysis

- 1) For six-month period, the consolidated financial statements recorded net profit of Baht 1,238 million, which was the Company's net profit of Baht 1,189 million, the subsidiaries' (Bangchak Green Net Company Limited-BGN and Bangchak Bio Fuel Company Limited-BBF) net profit of Baht 70 million and the consolidated figures were adjusted by connected transactions of Baht 21 million. While taking out the profit attributed to Minority interests of Baht 21 million, remaining to equity holders of the Company of Baht 1,217 million (EPS 1.04 Baht).
- 2) For the second quarter of 2010, the consolidated financial statements recorded net profit of Baht 444 million, which was the Company's net profit of Baht 438 million, the subsidiaries' net profit of Baht 26 million and the consolidated figures were adjusted by connected transactions of Baht 20 million. While taking out the profit attributed to Minority interests of Baht 10 million, remaining to equity holders of the Company of Baht 434 million (EPS 0.37 Baht).

The net profit attributed to equity holders of the Company decreased from Baht 2,704 million in the second quarter of 2009 to Baht 434 million in the second quarter of 2010 mainly came from the decrease of the profit from oil hedging transaction. Normally, the Company would consider entering hedging transaction normally 1 year in advance. Since in 2009, the unfavorable futures market conditions had limited the window to enter the market to perform the transaction for 2010. Therefore the results of hedging transaction in the year 2010 will not receive as much gain as last year performance. In addition, the oil price in the World's market had decreased in this quarter which caused the stock loss

to the Company. On the other hand, in the same period of last year, the Company had stock gain from an upward trend of oil prices.

- 3) The Company's base performance EBITDA for the second quarter of 2010 was Baht 1,248 million. Combining with another Baht 148 million of gain from hedging transaction and Baht -233 million from inventory effect, total accounting EBITDA was Baht 1,163 million derived from total Gross Integrated Margin-GIM at USD 7.37 per barrel 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)	2 nd Quarter, 10 (A)	2 nd Quarter, 09 (B)	Changing +/- (A) - (B)
■ Base Performance EBITDA	1,248	1,051	+197
- Refinery business	853	665	+188
- Marketing business	395	386	+9
■ Gain from hedging	148	1,517	-1,369
■ Gain(loss) from inventory effect	(233)	1,453	-1,686
■ Total Accounting EBITDA	1,163	4,021	-2,858
- Refinery business	768	3,635	-2,867
- Marketing business	395	386	+9

- Focusing to Refinery Business, base performance EBITDA was Baht 853 million, increased by Baht 188 million of the same period of last year due to better base GRM. After combining with hedging gain and inventory effect, total accounting EBITDA was Baht 768 million, lower than Baht 3,635 million from the same period of last year. Total GRM for this period was USD 5.04 per barrel with the Company's crude run at 80.5 thousand barrels per day, comparing to that period of last year which total GRM was USD 15.30 per barrel with the Company's crude run at 83.9 thousand barrels per day. GRM analysis is as follows:

USD/BBL

GRM from	2 nd Quarter, 10	2 nd Quarter, 09	Changing +/-
Base GRM	5.40	4.26	+1.14
GRM Hedging	0.62	5.64	-5.02
Inventory Effect and LCM	(0.98)	5.40	-6.38
Total	5.04	15.30	-10.26

Base GRM increased by USD 1.14 per barrel due to transformation of production process from Simple Refinery to Complex Refinery. In last year, the Company received refining margin from fuel oil export contract at premium price of as high as USD 8.6 per barrel. However, in this year, the production volume of fuel oil decreased and the premium from the spot market decreased to only USD 0.9 per barrel which was also the result from changing component of fuel oil. Nonetheless, the Company received better refining margin from an increase of diesel production and better spread between diesel and crude oil. The spread of finished products and other crude oils maintained at the same level with the same quarter of last year. The following table illustrates the spread of finished products and crude oil.

USD/BBL

Products crack spread	2 nd Quarter,10	2 nd Quarter,10	Changing +/-
UNL95/DB	9.46	9.58	-0.12
IK/DB	11.72	7.32	+4.40
GO/DB	11.29	7.07	+4.22
FO/DB	-6.73	-5.95	-0.78

Oil hedging decreased by USD 5.02 per barrel due to the spread of finished products and crude oil was at low level in last year which caused an unfavorable market condition for entering hedging transaction. Although, in the second quarter of 2010, the hedged position was at around 35% of the average refinery production level (the hedging policy stipulates at around 30%), the actual spread was faintly different from the hedged position, leading to slight gain from the hedging transaction. However, the hedged position last year was at 51% of the average refinery production level and the actual spread was much lower than the hedged position. Thus, the Company received much gain from the transaction. Therefore, the determination of forward contract price depends mainly on the market situation at certain period.

Inventory Effect in this quarter recorded loss from the stock of USD 0.98 per barrel after the continuous decrease of the World's oil prices since May 2010 which was opposite to the movement of the oil prices in the second quarter of last year when the oil prices were in an upward trend, leading to the stock gain of USD 5.40 per barrel in the second quarter of 2009 (LCM reversal included).

- The EBITDA from the marketing business of Baht 395 million was higher than the same period of last year by Baht 9 million. In the second quarter of 2010, the oil price in the World's market showed a gradual decrease movement. As a result, the

control and the determination of the retail marketing margin were in accordance with the actual cost while the marketing margin in last year was lower after an upward trend of the World's oil price. Thus, in this quarter, the Company's net marketing margin (excluding lubricant margin) was at Baht 0.59 per liter, equivalent to USD 2.88 per barrel, higher than last year's net marketing margin of around Baht 0.49 per liter, equivalent to USD 2.23 per barrel. Additionally, the sales volume through the marketing business increased from 63.6 thousand barrels per day (accounting for approximately 307 million liters per month) to 65.2 thousand barrels per day (accounting for 314 million liters per month).

1.2 Income Analysis

- 1) Revenues from sale and services of the Company as well as its subsidiaries for six-month period of 2010 were Baht 66,938 million, comprised of the Company's sales revenue of Baht 66,194 million and its subsidiaries' (BGN and BBF) of Baht 10,814 million, adjusted by connected transaction of Baht 10,070 million which mostly associated with the sales transactions from the Company to BGN.
- 2) For the second quarter of 2010, revenues from sale and services of the Company as well as its subsidiaries were Baht 32,958 million, comprised of the Company's sales revenue of Baht 32,970 million and its subsidiaries' of Baht 5,443 million, adjusted by connected transaction of Baht 5,455 million which mostly associated with the sales transactions from the Company to BGN. The major combinations of the changes in the Company's revenues comparing to those of last year were as follows:
 - Revenues from sale and services (including sale through refinery business and marketing business) were higher than the same period of last year by Baht 6,118 million, or increased by 22.8%. Owing to higher world oil price caused the average oil selling price increased by 26.8%, while total sales volume decreased by 3.1%.
 - Other income increased by Baht 50 million, or increased by 83.2%, mainly came from the dividend receipts of Baht 18 million from Bangchak Green Net and the cancellation fee of Baht 16 million received from a client who refused oil lifting as stated in the contract.
 - Gain from crude and product oil price hedging contract decreased by Baht 1,369 million, or decreased by 90.2%. It was caused by the hedging transaction as analyzed in the aforementioned refining margin from GRM hedging.

- Gain from foreign exchange rate was decreased by Baht 141 million, or decreased by 60.9% from the Mark-to-Market of hedging contracts of exchange rate which was following the policy of Natural Hedge to protect the business from impact of the exchange rate fluctuations.

1.3 Expense Analysis

- 1) Total expenses of the Company along with its subsidiaries for six-month period of 2010 primarily were costs of sales and services of Baht 64,089 million, which involved the Company's costs of Baht 63,704 million and its subsidiaries' (BGN and BBF) of Baht 10,404 million, adjusted by connected transaction of Baht 10,019 million, which mostly were cost of sales from the Company to BGN.
- 2) For the second quarter of 2010, Total expenses of the Company along with its subsidiaries primarily were costs of sale and services of Baht 31,678 million, which involved the Company's costs of Baht 31,859 million and its subsidiaries' of Baht 5,725 million, adjusted by connected transaction of Baht 5,906 million, which mostly were cost of sales from the Company to BGN. Major components in changes of the Company's expenses comparing to those of last year were as follows:
 - Cost of sales increased by Baht 7,739 million, or increased by 32.1% because the cost of oil prices increased following the oil prices in the World's markets.
 - Financial cost increased by Baht 85 million, or increased by 63.7% after the Company realized the interest expense for the PQI into the income statement since December 7, 2009 while the interest expense of such project in last year was capitalized as the cost of the project during the construction process.

1.4 Profitability Analysis

	Consolidated		Company	
	2Q2010	2Q2009	2Q2010	2Q2009
▪ Sales and Services, Million Baht	32,958	27,114	32,970	26,852
▪ Net Profit (Loss), Million Baht	434	2,704	438	2,677
▪ Net Profit Margin, %	1.35	9.97	1.33	9.96
▪ Earning Per Share, Baht/Share	0.37	2.42	0.37	2.39
▪ Return on Equity-ROE, %	1.65	12.15	1.67	12.04
▪ ROE (excluding inventory effect), %	2.31	7.57	2.30	7.45

Net profit margin for the second quarter of 2010 as shown in the consolidated financial statement and the Company's were 1.35% and 1.33% respectively, decreased from 9.97% and 9.96% 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 12.15% to 1.65% for the consolidated financial statement.

2. Explanation and Analysis of the Financial Position as of June 30, 2010 compared with December 31, 2009

	Consolidated		Company	
	Jun 30, 2010	Dec 31, 2009	Jun 30, 2010	Dec 31, 2009
▪ Total Assets, Million Baht	54,935	53,891	53,858	52,901
▪ Total Liabilities, Million Baht	28,866	27,938	27,959	27,069
▪ Total Equity, Million Baht	26,069	25,953	25,899	25,832
▪ Current Ratio , Times	1.70	1.78	1.72	1.80
▪ Debt to Equity, Times	0.62	0.61	0.60	0.59
▪ Book Value, Baht/Share	22.19	22.11	22.14	22.08

2.1 Assets

- 1) At the end of second quarter of 2010, total assets of the Company and its subsidiaries were totally Baht 54,935 million, which comprised of the Company's total assets of Baht 53,858 million, its subsidiary's of Baht 1,941 million from BGN and BBF, adjusted by connected transactions of Baht 864 million which was mainly trade account receivable-BGN of Baht 548 million.
- 2) The Company's total assets at the end of second quarter increased by Baht 957 million, or increased by 1.8% compared to the end of 2009. The major changes of assets were as follows:
 - The material and supplies increased by Baht 173 million, or increased by 51.2%, 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 662 million, or decreased by 59.1%, mainly came from the decrease of receivable from oil hedging contracts after receiving the settlement of Baht 536 million.
- Other long-term investments increased by Baht 94 million, or increased by 47.4%, most of Baht 93 million came from the acquisition of 1,165,500 common shares of ASEAN Potash Public Company Limited (APMC), or around 9.9% of the total common shares. Thus, at present the Company holds 16.4% stake in APMC.

2.2 Liabilities

- 1) At the end of the second quarter of 2010, total liabilities of the Company and its subsidiaries were Baht 28,866 million, which consisted of Baht 27,959 million of the Company's total liabilities and Baht 1,558 million of subsidiaries' total liabilities, adjusted by connected transactions of Baht 651 million most of which resulted from trade account payable of Baht 548 million of BGN's.
- 2) Comparing to the end of 2009, the Company's total liabilities increased by Baht 890 million, or increased by 3.3%, at the end of this period. The major changes of liabilities were as follows:
 - Trade account payables increased by Baht 1,792 million, or increased by 29.7%, due to the increase of 0.8 million barrels of crude oil and finished products purchased in June 2010 when compared to December 2009 after the Company's plan to increase refinery production volume in the third quarter.
 - Income tax payable decreased by Baht 894 million, or decreased by 66.2% due to Baht 1,350 million payment for the corporate income tax of the accounting period 2009 (the second half of the year) and there was Baht 456 million provision for the corporate income tax payable for the accounting period 2010 (the first 6 months).

2.3 Shareholders' Equity

- 1) At the end of the second quarter of 2010, the consolidated total shareholders' equity were Baht 26,069 million, which comprised of Baht 25,899 million from the total shareholders' equity of the Company and Baht 383 million of subsidiaries' equity, adjusted connected transactions by Baht 213 million.
- 2) The Company's total shareholders' equity increased by Baht 67 million, or increased by 0.3% comparing to the end of 2009. The rise in equity came from net profit of Baht 1,189 million in first half of 2010, less with amortization of Baht 187 million of surplus on fixed assets revaluation as well as Baht 935 million of dividend payout. These resulted

the Company's equity at the end of June 2010 was Baht 25,899 million or equivalent to book value per share at Baht 22.14

- 3) As of June 30, 2010, the Company had quasi-equity 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 full dilution.

3. Explanation and Analysis of the Cash Flows Statement for six-month period, ending June 30, 2010

3.1 For this six-month period, the Company and its subsidiaries had beginning cash and cash equivalents of total Baht 2,136 million. During the period, net cash decreased from the utilizing in various activities by Baht 282 million, of which Baht 759 million were received from operation, while Baht 362 million were used in investing activities and Baht 679 million were used in financing activities. Hence, cash and cash equivalent as shown in the consolidated financial statements at the end of the second quarter of 2010 were Baht 1,854 million, which consisted of Baht 1,452 million of the Company and Baht 279 million of BGN as well as Baht 123 million of BBF.

3.2 Cash flow of the Company came from the beginning cash of Baht 1,711 million (Baht 299 million for the PQI and Baht 1,412 million for normal operation), during the period, the Company utilized Baht 259 million for the following activities;

1) Net cash received from operation was Baht 750 million;

- Cash of Baht 2,684 million from operating profit before the change of assets and operating liabilities.
- Cash used in operating assets of Baht 1,783 million consisted of inventory increased by Baht 1,403 million, trade accounts receivable increased by Baht 844 million, while other assets decreased by Baht 464 million.
- Cash received from operating liabilities of Baht 1,604 million consisted of trade accounts payable increased by Baht 1,774 million while other liabilities decreased by Baht 170 million.
- Interest and corporate income tax the Company paid by cash totaling Baht 207 million.

2) Net cash used for investing activities was Baht 330 million;

- Cash used for investment in fixed assets-equipments of Baht 273 million.

- The payment of the share acquisition for investment in APMC was at Baht 93 million.
- The Company received Baht 18 million for dividend from BGN and received Baht 18 million from other investing activities.

3) Net cash used for financing activities was Baht 679 million;

- Long term loan repayment of Baht 444 million.
- Annual dividend payment to the shareholders at Baht 0.80 per share, totaling Baht 935 million
- Short term loan drawdown of Baht 700 million for the Company's working capital.

Therefore, at the end of the second quarter of 2010, the Company's cash and cash equivalents was Baht 1,452 million which consist of Baht 166 million reserved for PQI project and Baht 1,286 million for normal operating cash.

4. 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 second quarter of 2010 compared to the same period of last year is summarized hereunder.

(Unit : Million Baht)	2 nd Quarter 2010	2 nd Quarter 2009	Change +/-
Material Costs of Product Outputs : Consist of crude oil, ethanol, bio-diesel, chemical, energy and utilities in production	20,675	15,774	+4,901
Material Costs of Non-Product Outputs : Consist of slop and sludge oil, waste water, chemical surplus	38	32	+6
Waste and Emission Control Costs : Consist of maintenance cost of environmental control equipments and depreciation and other fees	25	20	+5
Prevention and Other Environmental Management Costs : Consist of monitoring and measurement cost, environmental management system expenses	2	2	-
Benefit from by-product and waste recycling : The revenue realization from liquid sulfur, glycerin, waste paper	-5	0.1	-5

The above table shows that the total expense in the second quarter of this year was higher than the second quarter of last year. Most of the expenses of more than 99% were from Material Costs of Products Outputs which were mainly driven by an increase of the crude oil price by Baht 4.58 per liter. The Material Costs of Non-Products Outputs were increased by Baht 6 million, or increased by 18.8% which were caused by slop oil expense relating with the increase of the crude oil price. However, in term of volume, the slop oil decreased from the second quarter of last year by 54%. In addition, Waste and Emission Control Costs were increased by Baht 5 million or by 25.0% from the same period of the previous year due to an increased amortizing of depreciation of the pollution control equipment. Prevention and Other Environmental Management Costs were at the same level as last year since the Company has continuously placed an emphasis upon following and examining quality of the environment.