Management's Discussion and Analysis of Financial Condition and Result of Operations For Quarter 1/2021

Star Petroleum Refining Public Company Limited

1) Company's Operating Result

(US$ Million)	Q1/21	Q4/20	+/(-)	Q1/20	+/(-)
Total Revenue	1,213	1,064	149	1,256	(43)
EBITDA	107	60	47	(303)	410
EBIT	84	37	47	(326)	410
Gain (Loss) on foreign exchange	(1)	6	(8)	7	(9)
Net income (Loss)	66	29	37	(261)	327
Net income (Loss) (US$ per share)	0.02	0.01	0.01	(0.06)	0.08
Accounting gross refining margin (US$/barrel) (1)	10.67	6.45	4.22	(20.34)	31.02
Market gross refining margin (US$/barrel) (2)	3.53	3.88	(0.34)	1.28	2.25

Crude intake (thousand barrels/day)	137.1	135.2	1.9	153.1	(16.0)

(Baht Million)	Q1/21	Q4/20	+/(-)	Q1/20	+/(-)
Total Revenue	36,944	32,708	4,235	39,376	(2,432)
EBITDA	3,246	1,818	1,428	(9,622)	12,868
EBIT	2,560	1,119	1,441	(10,329)	12,889
Gain (Loss) on foreign exchange	(48)	193	(240)	242	(290)
Net income (Loss)	2,006	862	1,143	(8,273)	10,279
Net income (Loss) (Baht per share)	0.46	0.20	0.26	(1.91)	2.37

(1) margin includes inventory gain/loss based on weighted average inventory cost.

(2) margin is calculated based on current replacement cost.

Exchange rate (Baht/US$)	Q1/21	Q4/20	+/(-)	Q1/20	+/(-)
Average FX	30.46	30.79	(0.33)	31.45	(0.99)
Closing FX	31.51	30.21	1.30	32.83	(1.32)

Crude oil price in Q1/21 continued to recover to a pre-pandemic level as a result of continuing production cut by OPEC and Saudi-Arabia. However, an ongoing of COVID-19 pandemic still caused to the reduction of global oil consumption for petroleum product in Q1/21 and resulted to continuing weak product crack spread. This lower demand has impacted to SPRC's operating performance in Q1/21 to lower production rates to meet the reduced consumption.

The continued escalation of the Coronavirus crisis has significantly impacted to the demand for petroleum products especially on Jet fuel and Diesel resulted in the reduction in SPRC refinery utilization rate in Q1/21 to the optimal level. Comparing Q1/21 and Q4/20, crude intake for Q1/21 was 137 thousand barrels per day, equivalent to 78% of the refining capacity, slightly higher than Q4/20 which was 135 thousand barrels per day. Despite the increase in crude intake, sale volume in Q1/21 was lower than Q4/20 as a result of the second round of COVID-19 spreading in Thailand. However, following an increase in oil prices in this quarter, sale revenue in Q1/21 was US$1,213 million, an increase of US$149 million.

The OPEC and Saudi Arabia rolled over the production cuts, a growing confidence in vaccine rollouts and the improvement in market sentiment caused the oil price increase and a significant gain in SPRC's EBITDA, EBIT and net earnings for Q1/21. NIAT for the quarter was gain of US$66 million comparing to gain of US$29 million in prior quarter. Accounting refinery margin in Q1/21 was significantly high at US$10.67/bbl comparing to US$6.45/bbl last quarter. Excluding the stock gain or loss impacted by the increase in oil price, market gross refining margin in Q1/21 slightly decreased from US$3.88/bbl in Q4/20 to US$3.53/bbl mainly due to weak demand in fuel oil. There was a slight exchange loss in this quarter from Baht depreciation against US$ while SPRC is still focusing in our operating expense control.

Compared Q1/21 with Q1/20, sale revenue slightly decreased 3% as a result of lower sale volume due to low domestic oil consumption and demand during new emerging phase of COVID-19 pandemic in Q1/21. EBITDA, EBIT and net earnings in Q1/21 were positive from oil price climbing up which resulted in a significant stock gain while they were negative in Q1/20 from the oil price falling and resulted in a stock loss. Excluding stock gain or loss, Q1/21 market gross refining margin improved to US$3.53/bbl, comparing to US$1.28/bbl in Q1/20 due to lower crude premium and better crack spread on Mogas, Naphtha and Fuel Oil.

2) Market Condition

Pricing	Q1/21	Q4/20	+/(-)	Q1/20	+/(-)
Dubai crude oil	60.21	44.64	15.57	50.41	9.80
Light Naphtha (MOPJ)	62.08	45.38	16.70	48.59	13.49
Gasoline (premium)	67.41	48.75	18.66	56.95	10.46
Jet Fuel	63.44	47.06	16.37	58.87	4.57
Diesel	64.92	48.33	16.59	61.41	3.51
Fuel Oil	56.74	44.07	12.67	43.11	13.63

Spread over Dubai	Q1/21	Q4/20	+/(-)	Q1/20	+/(-)
Light Naphtha (MOPJ)	1.87	0.74	1.13	-1.82	3.69
Gasoline (premium)	7.19	4.11	3.09	6.54	0.66
Jet Fuel	3.22	2.42	0.80	8.46	-5.24
Diesel	4.70	3.69	1.02	11.00	-6.29
Fuel Oil	-3.47	-0.57	-2.90	-7.30	3.83

Average Dubai price for Q1/21 was US$60.21/bbl, which was increased from US$44.64/bbl in Q4/20. The significant oil price recovery was mainly supported by Saudi Arabia's decision to voluntarily cut the output by one million barrels per day in February and March as well as OPEC+'s decision to roll over March production targets into April. On the demand side, the bullish sentiment was largely due to progressive easing of movement restrictions following a successful vaccination rollout in the US and UK. That said, the gain in Dubai price was capped by some concerns on virus resurgence in some areas of Asia.

Gasoline spread over Dubai in Q1/21 increased significantly to US$7.19/bbl. Gasoline crack was supported by strong improvements in mobility indicators across various markets in Asia including Japan and Indonesia. These markets have managed to lower their infection rates and in particular Japan's infection rate has declined to a level previously seen in November. In addition, India's driving activities continued to increase while Australia's summer season remained supportive of the gasoline market despite a brief lockdown in Victoria. Global light distillate inventory levels in 5 key areas were below 5-year low levels in the second half of the quarter while Singapore inventories remained between 5-year highs and lows throughout Q1/21.

Naphtha spread over Dubai in Q1/21 rose to US$1.87/bbl. The rally in Asian naphtha market was underpinned by the return of cracking capacity from turnarounds in North Asia. Offline cracking capacity eased from 5.1 mmtpa in December to about 3.1 mmtpa in January. Another bullish sentiment was the higher demand for naphtha feedstock to replace the costlier LPG feedstock for olefin cracking while olefins margins also remained high. Nonetheless, the naphtha crack was pressured by the influx of arbitrage volumes and demand loss from cracker outage in Japan due to the earthquake in February.

Jet and diesel crack spreads over Dubai increased from previous quarter to be US$3.22/bbl and US$4.70/bbl respectively. The rise in jet crack was supported by heating oil demands in Japan and South Korea in January and February and higher scheduled domestic flights in the second half of February in Mainland China and India. However, in March, increased production of middle distillates and reduced demand for winter heating oil have pressured the jet fuel market. In addition, the virus resurgence in India has also dampened consumer sentiment, pressuring domestic demand. Diesel cracks strengthened in January and February as demand from industrial and manufacturing activities remained robust. The PMI readings from most of the major manufacturing hubs were firmly in an expansionary mode. However, in March, strong exports from mainland China and India have depressed the markets. Excess production resulting from lower demand than anticipated during the Lunar New Year period and the slowdown in India owing to higher infection rates have contributed to the length in the market. Global middle distillate inventory levels in 5 key areas are between 5-year highs and lows while Singapore inventories remained above 5-year highs throughout Q1/21.

Fuel oil spread over Dubai in Q1/21 was -US$3.47/bbl, which was lower than Q4/20. This was mainly impacted by lower demands in shipping after the holiday season. Singapore onshore fuel oil inventories increased by 6% Q-o-Q to 23.2 million barrels.

Due to higher crude premiums, SPRC's average market refining margin in Q1/21 was US$3.53/bbl, which is slightly lower, as compared to US$3.88/bbl in Q4/20. In Q1/21, SPRC captured margin by maximizing light crude to maximize gasoline production, restarting minimum jet production, optimizing crude throughput to meet domestic demand as well as producing higher value products such as on grade DSR asphalt and decant oil as carbon black feedstock.

3) Financial Results

	US$ Million			US$ Million	
	Q1/21	Q4/20	+/(-)	Q1/20	+/(-)
Total Revenue	1,213	1,064	149	1,256	(43)
Cost of sales	(1,120)	(1,031)	(90)	(1,582)	461
Gross profit (Loss)	**93**	**34**	**60**	**(325)**	**418**
Other income	0	1	(1)	0	0
Gain on exchange rate	8	3	5	7	1
Fair value gain (Loss) on derivatives	(10)	3	(13)	0	(10)
Administrative expenses	(8)	(4)	(4)	(8)	0
Finance costs	(2)	(1)	(0)	(2)	(0)
Income tax	(17)	(7)	(9)	66	(83)
Net income (Loss)	**66**	**29**	**37**	**(261)**	**327**

	Baht Million			Baht Million	
	Q1/21	Q4/20	+/(-)	Q1/20	+/(-)
Total Revenue	36,944	32,708	4,235	39,376	(2,432)
Cost of sales	(34,111)	(31,700)	(2,412)	(49,701)	15,590
Gross profit (Loss)	**2,832**	**1,009**	**1,824**	**(10,325)**	**13,158**
Other income	13	38	(25)	13	0
Gain on exchange rate	256	99	157	242	14
Fair value gain (Loss) on derivatives	(304)	94	(398)	0	(304)
Administrative expenses	(238)	(120)	(117)	(258)	20
Finance costs	(53)	(45)	(7)	(52)	(1)
Income tax	(501)	(211)	(290)	2,108	(2,609)
Net income (Loss)	**2,006**	**862**	**1,143**	**(8,273)**	**10,279**

Production Volumes

Thousands barrels

Petroleum products	Q1/21	Q4/20	Q1/20
Polymer Grade Propylene	444	435	361
Liquefied Petroleum Gas	648	613	636
Light Naphtha	759	836	760
Gasoline	3,913	4,215	3,890
Jet Fuel	311	22	1,222
Diesel	5,123	5,664	6,183
Fuel Oil	477	418	1,010
Asphalt	144	137	126
Mix C4	571	503	520
Other [1]	1,085	997	1,111
Total production	**13,474**	**13,839**	**15,820**

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

Total Sale Revenue

US$ Million

Petroleum products [1]	Q1/21	Q4/20	Q1/20
Polymer Grade Propylene	37	32	22
Liquefied Petroleum Gas	22	25	28
Light Naphtha	53	40	35
Gasoline	328	360	356
Jet Fuel	46	0	81
Diesel	483	499	601
Fuel Oil	25	23	40
Asphalt	2	6	4
Mix C4	133	29	26
Crude	0	0	10
Others [2]	84	52	54
Total Revenue	**1,213**	**1,064**	**1,256**

[1] Includes Government LPG and oil subsidies.
[2] Includes sulfur, reformate and products sold pursuant to our cracker feed exchange with PTT Global Chemical (PTTGC).

Sale revenue in Q1/21 increased 14% from Q4/20 mainly from the increase in average oil price during Q1/21 comparing to Q4/20, partly offset with a decrease in sale volume in Q1/21 to 13.7 million barrels from 14.9 million barrels in Q4/20 due to the reduction in oil consumption from the new emerging phase of COVID-19 impacts.

Q1/21 sale revenue slightly decreased 3% compared to Q1/20 from a decrease in sale volume in Q1/21 decreased to 13.7 million barrels from 16.4 million barrels in Q1/20 especially lower demand of Diesel and JET from an ongoing of COVID-19 pandemic partly offset with higher selling price.

In Q1/21, the company sold its petroleum products based on sale revenue to Chevron, PTT&PTTOR and other oil and petrochemical companies in the proportion of 46%, 37% and 17%, respectively.

Cost of Sales

Comparing cost of sale for Q1/21 with Q4/20, cost of sale increased 9%. The increase was in line with the increase in oil price despite lower sales volume comparing to Q1/20.

Comparing Q1/21 to Q1/20, cost of sale in Q1/21 decreased from Q1/20 in line with the decrease in sale volume. In addition, the higher proportion of cost of sales decreased comparing to a decrease in sale revenue was due to higher weighted average cost of sale and a loss form inventory write down to net realizable value of US$160 million (Baht 5,061 million) in Q1/20.

Gain on Foreign Exchange and Fair Value on Derivatives

During Q1/21 Baht currency against US$ became weaker and moved opposite to last year. In Q1/21 SPRC has net exchange loss (including derivatives) of US$1 million comparing to exchange gain US$6 million in Q4/20 and US$7 million in Q1/20. Net exchange loss in Q1/21 was due to a net Baht denominated receivable outstanding in Q1/21. Baht weakened during the quarter resulted in a decrease in the value of Baht denominated receivables when converted to US$ equivalent.

Comparing Q1/21 to Q4/20, SPRC has loss on mark to market on derivatives fair value of US$10 million in Q1/21 while there was exchange gain on derivatives of US$3 million in Q4/20 due to Japanese Yen weakened against USD during Q1/21.

Administrative Expenses

Comparing Q1/21 with Q4/20, administrative expense in Q1/21 increased to US$8 million from US$4 million in Q4/20. The lower administrative expenses in Q4/20 was due to the fund recovery subsequently from a loss of invoice payment from the cyber-attack in late 2019

Comparing Q1/21 with Q1/20, administrative expense in Q1/21 approximated to same quarter of last year.

Income tax

Operating profit in Q1/21 resulted in income tax in this period which will offset with the deferred income tax on operating loss carry forward.

4) Analysis of Financial Position

	US$ Million				Baht Million		
	31 Mar 2021	31 Dec 2020	+/(-)	% +/(-)	31 Mar 2021	31 Dec 2020	+/(-)
Assets							
Cash & cash equivalent	95	54	41	75%	2,988	1,635	1,353
Other current assets	721	586	136	23%	22,728	17,688	5,040
Non-current assets	851	901	(50)	-6%	26,815	27,218	(403)
Total assets	**1,667**	**1,541**	**126**	**8%**	**52,531**	**46,541**	**5,990**
Liabilities							
Current liabilities	435	356	79	22%	13,691	10,740	2,951
Non-current liabilities	292	310	(19)	-6%	9,186	9,374	(188)
Total liabilities	**726**	**666**	**60**	**9%**	**22,877**	**20,114**	**2,763**
Equity							
Share capital & retained earnings	941	875	66	8%	35,880	33,874	2,006
Other component of shareholders' equity					(6,226)	(7,447)	1,221
Total equity	**941**	**875**	**66**	**8%**	**29,654**	**26,427**	**3,227**
Total liabilities & equity	**1,667**	**1,541**	**126**	**8%**	**52,531**	**46,541**	**5,990**

Assets

Total assets as of 31 Mar 21 increased by US$126 million (Baht 5,990 million) from 31 Dec 20.

Total current assets significantly increased US$176 million (Baht 6,393 million) mainly due to:

a) a substantial increase in inventory of US$113 million (Baht 3,939 million) from higher inventory price and volume due to an increase in oil price at the end of Mar 21 comparing to Dec 20 and less product lifting; and

b) An increase in cash and cash equivalent of US$41 million (Baht 1,353 million) due to net cash generated from operating profit with margin exceeding OPEX and timing of crude payment; and

c) An increase in trade and other receivables due to higher product selling price in Mar 21 despite lower sales volume comparing to Dec 20.

Non-current assets decreased US$50 million (Baht 403 million) mainly due to a decrease in property, plant and equipment of US$22 million (but increase Baht 341 million from currency translation) due to depreciation expenses in Q1/21, and a decrease in deferred tax asset of US$17 million (Baht 416 million) from decreased in operating loss carryforward from profit in Q1/21

Liabilities

Total liabilities as of 31 Mar 21 increased US$60 million (Baht 2,763 million) from 31 Dec 20. The incremental was mainly from:

a) a significant increase in trade and other account payables of US$74 million (Baht 2,667 million) from an increase in crude oil price in Mar 21 comparing to Dec 20 and also from higher crude volume purchase; but partly offset by

b) a decrease in L-T borrowing of US$10 million (Baht 132 million) impacted from exchange rate on non-US$ borrowing ; and

c) a decrease in VAT and excise tax payable of US$9 million (Baht 223 million) from lower sale volume in Mar 21 comparing to Dec 20.

Shareholders' Equity

Shareholders' equity as of 31 Mar 21 increased US$66 million (Baht 3,227 million) from 31 Dec 20 resulted from the net profit in Q1/21.

5) Statement of Cash Flow

Q1/2021	US$ Million	Baht Million
Net cash generated from operating activities	41	1,253
Net cash used in investing activities	(0)	(6)
Net cash generated from financing activities	0	0
Net increase in cash and cash equivalents	**41**	**1,247**
Cash and cash equivalents at the beginning of the period	**54**	**1,635**
Adjustments from foreign exchange translation	(0)	106
Cash and cash equivalents at the end of the period	**95**	**2,988**

SPRC cash and cash equivalents were US$95 million at the end of Mar 2021 and US$54 million at the end of Dec 2020.

Details of cash flow activities in Q1/21 are as follow.

a) Net cash used in operating activities of US$41 million (Baht 1,253 million) which was primarily due to:
   a. Q1/21 net profit of US$66 million (Baht 2,006 million) and non-cash items of US$42 million (Baht 1,293 million);
   b. Cash used in operating assets of US$134 million (Baht 4,079 million) mainly from an increase in inventory US$113 million (Baht 3,441 million) from higher in both inventory volume and price and an increase in trade and other receivables of US$21 million (Baht 640 million) due to higher sale price.
   c. Cash generated from operating liabilities of US$67 million (Baht 2,034 million) mainly from an increase in trade and other payables US$75 million (Baht 2,271 million) due to the increase in both volume and price of crude oil purchase in Mar 21 but partly offset by a decrease in other current liabilities of US$8 million (Baht 238 million) mainly from lower VAT and excise tax payables from lower sales volume in Mar 21 comparing to Dec 20;

b) Net cash used in investing activities of US$0.2 million (Baht 6.3 million) from lower investment activities during an ongoing of COVID-19 pandemic.

6) Financial Ratios

		Q1/21	Q4/20	Q1/20
Current Ratio	(Time)	1.9	1.8	0.8
Net Profit Margin	(%)	5.4	2.7	(20.8)
Debt to Equity ratio	(Time)	0.8	0.8	0.8
Net Interest-Bearing Debt to Equity ratio	(Time)	0.2	0.3	0.5

Note:

Current Ratio	= Current Assets / Current Liabilities	(Time)
Net Profit Margin	= Quarter (Net Profit (Loss) / Total Revenue)	(%)
Debt to Equity Ratio	= Total Liabilities / Total Shareholders' Equity	(Time)
Net Interest Bearing Debt to Equity ratio	= Interest Bearing Debt - Cash / Total Shareholders' Equity	(Time)