

THAI PLASTIC AND CHEMICALS PUBLIC COMPANY LIMITED
Management Discussion and Analysis
Quarter 2/2016

(Unreviewed Consolidated Financial Statements)

Business Overview

Thai Plastic and Chemicals Public Company Limited (TPC) and its subsidiaries reported Q2'16 net profit at 663 million Baht, increased by 252 million Baht compared to the same period of last year.

Price Situation and Sales Volume

PVC prices in Q2'16 were lower compared with Q2'15 due to lower main raw material prices. Therefore, PVC price in Q2'16 was at US\$ 803/MT which decreased by US\$ 67/MT compared with the same period of the prior year.

The average price of ethylene in Q2'16 was at US\$ 1,099/MT which decreased by US\$ 287/MT compared with the same quarter of last year. The EDC price decreased to US\$ 268/MT from US\$ 318/MT, decreased by US\$ 50/MT from the same period of the previous year. Despite crude oil price recovery since the beginning of the year, crude oil price level in Q2'16 was still lower than last year, which resulting in lower price for both EDC and ethylene.

From the changes of PVC and raw material prices above, PVC–EDC–Ethylene gap was at US\$ 330 /MT, increased by US\$ 40/MT from the same period of last year.

Total PVC sales volume in Q2'16 was decreased by 3% compared with the same quarter of last year resulting from lower PVC production due to the plant shutdown of VCM unit.

Consolidated Operating Results of Q2/2016 (Unreviewed Consolidated Financial Statements)

TPC and its subsidiaries reported sales and services income at 7,215 million Baht which decreased by 3% from the same quarter of last year, resulting from the to the plant shutdown of VCM unit and the slow demand due to a slowdown of constructions in real estate industry.

The proportions of sales were 63% from PVC businesses, 35% from Related to PVC Business and 2% from other revenue, respectively. The 78% of total revenue from sales and services came from sales of companies in Thailand and the 22% came from sales of overseas subsidiaries.

TPC and its subsidiaries' profit before income tax of Q2'16 was at 1,343 million Baht which increased by 829 million Baht or 161% compared with the same period of prior year,

resulting from the higher of PVC-EDC-Ethylene and PVC-VCM market gaps which led to higher profit margin, together with dividend received from investment in other company.

In addition, TPC and its subsidiaries reported income tax at 637 million Baht which increased by 556 million Baht from the same period of last year, mainly resulting from the income tax burden for the year 2003 - 2015 which were granted investment promotion for more than one project. TPC and its subsidiaries have followed by the interpretation of the rulings given by the government during that time in computing corporate income tax by not offsetting for profits and losses from all projects. Later, there was the judgment that the companies which were granted investment Promotion for more than one project had to calculate corporate income tax by including profits and losses from all project so TPC and its subsidiaries have to pay and file the additional corporate income tax return amounting to 514 million Baht. In addition, The Ministry of Finance has notified for "The Extension of the time limit in filing a return under the Revenue Code, dated June 16, 2016". As a result, the companies shall pay and file the additional corporate income tax within 1st August, 2016 in order to get the benefit from the exemption of penalty and surcharge.

From the effect of income tax burden above, resulting to TPC and its subsidiaries's net profit of Q1'16 at 663 million Baht, increased by 252 million Baht or 61%

As at June 30, 2016, TPC and its subsidiaries held a Debt to Equity Ratio at 0.33, decreased from 0.36 at the end of last year, due mainly from the decrease of loans from financial institutions.

TPC
July 26, 2016