

Part 3
Financial Status and Performance
13. Financial Information

The following table sets forth summary of the consolidated financial statements of Indorama Ventures Public Company Limited from 2012 to 2014

Statements of Financial Position (Consolidated Financial Statements)

Unit: Baht million	As of December 31					
	2012 Restated	%	2013	%	2014	%
Assets						
Current assets						
Cash and cash equivalents	4,374.2	2.5	4,114.4	2.2	5,419.6	2.8
Current investments	227.6	0.1	262.6	0.1	5,101.8	2.6
Trade accounts receivable	25,596.9	14.8	28,827.2	15.2	26,203.0	13.4
Short-term loans to related parties	0.2	0.0	0.6	0.0	75.1	0.0
Inventories	24,679.5	14.3	28,939.6	15.3	29,141.1	14.9
Other current assets	5,106.1	3.0	6,278.3	3.3	6,239.6	3.2
Total current assets	59,984.5	34.8	68,422.6	36.2	72,180.2	36.9
Non-current assets						
Investments in jointly-controlled entities	5,124.4	3.0	2,887.5	1.5	1,941.9	1.0
Other long-term investments	105.0	0.1	99.0	0.1	104.7	0.1
Long-term loans to related parties	60.8	0.0	98.4	0.1	164.1	0.1
Property, plant and equipment	86,724.6	50.3	96,213.5	50.9	98,900.6	50.6
Goodwill	7,485.4	4.3	8,018.7	4.2	8,054.8	4.1
Other intangible assets	10,430.9	6.0	11,245.7	5.9	11,126.9	5.7
Deferred tax assets	1,100.5	0.6	1,185.1	0.6	1,105.3	0.6
Other non-current assets	1,457.7	0.8	871.2	0.5	1,909.6	1.0
Total non-current assets	112,489.4	65.2	120,619.2	63.8	123,307.9	63.1
Total assets	172,473.9	100.0	189,041.8	100.0	195,488.1	100.0
Liabilities and equity						
Current liabilities						
Bank overdrafts and short-term loans from financial institutions	13,371.2	7.8	16,075.4	8.5	8,581.0	4.4
Trade accounts payable	22,305.1	12.9	25,663.2	13.6	27,764.2	14.2
Current portion of long-term loans from financial institutions	5,609.1	3.3	3,921.9	2.1	4,426.2	2.3
Current portion of finance lease liabilities	41.1	0.0	5.2	0.0	8.3	0.0
Income tax payable	1,016.7	0.6	700.9	0.4	854.3	0.4
Other current liabilities	4,932.2	2.9	6,613.9	3.5	6,431.6	3.3
Total current liabilities	47,275.4	27.4	52,980.5	28.0	48,065.7	24.6
Non-current liabilities						
Long-term loans from financial institutions	39,980.9	23.2	41,463.3	21.9	32,757.6	16.8
Debentures	21,623.8	12.5	23,795.7	12.6	27,499.0	14.1
Finance lease liabilities	3.3	0.0	4.6	0.0	21.4	0.0
Deferred tax liabilities	5,337.5	3.1	6,924.8	3.7	8,890.4	4.5
Employee benefit obligations	880.0	0.5	961.8	0.5	1,755.0	0.9
Other non-current liabilities	808.2	0.5	1,343.4	0.7	944.2	0.5
Total non-current liabilities	68,633.7	39.8	74,493.6	39.4	71,867.6	36.8
Total liabilities	115,909.2	67.2	127,474.1	67.4	119,933.3	61.4

Unit: Baht million	As of December 31					
	2012 Restated	%	2013	%	2014	%
Equity						
Share capital						
Authorised share capital	4,815.9	2.8	4,815.9	2.5	5,666.0	2.9
Issued and paid-up share capital	4,814.3	2.8	4,814.3	2.5	4,814.3	2.5
Additional paid in capital:						
Share premium	29,774.6	17.3	29,774.6	15.8	29,774.6	15.2
Unrealised surpluses (deficits)						
Revaluation surplus	1,322.7	0.8	1,109.4	0.6	921.8	0.5
Hedging reserve	(42.2)	(0.0)	(8.4)	(0.0)	(37.4)	(0.0)
Currency translation differences	(1,971.9)	(1.1)	2,499.8	1.3	955.5	0.5
Excess of cost over book value of acquired subsidiaries	(3,295.0)	(1.9)	(3,295.0)	(1.7)	(3,290.7)	(1.7)
Differences arising from common control transactions	(1,235.6)	(0.7)	(1,235.6)	(0.7)	(1,235.6)	(0.6)
Retained earnings						
Appropriated						
Legal reserve	1,739.5	1.0	1,832.7	1.0	1,834.7	0.9
Unappropriated	25,131.0	14.6	25,013.6	13.2	24,869.8	12.7
Equity attributable to shareholders	56,237.4	32.6	60,505.5	32.0	58,607.0	30.0
Subordinated perpetual debentures	-	-	-	-	14,874.1	7.6
Equity attributable to equity holders	56,237.4	32.6	60,505.5	32.0	73,481.0	37.6
Non-controlling interests	327.3	0.2	1,062.2	0.6	2,073.7	1.1
Total equity	56,564.7	32.8	61,567.8	32.6	75,554.8	38.6
Total liabilities and equity	172,473.9	100.0	189,041.8	100.0	195,488.1	100.0

Statements of Income (Consolidated Financial Statements)

Unit: Baht million	For the year ended December 31					
	2012 Restated	%	2013	%	2014	%
Income						
Revenue from sale of goods	210,729.0	100.0	229,120.4	100.0	243,907.2	100.0
Net foreign exchange gain	751.2	0.4	267.0	0.1	375.4	0.2
Interest income	272.6	0.1	152.6	0.1	71.6	0.0
Gain on a bargain purchase	147.5	0.1	-	-	1,669.9	0.7
Impact of flooding, net	1,873.0	0.9	1,690.2	0.7	140.0	0.1
Other income	949.6	0.5	1,126.3	0.5	1,572.8	0.6
Total income	214,723.0	101.9	232,356.6	101.4	247,736.9	101.6
Expenses						
Cost of sale of goods	193,483.5	91.8	211,779.0	92.4	222,070.0	91.0
Selling and administrative expenses	11,817.9	5.6	12,772.1	5.6	16,537.0	6.8
Management benefit expenses	109.0	0.1	76.1	0.0	90.2	0.0
Impairment losses	-	-	-	-	744.1	0.3
Total expenses	205,410.4	97.5	224,627.2	98.0	239,441.3	98.2
Share of profit of jointly-controlled entities	(889.1)	(0.4)	(1,108.0)	(0.5)	(1,356.1)	(0.6)
Profit before finance costs and income tax expenses	8,423.5	4.0	6,621.4	2.9	6,939.6	2.8
Finance costs	3,447.1	1.6	3,811.0	1.7	3,554.5	1.5

	For the year ended December 31					
	2012 Restated	%	2013	%	2014	%
<i>Unit: Baht million</i>						
Profit before income tax expenses	4,976.3	2.4	2,810.5	1.2	3,385.0	1.4
Income tax expense	2,071.8	1.0	1,293.9	0.6	1,614.5	0.7
Profit for the year	2,904.5	1.4	1,516.6	0.7	1,770.6	0.7
Attributable to:						
Owners of the Company	2,740.1	7.8	1,325.9	2.0	1,485.4	1.9
Non-controlling interests	164.4	0.5	190.7	0.3	285.2	0.4
Profit for the year	2,904.5	8.3	1,516.6	2.3	1,770.6	2.3
Earnings per share (in Baht)	0.57		0.28		0.28	

Cash Flow Statement (Consolidated Financial Statements)

	For the year ended December 31		
	2012 Restated	2013	2014
<i>Unit: Baht million</i>			
Cash flows from operation activities			
Profit for the year	2,904.5	1,516.6	1,770.6
<i>Adjustment for</i>			
Depreciation	6,061.1	6,351.1	7,309.2
Amortisation of intangible assets and other assets	658.0	700.5	790.2
Interest income	(272.6)	(152.6)	(71.6)
Gain on bargain purchase	(147.5)	-	(1,669.9)
Gain on previously held interest in a jointly-controlled entity	-	(86.9)	-
Share of loss of jointly-controlled entities, net	889.1	1,108.0	1,356.1
Finance costs	3,447.1	3,811.0	3,554.5
Unrealised foreign exchange (gain) loss	(139.3)	151.4	222.8
Provision for bad and doubtful debts expenses, net	11.0	14.4	(7.5)
Provision for inventory obsolescence, net	5.6	69.9	169.8
Provision for impairment for inventory and machinery	0.2	18.2	597.4
Provision for impairment on equity-accounted investment	-	-	146.7
Employee benefits expense	164.1	193.5	123.5
Gain on sale of flood damaged inventory and property, plant and equipment as a result of scrap sales	(113.8)	-	-
(Gain) loss on disposal of property, plant and equipment, net	(5.0)	6.8	64.5
Write-off of property, plant and equipment	14.4	0.1	-
Gain on disposal of investment in other equity security	(2.5)	-	-
Income tax expense	2,071.8	1,293.9	1,614.5
	15,546.2	14,995.9	15,970.7
<i>Changes in operating assets and liabilities</i>			
Trade accounts receivable	1,077.8	(2,753.2)	5,328.7
Inventories	(1,386.0)	(2,438.4)	1,945.6
Other current assets	(226.3)	(1,206.6)	(272.4)
Other non-current assets	(46.4)	157.1	(244.3)
Trade accounts payable	1,793.5	2,724.3	659.7

	For the year ended December 31		
	2012 Restated	2013	2014
<i>Unit: Baht million</i>			
Other current liabilities	(365.2)	(195.8)	(485.3)
Other non-current liabilities	(145.1)	(121.7)	(52.4)
Employee benefits obligation	(104.5)	(200.6)	(169.7)
Income taxes paid	(640.6)	(496.5)	(259.1)
Net cash from (used in) operating activities	15,503.4	10,464.4	22,421.5
Cash flows from investing activities			
Interest received	309.4	188.1	42.0
Proceeds from sale of flood damaged inventory and property, plant and equipment as a result of scrap sales	113.8	-	-
Purchase of property, plant and equipment	(10,871.2)	(6,800.1)	(8,434.4)
Proceeds from sale of property, plant and equipment	29.9	9.9	89.3
Purchase of other investments, net	5,355.5	(28.9)	(4,845.7)
Sale of investment in other equity securities	2.5	-	-
Purchase of intangible assets	(7.0)	(44.6)	(93.2)
Net cash outflow on acquisitions of businesses	(30,891.4)	(288.0)	(3,611.2)
Net cash inflow on previously held interest in jointly-controlled entity	-	351.3	-
Net cash outflow on additional investments in subsidiaries and jointly-controlled entities	(413.8)	(103.9)	(316.8)
Advance payment on additional investment in jointly-controlled entity	-	-	(437.8)
Other advance payments	-	(85.3)	(915.5)
Net cash from (used in) investing activities	(36,372.3)	(6,801.4)	(18,523.5)
Cash flow from financing activities			
Interest paid	(3,151.6)	(3,839.1)	(3,479.9)
Deferred financing cost paid	(183.0)	(271.1)	(40.2)
Dividends paid to owners of the Company	(3,273.7)	(1,540.6)	(1,587.8)
Dividends paid to non-controlling interests	(16.9)	(85.6)	(65.7)
Proceeds from short and long-term borrowings	22,349.4	29,289.2	4,093.7
Repayment of short and long-term borrowings	(16,580.3)	(29,566.1)	(19,944.3)
Repayment of finance leases	(20.1)	(44.7)	(9.1)
Proceeds from issue of debenture, net of debenture issuance costs	14,148.0	2,162.3	3,691.7
Proceed from issue of subordinated perpetual debentures, net of issuance costs	-	-	14,874.1
Loans to a jointly-controlled entities	(60.1)	(32.4)	(97.4)
Net cash from (used in) financing activities	13,211.7	(3,928.0)	(2,564.9)
Net increases (decreases) in cash and cash equivalents	(7,657.1)	(265.0)	1,333.1
Cash and cash equivalents at beginning of year	12,036.2	4,374.2	4,114.3
Effect of exchange rate changes on balances held in foreign currencies	(5.0)	5.2	(27.9)
Cash and cash equivalents at end of year	4,374.2	4,114.3	5,419.6

Key Financial Ratio

		For the year ended December 31		
		2012 Restated	2013	2014
Liquidity Ratio				
Current ratio	times	1.3	1.3	1.5
Quick ratio	times	0.6	0.6	0.8
Cash from operating ratio	times	0.3	0.2	0.4
Receivable turnover ratio	times	8.4	8.4	8.8
Collection days	days	43.1	43.1	40.9
Inventory turnover ratio	times	8.2	7.8	7.5
Average number of days sales	days	43.8	45.9	47.7
Account payable turnover ratio	times	9.6	8.8	8.3
Payment days	days	37.5	40.8	43.3
Cash cycle	days	49.4	48.2	45.3
Profitability Ratio				
Gross profit margin	%	8.2	7.6	9.0
Operating profit margin	%	2.6	2.0	2.2
Non-operating profit margin	%	1.8	1.4	1.2
Net profit margin	%	1.4	0.7	0.7
Return of equity (ROE)	%	4.8	2.3	2.5
Efficiency Ratio				
Return on asset (ROA)	%	1.8	0.8	0.9
Return on fixed asset	%	3.6	1.7	0.1
Asset turnover	times	1.3	1.3	1.3
Financial Policy Ratio				
Debt to equity	times	2.0	2.1	1.6
Interest bearing debt to equity	times	1.4	1.4	1.0
Net interest bearing debt to equity	times	1.3	1.3	0.8
Interest coverage ratio (on Net Cash provided by operating activities)	times	4.5	2.7	6.3
Interest coverage ratio (on EBITDA)	times	4.2	3.7	4.5

14. Management Discussion and Analysis (MD&A)

The following MD&A should be read in conjunction with our consolidated financial statements. It includes forward-looking statements reflecting our current views with respect to future events and future performance. Thus, a number of factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as described in our Risk Factors and statements appearing elsewhere.

Executive Summary

- Recent fall in crude oil and natural gas prices are, overall, positive for the company
 - a) Any increase in consumer disposable income stimulates better demand growth
 - b) FMCG companies enjoy lower input costs and potentially drive better substitution demand growth in plastic packaging products
- However 4Q14 saw lower sales occurring due to de-stocking as a result of lower absolute prices. We expect better sales in 2015 as re-stocking occurs.
- There was a onetime mark-to-market impact resulting in non-cash inventory losses of THB 2.4 billion in 4Q14. These losses should be recovered over time as the crude oil environment normalizes gradually, in our view, to US\$80 over the next few years. In the interim, the Company gains from lower working capital needs based on lower absolute prices leading to a release of cash, which we saw begin to occur in 4Q14. We expect further cash inflows due to lower working capital requirements in 1Q15.
- The drop in absolute prices has not impacted our core margins; on the contrary, it has led to the short term expansion of our margin in our necessities businesses due to a lag impact on product prices (necessities are the core businesses that are basic necessities like resins for food and drink packaging and fibers for apparel and home furnishings).
- IVL achieved a cash flow from operations of THB 22.4 billion (US\$ 690 million) in 2014.
- A landmark placement of THB 15 billion IVL Perpetual Debentures on October 31, 2014 improved our financial gearing significantly as net debt to equity decreased to 0.83 times as of December 31, 2014.

Financial Summary - Core Financials of Consolidated IVL

THB in Millions	2014	2013	YoY%
Total production (in'000 tons)	6,249	5,804	8%
⁽¹⁾ Consolidated Sales	243,907	229,120	6%
PET	145,121	146,418	(1)%
Fibers & Yarns	70,274	47,968	47%
Feedstock	64,477	70,391	(8)%
⁽²⁾Core EBITDA	19,481	14,966	30%
PET	9,275	7,636	21%
Fibers & Yarns	4,108	2,910	41%
Feedstock	6,296	4,456	41%
Depreciation	(8,099)	(7,051)	15%
Core EBIT	11,382	7,915	44%
Net Interest	(3,481)	(3,627)	(4)%
Core Profit before tax	7,902	4,287	84%
Current tax income/(expense)	(451)	(302)	49%
Deferred tax (expense)	(1,163)	(991)	17%
Core Profit before JV and NCI	6,287	2,994	110%
Joint Ventures (JV) Income /(Loss)	(937)	(741)	(26)%
NCI (Non-Controlling Interests)	(285)	(191)	50%
Core Net Profit	5,065	2,062	146%
⁽³⁾CAPEX and investment	13,726	6,971	97%
Net Operating Debt	58,013	72,991	(21)%
Net Working Capital Assets (NWC)	26,492	31,093	(15)%
NWC/ Net Operating Debt (%)	46%	43%	
⁽⁴⁾Total Equity	75,555	61,568	23%
Net Operating Debt to Equity	0.77	1.19	(35)%
Net Operating Core ROCE (before JV's)	9%	6%	44%

Note ⁽¹⁾ Consolidated financials are based upon elimination of intra-company (or intra business segment) transactions

⁽²⁾ Core EBITDA is Consolidated EBITDA less Inventory gain/ (loss)

2014 Core EBITDA includes a LOP (loss of profit) Lopburi flooding insurance claim of THB 140 MM

2013 Core EBITDA includes a LOP Lopburi flooding insurance claim of THB 899 MM

⁽³⁾ CAPEX and investment (including net proceeds from sales of PPE and investments) are on a cash basis as per cash flow statement

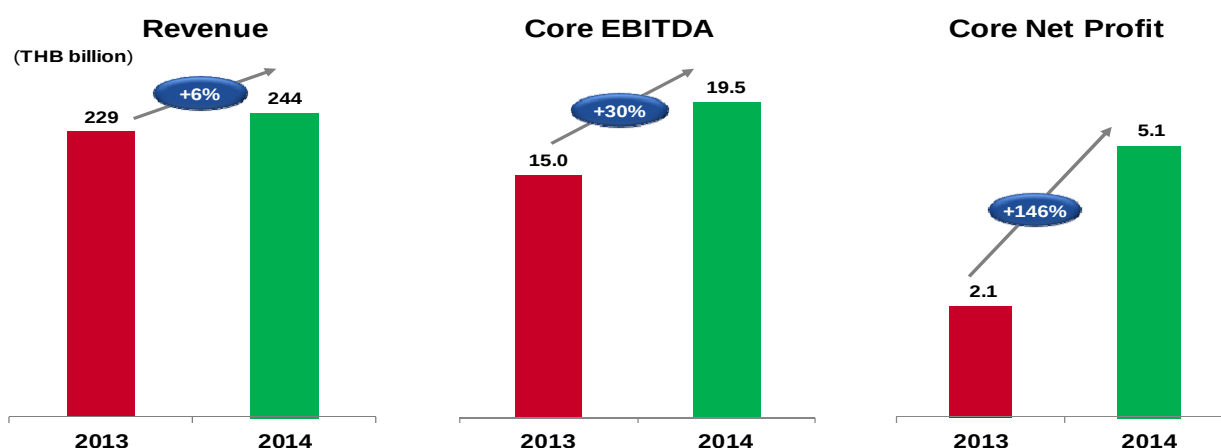
⁽⁴⁾ Includes Subordinated Perpetual Debentures valued at THB 14,874 million as on December 31, 2014

Key financial highlights for the year ended December 31, 2014:

We saw a higher utilization of PET assets, assisted by the debottleneck of our Poland PET plant; the startup of our new state-of-the-art Greenfield Polyester Fibers & Yarns plant in Indonesia; the acquisition of PHP Fibers in Germany; the acquisition of Adana PET in Turkey; a full year's run of Trevira Fibers & Yarns after it was fully-consolidated in 4Q13 and higher utilization of EOEG assets following a catalyst change in 2013. All of these events led to **an increase in production to 6.2 million tons in 2014, compared to 5.8 million tons in 2013, a growth of 8% Year-on-Year (YoY)**. This was despite lower run rates for our PTA assets following planned turnarounds in 4Q14 and some lower PET volumes due to a *force majeure* (FM) declared by our major PTA supplier in North America in 2H14. However, the loss due to FM is covered by our loss of profit insurance policy. Our PTA supplies have been mostly regularized by the supplier as of the beginning of 2015.

Though production grew by 8% YoY, **consolidated revenues grew 6% YoY to THB 244 billion** due to a significant fall in absolute prices in 4Q14 following the downward crude price trend.

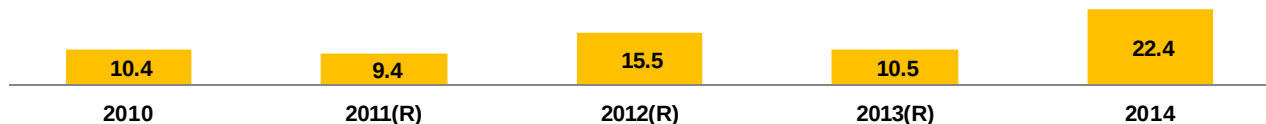
As a result of improved HVA portfolio in the Fibers & Yarns business, and lower costs due to operational excellence measures, **Core EBITDA per ton improved from US\$ 84/t in 2013 to US\$ 96/t in 2014**. With the increase in production output, **Core EBITDA grew 30% over 2013, to THB 19.5 billion in 2014**, leading to a **Core Net Profit of THB 5.1 billion in 2014, against THB 2.1 billion 2013, or an increase of 146% YoY**.



With this increase in EBITDA coupled with the release of cash flow due to lower working capital requirements **Operating Cash Flow (OCF) climbed to THB 22.4 billion (USD 690 million) in 2014, an increase of 114% over 2013**.

Operating Cash Flow (OCF)

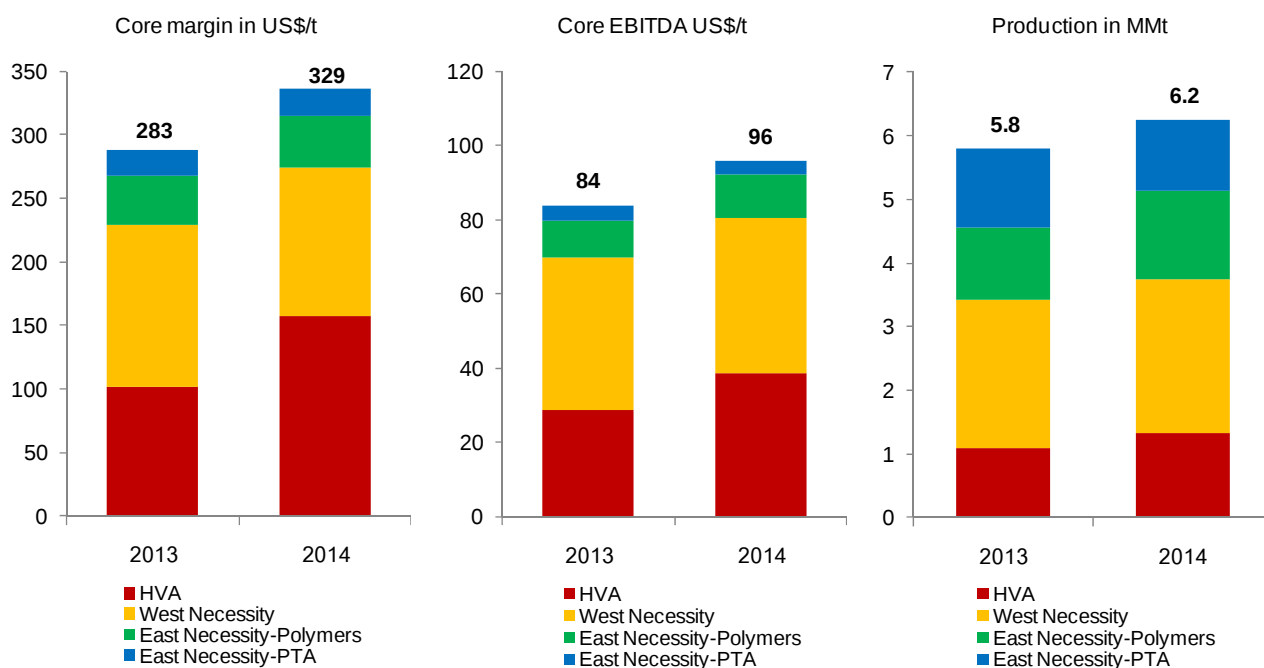
(THB billion)



Note: Periods with "(R)" are restated numbers as per change from prior year financial statements

Our core blended margin increased 16% to USD 329 per ton in 2014 over the same period last year and HVA volumes have increased from 1.08 MMT in 2013 to 1.32 MMT in 2014, an increase of 23% YoY.

Reaping benefits from HVA portfolio developed over last 3 years



Joint Ventures

THB in Millions	2014	2013	YoY%
Joint Ventures (JV) Income /(Loss)	(937)	(741)	(26)%
*Ottana – Mothballed in 2014	(374)	(485)	23%
Polyprima – Retrofit projects ongoing to benefit from 4Q15	(593)	(362)	(64)%
Trevira – Started consolidation since 4Q13	-	77	-
Others (PHP China, FiberVisions JVs)	30	29	5%

*Excludes loss on impairment of assets recorded in 2014

We expect a reduction in equity losses from Joint Ventures in 2015 as residual investment left for the impairment of our mothballed Ottana, Italy, plant is THB 80 million (US\$ 2.4million) as of 31st December 2014 which is equal to the residual net assets left at the site. With various retrofit and cost optimization projects at our Indonesian PTA plant, Polyprima, we are expecting an improvement in its performance from end of 2015.

Effective Tax Rates

THB in Millions	2014	2013	YoY%
Core Profit before tax	7,902	4,287	84%
Add: Inventory gain/(loss)	(3,522)	(928)	(279)%
Profit before tax, JV and extraordinaries	4,380	3,359	30%
Current tax	(451)	(302)	
Effective Current tax %	10%	9%	
Deferred tax	(1,163)	(991)	
Effective Deferred tax %	27%	30%	
Total tax	(1,614)	(1,294)	
Effective Total tax %	37%	39%	

Effective tax rates above are as per management calculation which may differ with the FS

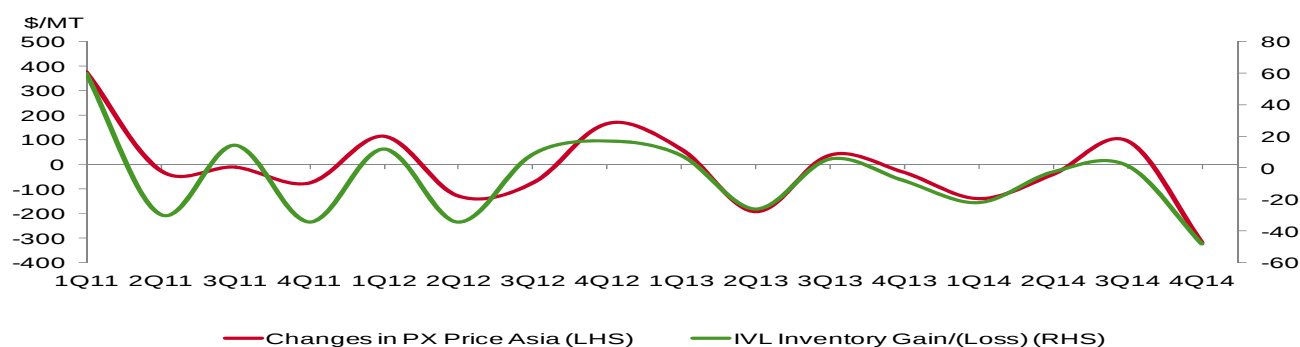
Effective current tax rates continue to remain healthy in 2014 primarily due to our global presence, planning and capex/investments. With the completion of US and Europe corporate reorganization and formation of Regional Operating HQ (ROH) in Thailand, we expect to have full year impact of these initiatives in 2015.

Reported Net Profit and Non-Operational/Extraordinary Items reconciliation

THB in Millions	2014	2013	YoY%
Core Net Profit	5,065	2,062	146%
Add: Inventory gain/(loss)	(3,522)	(928)	(279)%
Net profit, before extraordinary items	1,543	1,134	36%
Add: Non-Operational/Extraordinary income/(expense)	(58)	192	
Acquisition cost & pre-operative expense	(126)	32	
Gain on Bargain Purchases and Impairments (Net)	506	(299)	
Insurance Claims (Lopburi flood assets related claim)	-	791	
Other Extraordinary Income/(Expense)	(438)	(332)	32%
= Net profit after tax and NCI	1,485	1,326	12%

Gain on bargain purchase needs to be accounted for on completion of any acquisition following Thai Accounting Standards

Due to the continuous and significant fall in crude oil prices in 2H14, IVL incurred an accounting inventory loss of THB 2.39 billion in 4Q14 and THB 3.52 billion for the full year of 2014. These mark-to-market inventory gains or losses are driven by upstream feedstock factors and have a very strong correlation to the price movement of our key raw materials (refer to the graph below).



Source: Industry and IVL data

The Company incurred some extraordinary expenses on the acquisition of Indorama Ventures Adana PET in Turkey, PHP Fibers in Germany and others, as well as accompanying income from *gains on bargain purchase* booked. Together with the reorganization of our US assets and impairment of our Workington and Ottana assets, IVL booked a net extraordinary expense of THB 58 million in 2014.

After adjusting inventory losses and extraordinary expenses to our core net profit, IVL achieved a **net profit of THB 1.49 billion in 2014 as against THB 1.33 billion in 2013, an increase of 12% YoY.**

Core EPS and Reported EPS

Earnings Per Share (EPS) in Baht*	2014	2013	YoY%
Core EPS	1.02	0.43	139%
Add: Inventory gain/(loss)	(0.73)	(0.19)	(279)%
Add: Extraordinary income/(expense)	(0.01)	0.04	
= Reported EPS	0.28	0.28	1%

*Includes Interest on Perpetual Debentures

Important Developments in 2014:

In our full year 2013 MD&A, we gave our outlook for 2014 based on volumes, costs, margins and acquisition opportunities. We are happy to see IVL has achieved most of what it forecast and has delivered on expectations set at the beginning of 2014.

- Increased volumes:** As expected, we achieved higher production volumes from our Oxide & Glycols (EO/EG) site; enhanced operating rates at our IVL Guangdong PET plant; commercial production from our new polyester fibers plant Polychem (CP4) in Indonesia and better utilization of other assets. PET volumes lost due to the mothballing of Indorama Polymers Workington in the UK have been compensated for by higher run rates at other locations without loss of market share (for instance, the Poland site debottleneck).
- Operational excellence** initiatives helped to lower our costs, including gains from the abovementioned debottleneck of our Poland site. This also includes the establishment of a **Regional operating HQ (ROH) in Thailand** to optimize on synergies, operational improvements and to save costs. Completions of corporate restructuring in both the USA and Europe have significantly enhanced operational efficiencies.
- The HVA portfolio** has expanded with the acquisition of PHP Fibers in 2Q14.
- Recycled product** volumes have grown and our recycling capability has been extended to our Mexican operations also. Thailand's bottle to flakes plant started up in 2014.
- The startup of operations in the Philippines market** in 2014 by our packaging segment has enhanced our relationship with brand owners.
- Mergers & Acquisitions:**
 - The abovementioned PHP Fibers acquisition (formerly referred to in other public documents by its code name Project Panda) was completed in 2Q14** by acquiring 80 percent equity of **PHP Fibers GmbH** and has significantly enhanced the Company's HVA portfolio, adding high-performance automotive and industrial products. We now have a leadership position in the **AIRBAG** and **TIRE CORD** industry segments in Europe that add significant value to IVL. This acquisition delivered cash flow and net profit to IVL in 2014.

- b) **The acquisition of Adana PET (formerly referred to as Project Thor) in Turkey was completed in 2Q14** by acquiring 100 percent equity of the company and has given a maiden entry in Turkish high growth PET market. This acquisition has delivered cash flow and net profit to IVL in 2014.
- c) **Polyplex in Turkey (referred to in previous documents as Project Poseidon, and later Project Aurelius) was announced in December 2014 and was completed 1Q15***. This acquisition will expand IVL foothold in Turkey as the leading producer of PET in high growth Turkish market.
- d) **SASA (formerly referred to as Project Silk) was withdrawn to maintain value discipline and expected return on capital.** This was replaced by the announcement of Project Chip (a new addition, see next).
- e) **Performance Fibers (formerly referred to as Project Chip) was announced as an acquisition in January 2015 and expected to be completed in 1Q15***. This acquisition is expected to significantly enhance the Company's HVA portfolio by adding high-performance automotive Polyester Fabric and Yarns in China serving the automotive safety sector globally. We expect significant synergies with our PET plant at Guangdong IVL in China through the supply of Polyester chips to Performance Fibers. A similar synergy exists currently with Trevira in Germany supplying chips to nearby PHP Fibers.

**Not included in 2014 list of operations.*

Other developments in 2014:

7. **Completed issuance of two sets of free convertible warrants into the ordinary shares of the company when exercised.** IVL-W1 (ratio of 10 shares to one warrant) and IVL-W2 (13 shares to one warrant) were issued free of cost to existing shareholders as rights, at the exercise price of THB 36 and 43 per share respectively. IVL-W1 expires in 2017 and IVL-W2 expires in 2018. The primary objective of both is to raise long term capital for potential Greenfield projects to integrate us vertically further into upstream raw materials.

8. **Completed issuance of Perpetual Debentures of Baht 15 Billion**, the largest ever Corporate Perpetual Debentures in Thailand in 4Q14. The primary objective of this issuance was to prepare the balance sheet for potential growth opportunities in our core business.

Outlook 2015

On the back of a weak global macro environment in 2014, which continues to persist in 2015, we are confident about our continuing business in the necessity and HVA product segments.

1. **Increased volumes:** Expect higher production volumes from first full-year run of Poland PET post debottleneck in 2014; first full year run of acquired PHP Fibers and Adana PET; higher utilization at 'state-of-the-art' polyester fibers plant Polychem (CP4) in Indonesia, higher volumes in PTA post planned turnarounds in 2014, completion of announced acquisition of Performance Fibers in China, completion of announced acquisition of Polyplex PET in Turkey, and better utilization of other assets which is **estimated to add around 12% higher production in 2015 over 2014**. A capacity growth from 7.5 MMT in 2014 to 7.8 MMT in 2015 (mainly from the completion of two announced M&A opportunities, Polyplex and Performance Fibers).
2. **Industry demand:** With higher disposable income with consumers due to lower crude oil and natural gas prices we expect better demand for our products and also higher substitution demand over competing materials in fibers and packaging.
3. **Lower cost:** Operational excellence measures to continue to keep costs lower. Expecting lower logistics and other conversion costs due to expected lower crude oil & gas prices in 2015. Weakening currencies in Indonesia, Mexico, Turkey, Poland and Euro is expected to lower the conversion costs in US Dollar terms as business spreads are mainly linked to US Dollars.
4. **The HVA portfolio** is expected to expand mainly with the acquisition of Performance Fibers in China and debottlenecks of Fibervisions in USA as well as full year operations of a bicomponent line in Suzhou, China.
5. **Completion of 330kt pa Brownfield expansion of our PTA plant at Rotterdam expected in 4Q15.** Additional output of PTA to replace the current purchase of PTA in Europe in 2016.
6. **Mergers & Acquisitions:**
Our current M&A targets, codenamed **Project Lion 1, Project Lion 2, Project Boston and Project Swift** are being actively pursued and expected to be completed in 2015. Most of these expected acquisitions are either in the West in necessities or HVA areas where we see better industry consolidation and discipline. If announced, these would potentially need over a billion US Dollars of new investments in 2015 (over and above the announced investments and ongoing projects). Targeted acquisitions are expected to add around 1.6 MMT of new capacity which can increase the total capacity from 7.8 MMT to 9.4 MMT (a growth of ~26% over 7.5 MMT in 2014).
7. **Joint Ventures (JV):** Polyprima (a JV in Indonesia with 43% equity stake) is conducting retrofit projects, including a captive power plant to reduce operating costs and is expected to start benefitting from the fourth quarter of 2015 onwards.
8. **Industry Margins or Spreads (i.e. selling price minus raw material cost):**
 - a. PET: Last five-year simple average industry margins in Asia were at 140\$/t (2014E: 142\$/t) and in the West was 268\$/t (2014E 248\$/t). IVL enjoys a higher margin due to its scale, HVA products and regional manufacturing, which lower our blended logistics costs. Our growth plans are assuming margins to remain at its 2014 level.

- b. PTA: Last five-year simple average industry margin of Asia is 163\$/t (2014E: 87\$/t). We expect some improvements over 2014 subject to:
 - i) Favorable PX pricing as it has entered into an oversupply situation for the next few years
 - ii) Better producer discipline in China and a PX plus fixed spread pricing mechanism
 - iii) Rationalization of high cost PTA plants in Taiwan, South Korea, Japan, China and others.
- c. MEG and PEO: MEG and PEO simple average margin in North America in 2014E remained at 503\$/t. With tight supplies of PEO and improving outlook on MEG we expect marginal improvement over 2014.
- d. HVA: With a change in product mix due to the addition of Performance Fibers in China as well full-year PHP fiber consolidation, combined with lower raw material prices, we expect some margin improvement in 2015.

Business Strategy

IVL continues to look at both organic and inorganic growth opportunities in its core business. We have a capex plan to invest around US\$ 1.9 billion on growth and US\$ 0.3 billion on maintenance from 2015-2018 (total US\$ 2.2 billion) funded through cash flow from operations, debts and recently issued perpetual debentures. IVL targets to maintain a net debt to equity ratio of around 1.0 time in the long term. As on December 2014, this stands at 0.83 times. IVL businesses have a track record of strong cash flows since the majority of sales are to the consumer necessities sector.

Annual expected capex guidance 2015-2018 is as follows:

Total Capex 2015-2018: US\$ 2.2 billion (Growth: US\$ 1.9 billion and maintenance US\$ 0.3 billion)

Committed capex 2015-2018: US\$ 1.1 billion (2015: ~US\$ 0.6 billion)

Actively pursued 2015-2018: US\$ 1.1 billion (2015: ~US\$ 0.9 billion)

2015: US\$ 1.5 billion mainly on M&A, ongoing Brownfield, debottleneck projects and maintenance capex.

2016: US\$ 0.4 billion mainly on M&A/JV, debottleneck projects and maintenance capex.

2017: US\$ 0.2 billion mainly on M&A/JV, debottleneck projects and maintenance capex.

2018: US\$ 0.1 billion mainly on debottlenecking projects and maintenance capex.

Longer term projects like a potential Paraxylene JV in Abu Dhabi and participation in a world scale gas cracker in the USA with downstream MEG are under review and will only be initiated once the crude oil environment normalizes and the Company has better visibility on the exercise of warrants due to expire in 2017 and 2018.

Business Segments

PET

The PET segment represented 50% of IVL production and 48% of IVL Core EBITDA in 2014.

Primarily driven by increased utilizations, the Poland site debottleneck and the completion of the acquisition of Adana PET, Turkey in 2Q14, the PET segment saw production increase from 2.9 MMT in 2013 to 3.1 MMT in 2014, a growth of 7% YoY. This growth in production was achieved despite lower production in 2H14 caused by a *force majeure* declared by BP in North America which disrupted the supplies of PTA, a major raw material for PET. However this loss is covered under the loss of profit insurance policy taken by the company as per its terms. The supplies of PTA had largely been regularized by the supplier by the beginning of 2015.

Cost optimization projects and the debottlenecking of our Poland site led to a lower cost per tonne in this segment. Furthermore, with the increase of the proportion of HVA production growing from 10% of total PET production in 2013 to 14% of total PET production in 2014, led to an improvement in Core EBITDA per ton to US\$92/t in 2014 from US\$ 86/t in 2013.

With an increase in production and improved Core EBITDA/tonne, the PET segment achieved a Core EBITDA of US\$286M in 2014 against US\$ 248M 2013, or growth of 15% YoY.

Fibers and Yarns (F&Y)

F&Y segment represented 18% of IVL production and 21% of IVL Core EBITDA in 2014.

Our F&Y segment saw production increase from 0.91 MMT in 2013 to 1.15 MMT in 2014, a growth of 26% YoY. This is primarily driven by the startup of our state-of-the-art polyester fibers plant, Polychem (CP4) in Indonesia and the acquisition of PHP Fibers in 2Q14. Utilization rates were lower in 2014 over 2013 despite increases in absolute production. This was mainly due to the gradual completion of Polychem in Indonesia throughout 2014. By 4Q14 we had achieved a utilization rate of around 90% at this location.

Enhancement of HVA products with the acquisition of PHP Fibers led to an increase in margins. Supported by cost optimization and operational excellence measures, Core EBITDA per ton increased to US\$110/t in 2014 from US\$ 104/t in 2013.

Around 60% of production of F&Y came from HVA products globally and the remaining 40% came from necessities in the East. This proportion is expected to be higher in HVA in 2015 with the completion of the acquisition of Performance Fibers in China (we expect completion in 1Q15).

With the increase in production and improved Core EBITDA/ton, the F&Y segment achieved a Core EBITDA of US\$126M in 2014 against US\$ 95M 2013, a growth of 34% YoY.

Feedstock

Our Feedstock segment represented 32% of IVL production and 32% of IVL Core EBITDA in 2014.

This segment includes Ethylene Oxide and Ethylene Glycol (EOEG) in North America, PTA in Europe and PTA in Asia.

This segment saw flat production YoY and achieved 2.0 MMT production in both 2013 and 2014. In 2013 there was a successful planned turnaround for a Catalyst change at EOEG in North America and had lower production in EOEG in North America, whereas in 2014 PTA assets in Asia and Europe took planned turnarounds in the fourth quarter, which led to lower PTA production in that quarter and the whole of 2014. However, in 2015 both EOEG and PTA are expected to run at their optimum capacity and deliver higher production over 2014, as their next maintenance turnarounds are due in 2016.

The strong PEO margins seen in 2014 over 2013 and cost optimization measures at PTA sites led to an improvement in Core EBITDA per ton to US\$97/t in 2014 from US\$ 73/t in 2013.

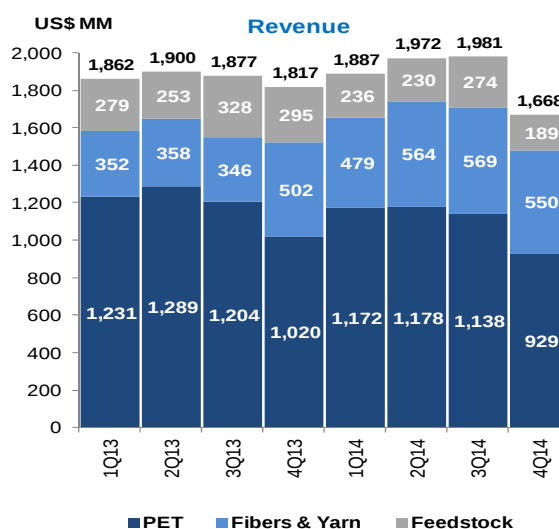
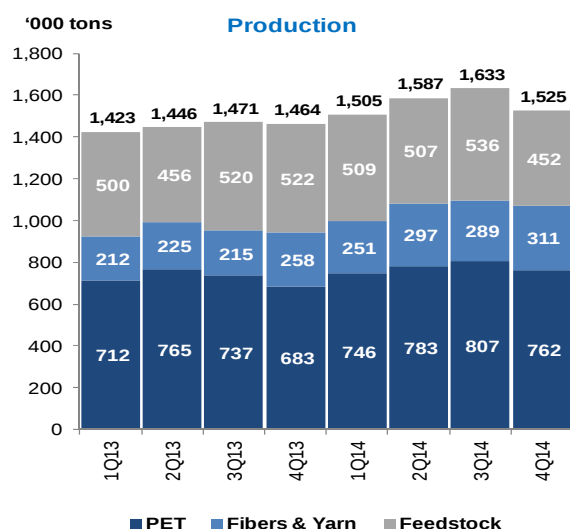
This segment considers PEO as its HVA product. 10% of production of the feedstock segment in 2014 saw contribution from HVA and 90% from necessities, which are MEG and PTA.

With improved Core EBITDA/ton and higher volumes in EOEG products, this segment achieved a Core EBITDA of US\$194M in 2014 against US\$ 145M 2013, a growth of 34% YoY.

PEO is expected to remain tight in 2015 and this segment should benefit from this tightness in the market. Similarly MEG is also expected to benefit from lower ethylene and natural gas prices in North America and tight supply globally.

For the PTA margin outlook please refer to our Outlook 2015 section.

Business Segments-Production Volume and Revenue



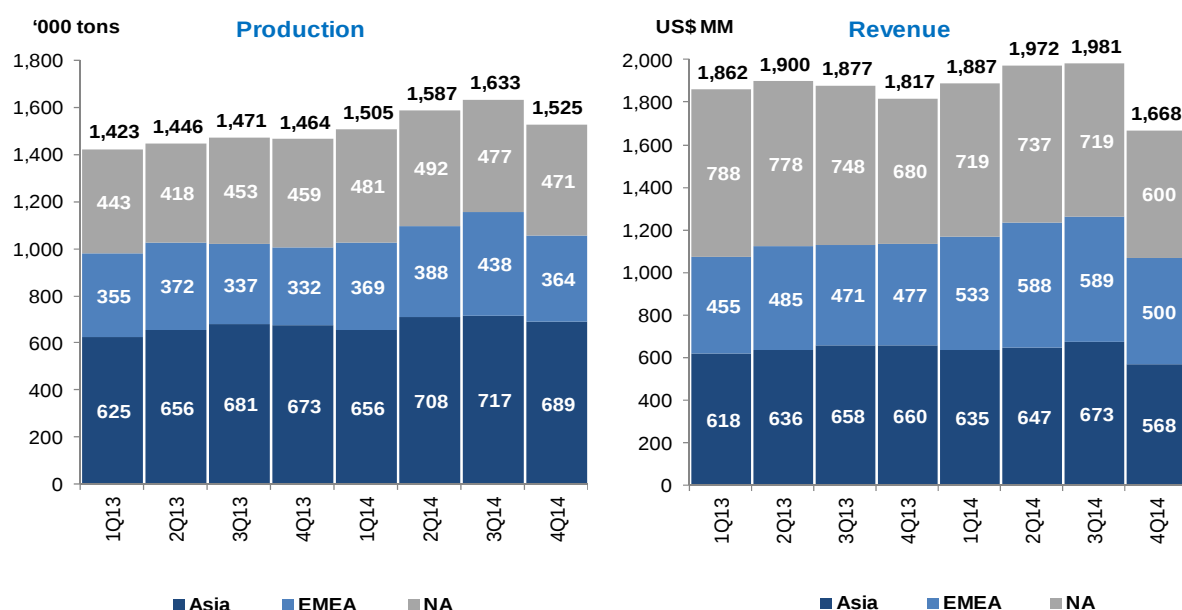
Business Segments-Key Financial Data (YoY)

	THB in Millions			US\$ in Millions		
	2014	2013	YoY%	2014	2013	YoY%
Core EBITDA/ton (THB/t , US\$/t)	3,117	2,579	21%	96	84	14%
PET	2,994	2,636	14%	92	86	8%
Fibers and Yarns	3,579	3,200	12%	110	104	6%
Feedstock	3,142	2,231	41%	97	73	33%
Core EBITDA	19,481	14,966	30%	600	487	23%
PET	9,275	7,636	21%	286	248	15%
Fibers and Yarns	4,108	2,910	41%	126	95	34%
Feedstock	6,296	4,456	41%	194	145	34%
Consolidated EBITDA	15,959	14,038	14%	491	457	8%
PET	7,036	6,899	2%	217	225	(3)%
Fibers and Yarns	3,522	2,905	21%	108	95	15%
Feedstock	5,599	4,269	31%	172	139	24%

Notes: Since 1Q14, IVL has changed the quantity calculation methodology for Polyester Fibers & Yarns and included Packaging business quantities in PET. The impacts of these changes are not material.

2014 EBITDA includes LOP Lopburi flooding insurance claim of THB 140 million in PET.

2013 EBITDA includes LOP Lopburi flooding insurance claim of THB 506 million in PET and THB 393 million in Fibers and Yarns.

Operating Regions
Operating Regions-Production Volume and Revenue


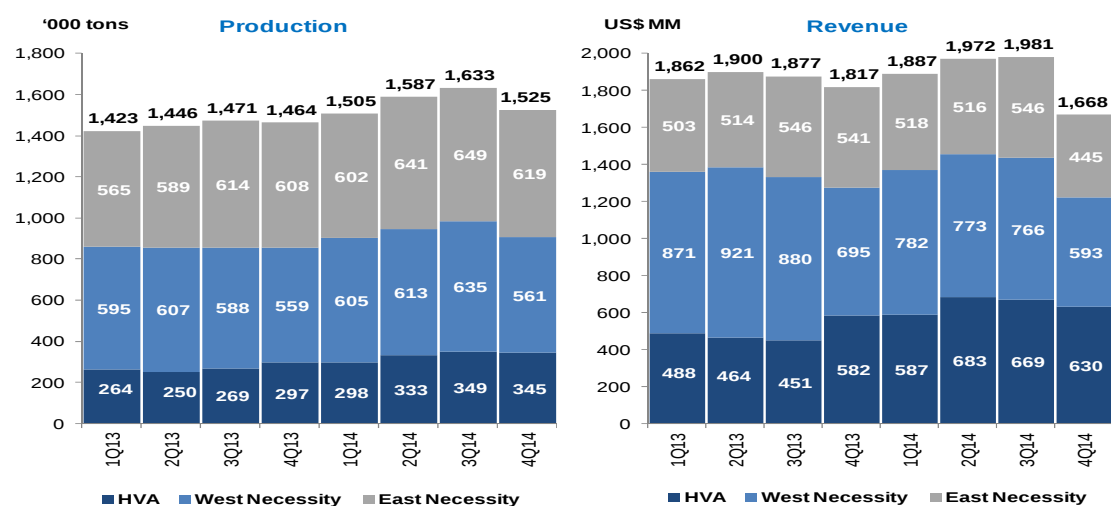
Operating Regions-Key Financial Data (YoY)

	THB in Millions			US\$ in Millions		
	2014	2013	YoY%	2014	2013	YoY%
Core EBITDA/tonne (THB/t , US\$/t)	3,117	2,579	21%	96	84	14%
Asia	1,784	1,592	12%	55	52	6%
⁽¹⁾ EMEA	3,046	1,685	81%	94	55	71%
North America	5,098	4,749	7%	157	155	2%
Core EBITDA	19,481	14,966	30%	600	487	23%
Asia	4,940	4,194	18%	152	136	11%
⁽¹⁾ EMEA	4,750	2,353	102%	146	77	91%
North America	9,792	8,419	16%	301	274	10%
Consolidated EBITDA	15,959	14,038	14%	491	457	8%
Asia	3,549	3,946	(10)%	109	128	(15)%
⁽¹⁾ EMEA	3,859	1,832	111%	119	60	99%
North America	8,551	8,259	4%	263	269	(2)%

Note ⁽¹⁾ EMEA includes Europe, Middle East and Africa,

2014 EBITDA includes LOP Lopburi flooding insurance claim of THB 140 million in Asia.

2013 EBITDA includes LOP Lopburi flooding insurance claim of THB 899 million in Asia.

Diversified Portfolio
Product Type-Production Volume and Revenue


Product Type - Key Financial Data (YoY)

	THB in Millions			US\$ in Millions		
	2014	2013	YoY%	2014	2013	YoY%
Core EBITDA/tone (THB/t , US\$/t)	3,117	2,579	21%	96	84	14%
HVA	5,888	4,747	24%	181	154	17%
West Necessity	3,544	3,120	14%	109	102	7%
East Necessity	1,245	1,057	18%	38	34	11%
Core EBITDA	19,481	14,966	30%	600	487	23%
HVA	7,801	5,125	52%	240	167	44%
West Necessity	8,554	7,329	17%	263	238	10%
East Necessity	3,126	2,512	24%	96	82	18%
Consolidated EBITDA	15,959	14,038	14%	491	457	8%
HVA	7,449	5,154	45%	229	168	37%
West Necessity	6,762	6,619	2%	208	215	(3)%
East Necessity	1,749	2,264	(23)%	54	74	(27)%

Note: 2014 EBITDA includes LOP Lopburi flooding insurance claim of THB 140 million in HVA.

2013 EBITDA includes LOP Lopburi flooding insurance claim of THB 446 million in Asia Necessity and THB 453 million in HVA.

Accounting Policy

The accounting policies are adopted and applied consistently to all the periods. For more information on key accounting policies please refer to note number 3 and 39 of our full year 2014 audited financial statements.

Performance Comparison

Revenue from sale of goods

Baht in Millions	FY 2014	FY 2013	Change (%)
Revenue from sale of goods	243,907.0	229,120.4	6.5%
Add: Eliminations	35,964.5	35,656.5	
Adjusted revenue from sale of goods	279,871.5	264,776.9	5.7%
PET	145,120.7	146,417.7	(0.9)%
Fibers & Yarns	70,274.0	47,967.8	46.5%
Feedstock	64,476.8	70,391.4	(8.4)%

Sales revenue for the year ended 2014 was Baht 243,907.0 million, an increase of 6.5% from 2013. Sales revenue increased in the Fiber & Yarns segment whereas it dropped in the PET and Feedstock segments.

PET Revenue

PET revenue for the year ended 2014 was Baht 145,120.7 million, a decrease by Baht 1,297.0 million or 0.9% from 2013, mainly driven by lower production in 2H14, caused by a *force majeure* declared by a large PTA supplier in North America which disrupted the supplies of PTA, a major raw material for PET, together with a significant fall in absolute prices in 4Q14 following the crude oil price trend.

Fibers & Yarns Revenue

Fibers & Yarns revenue for the year ended 2014 was Baht 70,274.0 million, increased by Baht 22,306.2 million or 46.5% from 2013, driven by volume growth. The volume growth of 26% from last year generally resulted from the startup of our polyester fibers plant Polychem (CP4) in Indonesia and the acquisition of PHP Fibers in 2Q14. Besides, 2014 saw the first full year of operations of Trevira which was a JV until 3Q 2013 and from October 1, 2013, has been fully consolidated due to a revision in terms with the JV partner.

Feedstock Revenue

Feedstock revenue for the year ended 2014 was Baht 64,476.8 million, a decrease of Baht 5,914.6 million or 8.4% from 2013, primarily driven by lower PTA production in 2014 due to PTA assets in Asia and Europe took planned turnarounds in 4Q14 together with significant fall in absolute prices in 4Q14 following the crude price trend.

Cost of Sale of Goods

Baht in Millions	FY 2014	FY 2013	Change (%)
Cost of sale of goods	215,711.7	205,205.4	5.1%
As a percentage of total revenues	88.4%	89.6%	
Add: Eliminations	34,923.8	35,656.5	
Adjusted cost of sales of goods	250,635.5	240,861.9	4.1%
PET	131,031.5	133,552.3	(1.9)%
As a percentage of total PET revenue	90.3%	91.2%	
Fibers & Yarns	62,048.9	43,148.3	43.8%
As a percentage of total Fibers & Yarns revenue	88.3%	90.0%	
Feedstock	57,555.1	64,161.2	(10.3)%
As a percentage of total Feedstock revenue	89.3%	91.1%	

Our cost of sales for the year ended 2014 was Baht 215,711.7 million, an increase of Baht 10,506.3 million or 5.1% from 2013 which is in line with the increase in sales revenue.

PET Cost of Sale of Goods

For the year ended 2014, PET cost of sale of goods was Baht 131,031.5 million, a decrease of Baht 2,520.8 million or 1.9% from 2013, in line with the decrease in sales revenue together with a significant fall in absolute raw material prices in 4Q14 following the crude oil price trend.

Fibers & Yarns Cost of Sale of Goods

For the year ended 2014, Fibers & Yarns cost of sale of goods were Baht 62,048.9 million, increased by Baht 18,900.6 million or 43.8% from 2013, driven by the volume growth as explained in the Revenue section above.

Feedstock Cost of Sale of Goods

For the year ended 2014, Feedstock cost of sale of goods was Baht 57,555.1 million, a decrease of Baht 6,606.1 million or 10.3% from 2013, in line with decrease in sales revenue together with a significant fall in absolute raw material prices in 4Q14 following crude oil prices.

Gross Profit

Baht in Millions	FY 2014	FY 2013	Change (%)
Gross Profit	28,195.3	23,915.0	17.9%
As a percentage of total revenues	11.6%	10.4%	
Add: Eliminations	1,040.7	-	
Adjusted gross profit	29,236.0	23,915.0	22.2%
PET	14,089.3	12,865.4	9.5%
As a percentage of total PET revenue	9.7%	8.8%	
Fibers & Yarns	8,225.0	4,819.5	70.7%
As a percentage of total Fibers & Yarns revenue	11.7%	10.0%	
Feedstock	6,921.7	6,230.2	11.1%
As a percentage of total Feedstock revenue	10.7%	8.9%	

Gross Profit for the year ended 2014 was Baht 28,195.3 million, an increase of Baht 4,280.3 million or 17.9% from 2013. The gross profit margin of 11.6% in 2014 increased slightly from the prior year mainly due to a change in the product mix towards higher value-addition.

PET Gross Profit

For the year ended 2014, PET gross profit was Baht 14,089.3 million, increased by Baht 1,223.9 million from 2013. PET gross profit margin in 2014 was 9.7%, remained almost flat YoY.

Fibers & Yarns Gross Profit

For the year ended 2014, Fibers & Yarns gross profit was Baht 8,225.0 million, increased by Baht 3,405.5 million from 2013. Gross profit margin in 2014 was 11.7%, increased from the prior year mainly due to higher volume of HVA especially due to the acquisition of PHP Fibers.

Feedstock Gross Profit

For the year ended 2014, Feedstock gross profit was Baht 6,921.7 million, increased by Baht 691.5 million from 2013. Gross profit margin in 2014 was 10.7%, increased from the prior year mainly due to supply tightness of PEO and low ethylene input costs in the USA due to shale gas abundance.

Earnings before Interest Expenses, Income Taxes, Depreciation & Amortization (EBITDA)

Baht in Millions	FY 2014	FY 2013	Change (%)
EBITDA⁽¹⁾	15,959.3	14,037.6	13.7%
Add: Inventory loss/(gain) ⁽²⁾	3,522.0	928.3	
CORE EBITDA	19,481.3	14,965.9	30.2%
As a percentage of total revenues	8.0%	6.5%	
Add: Eliminations and others ⁽³⁾	197.8	35.7	
Adjusted CORE EBITDA	19,679.2	15,001.6	31.2%
PET	9,274.6	7,635.6	21.5%
As a percentage of total PET revenue	6.4%	5.2%	
Fibers & Yarns	4,108.4	2,910.4	41.2%
As a percentage of total Fibers & Yarns revenue	5.8%	6.1%	
Feedstock	6,296.1	4,455.6	41.3%
As a percentage of total Feedstock revenue	9.8%	6.3%	

⁽¹⁾ EBITDA is calculated from sales revenue adding net foreign exchange gain (loss) and other income, then deducting cost of sales, selling & administrative expenses (excludes depreciation & amortization), management benefits expenses, and adjusting by extraordinary items.

⁽²⁾ Inventory gain (losses) are the gains or losses on the inventories that IVL carries every month, due to the movement in the prices of finished products and raw materials following market movements.

⁽³⁾ Eliminations and others include the amounts attributable to intra-group transactions and the EBITDA of holding companies.

CORE EBITDA for the year ended 2014 was Baht 19,481.3 million, an increase of 30.2% from 2013 Baht 14,965.9 million. Core EBITDA is defined as EBITDA plus Inventory loss (gain).

IVL grew Core EBITDA in 2014 over 2013 despite:

- a) lower absolute prices due to weak paraxylene
- b) lower run rates in North America as a *Force majeure* was declared by a major PTA supplier and a shortage of PTA in the region
- c) the mothballed, non-operational Workington site

PET Core EBITDA

PET Core EBITDA for the year ended 2014 was Baht 9,274.6 million, an increase of 21.5% from 2013 Baht 7,635.6 million. It grew in 2014 primarily due to an increase in utilization rates as a result of debottlenecking of the Poland site and the completion of the acquisition of Adana PET. Moreover, cost optimization projects leading to a lower cost per tonne in the PET segment accompanied by an increase in the proportion of HVA production, which also helped improve the Core EBITDA margin to 6.4% in 2014.

Fibers & Yarns Core EBITDA

Fibers & Yarns Core EBITDA for the year ended 2014 was Baht 4,108.4 million, an increase of 41.2% from 2013 Baht 2,910.4 million. It grew in 2014 primarily due to higher volume and earnings improvement made at Trevira since full consolidation in October 2013 and the expansion of the HVA products portfolio since the acquisition of PHP Fibers. Core EBITDA margin remained flat at 5.8% in 2014.

Feedstock Core EBITDA

Feedstock Core EBITDA for 2014 was Baht 6,296.1 million, which increased by 41.3% from Baht 4,455.6 million in 2013. Feedstock Core EBITDA margin in 2014 was 9.8% as against 6.3% in 2013. Such increase was primarily driven by a successful turnaround for a catalyst change at our Texas EOEG facility in 2013, plus strong PEO margins and cost optimization measures at PTA sites.

Other Revenues

Baht in Millions	FY 2014	FY 2013	Change (%)
Interest Income	71.6	152.6	(53.1)%
Net foreign exchange gain (loss)	375.4	267.0	40.6%
Gain on a bargain purchase	1,669.9	-	n.a
Impact of flooding, net	140.0	1,690.2	(91.7)%
Other income	1,572.8	1,126.3	39.6%
Total	3,829.6	3,236.2	18.3%

Interest Income

Interest Income for the year ended 2014 was Baht 71.6 million, decreased by Baht 81 million or 53.1% from 2013. This was mainly due to a decrease in cash at banks during the year.

Net foreign exchange gain (loss)

There was a net foreign exchange gain for 2014 of Baht 375.4 million, an increase from 2013 by Baht 108.4 million. This was primarily due to weakening of the Baht in 2014 as compared to 2013.

Gains on bargain purchases

During 2014, IVL acquired several businesses where the excess of the Group's interest in the net identified assets and liabilities of the companies acquired over cost (recognized values are higher than the consideration transferred) are considered to be gains on bargain purchases, and recognized in the consolidated statement of income in accordance with generally accepted accounting principles for business combinations. A valuation of net identified assets acquired and liabilities assumed is calculated every time to arrive at recognized values. Fair value adjustments are the difference between the carrying amount and the recognized value. In 2014, IVL had gains on bargain purchases of Baht 1,669.9 million. The following details are given:

Baht in Millions	Net identified assets acquired and liabilities assumed			Total Consideration	Gain on a bargain purchase
	Carrying amounts	Fair value adjustments	Recognized values		
Companies acquired during the years ended December 31, 2014					
PHP Fibers GmbH, Germany	5,507.8	(32.8)	4,380.0*	3,292.9	1,087.1
Artenius Turckpet Kimyevi Maddeler Sanayi A.S., Turkey	987.7	365.5	1,353.1	770.3	582.8
					1,669.9

*80% Interest acquired

December 31, 2013

Aurus Packaging Limited	256.9	37.3	294.3	294.3	-
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A gain on bargain purchase is considered by management as an extraordinary item which does not arise from the normal operation of the business, but is included in the net profit of the company. Additional information on each acquisition is provided in Note 4 – Acquisitions of Businesses in the Audited Financial Statements. Net identifiable assets acquired including intangible assets i.e. customer contracts, technology licenses and knowhow, trade names and trademarks, were all recognized in the financial statements at fair value, and subject to depreciation, amortization or impairment (If any) in accordance with generally accepted accounting principles, as disclosed in Note 3 – Significant accounting policies in the Audited Financial Statements.

Impact of flooding, net

In 2014, an insurance claim from flooding in Lopburi in 2011 was Baht 140 million as against Baht 1,690.2 million in 2013.

Other Income

Other income for the year ended 2014 was Baht 1,572.8 million, increased from 2013 by Baht 446.5 million or 39.6%, mainly due to insurance claim income from business interruption as a result of the force majeure declared by a major PTA supplier in North America. Please refer Note 26 – Other income in the Audited Financial Statements for further details on this item.

Share of profit (loss) of jointly-controlled entities, net

IVL had share of loss from joint venture of Baht 1,356.0 million and Baht 1,108.0 million for the year ended 2014 and 2013 respectively. Share of equity loss from joint venture for the year ended 2014 resulted from underperformance of UAB Ottana Polimeri Europe and PT Indorama Petrochemicals as compared to year 2013. It was also from partial impairment provision of Ottana amounting to Baht 419.4 million. Since October 2013 the company has taken the management control of Trevira as a subsidiary company as per changes in the JV terms with the JV partner, Please refer Note 12 – Investment in jointly-controlled entities in the Audited Financial Statements for further details on this item.

Expenses

Baht in Millions	FY 2014	FY 2013	Change (%)
Selling expenses	11,139.6	8,948.8	24.5%
Administrative expenses	5,397.4	3,823.3	41.2%
Management benefit expenses	90.2	76.1	18.5%
Total	16,627.2	12,848.2	29.4%

Total expenses for the year ended December 31, 2014 was Baht 16,627.2 million, increased from year 2013 by Baht 3,779.0 million or 29.4% as a result of higher spending on selling and administrative expenses in line with our volume growth and inflation factors.

Management benefit expenses increased slightly due to a rise in wages and salaries. Please refer to Note 29 – Employee benefit expenses of the Audited Financial Statements for further details on this item.

Finance Costs

Finance costs for the year ended 2014 was Baht 3,554.5 million, a decrease by Baht 256.4 million from 2013 that was in line with a decrease in both short-term and long-term debt mainly due to the company using the proceeds from its issuance of Perpetual Debentures to repay debt.

Income Tax Expense

Income tax expenses for 2014 was Baht 1,614.5 million, an increase of Baht 320.6 million from 2013. This was in line with an increase in earnings in 2014.

Net Profit

Bath in Millions	FY 2014	FY 2013	Change (%)
Net profit	1,770.6	1,516.6	16.7%
As a percentage of total revenues	0.73%	0.70%	
Profit attributable to:			
Owners of the Company	1,485.4	1,325.9	12.0%
Non-controlling interests	285.2	190.7	49.5%

Net Profit for the year ended December 31, 2014 was Baht 1,770.6 million, an increase of Baht 254.0 million or 16.7% from 2013 due to higher earnings as explained above. Please refer to the explanation of EBITDA above for more details. The net profit for the period included extraordinary items i.e. gains on bargain purchases, acquisition costs and related transaction expenses incurred on acquisitions completed. These non-recurring items are not from the normal operation of business.

Financial Position

Total Assets

As of December 31, 2014 and 2013, IVL had total assets of Baht 195,488.1 million and Baht 189,041.8 million, respectively. The increase of 3.4% was mainly due to the growth of business from expansions and acquisitions. Major assets are as follows: Trade Accounts Receivable

As of December 31, 2014 and 2013, IVL reported trade accounts receivable of Baht 26,203.0 million, and Baht 28,827.2 million respectively, representing 13.4% and 15.2% of total assets. The company has continued to improve and control its debt management. Allowance for doubtful accounts is in a narrow low range due to this close follow up and collections on time. Aging analysis for trade accounts receivable was as follows:

	Consolidated financial statements	
	December 31, 2014	December 31, 2013
	(Baht in Millions)	
Related parties		
Within credit terms	1,742.7	1,946.6
Overdue:		
Less than 3 months	174.7	45.5
3-6 months	1.4	-

	Consolidated financial statements	
	December 31, 2014	December 31, 2013
6-12 months	-	2.8
Over 12 months	1.0	-
Net	1,919.7	1,994.9
Other parties		
Within credit terms	21,094.1	22,300.7
Overdue:		
Less than 3 months	2,973.0	4,222.9
3-6 months	147.9	225.2
6-12 months	51.5	100.1
Over 12 months	140.7	191.6
	24,407.2	27,040.5
Less allowance for doubtful accounts	(123.9)	(208.3)
Net	24,283.3	26,832.3
Total	26,203.0	28,827.2

Inventories

As of December 31, 2014 and 2013, IVL reported inventories of Baht 29,141.1 million and Baht 28,939.6 million respectively, representing 14.9% and 15.3% of total assets. This increase was in line with the expansion and business growth in 2014.

Investment in jointly-controlled entities

As of December 31, 2014 and 2013, IVL reported investment in jointly-controlled entities of Baht 1,941.9 million and Baht 2,887.5 million, respectively, representing 1% and 1.5% of total assets. The decrease resulted from share of loss of jointly-controlled of Baht 1,356.1 million in 2014 mainly due to lower PTA margin and higher inventory losses.

Property, plant and equipment

As of December 31, 2014 and 2013, IVL reported property, plant and equipment of Baht 98,900.6 million and Baht 96,213.5 million, respectively, representing 50.6% and 50.9% of total assets. The slight increase in property, plant and equipment resulted from our business expansions through investments and acquisitions. Please refer to Note 13 – Property, Plant and Equipment of the Audited Financial Statements for further details on this item.

Total Liabilities

As of December 31, 2014 and 2013, IVL reported total liabilities of Baht 119,933.3 million and Baht 127,474.1million, respectively. The decrease in total liabilities mainly resulted from the decrease in loans from financial institutions.

Trade accounts payable

As of December 31, 2014 and 2013, IVL had trade accounts payable of Baht 27,764.2 million and Baht 25,663.2 million respectively. The payment days for the year ended 2014 and 2013 were 43.3 days and 40.8 days respectively. This was in line with the growth of the volumes from business expansions and acquisitions.

Interest-bearing liabilities

As of December 31, 2014 and 2013, IVL reported interest-bearing liabilities of Baht 73,293.6 million and Baht 85,266.1 million respectively, representing 37.5% and 45.1% of total liabilities and shareholders' equity. The details of Interest-bearing liabilities are as follows:

Consolidated Financial Statement		
	December 31, 2014	December 31, 2013
	(Baht in Millions)	
Current		
Bank overdrafts and Short-term loans from financial institutions	8,581.0	16,075.4
Net current portion of long-term loans	4,426.2	3,921.9
Current portion of finance lease liabilities	8.3	5.2
	13,015.6	20,002.5
Non-current		
Long-term loans from financial institutions	32,757.6	41,463.3
Debentures	27,499.0	23,795.7
Finance lease liabilities	21.4	4.6
	60,277.9	65,263.6
Total	73,293.6	85,266.1

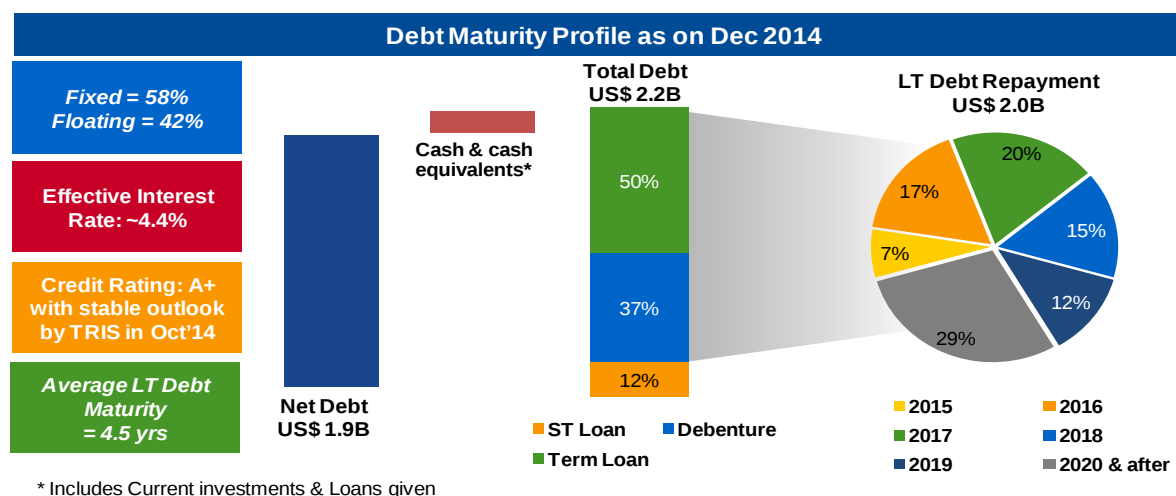
Our net operating debt to equity remain at 0.8 times, which is lower than 1.2 times at the end of year 2013, after spending on capex and investments of US\$ 423 million in 2014. IVL net operating debt decreased from US\$ 2,224 million at end of December 31, 2013 to US\$ 1,760 million at the end of December 31, 2014.

The table below provides movement of total debt and net operating debt in US\$ millions:

US\$ in Millions	2014	2013
Total Debt	2,224	2,598
Bank overdraft and short-term loans	260	490
Long term debt (Current portion)	135	120
Debentures (Non-current portion)	834	725
Long term debt (Non-current portion)	994	1,264
Cash & Cash under management	323	133
Cash and cash equivalents	164	125
Current investments and loans given	158	7
Net Debt	1,901	2,466
⁽¹⁾ Non-operating Debt (Project Debt)	141	241
Net Operating Debt	1,760	2,224
Net operating debt to equity (times)	0.8	1.2
Debts with fixed interest %	58%	37%
Credit Rating by TRIS (Reaffirmed in October 2014)	A+	A+
Liquidity	1.6	0.8
Unutilized credit line (US\$ billions)	1.2	0.7
Financial Ratios		
Current ratios (times)	1.5	1.3
Debt Servicing Coverage Ratio (DSCR) times	2.1	1.6
Interest coverage ratio (times)	4.6	3.9

Note ⁽¹⁾ Net debt after debt for capex and investments which are not generating revenue and earnings as on date

The graph below provides repayment schedule of long-term debt and debentures in US\$ billions;



Shareholders' equity

As of December 31, 2014 and 2013, IVL reported shareholders' equity of Baht 75,554.8 million and Baht 61,567.8 million, respectively. The increase in shareholders' equity was mainly due to an issuance of subordinated perpetual debentures and from an increase in retained earnings resulting from the profitability of the company, net of dividends paid. Please refer to "Statement of Changes of Equity" in the Audited Financial Statements for more details on this item.

Issuance of Warrants and Perpetual Debentures in 2014

The Board of Directors of IVL passed a resolution to issue warrants through a rights issue to existing shareholders and increased share capital to accommodate the exercise of IVL Warrants. Furthermore, the Board of Directors convened an Extraordinary General Meeting of Shareholders, or EGM No. 1/2014, on August 6, 2014 to consider and approve an increase in registered share capital and the issue of warrants. The key terms of warrants proposed are;

Warrant	IVL W1	IVL W2
Term	3 Years	4 Years
Exercise Ratio	1 unit of warrant for 1 share	1 unit of warrant for 1 share
Exercise Price	THB 36 per share	THB 43 per share
Issue Date	August 2014	August 2014
Expiry Date	3 years from issue date	4 years from issue date
Warrant Issue Price	Baht 0 (at no cost)	Baht 0 (at no cost)
Allocation	To existing shareholders at the ratio of 10 IVL existing shares to 1 IVL-W1	To existing shareholders at the ratio of 13 IVL existing shares to 1 IVL-W2

Warrant	IVL W1	IVL W2
Exercise Period	Last business day of each month for every 3 months starting from October 2014. The last exercise date is the 3 rd anniversary from issue date (totaling 13 times)	Last business day of each month for every 3 months starting from October 2017. The last exercise date is the 4 th anniversary from issue date (totaling 5 times)

In October 2014, IVL successfully completed the first issuance of subordinated, unsecured and unconvertible Baht perpetual debentures. The Company raised Baht 14,874 million in cash through the issue to the public. IVL offered a coupon rate of 7.0% per annum for the first five years. The Company has an option to swap funds in to either EUROS or US Dollars, depending on investments in those respective regions. If a swap is taken for 5 years, the effective cost in EUROS or US Dollars (depending on which currency is used) is estimated to reduce the interest to ~ 5.0% - 5.5% p.a. (depending on the market swap rates at the time). The perpetual debentures are listed on the Thai Bond Market Association ("Thai BMA").

The issuance strengthens our capital structure and improves the liquidity and flexibility of the Company. We plan to use the proceeds to repay debt, invest in growth projects and other general corporate purposes

Cash Flow

IVL generated Baht 22,421.5 million of cash flow from operating activities in 2014 compared to Baht 10,464.4 million in 2013. The strong cash flow came from cash released from working capital due to lower absolute prices and operational excellence.

Cash flows used in investing activities of Baht 18,523.5 million in 2014 were primarily paid towards the acquisition of PHP Fibers in Germany and Adana PET in Turkey. The capex and investments have been funded by a mix of long term loans, cash proceeds from our perpetual debentures and cash flow from operations.

Cash flows used in financing activities of Baht 2,564.9 million in 2014 were principally a result of interest paid, dividends paid and the repayment of short- and long-term borrowings during 2014. In contrast, there were cash flows provided by financing activities of Baht 14,874 million from the cash proceeds of our Thai Baht perpetual debentures.

Liquidity

Strong cash flow from operations and longer average loan maturity led to a high liquidity position in the company. As at December 2014, IVL has a liquidity of US\$ 1.6 billion, in the form of cash and cash under management, plus unutilized banking credit lines. The high liquidity provides us greater flexibility in business operations and to finance accretive growth opportunities.

Key Financial Ratios

Current Ratio

Our current ratio is calculated by dividing total current assets by total current liabilities. The current ratio stands at 1.5 times at the end of 2014, increased from 1.3 in 2013. A key focus has been put into place for stringent working capital monitoring and management.

Return on Equity Ratio (ROE)

Our ROE ratio is calculated by dividing our profit attributable to owners of the company for the period by the average of the total equity attributable to equity holders of the Company. IVL achieved a return on equity (ROE) of 2.5% and 2.3% in 2014 and 2013, respectively. In addition, IVL achieved core ROE of 8.4% in 2014 comparing to 3.4% in 2013, that is, increased significantly by 5%. The ROE increased in line with core net profit growth.

Return on Assets Ratio (ROA)

Our ROA ratio is calculated by dividing profit for the period by the average total assets. For the year ended 2014 and 2013, our ROA ratio was 0.9% and 0.8%, respectively. In addition, IVL achieved core ROA of 2.6% in 2014 compared to 1.2% in 2013, representing a 1.4% increase. The ROA increased in line with core net profit growth.

Debt to Equity Ratio (D/E)

Our D/E ratio is calculated by dividing total liabilities by total shareholders' equity. As of December 31, 2014 and 2013, our D/E ratio was at 1.6 times and 2.1 times respectively. Our Net Interest Bearing Debt to Equity Ratio is calculated by dividing our interest-bearing liabilities-less cash and cash equivalents by total shareholders' equity. As of December 31, 2014 and 2013, our net interest bearing debt to equity stands at 0.8 times and 1.3 times respectively. This reduction in gearing is achieved with the issuance of Perpetual Debentures in October 2014 and the operating cash flow generations during the year. However the bank covenant is not over two times.

Debt Servicing Coverage Ratio (DSCR)

Our DSCR is calculated by dividing core EBITDA by annual interest and principal payments on debt. As of December 31, 2014 and 2013, our DSCR was at 2.1 times and 1.6 times respectively. The DSCR increased in line with core EBITDA growth which indicated that operations-generated income is more efficient to cover outstanding debt payments.