

THAI PLASTIC AND CHEMICALS PUBLIC COMPANY LIMITED

Management Discussion and Analysis

Quarter 4/2013 and Year 2013

(Unaudited Consolidated Financial Statements)

Business Overview

Thai Plastic and Chemicals Public Company Limited (TPC) and its subsidiaries reported Q4'13 net profit at 564 million Baht, decreased by 210 million Baht compared to the same period of last year. For whole year 2013, Net profit was at 2,605 million Baht, decreased by 672 million Baht compared with the previous year.

Operating Results of Quarter 4/2013

Price Situation and Sales Volume

PVC prices in Q4'13 were higher compared with Q4'12 due to increased PVC demand in this region. Therefore, PVC price in Q4'13 was at US\$ 1,005/MT which increased by US\$ 42/MT compared with the same period of the prior year.

The average price of ethylene in Q4'13 increased in line with the crude price. The average price of Q4'13 was at US\$ 1,427/MT which increased by US\$ 141/MT compared with the same quarter of last year. The EDC price increased to US\$ 373/MT from US\$ 263/MT of the same period of the previous year.

From the changes of PVC and raw material prices above, the PVC – Ethylene gap was at US\$ -422/MT which decreased by US\$ 100/MT and the PVC – EDC gap was at US\$ 632/MT, decreased by US\$ 69/MT compared with the same period of last year.

The domestic sales volume in Q4'13 was nearly the same as Q4'12. Overseas sales volume in Q4'13 increased 20% compared with the same period of the previous year, resulting from stronger demand of South Asia region, especially India, which recovered after monsoon. In addition, the producer in China reduced their operation rate from higher production cost.

Consolidated Operating Results of Q4/2013 (Unaudited Consolidated Financial Statements)

TPC and its subsidiaries reported sales and services income at 8,391 million Baht which increased by 21% from the same period of last year, resulting from the increase in both sales volume and selling price.

TPC and its subsidiaries' net profit of Q4'13 was at 564 million Baht, decreased by 210 million Baht or 27% higher than the same period of the prior year, due mainly to the lower gap between selling price and main raw materials price

Operating Results of Year 2013

Price Situation and Sales Volume

The average PVC selling price in 2013 was at US\$ 1,007/MT increased by US\$ 40/MT from 2012, resulting from stronger overseas demand in South East Asia and South Asia together with producer in China reduced their production rate.

The average price in 2013 was at US\$ 1,352/MT, which increased by US\$ 121/MT compared with 2012. The EDC price increased from US\$ 268/MT to US\$ 361/MT due to lower price of caustic soda which resulting from soften demand and additional supply from China and South Korea.

From the changes of PVC and raw material price above, the PVC – Ethylene gap was at US\$ -345/MT, decreased by US\$ 81/MT compared with 2012 and the PVC – EDC gap reduced by US\$ 54/MT from the last year.

The domestic sales volume in 2013 increased by 7% from the previous year, according to the stronger demand in construction sector. The sales volume in overseas market increased by 5% from the prior year, resulting from stronger demand in South East Asia and South Asia region.

Consolidated Operating Results Year 2013 (Unaudited Consolidated Financial Statements)

TPC and its subsidiaries reported sales and services income at 32,371 million Baht which increased by 2,655 million Baht or 9% from last year, due mainly to the increase of sales volume.

The proportions of sales were 70% from PVC businesses, 28% from downstream businesses and 2% from other revenue, respectively. The 82% of total revenue from sales and services came from sales of companies in Thailand and the 18% came from sales of oversea subsidiaries.

TPC and its subsidiaries' reported consolidated net profit at 2,605 million Baht which decreased by 672 million Baht or 20% due to lower operating profit which resulting from decreased gap between selling price and main raw material price.

As of December 31, 2013, TPC and its subsidiaries held a Debt to Equity Ratio at 0.47, increased from 0.42 at the end of last year, mainly from the increase of accounts payable.

Clarification of the Effect of Changes in Accounting Standard

From the beginning of January 1, 2013, the Company has adopted TAS 12 : Deferred Income Tax, which have been issued by the Federation of Accounting Professions (“FAP”). The effects of the change which be recognized retrospectively in the 2012 financial statements are mainly as follows :

	Unit: Million Baht			
	<u>Retrospective Restatement</u>			
	<u>Consolidated</u>		<u>Separate</u>	
	<u>Financial Statements</u>		<u>Financial Statements</u>	
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
<u>Statements of Financial Position as at December 31, 2012</u>				
Total Assets	22,465	22,543	16,276	16,276
Total Liabilities	6,349	6,704	3,738	4,091
Retained Earnings	10,668	10,502	7,135	6,893
Total Shareholders' equity	16,116	15,839	12,538	12,185
<u>Statements of Income for the year ended 31 December 2012</u>				
Net Profit for the year	3,333	3,277	2,661	2,644

Nonetheless, this is merely a change in new issuance of Thai Financial Reporting Standards, not a change in any fundamental factors affecting our business.

TPC
January 27, 2014