

IRPC Public Company Limited and its Subsidiaries
Management Discussion and Analysis (MD&A)
For the year 2007

The Company and its subsidiaries' financial statement for the year 2007 comparing to 2006 contain significant changes which can be summarized as follows:

- (1) The company has reclassified accounting items in the income statements for the year 2007 and retrospectively adjusted in 2006 for recognition of excise tax, which was originally recorded as selling and administrative expenses, now recorded as costs of sales.
- (2) The consolidated financial statement for the year 2007 were prepared using financial information of 4 subsidiaries which were prepared by the management of IRPC Plc. and has not been audited by the auditors since,
 - (2.1) The 3 subsidiaries, TPI Aromatics Plc, TPI Refinery Co., Ltd. and TPI Tank Terminal Co., Ltd., were in the process of changing the board of directors and managements.
 - (2.2) The subsidiaries, Rayong Tank Terminal Co., Ltd. was in the process of management restructuring because IRPC as a creditor, has been appointed as the Plan Administrator by the Central Bankruptcy Court on October 9th, 2007 and has sent its representative to implement business rehabilitation plan. Consolidation of IRPC and RTT financial statements for the year 2007 shall be reflected as follows :

	<i>(Million Baht)</i>
Total Assets – decreased	2,072
Total Liabilities – decreased	1,407
Retained Earnings (B/F) - decreased	665

Nevertheless, the consolidation of these 4 subsidiaries has no significant impact on the IRPC's consolidated financial statements.

- (3) The change of accounting policy affects only the company's separate financial statement. For the year 2007 the Company changed its accounting policy regarding investment in subsidiaries and associated companies so that the Company's separate financial statement, which formerly reported investment using the equity method, now reports using the cost method. This is to comply with TAS 44. Thus the Company restated its financial statement year 2006 for comparative purposes.

1. Operating Performance

Income Statements and Key Financial Data (Unit : Million Baht)	2007	2006	Change	% Change
Crude Run (KBPD)	189	170	19	11%
Dubai Crude Oil Price (USD/bbl)	68.40	61.12	7	12%
Integrated GRM (USD/bbl)	11.45	9.87	1.58	16%
Exchange Rate (Baht/USD)	34.69	38.05	-3.36	-9%
Sales Revenue	227,518	205,360	22,158	11%
Total Revenue	232,307	209,452	22,855	11%
Cost of Goods Sold	212,711	196,246	16,465	8%
Selling and Administrative Expenses	5,458	4,120	1,338	32%
Total Expenses	218,169	200,506	17,662	9%
Gross Profit	14,807	9,114	5,693	62%
Net Profit	12,986	6,823	6,163	90%
Earning per Share (Baht)	0.67	0.35	0.32	90%

IRPC Plc. and its subsidiaries had net profit of baht 12,986 million in year 2007, comparing to year 2006, net profit increased by baht 6,163 million, or 90%, resulting from an increase in sales volume and higher refining utilization rate in year 2007 which increased by 11% to 189,447 barrel per day, compared to the year 2006 in which the company had a major turnaround for 45 days. Gross profit increased by baht 5,693 million, or 62% as the appreciation of THB against US dollar reduced imported raw material costs. Integrated GRM were increased to 11.45 USD/bbl, as compared to 9.52 USD/bbl in 2006.

Revenue Structure of IRPC and its Subsidiaries

(Million Baht)	2007				2006			
	Domestic	Export	Total	%	Domestic	Export	Total	%
1 Petrochemical Products								
- Plastic Resins	22,008	19,987	41,995	18%	19,806	19,459	39,265	19%
- Olefins	7,699	467	8,165	4%	7,809	1,572	9,381	5%
- Aromatics	6,685	3,816	10,501	5%	5,708	3,782	9,489	5%
- Polyol	458	849	1,307	1%	564	765	1,329	1%
Total	36,850	25,118	61,968	27%	33,887	25,578	59,465	29%
2 Petroleum Products								
- Refined Products	93,911	20,199	114,110	50%	78,268	22,250	100,518	49%
- Naphtha	-	11,687	11,687	5%	-	12,071	12,071	6%
- Lube Base Oil	6,501	4,439	10,940	5%	7,270	5,772	13,042	6%
- Long Residue	14,717	4,546	19,263	8%	8,910	2,475	11,385	6%
- Asphalt wax and extract	1,951	4,752	6,703	3%	1,961	4,029	5,990	3%
Total	117,079	45,623	162,702	72%	96,408	46,598	143,006	70%
3 Others	2,848	-	2,848	1%	2,889	-	2,889	1%
Grand Total	156,777	70,741	227,518	100%	133,185	72,176	205,360	100%

Revenues from sales in 2007 amounted to baht 227,518 million, an increase of 11%. Sales of petroleum products accounted for 72% or baht 162,702 million, sales of

petrochemical products accounted for 27% or baht 61,968 million and 1% from other products. For the year 2007, sales of petroleum products increased from the previous year by baht 19,696 million, or an increase of 14%, mostly from the increased domestic sales. GRM of petroleum product increased to 5.81 USD/bbl, an increase of 1.16 USD/bbl from last year. Petrochemical product sales increased from the previous year by baht 2,503 million, an increase of 4%, with GRM of petrochemical at 5.64 USD/bbl, an increase of 0.42 USD/bbl. Plastic resins sales of baht 41,995 million, an increase of 7% from the previous year, as a result of tight supply which caused the sales volume and unit prices to increase.

For the year 2007, the company has the non-recurring items of gain from sales of long term investments in the amount of baht 1,538 million and gain from sales of property, plant and equipment in the amount of bath 668 million, resulting from sales of the investments in PTT Chemical Plc. and 195 rai vacant land in Mabtaphut Sub-district of Rayong Province to the companies in PTT group.

Selling and administrative expenses for the year 2007 was baht 5,458 million, an increase of baht 1,338 million, or 32% resulting from contribution to employee resignation of baht 942 million and loss from impairment on long term investment of baht 513 million while selling expenses decreased by baht 178 million, partly as a result of the company's closure of 39 company managed gas stations with only 1 gas station remaining in Rayong.

Interest expenses in 2007 was baht 1,107 million, a decrease from the previous year of baht 973 million, resulting from decreases in principle as the company repaid bridge loans by the issuance of debentures and cash flow from operation. Income Tax for 2007 was baht 31 million which was the income taxes of the company's subsidiaries, while the company exempts from income taxes because of the tax benefits from loss carry forward.

2. Financial Status

Balance Sheet (Unit : Million Baht)	2007	2006	Change	% Change
Cash and cash equivalent	11,144	9,974	1,170	12%
Short term investment	1,529	7,668	-6,140	-80%
Trade accounts receivable	13,315	6,705	6,610	99%
Long-term investments in related parties	79	4,337	-4,258	-98%
Inventories	36,003	30,697	5,305	17%
Property, plant and equipment	62,311	61,388	923	2%
Other assets	6,434	7,059	-625	-9%
Total Assets	130,814	127,828	2,986	2%
Bank overdrafts and short-term loans	35	29,804	-29,769	-100%
Trade accounts payable	17,062	9,127	7,936	87%
Other payables	1,190	2,145	-955	-45%
Short term loans from related parties	124	997	-872	-88%
Long-term loans	18,417	-	18,417	-
Other liabilities	3,571	2,803	768	27%
Total Liabilities	40,399	44,875	-4,476	-10%
Total Shareholders' Equity	90,415	82,953	7,462	9%

Total assets at the end of 2007 amounted to baht 130,814 million, an increase of baht 2,986 million from 2006 or 2%. Major item is property, plant and equipment which accounted for 48%, and inventory which accounted for 28%. Higher utilization rates of refining capacity and the increases in crude oil prices resulted in an inventory increase of baht 5,305 million or 17%, while trade account receivable increased by 6,610 million baht, or 99%. The 2007 trade account receivable amounted to baht 13,315 million, of which baht 3,022 million was from undue trade account of related parties' receivable as the company sold more products to companies in the PTT group and other trade account receivable whose undue debts amounted to baht 8,584 million.

Total liabilities at the end of 2007 amounted to baht 40,399 million, a decrease of baht 4,476 million from 2006, as a result of the repayment of bridge loans in the amount of USD 805 million by issuing USD debentures for USD 250 million, or baht 8,417 million, and Thai baht debentures for baht 10,000 million. Details are as follows:

<u>Date</u>	<u>Payment of Bridge Loans and Issuance of Debentures</u>	<u>(Millions in USD or Equivalent)</u>		
		<u>Bridge Loans</u>	<u>Debentures</u>	<u>Interest Rates</u>
29/9/2006	Bridge Loans	805		MLR – 1.75% and LIBOR + 0.4%
25/5/2007	Issuance of 10 years USD debentures and paid for bridge loans on 29/5/2007	(250)	250	6.375%
29/5/2007	Repayment of bridge loans with cash flow from operations	(253)		
29/6/2007	Repayment of bridge loans with cash flow from operations	(302)		
2/7/2550	Issuance of 7 and 10 years Thai Baht debentures, baht 10,000 million		295	Baht 7,000 million = 5.05% Baht 3,000 million = 5.29%
	Remaining Debt	0	545	

Shareholders' equity at the end of 2007 amounted to baht 90,415 million, an increase of baht 7,462 million from 2006, as a result of the 2007 net profit less dividend payment of baht 4,280.17 million in total, comprising 2006 dividend paid in 2007 at 0.12 baht per share and 2007 interim dividend payment 0.10 baht per share.

3. Cash Flow Statement

For the year 2007, the company had net cash from operations in the amount of baht 10,887 million and net cash from investments in the amount of baht 7,264 million as the company sold its short-term investments, vacant lands and investments in PTT Chemical Plc shares. Net cash flow used in financing activities in the amount of baht 16,980 million, as a result of repayment of bridge loans and payment of dividends, while cash receipts resulted from the issuance of debentures. Thus, the company had an increase of baht 1,170 million in cash. Combined with beginning cash balance of baht 9,974 million, the company had ending cash balance of 2007 at baht 11,144 million.

4. Key Financial Ratio

	2007	2006
Current Ratio (times)	3.02	1.41
Debt to Equity Ratio (times)	0.45	0.54
Gross Profit Margin	6.51%	4.44%
Net Profit Margin	5.59%	3.26%
ROE	14.98%	8.57%
ROA	10.04%	5.33%