



IRPC Public Company Limited

Management Discussion and Analysis

For Quarter 3/2016

Management Discussion and Analysis (MD&A)

IRPC Public Company Limited and its subsidiaries

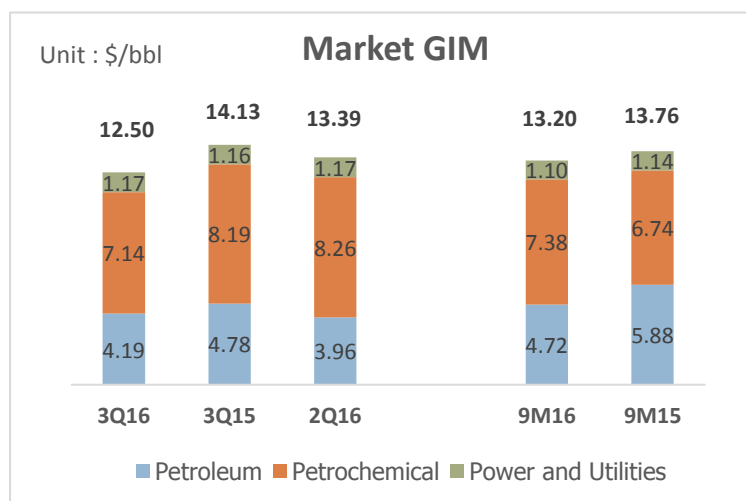
For Quarter 3/2016

Executive Summary

	Unit	Quarter			% Change		9 months	
		3/2016	3/2015	2/2016	YoY	QoQ	2016	2015
Net Sales ⁽¹⁾	Baht million	41,622	48,658	40,741	(14%)	2%	120,343	154,125
Market GIM	Baht million	7,079	8,161	7,869	(13%)	(10%)	23,271	23,352
	USD/bbl	12.50	14.13	13.39	(12%)	(7%)	13.20	13.76
Accounting GIM	Baht million	6,437	5,966	9,290	8%	(31%)	22,418	22,795
	USD/bbl	11.37	10.33	15.81	10%	(28%)	12.71	13.43
EBITDA	Baht million	3,098	3,781	6,107	(18%)	(49%)	12,957	14,967
Net Profit	Baht million	1,307	888	3,706	47%	(65%)	8,027	8,955

Remark: ⁽¹⁾ Net sales excluded excise taxes

In 3Q16, net income of the Company was Baht 1,307 million, decreasing 65% when compared to 2Q16. This was mainly caused by no stock gain in 3Q16 as the crude oil price remain stable. Compared to 3Q15, net income increased 47% was mainly due to no negative impact from stock and exchange rate losses. The average product spreads was weakened from declining demand. However, the Market GIM excluded stock effect in 3Q16 was USD 12.50 per barrel supported by Everest project, slightly decreased from USD 14.13 per barrel and USD 13.39 per barrel from 3Q15 and 2Q16 accordingly.



In 3Q16, the Company recorded the depreciation and financial cost from the commencement of UHV project which COD on July 16, 2016. However, there was net tax benefit amounting to Baht 428 million from deferred tax asset of the subsidiary liquidation.

For 9M16, net income of Baht 8,027 million was slightly went down by 10%, compared to the same period last year. It was mainly due to the “non-recurring items” including the receipts of insurance compensation for the fire incident in the VGOHT unit of Baht 1,305 million and the reversal of doubtful account amounting to Baht 2,823 million as a result of the debt repayment from TPI Aromatics Public Company Limited.

1. Operating Performance by Business

1.1 Petroleum

Petroleum Market Overview

Crude oil price in 3Q16 remained stable from 2Q16. The price range was USD 38.70 – 46.40 per barrel. The average price was USD 43.17 per barrel. The crude oil price was volatile. Both OPEC and Non-OPEC members discussed to reduce the production level to maintain the crude price stability. Hence, the supply glut was likely to ease. In addition, the crude price was supported by the weakening USD after FED Fund rate kept unchanged. However, the concern over the higher crude production from the unrest in Libya and Nigeria was eased up that pressured the crude oil price.

The crude oil price in 4Q16 is expected to pick up as the unofficial meeting of crude oil producers such as Russia and Saudi Arabia, they decided to reduce the production level to maintain the crude price stability. Moreover, the crude production in US was damaged by Hurricane Matthew and US oil reserves is in the down trend. However, the pressure on the crude oil price in the long term is coming from the US oil production and rig count which seem to be risen when the oil price goes up nearly to USD 50 per barrel. Moreover, oil export from Nigeria and Libya tend to increase.

1.1.1 Petroleum Business

(average price)	Quarter			% Change		9 months		YoY
	3/2016	3/2015	2/2016	YoY	QoQ	2016	2015	
Dubai Crude Oil (USD/bbl)	43.17	49.74	43.18	(13%)	(0%)	38.92	54.31	(28%)
Petroleum (USD/bbl)								
Naphtha – Dubai	(1.9)	(1.2)	0.7	(58%)	(371%)	1.7	(0.1)	1,800%
ULG95 – Dubai	11.6	19.3	14.5	(40%)	(20%)	15.0	18.2	(18%)
Gas Oil 0.05%S - Dubai	11.0	10.8	10.5	2%	5%	10.4	13.6	(24%)
FO 180 3.5%S - Dubai	(4.3)	(8.1)	(8.7)	47%	51%	(6.1)	(4.5)	(36%)
Lube Base Oil (USD/MT)								
500SN - FO 180 3.5%S	443	514	418	(14%)	6%	434	428	1%
150BS - FO 180 3.5%S	725	833	780	(13%)	(7%)	783	765	2%
Asphalt - FO 180 3.5%S	(61)	83	(48)	(173%)	(27%)	(39)	43	(191%)

- Naphtha-Dubai spread in 3Q16 went down by 58% and 371% when compared to that in 3Q15 and 2Q16 respectively, because of the pressure from increasing supply after the refineries'

maintenance shutdown. Plus, LPG price stayed low so the producers turned to use LPG as the feedstock instead of Naphtha.

- ULG95 - Dubai spread in 3Q16 when compared to that in 3Q15 and 2Q16 reduced by 40% and 20% respectively. The pressure from oversupply in Asia still existed especially when gasoline inventory stayed higher than expected. The export from China, South Korea, Japan and Middle-East especially from Iran to Asian market continued to increase.

- In the 3rd quarter, gasoil 0.05%S - Dubai spread when compared to that in 3Q15 and 2Q16 went up by 2% and by 5% respectively. The increase was due to the higher demand from India, Vietnam and Malaysia. However, the high inventory of gasoil and increasing supply after refineries' maintenance shutdown put a pressure on the price.

- Fuel oil (FO 180 3.5%S) - Dubai spread in the 3rd quarter when compared to that in 3Q15 and 2Q16, improved by 47% and 51%. The main reason was that the supply from Europe and Persian Gulf decreased. The export from Russia decreased continuously, which resulted in the lower inventory in Singapore. However, after the Chinese government allowed the independent refineries to use more crude oil, putting pressure on the fuel oil price.

- Lube base 500SN - fuel oil spread in 3Q16 decreased by 14% when compared to that in 3Q15 but increased by 6% when compared to that in 2Q16 because of the lower supply after Formosa, one of the major refineries in Asia shutdown for the maintenance.

- Asphalt - fuel oil (FO 180 3.5%S) spread in the 3rd quarter fell down by 173% and 27% when compared to that in 3Q15 and 2Q16 respectively. The demand in Asia shrank because of the market stagnation especially in China where the budget for the road construction was cut. The rainy season also reduced the price.

1.1.2 Crude Intake and Capacity

	Quarter			%Change		9 months		YoY
	3/2016	2/2015	2/2016	YoY	QoQ	2016	2015	
Crude Intake								
Million barrels	16.17	16.31	16.58	(1%)	(2%)	49.73	49.96	(0.5%)
KBD	176	177	182	(1%)	(3%)	181	183	(1%)
Utilization Rate								
Refinery	82%	82%	85%	0%	(3%)	84%	85%	(1%)
Lube Base Oil	87%	102%	95%	(15%)	(8%)	94%	101%	(7%)

Total production in 3Q16 was 16.17 million barrel or 176 KBD with the utilization rate at 82%. It was similar to 3Q15, while slightly decreased from 2Q16. The commercial operating date of UHV Project or RDCC plant was on July 16, 2016. However, RDCC plant cannot run at the full capacity

because RDCC production unit and other production units were in the process to integrate with the whole refinery and the product spreads were lower when compared to crude oil price.

The utilization rate of lube base oil plant in 3Q16 was 87%, decreasing 15% and 8% from 3Q15 and 2Q16 accordingly due to falling demand after the delay of road construction during rainy season.

1.1.3 Petroleum Sales

	Sales Volume (Million barrel)					Sales Value (Baht million)				
	Quarter			9 months		Quarter			9 months	
	3/2016	3/2015	2/2016	2016	2015	3/2016	3/2015	2/2016	2016	2015
Refinery	13.07	13.27	12.11	38.33	40.32	24,662	29,159	23,354	68,996	94,701
Lube Base Oil	1.63	1.78	1.81	5.46	6.23	3,368	4,818	3,734	11,087	16,523
Total	14.70	15.05	13.92	43.79	46.55	28,030	33,977	27,088	80,083	111,224

In 3Q16, net sales of petroleum businesses were Baht 28,030 million, decreasing Baht 5,947 million or 18% from Baht 33,977 million in 3Q15. The falling in sales revenue was driven by a decline of 16% in the average product prices following the crude oil price together with a lower of 2% or 0.35 million barrel in sales volume from 15.05 million barrel in 3Q15 to 14.70 million barrel in 3Q16.

Compared with the previous quarter, net sales revenue amounting to Baht 27,088 million improved by Baht 942 million or 3% mainly owing to an increase in total sales volume for 0.78 million barrel or 6%, partly offset by a decrease of 3% in product price. The increased sales volume was mainly from Kerosene and Propylene from UHV project.

In 9M16, net sales of petroleum businesses were Baht 80,083 million, decreased by Baht 31,141 million or 28% when compared with Baht 111,224 million in 9M15. This was mainly due to a decrease in the product price for 22% and a decrease in sales volume of 2.76 million barrel or 6% from 46.55 million barrel in 9M15 to 43.79 million barrel.

1.1.4 Petroleum Sales Breakdown

	Quarter						9 months			
	3/2016		3/2015		2/2016		2016		2015	
	Local	Export	Local	Export	Local	Export	Local	Export	Local	Export
Refinery	54%	46%	66%	34%	56%	44%	60%	40%	67%	33%
Lube Base Oil	50%	50%	37%	63%	50%	50%	49%	51%	38%	62%
Total	54%	46%	62%	38%	55%	45%	58%	42%	62%	38%

The percentage of petroleum product sales in 3Q16 was domestic 54% and export 46%. The domestic sales moved down 8% from 3Q15 because of the fuel oil that sell domestic had to revert for using as the feedstock for RDCC plant. The export product mostly shipped to Singapore, Malaysia and Laos.

1.1.5 Gross Refinery Margin

	Baht million					USD per bbl				
	Quarter			9 months		Quarter			9 months	
	3/2016	3/2015	2/2016	2016	2015	3/2016	3/2015	2/2016	2016	2015
Refinery	1,188	1,387	818	3,956	6,368	2.10	2.40	1.39	2.24	3.75
Lube Base Oil	1,184	1,376	1,509	4,369	3,625	2.09	2.38	2.57	2.48	2.13
Market GRM	2,372	2,763	2,327	8,325	9,993	4.19	4.78	3.96	4.72	5.88
Net Stock Gain(Loss)	(693)	(1,830)	988	(1,125)	(16)	(1.22)	(3.16)	1.68	(0.63)	(0.01)
Accounting GRM	1,679	933	3,315	7,200	9,977	2.97	1.62	5.64	4.09	5.87

In 3Q16, the Market Gross Refinery Margin (Market GRM) of Baht 2,372 million was decreased by USD 0.59 per barrel from Baht 2,763 million or USD 4.78 per barrel in 3Q15. Main impact was from the falling of USD 0.30 per barrel and USD 0.29 per barrel of Refinery and Lube Base Oil business respectively. The falling of Refinery margin was mainly owing to the lower product spreads especially in gasoline while the product spreads of diesel was slightly improved. For Lube Base Oil, margin declined as a result of the decrease in the product spreads of asphalt. When compared to 2Q16, Market GRM increased by Baht 45 million or USD 0.23 per barrel, mainly because of an increase of USD 0.71 per barrel in Refinery while a decrease of USD 0.48 per barrel in Lube Base Oil.

The average crude oil price in 3Q16 was USD 43.17 per barrel, closed to 2Q16 price at USD 43.18 per barrel. There was the net stock loss of Baht 693 million or USD 1.22 per barrel, included stock loss of Baht 7 million or USD 0.01 per barrel and oil hedging of Baht 686 million or USD 1.21 per barrel. This resulted in Accounting GRM of Baht 1,679 million or USD 2.97 per barrel. When compared to 3Q15, it increased by Baht 746 million or USD 1.35 per barrel while decreased by Baht 1,636 million or USD 2.67 per barrel from 2Q16.

For 9M16, Market GRM of Baht 8,325 million or USD 4.72 per barrel was decreased by Baht 1,668 million or USD 1.16 per barrel, mainly due to the lower product spreads especially in Diesel and Asphalt.

There was the net stock loss of Baht 1,125 million or USD 0.63 per barrel, included the stock gain of Baht 1,153 million or USD 0.67 per barrel and a reversal of LCM of Baht 149 million of USD 0.08 per barrel offsetting by an oil hedging loss of Baht 2,427 million or USD 1.38 per barrel.

1.2 Petrochemical

1.2.1 Petrochemical Market Overview

The spread between key products and raw material is summarized below.

Average Price (USD/MT)	Quarter			%Change		9 months		YoY
	3/2016	3/2015	2/2016	YoY	QoQ	2016	2015	
Naphtha	389	461	411	(16%)	(5%)	381	506	(25%)
Olefins								
Ethylene - Naphtha	668	509	688	31%	(3%)	675	622	9%
HDPE – Ethylene	177	441	188	(60%)	(6%)	201	258	(22%)
HDPE – Naphtha	845	950	876	(11%)	(4%)	876	880	(0.5%)
Propylene – Naphtha	339	275	308	23%	10%	318	330	(4%)
PP – Propylene	360	390	376	(8%)	(4%)	343	374	(8%)
PP – Naphtha	699	665	684	5%	2%	661	704	(6%)
Aromatics								
BZ - Naphtha	253	204	217	24%	17%	235	206	14%
TOL - Naphtha	175	174	184	1%	(5%)	195	168	16%
MX – Naphtha	267	225	262	19%	2%	261	205	27%
Styrenics								
SM - Naphtha	655	628	645	4%	2%	659	648	2%
ABS - Naphtha	984	972	897	1%	10%	912	1,045	(13%)
ABS – SM	329	344	252	(4%)	31%	253	397	(36%)
PS (GPPS) – Naphtha	810	806	806	0.5%	0.5%	808	817	(1%)
PS (GPPS) - SM	155	178	161	(13%)	(4%)	149	169	(12%)

- HDPE - Naphtha spread in 3Q16 moved down by 11% and 4% when compared to that in 3Q15 and 2Q16 respectively as the HDPE price was lower due to weaker demand in the rainy season.

On the contrary, PP - Naphtha spread in 3Q16 moved up by 5% and 2% when compared to that in 3Q15 and 2Q16 because the plants' maintenance shutdown in Japan and Taiwan caused the tight supply.

- In the 3rd quarter, Toluene - Naphtha spread went up by 1% when compared to that in 3Q15 but down by 5% when compared to that in 2Q16. The decrease was because the demand remained weak and the inventory stayed high.

In contrast, Mixed Xylene - Naphtha spread went up by 19% and 2% when compared to that in 3Q15 and 2Q15 respectively. Paraxylene (PX) price stayed up high, which resulted in stable price of Mixed Xylene which is the feedstock of PX while Naphtha price moved down.

- ABS – Naphtha spread in 3Q16 was higher by 1% and 10% than that in 3Q15 and 2Q16 respectively. The demand came back after the market growth could be seen especially in AEC member countries where free trade area moved the product price upwards.

PS – Naphtha spread in 3Q16 was nearly the same as that in 3Q15 and 2Q16. The demand and supply were stable.

1.2.2 Petrochemical Capacity

	Quarter			%Change		9 months		YoY
	3/2016	3/2015	2/2016	YoY	QoQ	2016	2015	
Utilization Rate								
Olefins Group	88%	90%	95%	(2%)	(7%)	92%	90%	2%
Aromatics and Styrenics Group	80%	97%	90%	(17%)	(10%)	90%	89%	1%

In 3Q16, the utilization of Olefins was 88%, decreasing 2% and 7% when compared to 3Q15 and 2Q16 respectively. It was caused by the maintenance shutdown of PP and Ethylene plants in 3Q16.

The utilization of Aromatics and Styrenics Group in 3Q16 was declined by 17% and 10% from 3Q15 and 2Q16 due to the scheduled maintenance shutdown of EBSM in 3Q16. Therefore, Polystyrenics group decreased capacity as a result of lower feedstock of EBSM.

1.2.3 Petrochemical Sales

	Sales Volume (KTon)					Sale Value (Baht million)				
	Quarter			9 months		Quarter			9 months	
	3/2016	3/2015	2/2016	2016	2015	3/2016	3/2015	2/2016	2016	2015
Olefins Group	208	206	212	615	608	7,617	8,138	7,497	21,895	23,964
Aromatics and Styrenics Group	163	159	152	497	461	5,234	5,780	5,076	15,999	16,580
Total	371	365	364	1,112	1,069	12,851	13,918	12,573	37,894	40,544

Net sales of petrochemical businesses in 3Q16 were Baht 12,851 million, decreasing Baht 1,067 million or 8% from 3Q15 due to the lower product prices of 10% while the higher sales volume of 2%.

When compared to 2Q16, net sales were slightly increased by Baht 278 million or 2% because of the higher sales volume of 2%.

For 9M16, net sales of petrochemical group were Baht 37,894 million, moved down Baht 2,650 million or 7% from the same period last year. It was a result of the lower product price of 11% according to the lower feedstock price but the sales volume raised by 43 KTon or 4% from 9M15.

1.2.4 Petrochemical Sales Breakdown

	Quarter						9 months			
	3/2016		3/2015		2/2016		2016		2015	
	Local	Export	Local	Export	Local	Export	Local	Export	Local	Export
Olefins Group	65%	35%	63%	37%	66%	34%	68%	32%	66%	34%
Aromatics and Styrenics Group	47%	53%	44%	56%	47%	53%	46%	54%	47%	53%
Total	58%	42%	55%	45%	59%	41%	59%	41%	58%	42%

The proportion of Petrochemical sales in 3Q16 were 58:42 as domestic and export accordingly. Domestic sales was increased 3% from 3Q15 but in line with those in 2Q16.

1.2.5 Product to Feed Margin (PTF)

PTF	Baht million					USD per bbl				
	Quarter			9 months		Quarter			9 months	
	3/2016	3/2015	2/2016	2016	2015	3/2016	3/2015	2/2016	2016	2015
Olefins Group	3,180	3,148	3,450	9,618	8,084	5.62	5.45	5.87	5.46	4.76
Aromatics and Styrenics Group	862	1,579	1,407	3,384	3,357	1.52	2.74	2.39	1.92	1.98
Market PTF	4,042	4,727	4,857	13,002	11,441	7.14	8.19	8.26	7.38	6.74
Net Stock Gain/(Loss)	51	(366)	433	272	(541)	0.09	(0.64)	0.74	0.14	(0.32)
Accounting PTF	4,093	4,361	5,290	13,274	10,900	7.23	7.55	9.00	7.52	6.42

In 3Q16, the Market Product to Feed (Market PTF) of Baht 4,042 million or USD 7.14 per barrel was decreased by Baht 685 million or USD 1.05 per barrel from Baht 4,727 million or USD 8.19 per barrel in 3Q15. The decrease was attributed to the Aromatics and Styrenics Group for USD 1.22 per barrel while the higher of Olefins Group for USD 0.17 per barrel. Compared to 2Q16, Market PTF was decreased by Baht 815 million or USD 1.12 per barrel, which was attributed to Aromatics and Styrenics of USD 0.87 per barrel and Olefins of USD 0.25 per barrel as the product spreads decreased.

The Accounting PTF was Baht 4,093 million or USD 7.23 per barrel, decreased by Baht 268 million or USD 0.32 per barrel and Baht 1,197 million or USD 1.77 per barrel when compared with that in 3Q15 and 2Q16 respectively.

For 9M16, the Market PTF was Baht 13,002 million or USD 7.38 per barrel, in aggregate with the net stock gain of Baht 272 million or USD 0.14 per barrel which attributed to a stock gain of Baht 133 million or USD 0.06 per barrel and a reversal of LCM of Baht 139 million or USD 0.08 per barrel. Therefore, Accounting PTF was increased Baht 2,374 million or USD 1.10 per barrel when compared with that in 9M15.

1.3 Power Plant and Utility

1.3.1 Power Plant Capacity

	Quarter			%Change		9 months		YoY
	3/2016	3/2015	2/2016	YoY	QoQ	2016	2015	
Utilization Rate								
Electricity	79%	77%	77%	2%	2%	76%	78%	(2%)
Steam	74%	78%	74%	(4%)	(0%)	75%	78%	(3%)
Sales (Baht million)								
Electricity	411	466	501	(12%)	(18%)	1,425	1,434	(1%)
Steam	275	257	256	7%	7%	788	809	(3%)
Others	55	40	53	38%	4%	153	114	34%
Total	741	763	810	(3%)	(9%)	2,366	2,357	0.4%

In 3Q16, the utilization rate of electricity was 79%, slightly increased from 3Q15 and 2Q16. Net sales of power and utility businesses were decreased by 3% and 9% from 3Q15 and 2Q16 respectively because of an increase of the internal use from RDCC plant. For 9M16, sales of power plant utility were Baht 2,366 million, similar to the same period last year.

1.4 Total Operating Performance

Total Operating Performance of IRPC and its subsidiaries for Quarter 3/2016 and 9M16 are as follows;

	Unit : Baht million					Unit : USD per barrel				
	Quarter			9 months		Quarter			9 months	
	3/2016	3/2015	2/2016	2016	2015	3/2016	3/2015	2/2016	2016	2015
Average FX (THB/USD)	35.01	35.40	35.45	35.43	33.87					
Total Crude Intake (Mbbbl)	16.17	16.31	16.58	49.73	49.96					
Average Crude ⁽¹⁾ (USD/bbl)	45.75	52.42	46.30	42.05	56.63					
Net Sales ⁽²⁾	41,622	48,658	40,471	120,343	154,125	73.52	84.27	68.87	68.30	90.76
Cost of Feedstock (Market Price)	(34,543)	(40,497)	(32,602)	(97,072)	(130,773)	(61.02)	(70.14)	(55.48)	(55.10)	(77.00)
Market GIM	7,079	8,161	7,869	23,271	23,352	12.50	14.13	13.39	13.20	13.76
Stock Gain/(Loss)	40	(1,597)	2,248	1,286	(3,223)	0.07	(2.77)	3.83	0.73	(1.90)
Lower of Cost or Market	4	(191)	(6)	288	3,068	0.01	(0.33)	(0.01)	0.16	1.81
Oil Hedging Gain/(Loss)	(686)	(407)	(821)	(2,427)	(402)	(1.21)	(0.70)	(1.40)	(1.38)	(0.24)
Accounting GIM	6,437	5,966	9,290	22,418	22,795	11.37	10.33	15.81	12.71	13.43
Other Incomes ⁽³⁾	328	1,190	312	951	2,316	0.58	2.06	0.53	0.54	1.36
Selling Expenses	(275)	(290)	(320)	(903)	(908)	(0.49)	(0.50)	(0.54)	(0.51)	(0.53)
Accounting GIM and Other Income	6,490	6,866	9,282	22,465	24,203	11.46	11.89	15.80	12.74	14.26
OPEX	(3,391)	(3,085)	(3,175)	(9,508)	(9,236)	(5.99)	(5.34)	(5.41)	(5.39)	(5.43)
EBITDA	3,098	3,781	6,107	12,957	14,967	5.47	6.55	10.39	7.35	8.83
Depreciation	(1,702)	(1,387)	(1,381)	(4,451)	(4,064)	(3.01)	(2.40)	(2.35)	(2.53)	(2.39)
EBIT	1,396	2,394	4,726	8,506	10,903	2.46	4.15	8.04	4.82	6.44
Net Financing Cost	(471)	(202)	(222)	(890)	(941)	(0.83)	(0.35)	(0.38)	(0.51)	(0.55)
Gain/(Loss) from Foreign Exchange	181	(1,064)	23	543	(1,405)	0.32	(1.84)	0.04	0.31	(0.83)
Gain/(Loss) from impairment and disposal of fixed assets	-	2	-	-	27	-	-	-	-	0.02
Gain/(Loss) from Investment	60	(29)	55	82	(127)	0.11	(0.05)	0.09	0.04	(0.07)
Other Expenses / Reversing Doubful Account	(40)	-	(20)	(66)	2,830	(0.07)	-	(0.03)	(0.04)	1.67
Net Profit/(Loss) before Income Tax	1,126	1,101	4,562	8,175	11,287	1.99	1.91	7.76	4.62	6.68
Income Tax	189	(209)	(847)	(121)	(2,315)	0.33	(0.36)	(1.44)	(0.07)	(1.36)
Gain/(Loss) from non-controlling interests	(8)	(4)	(9)	(27)	(17)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)
Net Profit/(Loss)	1,307	888	3,706	8,027	8,955	2.31	1.54	6.30	4.53	5.31

Note :

⁽¹⁾ Average market prices of crude used in the product process

⁽²⁾ Including petroleum business (excluded excise taxes), petrochemical business, power and utilities business

⁽³⁾ Other income consist of sale of lands, port, tank farm and service etc

1.4.1 Market Gross Integrated Margin

	Baht million					USD per bbl				
	Quarter			9 months		Quarter			9 months	
	3/2016	3/2015	2/2016	2016	2015	3/2016	3/2015	2/2016	2016	2015
Petroleum (GRM)	2,372	2,763	2,327	8,325	9,993	4.19	4.78	3.96	4.72	5.88
Petrochemical (PTF)	4,042	4,727	4,857	13,002	11,441	7.14	8.19	8.26	7.38	6.74
Power and Utilities	665	671	685	1,944	1,918	1.17	1.16	1.17	1.10	1.14
Market GIM	7,079	8,161	7,869	23,271	23,352	12.50	14.13	13.39	13.20	13.76

In 3Q16, Market GIM was Baht 7,079 million or USD 12.50 per barrel, decreasing by Baht 1,082 million or USD 1.63 per barrel from the same period of last year, because of the lower spreads from the petroleum and petrochemical products which resulted in the lower Market GIM of USD 2.46 per barrel while the Everest project improved Market GIM by USD 0.83 per barrel.

Market GIM in this quarter also declined by Baht 790 million or USD 0.89 per barrel from 2Q16, mainly caused by the lower petroleum and petrochemical products spreads which affected Market GIM decreased by USD 1.04 per barrel whereas it increased USD 0.15 per barrel due to the benefit from Everest project.

Moreover, 9M16 Market GIM reduced by Baht 81 million or USD 0.56 per barrel when compared with 9M15. The lower petroleum and petrochemical products spreads affected to lower Market GIM of USD 1.17 per barrel, while the company had benefit from Everest project by USD 0.61 per barrel.

1.4.2 Accounting Gross Integrated Margin

	Baht million					USD per bbl				
	Quarter			9 months		Quarter			9 months	
	3/2016	3/2015	2/2016	2016	2015	3/2016	3/2015	2/2016	2016	2015
Petroleum (GRM)	1,679	933	3,315	7,200	9,977	2.97	1.62	5.64	4.09	5.87
Petrochemical (PTF)	4,093	4,361	5,290	13,274	10,900	7.23	7.55	9.00	7.52	6.42
Power and Utilities	665	672	685	1,944	1,918	1.17	1.16	1.17	1.10	1.14
Accounting GIM	6,437	5,966	9,290	22,418	22,795	11.37	10.33	15.81	12.71	13.43

In 3Q16, Baht 6,437 million or USD 11.37 per barrel of Accounting GIM, increased by Baht 471 million or USD 1.04 per barrel from 3Q15 because the net stock loss dropped by Baht 1,553 million or USD 2.67 per barrel. It decreased by Baht 2,853 million or USD 4.44 per barrel from 2Q16 as a result of Baht 2,063 million or USD 3.55 per barrel declining from the net stock gain.

For 9M16, Baht 22,418 million or USD 12.71 per barrel of Accounting GIM, dropped by Baht 377 million or USD 0.72 per barrel from 9M15 because the net stock loss rose by Baht 296 million or USD 0.16 per barrel.

1.4.3 Other Incomes

In 3Q16, Baht 328 million of other incomes decreased Baht 862 million from 3Q15 since there was the receipts of insurance compensation for the fire incident in the VGOHT unit of Baht 845 million in 3Q15. While they were increased by Baht 16 million from the previous quarter.

In 9M16, other incomes were Baht 951 million, declining by Baht 1,365 million when compared with 9M15 as a result of the insurance compensation receipts amounting to Baht 1,305 million.

1.4.4 Operating Expenses

In 3Q16, Baht 3,391 million or USD 5.99 per barrel of the operating expenses were increased by Baht 306 million or 10% from 3Q15 and Baht 216 million or 7% from 2Q16. It was mainly due to the increase of donation and other expenses.

In 9M16, the operating expenses amounted to Baht 9,508 million or USD 5.39 per barrel, which raised by Baht 272 million or 3% from the same period of last year. The main factors were the increase in the staff costs, maintenance expense, and consulting fee, offsetting with the decrease of the donation.

1.4.5 Depreciation Expenses

In 3Q16, depreciation went up by Baht 315 million to Baht 1,702 million from 3Q15 and by Baht 321 million from the last quarter. Besides, for 9M16, it increased by Baht 387 million, compared with the same period of last year. This was mainly caused by the commencement of the commercial operating date (COD) for UHV project.

1.4.6 Financial Costs

Financial costs in 3Q16, Baht 471 million, increased by Baht 269 million from 3Q15 and Baht 249 million from 2Q16 due to the increase of the interest expense after the COD of UHV project.

For 9M16, financial costs decreased by Baht 51 million, compared to the same period of last year because there was loss from financial derivatives contracts amounting to Baht 186 million in 9M15, while in 9M16, there were the profit from financial derivatives contracts amounting to Baht 56 million offsetting with the increase of the interest expense from the COD of UHV project by Baht 187 million.

1.4.7 Gain/Loss from Foreign Exchange

In 3Q16, there was unrealized foreign exchange gain of Baht 181 million, increasing by Baht 1,245 million and Baht 158 million from 3Q15 and 2Q16 accordingly. It raised up mainly from the effect of Thai Baht appreciation against USD. The Company had USD-denominated debt of USD 383 million.

Furthermore, the unrealized foreign exchange gain of Baht 543 million in 9M16, moved up by Baht 1,948 million when compared to the same period in last year due to the Thai Baht appreciation against USD at the end of 2015.

1.4.8 Gain/Loss from Investments

In 3Q16, gain from investments was raised up by Baht 89 million from 3Q15 and Baht 5 million, compare with the last quarter, caused by the higher of equity values in associates as well as the higher of dividend received.

In 9M16, gain from investment was increased by Baht 209 million from the same period of last year, mainly resulted from the higher of equity values in associates plus the increase of dividend received.

1.4.9 Other expenses

There was doubtful account of Baht 40 million in this quarter and Baht 20 million in 2Q16. In 9M16, doubtful account was Baht 66 million whereas there was the reversal of doubtful account amounting to Baht 2,830 million in 9M15, mostly caused by received debt repayment in 1Q15 from TPI Aromatics Public Company Limited which was Baht 2,823 million higher than the balances after offsetting of assets and liabilities in the consolidated statement of financial position.

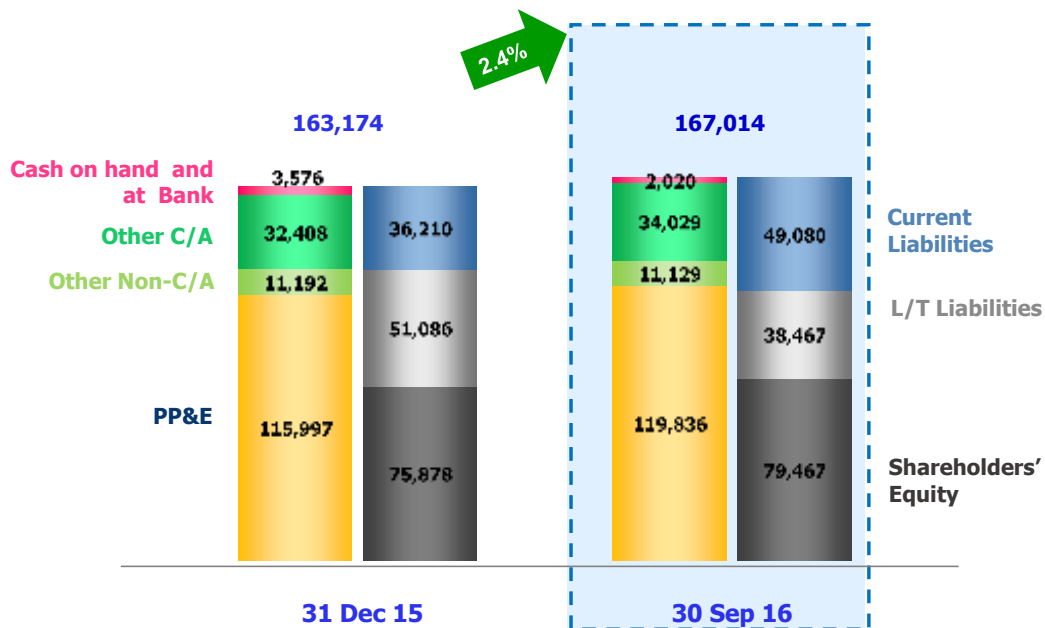
1.4.10 Income Tax

In 3Q16, there was net gain from tax benefit of Baht 189 million, while there was income tax of Baht 209 million in 3Q15 as well as Baht 847 million in 2Q16. In 3Q16, there was net tax benefit amounting to Baht 428 million from deferred tax asset of the subsidiary liquidation offset by 3Q16 income tax of Baht 239 million.

Compared 9M16 with 9M15, income tax decreased by Baht 2,194 million mainly owing to the increase of deferred tax assets of 2015 outstanding net losses and the divestment in both Rayong Tank Terminal Company Limited and IRPC Energy Company Limited.

2. Financial Position of the Company and its subsidiaries

(Unit : Baht million)



2.1 Assets

As of September 30, 2016, the Company had total assets of Baht 167,014 million, increased by Baht 3,840 million or 2% from December 31, 2015. It was due to the following reasons:

- Account receivable increased by Baht 339 million or 4% mainly because of an increase in the product prices. As of Sep 30, 2016, account receivable that was more than 3 months overdue amounted to Baht 173 million or 1.86% of the total account receivable or 0.13% of the total sales. This was incorporated in the provision for doubtful debt of Baht 138 million. The average collection period in 3Q16 was 18 days, equivalent to the end of 2015.
- Inventory increased by Baht 1,837 million or 9% mainly due to an increase of crude oil intake for production and the reserve under the strategic plan. The inventory day was 49 days, raised by 5 days compared to the end of 2015.
- Other current assets fell by Baht 2,112 million or 37%. It was mainly due to a decrease of cash.
- Non-current assets raised by Baht 3,776 million or 3% due to an increase in fixed assets, largely contributed from the UHV project and PPE&PPC project. However, these were partially offset by a decrease of the depreciation and amortization expenses.

2.2 Liabilities

As of September 30, 2016, the Company had total liabilities of Baht 87,547 million, increased by Baht 251 million, compared to the end of 2015. It was due to the following reasons:

- Account payable went down by Baht 9,895 million or 38% due to a reduction of payment term of crude oil payable from 90 days to 60 days. The payment period was 52 days, decreased by 7 days compared to the end of 2015.
- Other current liabilities went up by Baht 7,606 million or 123%, which was largely owing to the higher short-terms loan.
- Long-terms loan including long-terms loan to be repaid within one year increased by Baht 2,508 million, mainly caused by an increase of the long-terms loan drawdown of Baht 6,000 million while the repaid for loan of Baht 2,873 million.

The details of long-terms debt are shown below.

(unit : Baht million)

	Sep 30, 2016	Dec 31, 2015	Change
USD Bonds	8,298	8,622	(324)
Thai Baht Bonds	22,628	22,623	5
USD Loan	5,039	5,959	(920)
Thai Baht Loan	20,044	16,296	3,748
Total	56,009	53,500	2,508
less current portion of long-terms loan	(19,424)	(4,265)	(15,159)
Net Outstanding Debt	36,585	49,235	(12,651)

- Other non-current liabilities raised by Baht 32 million, which was mainly caused by an increase in the employee benefit obligations.

2.3 Shareholders' Equity

As of September 30, 2016, shareholders' equity amounted to Baht 79,467 million which was higher than that reported as of December 31, 2015 for Baht 3,589 million. This was mainly because of an increase in net profit amounting to Baht 8,027 million and the fair value of available-for-sale investment of Baht 52 million while offsetting with dividend payment amounted to Baht 4,490 million.

3. Statement of Cash Flow

(unit : Baht million)

		Jan - Sep 2016	Jan-Sep 2015
1	EBITDA	12,957	14,967
2	Change in operating assets and liabilities	(12,223)	7,467
3	Net cash flows from(used in) operating activities	734	22,434
4	Net cash flows from(used in) investing activities	(7,634)	(11,100)
5	Net cash flows from(used in) financing activities	5,344	(10,847)
6	Net increase (decrease)	(1,556)	487
7	Cash at beginning	3,576	2,009
8	Cash at ending	2,020	2,496

As of September 30, 2016, the cash balance was at Baht 2,020 million. Net cash flow decreased by Baht 1,556 million, which was mainly contributed from the following items.

- Net cash inflow of Baht 734 million from operating activities consisted of EBITDA of Baht 12,957 million and cash outflow of Baht 12,223 million resulting from the changes in the operating assets and liabilities. Important items contributing to cash outflow included an increase of Baht 1,583 million in inventories, an increase of Baht 395 million in account receivable, a decrease of Baht 9,895 million in account payable and a decrease of Baht 619 million in accrued bonus whereas there was a decrease of Baht 342 million in value added tax.
- Net cash outflow of Baht 7,634 million from investing activities mainly for the Upstream Project for Hygiene & Value-added Products (UHV) and PPE&PPC project.
- Net cash inflow of Baht 5,344 million from financing activities mainly consisted of long-terms loan drawdown of Baht 6,000 million and short-terms loan drawdown of Baht 8,472 million while there was cash outflow from the repayments for short-terms and long-terms loans of Baht 2,956 million, interest payment of Baht 1,697 million and dividend payment of Baht 4,490 million.

4. Key Financial Ratios

	Unit	Quarter		
		3/2016	3/2015	2/2016
Profitability Ratios				
EBITDA Margin	%	6.78	7.26	13.55
Net Profit Margin	%	2.86	1.70	10.39
Earnings per share	Baht/share	0.06	0.04	0.18
Return on Equity ⁽¹⁾	%	13.79	16.68	17.48
Liquidity Ratios				
Current Ratio	time	0.73	1.08	0.80
Quick Ratio	time	0.23	0.34	0.21
Financial Policy Ratios				
Net Debt to Equity	time	0.79	0.70	0.72

Note: ⁽¹⁾ annualized

Liquidity and Capital Structure

In 3Q16, current ratio was 0.73 times, decreased 0.07 times comparing to last period and moved down 0.35 times from 3Q15. It was mainly due to a rise of short-terms loan. The company did not have the liquidity risk because of the well preparation of sufficient liquidity for the operations.

At the end of 3Q16, Net Debt to Equity ratio was 0.79 times, slightly increasing 0.07 times from 2Q16 and moving up 0.09 from 3Q15 due to the higher of short-term and long-terms loan. The company could make the payment on due date and comply with all of the Financial Covenant.