

IRPC Public Company Limited and its Subsidiaries
Management Discussion and Analysis (MD&A)
Quarter 2/2008

IRPC Public Company Limited and its Subsidiaries (IRPC) recorded consolidated net profit for the quarter 2/2008 Baht 5,126 million, an increase of 3 % from the same period last year. The consolidated sales revenue was Baht 73,740 million, increased by 33 %, the consolidated cost of good sold increased by 33% in line with the increase of sales revenue due to the rising crude oil price. Gross profit margin for quarter 2/2008 was 9%, in line with that of quarter 2/2007, but significantly increased comparing to quarter 1/2008 which was only 3% due to stock gain. The plant utilization rate was in normal average at 183,115 barrel per day or 85% of full capacity.

(million baht)			
Income Statements	Q2/2008	Q2/2007	% Change
Sales Revenue	73,740	55,276	33%
Gross Profit	6,819	5,108	34%
Net Profit	5,126	4,957	3%
Earning per Share (Baht)	0.26	0.25	3%

Petroleum products sales accounted for 74% of total sales revenue, while petrochemical products sales were 25% and other revenue was 1%. Total petroleum products sales for the quarter 2/2008 was Baht 54,484 million, and increase of Baht 16,039 million or 42% increase, attributable to rising refined products prices despite slightly lower sales volume especially domestic sales due to energy saving conscience. Plastic resin sales for the quarter 2/2008 were Baht 12,562 million, 15% increase YoY resulting from both price and volume increase, mainly attributable to the increase of Polypropylene (PP) sales.

For the quarter 2/2008, FX translation loss was Baht 710 million resulting from baht depreciation against USD. The company recorded gain from swap contract Baht 237 million and loss from sales and revaluation of investments of Baht 328 million.

Revenue Structure

(Million Baht)	Q2/2008				Q2/2007			
	Domestic	Export	Total	%	Domestic	Export	Total	%
1. Petrochemical Products								
1.1 Plastic Resins	6,852	5,711	12,562	17%	5,640	5,325	10,965	20%
1.2 Olefins	2,595	25	2,621	4%	1,777	226	2,003	3%
1.3 Aromatics	2,289	683	2,972	4%	1,673	1,235	2,908	5%
1.4 Polyol	127	217	344	0%	105	222	327	1%
Total	11,863	6,636	18,499	25%	9,195	7,008	16,203	29%
2. Petroleum Products								
2.1 Refined Products	26,443	13,476	39,918	54%	24,549	4,079	28,628	52%
2.2 Naphtha	570	2,050	2,620	4%	-	2,915	2,915	5%
2.3 Lube Base Oil	2,017	1,243	3,260	4%	1,621	1,155	2,776	5%
2.4 Long Residue	4,880	1,395	6,275	9%	2,157	391	2,548	5%
2.5 Asphalt and by-products	665	1,745	2,411	3%	428	1,150	1,578	3%
Total	34,575	19,909	54,484	74%	28,755	9,690	38,445	70%
3. Others	757	-	757	1%	628	-	628	1%
Grand Total	47,195	26,545	73,740	100%	38,578	16,698	55,276	100%

The tight crude oil markets influenced by supply concerns coupled with number of oil producing countries tried to maintain high prices to safeguard absolute income from weaken US dollar. Dubai crude oil price in June 2008 average at 128 USD/barrel, jumped 40% from beginning of the year. The effect on quarter 2/2008 consolidated balance sheet was increasing inventories and account receivable as the companies need more working capital for raw material procurement. The consequence was decreasing liquidity, the consolidated cash decreased by Baht 7,406 million as a result of net cash outflow from operation Baht 11,105 million due to higher cash payment for crude oil. The cash outflow for investment activities was Baht 2,302 million, mainly the advance payment for machinery and equipment for CAPEX phase 1 Baht 1,373 million. The cash inflow from financing activities was Baht 6,001 million resulting from increase in short term loans from financial institutions Baht 10,394 million and dividend payment for 2H07 operation Baht 3,891 million. The net cash outflow combined with beginning cash Baht 11,144 million resulted in ending cash balance of Baht 3,737 million

During the quarter 2/2008 the companies has acquired assets by debt settlement from Rayong Tank Terminal Co.,Ltd which is under rehabilitation process and is a subsidiary with 99% shareholding. The fare value of the assets was Baht 3,700 million. However, the asset acquisition only affected separated financial statement.

Employee Stock Ownership Program (ESOP)

The company has allocated warrants to subscribe the company shares to employees in 2007 in the amount up to 975 million. The tenor of the warrant is 4 year with exercise ratio 1:1 and exercise price of 2.88 baht/share. As of 30 June 2008, 50% of total allocated warrants are exercisable. The first exercise had 143.86 million warrants exercised which is 15% of total reserved shares or 0.73% of registered capital. The increase in paid up share capital resulting from this exercise was Baht 414 million.

The company has registered the paid up share capital increase with the Ministry of Commerce in 19 July 2008, hence, the balance sheet as at 30 June 2008 showed proceeds from warrants exercise as advance received for ESOP in current liabilities items.

Capital Expenditure Projects

The company plans to invest in projects aiming at efficiency enhancement and cost reduction of refineries and plastic resin plants. The projects can be categorized into 2 phase as follows:

CAPEX Project Phase 1 (2007 – 2009)

Project	CAPEX Amount (Million USD)	Purpose	Progress
HDPE Compound	12.6	Increase capacity from 17 KTA to 57 KTA	- 80% progress - In the process of machinery installation
ABS Expansion	17.1	Increase capacity from 96 KTA to 117 KTA	- 80% progress - In the process of Engineering Work
Power Plant	220.0	CHP 216 MW for internal use, reduce power, steam cost and improve power stability	- In the process of Engineering Work and obtain EIA approval
Safety and environment Improvement	39.0	Continual improvement of safety and environment standards	- Implementing
Total	288.7		

CAPEX Project Phase 2 (2009 – 2011)

The CAPEX Project phase 2 for 2009-2011 comprise of Refinery Improvement and Euro IV Standard Compliance which is to be imposed on 1 January 2012. The refinery Improvement Project will enhance refining efficiency as well as refining capacity. Moreover, the CAPEX phase 2 includes the propylene booster project and port dredging. The CAPEX budget is primarily estimated at USD 1,110 million.

Furthermore, board of directors has approved ABS capacity expansion project (ABS Expansion 6) with the initial budget USD 70 million which will boost ABS capacity from the level of 117 KTA to 200 KTA.

Key Financial Ratio

	Q2/2008	Q1/2008
Current Ratio (times)	2.37	2.80
Quick Ratio (times)	0.71	0.71
Debt to Equity Ratio (times)	0.56	0.31
Gross Profit Margin	9.25%	9.24%
Net Profit Margin	6.89%	8.84%
ROE	5.39%	5.49%
ROA	3.63%	3.99%

Note : * restated