

# Thoresen Thai Agencies Public Company Limited

## Management Discussion and Analysis 1Q/2016



May 13, 2016

The President

The Stock Exchange of Thailand

Dear Sir/Madam,

Re: Management's Discussion and Analysis on 1Q/16

## Thoresen Thai Agencies Public Company Limited

- EBITDA improved significantly YoY and QoQ despite lower revenue impacted by lower TCE rates and less contribution from cable laying business
- Cash and short-term investments totalling of Baht 13.4 billion at the end of 31 March 2016
- Strong consolidated balance sheet

## Executive Summary

### Performance Summary

in Million Baht	1Q/15	4Q/15	1Q/16	%YoY	%QoQ
<b>Revenues</b>	4,575.8	5,059.3	2,956.6	-35%	-42%
<b>Gross Profit</b>	223.3	827.3	339.1	52%	-59%
Gross Margin (%)	5%	16%	11%		
<b>EBITDA</b>	8.7	(228.7)	229.5	2545%	200%
EBITDA Margin (%)	0%	-5%	8%		
<b>Net Profit/(Loss)</b>	(459.7)	(15,277.2)	(206.7)	55%	99%
Net Profit Margin (%)	-10%	-302%	-7%		
<b>Net Profit/(Loss) to TTA</b>	(237.9)	(11,564.8)	(230.7)	3%	98%
Number of Shares (million Shares)	1,387.9	1,822.5	1,822.5		
Basic earnings per share (in Baht)	(0.17)	(6.25)	(0.13)		
Normalized Net Profit/(Loss)	(480.9)	(804.5)	(200.7)	58%	75%
Normalized Net Profit/(Loss) to TTA	(259.0)	(576.0)	(224.5)	13%	61%

\*Normalized Net Profit/(Loss) = Net Profit/(Loss) - Non-Recurring Items

Restate 1Q/15

The overall performance of Thoresen Thai Agencies Public Company Limited ("TTA") improved 13%YoY and 61%QoQ, with normalized net loss to TTA of Baht 224.5 million despite the fact that Jan. – Mar. of each year is normally a low quarter due to the cyclical nature of the businesses.

2016 started off as another challenging year for TTA where its two major businesses are facing the toughest time. The shipping industry faced the worst downturn in nearly 30 years and crude oil prices were at 13-year-low level in 1Q/16. However, with TTA's strong balance sheet and management team, TTA will be able to weather this storm. The Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in 1Q/16 was positive at Baht 229.5 million, an increase of 2545% YoY and 200% QoQ.

**Thoresen Shipping Group (“TSG”)**’s average TCE rate in 1Q/16 was at **\$3,747 per day, outperformed the adjusted market TC Avg BSI of \$3,358 per day by 12%**. This declined 54% YoY from \$8,091 per day in 1Q/15 as the dry bulk index weakened to its lowest level ever in this quarter.

**Mermaid Maritime Public Company Limited (“MML Group”)**’s total revenue in 1Q/16 was at **Baht 1,412.9 million**, a decline of 29% YoY from Baht 1,984.2 million in 1Q/15 due to significant drop of cable laying revenue in 1Q/16 which accounted for only 4% of 1Q/16’s revenue. However, the revenue from Subsea IRM – Vessels and Non Vessels in 1Q/16 increased 25% YoY and 18% YoY, respectively. The utilization rate increased from 33% in 1Q/15 to 40% in 1Q/16 but down from 55% in 4Q/15. MML Group contributed a normalized net profit of Baht 43.5 million.

**PM Thoresen Asia Holdings Public Company Limited (“PMTA”)** achieved net profit of Baht 26.4 million with growing sales volume and revenues YoY underpinned by its export-focused strategy despite the severe drought situation in the region and slowdown in the first quarter from low season. The demand of factory area for leasing continues to be very high with 100% occupancy rate and remains at the highest rate with additional capacity of 8,200 sq. m. completed construction in March 2016.

The market value of investment in Sino Grandness Food Industry Group Limited (SGFI) was nearly double due to the closing price of SGFI’s share (SGD 0.695) as at 31 March 2016.

**UMS’s sales volume decreased 33% YoY from 86 KTONs in 1Q/15 to 58 KTONs in 1Q/16 but increased 35% QoQ from 43 KTONs in 4Q/15.** However, the other income showed signs of improvement of 197% YoY and 118% QoQ as UMS have started implementing business turnaround plan. Whereas, the continuing cost reduction program had lowered the SG&A by 32% YoY and 6% QoQ. Accordingly in 1Q/16, UMS reported net loss of Baht 17.9 million.

**Overall in 1Q/16, TTA reported net loss to TTA of Baht 230.7 million with normalized net loss to TTA of Baht 224.5 million.** TTA still maintained strong net cash flow from operation of Baht 170.9 million in 1Q/16, with cash and short-term investments on its consolidated balance sheet totaling to Baht 13.4 billion at the end of the first quarter 2016.

## Consolidated Performance Summary

### Consolidated Income Statement

in million Baht (MB)	1Q/15		4Q/15		1Q/16		%YoY		%QoQ	
	MB	%	MB	%	MB	%	MB	%	MB	%
<b>Revenues</b>	4,575.8	100.0	5,059.3	100.0	2,956.6	100.0	(1,619.1)	-35%	(2,102.7)	-42%
Costs	(4,352.5)	(95.1)	(4,232.1)	(83.6)	(2,617.5)	(88.5)	(1,734.9)	-40%	(1,614.6)	-38%
<b>Gross Profit</b>	223.3	4.9	827.3	16.4	339.1	11.5	115.8	52%	(488.1)	-59%
Other Income	19.5	0.4	46.0	0.9	51.6	1.7	32.1	164%	5.6	12%
Gain/(Loss) on Investment	39.9	0.9	(218.7)	(4.3)	6.7	0.2	(33.1)	-83%	225.4	103%
SG&A	(637.3)	(13.9)	(664.9)	(13.1)	(359.3)	(12.2)	(278.0)	-44%	(305.6)	-46%
<b>EBITDA from Operation</b>	(354.6)	(7.8)	(10.4)	(0.2)	38.2	1.3	392.8	111%	48.5	468%
Equity Income	363.3	7.9	(218.3)	(4.3)	191.3	6.5	(172.0)	-47%	409.6	188%
<b>EBITDA</b>	8.7	0.2	(228.7)	(4.5)	229.5	7.8	220.8	2545%	458.1	200%
Depreciation & Amortization	(376.6)	(8.2)	(523.6)	(10.3)	(291.1)	(9.8)	(85.5)	-23%	(232.5)	-44%
<b>EBIT</b>	(367.9)	(8.0)	(752.3)	(14.9)	(61.6)	(2.1)	306.3	83%	690.7	92%
Financial Cost	(127.8)	(2.8)	(122.1)	(2.4)	(130.9)	(4.4)	3.1	2%	8.8	7%
Gain/(Loss) from Foreign Exchange	41.0	0.9	(54.6)	(1.1)	(4.5)	(0.2)	45.5	-111%	(50.2)	-92%
Non-Recurring Items - Impairment on Assets	-	-	(11,562.5)	(228.5)	-	-	-	0%	(11,562.5)	-100%
Non-Recurring Items - Other	21.2	0.5	(2,910.2)	(57.5)	(6.1)	(0.2)	(27.2)	-129%	(2,904.2)	-100%
<b>Profit before income tax</b>	<b>(433.5)</b>	<b>(9.5)</b>	<b>(15,401.7)</b>	<b>(304.4)</b>	<b>(203.0)</b>	<b>(6.9)</b>	<b>(230.5)</b>	<b>-53%</b>	<b>15,198.7</b>	<b>99%</b>
Income Tax Expense	(26.2)	(0.6)	124.6	2.5	(3.7)	(0.1)	(22.5)	-86%	(128.3)	-103%
<b>Net Profit/(Loss)</b>	<b>(459.7)</b>	<b>(10.0)</b>	<b>(15,277.2)</b>	<b>(302.0)</b>	<b>(206.7)</b>	<b>(7.0)</b>	<b>253.0</b>	<b>55%</b>	<b>15,070.4</b>	<b>99%</b>
<b>Net Profit/(Loss) attributable</b>										
To Non-controlling interest	(221.9)	(4.8)	(3,712.4)	(73.4)	23.9	0.8	245.8	111%	3,736.3	101%
<b>To TTA</b>	<b>(237.9)</b>	<b>(5.2)</b>	<b>(11,564.8)</b>	<b>(228.6)</b>	<b>(230.7)</b>	<b>(7.8)</b>	<b>7.2</b>	<b>3%</b>	<b>11,334.2</b>	<b>98%</b>
<b>Normalized Net Profit/(Loss)</b>	(480.9)		(804.5)		(200.7)					
<b>Normalized Net Profit/(Loss) to TTA</b>	(259.0)		(576.0)		(224.5)					

\*Normalized Net Profit/(Loss) = Net Profit/(Loss) - Non-Recurring Items

In 1Q/16, consolidated revenues decreased 35% YoY to record at Baht 2,956.6 million driven mainly by lower revenue contribution from transport group led by dry bulk shipping business as freight rates have tumbled while revenue from MML Group also dropped by 29%. Total costs decreased 40% YoY to Baht 2,617.5 million mainly from lower vessel operating expenses and lower cost related to the cable laying business activities. Consequently, gross profit increased 52% YoY to Baht 339.1 million with gross margin of 11% in 1Q/16.

Equity income decreased 47% YoY to Baht 191.3 million in 1Q/16, primarily from lower profit sharing from Asia Offshore Drilling "AOD" (major contributor to the equity income). As a result, the EBITDA in 1Q/16 was positive at Baht 229.5 million, an increase of 2545% YoY and 200% QoQ. Furthermore, the depreciation and amortization decreased 44% QoQ.

## Thoresen Shipping Group (TSG)

- Thoresen TCE Rate outperformed adjusted market BSI by 12%
- Utilization rate remained at high level despite weak market condition with shipping index fell to the lowest point in 30 years
- Chartered-in business continue to strongly generate positive margin to the group

## Performance Summary

### Income Statement\*

in million Baht (MB)	1Q/15	4Q/15	1Q/16	%YoY	%QoQ
<b>Freight Revenue</b>	1,754.8	1,398.3	744.7	-58%	-47%
Vessel Operating Expenses	(1,508.0)	(1,174.8)	(764.3)	-49%	-35%
<b>Gross Profit</b>	246.8	223.5	(19.7)	-108%	-109%
Other Income	8.7	4.6	15.4	77%	235%
Gains (Losses) on Investment	32.1	-	-	0%	0%
SG&A	(88.2)	(107.5)	(54.5)	-38%	-49%
<b>EBITDA</b>	199.5	120.6	(58.7)	-129%	-149%
Depreciation & Amortization	(167.8)	(188.3)	(103.3)	-38%	-45%
<b>EBIT</b>	31.7	(67.7)	(162.1)	-612%	139%
Financial Cost	(42.7)	(44.8)	(43.8)	3%	-2%
Gain/(Loss) from Foreign Exchange	(7.2)	(26.7)	(51.1)	608%	91%
Non-Recurring Items	(1.9)	(4,731.2)	(4.6)	144%	-100%
Profit before income tax	(20.2)	(4,870.4)	(261.5)	1197%	-95%
Income Tax Expense	(12.7)	(4.4)	(2.4)	-81%	-45%
<b>Net Profit/(Loss)</b>	(32.9)	(4,874.7)	(263.9)	702%	-95%
<b>Normalized Net Profit/(Loss)</b>	(31.0)	(143.5)	(259.3)	736%	81%

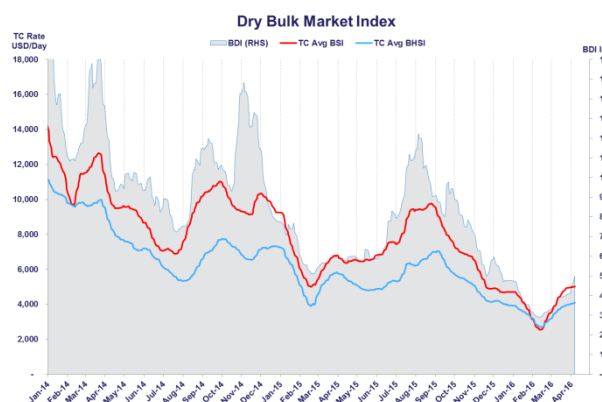
<b>Gross Margin (%)</b>	14%	16%	-3%
<b>EBITDA Margin (%)</b>	11%	9%	-8%
<b>Net Profit Margin (%)</b>	-2%	-349%	-35%

\*as consolidated on TTA's P&L

\*Normalized Net Profit/(Loss) = Net Profit/(Loss) - Non-Recurring Items

In February 2016, the Baltic Dry Index (BDI), an indicator of international cargo trade, had fallen to its 30 years low at 290 prior to the Chinese New Year and slowly picked up in March and April 2016. The drastic fall in BDI

was due to the continuing depression in shipping market from low international trade and an excess supply of ships. BDI index averaged 358 in 1Q/16, a decline of 42% YoY from 614 in 1Q/15 and fell 44% QoQ from 640 in 4Q/15. Consequently, the Supramax average TC rates (key benchmark rates for TSG) dropped to \$3,801 per day in 1Q/16 comparing with \$6,434 per day in 1Q/15 and \$5,779 per day in 4Q/15. Handysize average TC rates fell to \$3,405 per day in 1Q/16 comparing with \$5,339 per day in 1Q/15 and \$4,692 per day in 4Q/15.



In 1Q/16, Thoresen Shipping Group (TSG)'s average TCE rate was at \$3,747 per day, which outperformed the adjusted market TC Avg BSI of \$3,358 per day by 12% although declined 54% YoY from \$8,091 per day in 1Q/15 as the dry bulk index weakened to its lowest level ever in this quarter. The achieved TCE rate, however, was below the operating cash cost level of \$4,860 per day in 1Q/16. The TSG's average TCE rate in 1Q/16

# Thoresen Thai Agencies Public Company Limited

## Management Discussion and Analysis 1Q/2016

Ref No. COR:MS/EL16019e/PP

comprised of owned fleet TCE rate of \$3,311 per day and additional margin from chartered-in vessels of \$436 per day. In this quarter, M.V. Thor Dynamic, with capacity of 43,497 DWT, was sold for scrap, following TTA's strategy to improve the efficiency of the fleet and TTA's fleet renewal program. At end of 1Q/16, TSG owned 23 vessels with an average size of 50,946 DWT and an average age of 11.75 years. Therefore, the group operated an average of 30 vessels (22.2 owned vessels<sup>(5)</sup> and 7.9 chartered-in vessels) in 1Q/16.

**The freight revenue in 1Q/16 decreased to Baht 744.7 million or reducing 58% YoY from Baht 1,754.8 million in 1Q/15, with gross loss of Baht 19.7 million or down 108% YoY as the TSG's average TCE rate fell lower than the operating cash costs level. Gross margin was at -3% in 1Q/16 comparing to 14% in 1Q/15. Although, the operating cash cost per day in 1Q/16 was at \$4,860 per day, reducing 19% YoY from 1Q/15 mainly from the lower general and administrative expenses which declined 43% YoY.**

Therefore, **TSG ended the quarter with negative EBITDA of Baht -58.7 million (down 129% YoY) and EBITDA margin of -8%** due to the relatively weak market. Depreciation per vessel day dropped 44% YoY due to the non-cash impairment of its owned fleet vessels at the end of 2015. In conclusion, TSG reported net loss of Baht 263.9 million in 1Q/16 with normalized net loss of Baht 259.3 million.

Fleet data Summary	1Q/15	4Q/15	1Q/16	%YoY	%QoQ
Average DWT (Tons)	50,636	50,636	50,946	1%	1%
Calendar days for owned fleet <sup>(1)</sup>	2,160	2,208	2,113	-2%	-4%
Available service days for owned fleet <sup>(2)</sup>	2,064	2,084	2,065	0%	-1%
Operating days for owned fleet <sup>(3)</sup>	2,054	2,084	2,016	-2%	-3%
Owned fleet utilization <sup>(4)</sup>	99.5%	100.0%	97.6%	-2%	-2%
Voyage days for chartered-in fleet	1,608	1,323	717	-55%	-46%
Average number of vessels <sup>(5)</sup>	40.7	37.0	30.0	-26%	-19%

Market Rate (USD/Day)	1Q/15	4Q/15	1Q/16	%YoY	%QoQ
BDI Index	614	640	358	-42%	-44%
BSI Index	615	553	363	-41%	-34%
Mkt TC Avg BSI	6,434	5,779	3,801	-41%	-34%
Adjusted Mkt TC Avg BSI	5,684	5,106	3,358	-41%	-34%

Average Daily Operating Results <sup>(6)</sup> (USD/Day)	1Q/15	4Q/15	1Q/16	%YoY	%QoQ
<b>Thoresen TCE Rate <sup>(7)</sup></b>	<b>8,091</b>	<b>7,611</b>	<b>3,747</b>	<b>-54%</b>	<b>-51%</b>
TCE Rate of Owned Fleet	6,312	6,761	3,311	-48%	-51%
TCE Rate of Chartered-In	1,778	850	436	-76%	-49%

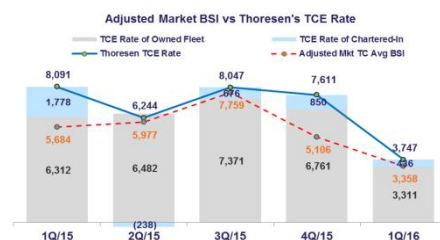
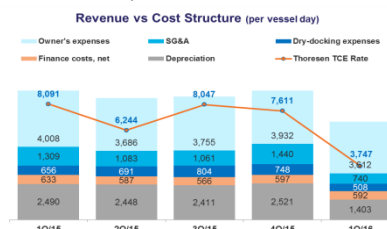
Expenses	1Q/15	4Q/15	1Q/16	%YoY	%QoQ
Vessel operating expenses (Owner's expenses)	4,008	3,932	3,612	-10%	-8%
Dry-docking expenses	656	748	508	-23%	-32%
General and administrative expenses	1,309	1,440	740	-43%	-49%
<b>Cash costs</b>	<b>5,972</b>	<b>6,121</b>	<b>4,860</b>	<b>-19%</b>	<b>-21%</b>
Finance costs, net	633	597	592	-7%	-1%
Depreciation	2,490	2,521	1,403	-44%	-44%
<b>Total costs</b>	<b>9,096</b>	<b>9,239</b>	<b>6,855</b>	<b>-25%</b>	<b>-26%</b>
USD/THB Rate (Daily Average)	32.65	35.84	35.67	9%	0%

<sup>(7)</sup>The per day basis is calculated based on available service days.

Note:

- Calendar days are the total calendar days TTA owned the vessels in our fleet for the relevant period, including off hire days associated with major repairs, dry dockings, or special or intermediate surveys.
- Available service days are calendar days(1) less planned off hire days associated with major repairs, dry dockings, or special or intermediate surveys.
- Operating days are the available days (2) less unplanned off-hire days, which occurred during the service voyage.
- Fleet utilisation is the percentage of time that our vessels generated revenues and is determined by dividing operating days by available service days for the relevant period.
- Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the total operating days for owned fleet plus voyage days for chartered in fleet during the period divided by the number of calendar days in the relevant period.
- Adjusted Mkt TC Avg BSI = Market TC Avg BSI adjusting commission fee and Thoresen Fleet Type
- The per day basis is calculated based on available service days
- Thoresen TCE Rate = Owned Vessel TCE Rate + Chartered-In Rate

TCE Rate = Time-Charter Equivalent Rate  
 TC Rate = Time-Charter Rate  
 BDI = The Baltic Exchange Dry Index  
 BSI = The Baltic Exchange Supramax Index  
 BHSI = The Baltic Exchange Handysize Index



## **Mermaid Maritime Public Company Limited (MML Group)**

- Revenue from Subsea IRM – Vessels and Non Vessels in 1Q/16 increased 25% YoY and 18% YoY
- Lower contribution from cable laying business
- Net Profit increased 109% YoY and 101% QoQ

### **Performance Summary**

#### **Income Statement**

in million Baht	1Q/15	4Q/15	1Q/16	% YoY	% QoQ
<b>Total Revenues</b>	1,984.2	2,578.3	1,412.9	-29%	-45%
Total Costs	(2,202.9)	(2,205.2)	(1,216.4)	-45%	-45%
<b>Gross Profit/(Loss)</b>	(218.7)	373.1	196.5	190%	-47%
Other Income	4.8	3.5	5.0	4%	42%
SG&A	(349.5)	(370.4)	(153.4)	-56%	-59%
<b>EBITDA from Operation</b>	(563.4)	6.2	48.1	109%	674%
Equity Income	237.3	(243.9)	151.6	-36%	162%
<b>EBITDA</b>	(326.1)	(237.7)	199.7	161%	184%
Depreciation & Amortization	(154.4)	(275.6)	(147.3)	-5%	-47%
<b>EBIT</b>	(480.5)	(513.3)	52.4	111%	110%
Financial Cost	(26.6)	(30.7)	(30.3)	14%	-1%
Gain/(Loss) from Foreign Exchange	(0.7)	3.7	(9.1)	1241%	-344%
Non-Recurring Items	(0.0)	(6,003.5)	0.7		100%
Non-Recurring Items - share of impairment losses from MML's drilling associate	-	(2,232.1)	-		100%
<b>Profit/(Loss) before income tax</b>	<b>(507.7)</b>	<b>(8,775.8)</b>	<b>13.7</b>	<b>103%</b>	<b>100%</b>
Income Tax Expense	(10.0)	28.6	30.4	404%	6%
<b>Net Profit/(Loss)</b>	<b>(517.7)</b>	<b>(8,747.2)</b>	<b>44.2</b>	<b>109%</b>	<b>101%</b>
<b>Net Profit/(loss) attributable</b>					
To Non-controlling interest	(219.7)	(3,698.9)	17.9	108%	100%
<b>To TTA</b>	<b>(298.0)</b>	<b>(5,048.3)</b>	<b>26.3</b>	<b>109%</b>	<b>101%</b>
<b>Normalized Net Profit/(Loss)</b>	(517.7)	(511.6)	43.5	108%	108%
<b>Normalized Net Profit/(Loss) To TTA</b>	(298.0)	(256.8)	25.9	109%	110%
<b>Gross Margin (%)</b>	-11%	14%	14%		
<b>EBITDA Margin (%)</b>	-16%	-9%	14%		
<b>Net Profit Margin (%)</b>	-26%	-339%	3%		

\*Normalized Net Profit/(Loss) = Net Profit/(Loss) - Non-Recurring Items

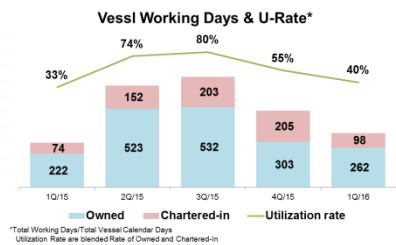
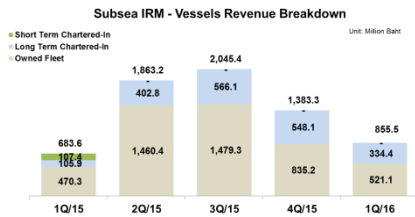
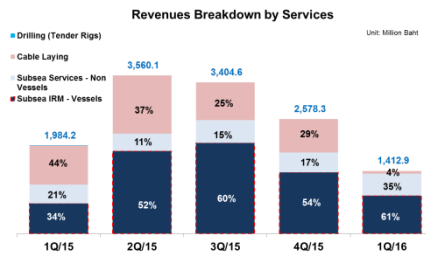
**The oil and gas markets continue to be volatile in 1Q/16.** Crude oil price in 1Q/16 fell continuously from 4Q/15 to the 13-year-low level at around USD 30 per barrel as the market was pressured by concern over Iran's oil export that is likely to increase after the lifting of sanctions on 16 January 2016, while oversupply situation continuous to persist. However, in the second half of 1Q/16, the market was supported by an expectation over the meeting between OPEC and non-OPEC producers regarding crude oil price stability, which supported the oil price to rise back to over USD 40 per barrel at the end of the quarter. **However, the first quarter of each year is normally a low season for Mermaid Maritime Public Company Limited ("MML Group")'s business.**

In 1Q/16, MML Group's total revenue was at Baht 1,412.9 million, a decline of 29% YoY from Baht 1,984.2 million in 1Q/15 due to significant drop of cable

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laying revenue in 1Q/16 which accounted for only 4% of 1Q/16's revenue. However, the revenue from Subsea IRM – Vessels and Non Vessels in 1Q/16 increased 25% YoY and 18% YoY, respectively. The utilization rate increased from 33% in 1Q/15 to 40% in 1Q/16 but down from 55% in 4Q/15.

In drilling business, the MML Group's three high specification jack-up drilling rigs, under Asia Offshore Drilling (AOD), have performed strongly with an average of 100% utilization in the first quarter. However, the tender rigs (MTR-1 and MTR-2) remain cold stacked and are being market for sale.

**Total cost decreased 45% YoY and QoQ mainly from lower cost related to cable laying business.** Consequently, the gross profit increased 190% YoY from losses of Baht 218.7 million in 1Q/15 to profit of Baht 196.5 million in 1Q/16, but declined 47% QoQ from profit of Baht 373.1 million in 4Q/15. In addition, with MML Group's effective cost reduction program, SG&A significantly declined 56% YoY and 59% QoQ to Baht 153.4 million. Furthermore, the discount agreed with customer of AOD in 2015 has impacted to lower the equity income in this quarter.

Therefore, the overall EBITDA in 1Q/16 was positive at Baht 199.7 million or increased 161% YoY and 184% QoQ from losses of Baht 326.1 million and Baht 237.7 million, respectively. Depreciation and amortization decreased 47% QoQ following the non-cash impairment at the end of 2015. **Accordingly in 1Q/16, MML Group reported the net profit of Baht 44.2 million and attributable net profit to TTA of Baht 26.3 million.**



## Unique Mining Services Public Company Limited (UMS)

- Sales Volume increased 35% QoQ
- New services help increased other income
- Net loss attributable to TTA of Baht 16 million

### Performance Summary

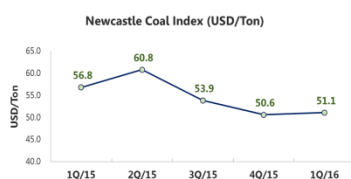
#### Income Statement

in million Baht	1Q/15	4Q/15	1Q/16	% YoY	% QoQ
<b>Total Revenues</b>	188.8	104.8	120.6	-36%	15%
Total Costs	(139.6)	(74.0)	(92.7)	-34%	25%
<b>Gross Profit</b>	49.2	30.8	27.9	-43%	-9%
Other Income	0.3	(4.2)	0.8	197%	118%
SG&A	(31.6)	(22.6)	(21.4)	-32%	-6%
<b>EBITDA</b>	17.8	3.9	7.3	-59%	88%
Depreciation & Amortization	(14.2)	(13.2)	(10.4)	-27%	-21%
<b>EBIT</b>	3.6	(9.3)	(3.1)	-185%	-67%
Financial Cost	(14.9)	(13.1)	(12.7)	-15%	-3%
Gain/(Loss) from Foreign Exchange	0.7	0.5	(0.0)	-106%	-109%
Non-Recurring Items	-	(251.8)	(2.2)	-	-99%
<b>Profit/(loss) before income tax</b>	(10.7)	(273.7)	(17.9)	-68%	93%
Income Tax Expense	-	-	-	-	-
<b>Net Profit/(Loss)</b>	(10.7)	(273.7)	(17.9)	-68%	93%
<b>Net Profits/(losses) attributable</b>					
To Non-controlling interest	(1.2)	(31.0)	(1.9)	-57%	94%
<b>To TTA</b>	(9.5)	(242.7)	(16.0)	-69%	93%
<b>Normalized Net Profit/(Loss)</b>	(10.7)	(21.9)	(15.8)	-47%	28%
<b>Normalized Net Profit/(Loss) To TTA</b>	(9.5)	(19.4)	(14.1)	-48%	28%
<b>Gross Margin (%)</b>	26%	29%	23%		
<b>EBITDA Margin (%)</b>	9%	4%	6%		
<b>Net Profit Margin (%)</b>	-6%	-261%	-15%		

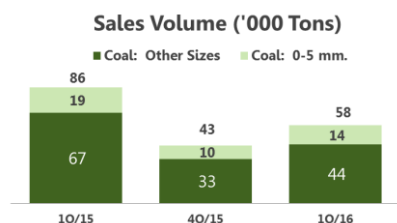
As consolidated on TTA's P&L

Normalized Net Profit/(Loss) = Net Profit/(Loss) - Non-Recurring Items

Non-Recurring Items include obsolescence and declining in value of inventories and impairment against machines and buildings.



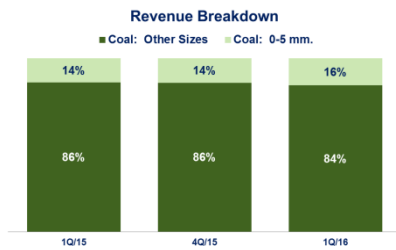
Newcastle index\* data source : Bloomberg  
 \*Newcastle Coal is thermal coal exported (delivered FOB) out of the port of Newcastle in New South Wales, Australia. It is the price benchmark for seaborne thermal coal in the Asia-Pacific region. Net Calorific Value (AR) = 6,000 Kcal/kg



In 1Q/16, Unique Mining Services Public Company Limited ("UMS") had a net loss to TTA of Baht 16 million comparing to losses of Baht 9.5 million in 1Q/15. Coal prices still remained at low level due to the depressed coal market environment, consequently, the Newcastle index Coal prices have declined 10% YoY from 56.8 USD/ton in 1Q/15 to 51.1 USD/ton in 1Q/16, but increased 1% from last quarter at 50.6 USD/ton.

UMS's sales volume decreased 33% YoY from 86 Ktons in 1Q/15 to 58 Ktons in 1Q/16 but increased 35% QoQ from 43 Ktons in 4Q/15. The decline in sales volume YoY was mainly from lower sales volume of other size coal during 1Q/16 as opportunities for importing coals for sales was limited when compared to 1Q/15, but sales volume improved 35% QoQ.

As a result, total revenues decreased 36% YoY to Baht 120.6 million in 1Q/16 from Baht 188.8 million in 1Q/15 but increased 15% QoQ from Baht 104.8 million in 4Q/15. Total costs reduced 34% YoY, which was in line with lower sales but increased 25% QoQ from higher coal sales and cost of services.



Therefore, the gross profit decreased 43% YoY and 9% QoQ to Baht 27.9 million in 1Q/16. The other income showed signs of improvement of 197% YoY and 118% QoQ as UMS have started implementing business turnaround plan. Whereas, the continuing cost reduction program had helped reduce the SG&A by 32% YoY and 6% QoQ.

However, with lower sale volumes, EBITDA reduced 59% YoY but increased 88% QoQ to Baht 7.3 million, with EBITDA margin of 6%. In addition, depreciation and amortization reduced 27% YoY and 21% QoQ, while financial cost reduce 15% YoY and 3% QoQ from financial restructuring.

Accordingly in 1Q/16, UMS reported net loss of Baht 17.9 million and attributable net losses to TTA of Baht 16 million.

**PM Thoresen Asia Holding Public Company Limited (PMTA)**

- Export sales increased 95% YoY, supported by PMTA's strategy to expand to other regions in order to increase efficiency of production line
- Sales volume rose 8% YoY or increased by 2,885 tons
- Completion of factory area for leasing named Baconco 5-B Phase 2 (8,200 sq. m.) and achieved 100% occupancy rate of factory area for leasing while the demand from current customers still keeps rising

**Performance Summary**

**Income Statement**

<i>in Million Baht</i>	1Q/15	4Q/15	1Q/16	% YoY	% QoQ
<b>Sales Revenue</b>	576.6	904.8	608.1	5%	-33%
Raw Material Costs	(426.1)	(672.1)	(455.0)	7%	-32%
<b>Gross Profit</b>	150.5	232.7	153.1	2%	-34%
Service & Other Income	11.5	13.4	10.9	-5%	-18%
Operating Cost	(46.0)	(67.7)	(49.6)	8%	-27%
Cost of providing services	(1.7)	(4.0)	(4.2)	140%	5%
SG&A	(53.7)	(63.3)	(59.1)	10%	-7%
<b>EBITDA</b>	60.6	111.0	51.1	-16%	-54%
Depreciation & Amortization	(12.1)	(16.2)	(16.4)	36%	1%
<b>EBIT</b>	48.5	94.8	34.7	-28%	-63%
Financial Cost	(1.6)	(1.3)	(1.8)	13%	38%
Gain/(Loss) from Foreign Exchange	0.0	(1.1)	(1.1)	-5920%	5%
Profit before income tax	47.0	92.4	31.8	-32%	-66%
Income Tax Expense	(9.1)	(16.9)	(5.4)	-41%	-68%
<b>Net Profit</b>	37.9	75.6	26.4	-30%	-65%
<b>Net Profit/(loss) attributable</b>					
To Non-controlling interest	-	25.4	8.6	100%	-66%
<b>To TTA</b>	<b>37.9</b>	<b>50.2</b>	<b>17.8</b>	<b>-53%</b>	<b>-65%</b>
<b>Gross Margin (%)</b>	26%	26%	25%		
<b>EBITDA Margin (%)</b>	11%	12%	8%		
<b>Net Profit Margin (%)</b>	7%	8%	4%		

**In 1Q/16, PM Thoresen Asia Holdings Public Company Limited (“PMTA”)**

achieved net profit of Baht 26.4 million with growing sales volume and revenues YoY underpinned by its export-focused strategy despite the severe drought situation in the region and slowdown in the first quarter which is normally a low season and earning quarter of the year. With the prolonged drought within the region, it could be called the worst drought in decades. Furthermore, Vietnam was impacted by the saltwater intrusion where cultivated areas were damaged and numbers of hectares are unplanted affecting the South-Central regions, Central Highlands and Mekong Delta regions of Vietnam, where 39 provinces have been impacted. Accordingly, the demand for fertilizer and pesticide in Vietnam reduced during the period.

**Total amount of sales volume in 1Q/16 at 37,827 tons increased 8% YoY** from 34,942 tons in 1Q/15 and reduced 27% QoQ from 51,869 tons in 4Q/15. Domestic sales were at 22,727 tons in 1Q/16, reduced 16% YoY and reduced 30% QoQ from 27,182 tons and 32,673 tons in 1Q/15 and 4Q/15 respectively.

**Fertilizer Sales Volume**

Unit: Tons	1Q/15	4Q/15	1Q/16	% YoY	% QoQ
Fertilizer NPK	34,520	48,733	36,347	5%	-25%
Single fertilizer	5	2,549	1,084	23474%	-57%
Pesticide	417	587	396	-5%	-32%
<b>Total</b>	<b>34,942</b>	<b>51,869</b>	<b>37,827</b>	<b>8%</b>	<b>-27%</b>

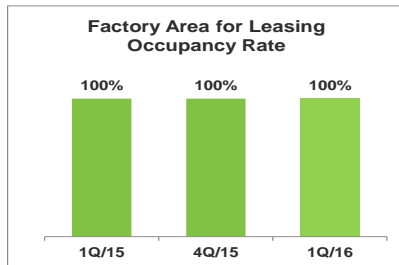
# Thoresen Thai Agencies Public Company Limited

## Management Discussion and Analysis 1Q/2016

Ref No. COR:MS/EL16019e/PP

### Sales Volume Breakdown

Unit: Tons	1Q/15	4Q/15	1Q/16	% YoY	% QoQ
Domestic	27,182	32,673	22,727	-16%	-30%
Export	7,760	19,196	15,100	95%	-21%
Total	34,942	51,869	37,827	8%	-27%



On the other hand, export sales volume sharply increased 95% YoY from 7,760 tons in 1Q/15 to 15,100 tons in 1Q/16, supported by PMTA's strategy to expand more to overseas in order to increase efficiency of production line by selling to other regions that have the different planting season from Southeast Asia.

With good and effective management of factory area for leasing, the company's factory area for leasing is preferred by existing and new customers. Resulting that, the demand of factory area for leasing continues to be very high with 100% occupancy rate and remains at the highest rate. The company continues to expand the factory area for leasing to support the growing demand. PMTA completed the construction of Baconco 5-B Phase 2 (capacity of 8,200 sq. m.) in March 2016.

**Sales revenue grew 5% YoY to Baht 608.1 million in 1Q/16 from Baht 576.6 million in 1Q/15** because sales volume increased 8% YoY from 34,942 tons in Q1/15 to 37,827 tons in 1Q/16. Raw material costs were at Baht 455.0 million in 1Q/16, growth 7% YoY from Baht 426.1 million in 1Q/15 due to higher sales volume. This resulted in gross margin of Baht 153.1 million in 1Q/16 slightly increase of 2% YoY from Baht 150.5 million in 1Q/15. Service and other incomes was at Baht 10.9 million in 1Q/16, mainly from the factory area for leasing, decreased 5% YoY from Baht 11.5 million in 1Q/15 and reduced 18% QoQ from Baht 13.4 million in 4Q/15. The decrease was due to the type of product stored during the period. Operating cost increased 8% YoY to Baht 49.6 million in 1Q/16 from Baht 46.0 million due to higher sales volume compared to 1Q/15. SG&A was at Baht 59.1 million, increase 10% YoY from Baht 53.7 million in 1Q/15 but decreased 7% QoQ from Baht 63.3 million in 4Q/15. The increasing of SG&A mainly came from higher cost related to higher portion of export.

**EBITDA was at Baht 51.1 million in 1Q/16, reduced 16% YoY from Baht 60.6 million in 1Q/15.** Depreciation and amortization significantly increased 36% YoY from Baht 12.1 million in 1Q/15 mainly from the installation of new granulation unit and the expansion of factory area for leasing (Baconco 5-B Phase 1) which opened in the last month of 1Q/15 so it was not fully capitalized in 1Q/15. Accordingly in 1Q/16, PMTA reported net profit of Baht 26.4 million and attributable net profit to TTA of Baht 17.8 million.

Yours faithfully,  
**Thoresen Thai Agencies Public Company Limited**

Mr. Chalermchai Mahagitsiri  
 President & Chief Executive Officer

Mr. Jitender P. Verma  
 Senior Executive Vice President  
 and Group CFO