

# Thoresen Thai Agencies Public Company Limited

## Management Discussion and Analysis

FY2016



February 28, 2017

The President

The Stock Exchange of Thailand

Dear Sir/Madam,

Re: Management's Discussion and Analysis for FY2016

## Thoresen Thai Agencies Public Company Limited

- Consolidated EBITDA growth 11% YoY to Baht 2 billion, despite lower revenues
- Cash and short-term investments on its consolidated balance sheet were Baht 10.7 billion at the end of 2016
- Normalized net profit to TTA of Baht 32.6 million (Reported net loss to TTA of Baht 418.3 million)

### Executive Summary

#### Performance Summary

in Million Baht	FY15	FY16	% YoY	4Q/15	3Q/16	4Q/16	%YoY	%QoQ
<b>Revenues</b>	21,425.8	13,661.8	-36%	5,059.3	3,576.0	3,597.5	-29%	1%
<b>Gross Profit</b>	3,613.9	2,880.2	-20%	827.3	893.2	840.0	2%	-6%
Gross Margin (%)	17%	21%		16%	25%	23%		
<b>EBITDA</b>	1,844.6	2,053.3	11%	(228.7)	660.8	617.6	370%	-7%
EBITDA Margin (%)	9%	15%		-5%	18%	17%		
<b>Net Profit/(Loss)</b>	(14,797.9)	(96.9)	99%	(14,996.1)	135.0	(124.8)	99%	-192%
Net Profit Margin (%)	-69%	-1%		-296%	4%	-3%		
<b>Net Profit/(Loss) to TTA</b>	(11,335.1)	(418.3)	96%	(11,283.7)	6.9	(163.9)	99%	-2466%
Net Profit Margin (%)	-53%	-3%		-223%	0%	-5%		
Number of Shares (million Shares)	1,822.5	1,822.5		1,822.5	1,822.5	1,822.5		
Basic earnings per share (in Baht)	(6.61)	(0.23)	97%	(6.25)	0.004	(0.09)	99%	-2350%
Normalized Net Profit	(652.6)	414.3	163%	(841.5)	206.5	267.5	132%	30%
Normalized Net Profit to TTA	(664.3)	32.6	105%	(601.7)	78.6	167.9	128%	114%

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

*Restate 4Q/15 and FY15*

In 2016, shipping industry faced its worst downturn in nearly 30 years, the Baltic Dry Index (BDI), an indicator of international cargo trade, had fallen to its 30 years low at 290 in February 2016 due to the continuing depression in shipping market from low international trade and an excess supply of ships, however, BDI slowly picked up toward the end of the year 2016 as the situation eased. Overall, the BDI index declined 6% from year 2015 at 718 to average at 673 in 2016. Additionally, oil and gas market continued to be volatile throughout 2016, while crude oil continued to slump to its lowest level in nearly ten years at the beginning of 2016 and gradually picked up toward the end of the year 2016. The average crude oil price in 2016 at around USD 41 per barrel declined from 2015 at around USD 51 per barrel as crude oil market was under supply surplus condition.

Despite the weak industry environment in 2016, Thoresen Thai Agencies Public Company Limited (“TTA”) managed to increase the Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) by 11% YoY to record at Baht 2 billion.

**Thoresen Shipping Group (“TSG”)’s average TCE rate in 2016 was at \$5,155 per day**, this is 10% under the adjusted market TC Avg BSI of \$5,746 per day. TSG’s average TCE rate in 2016 consisted of owned fleet TCE rate of \$5,206 per day and losses from chartered-in vessels of \$50 per day. In a rising market, vessel earnings lag the market index (BDI) by about a month. TSG continues to provide forward freight for its key customers to conclude commodity sales but is required to be more cautious front running a firming market. However, TSG was able to achieve a positive EBITDA of Baht 87.1 million (down 85% YoY) with EBITDA margin of 3% despite the 30-year low BDI index in 2016. TSG reported net loss of Baht 874.4 million in 2016 with normalized loss of Baht 509.9 million.

**In 2016, Mermaid Maritime Public Company Limited (“MML Group”)’s total revenue was at Baht 6,533.4 million**, a decrease of 43% YoY from Baht 11,527.3 million due to lower activities, especially cable laying, during the year. However, the overall cost also decreased 50% YoY comparing to the total revenue which reduced 43%, the gross profit was at Baht 1,724.8 million with gross margin of 26% in 2016. MML Group reported the consolidated financial statements for the FY2016 with net profit of Baht 605.0 million and attributable net profit to TTA of Baht 349.8 million.

**Unique Mining Services Public Company Limited (“UMS”)’s sales volume decreased 14% YoY from 259 Ktons in 2015 to 223 Ktons in 2016.** The decline in sales volume was mainly from lower volume of low margin 0-5 mm size coal which reduced 40% YoY from 2015, while classified size reduced 5% due to the limited opportunities for importing coals for sales. Accordingly, in 2016, UMS reported net loss of Baht 57.6 million and attributable net losses to TTA of Baht 51.8 million.

**PM Thoresen Asia Holdings Public Company Limited (“PMTA”)** continued its outstanding profitable performance for TTA in 2016, despite the challenging year from prolonged drought and saline intrusion within the Vietnam region, it managed to increase the sales volume by 5% to 209,329 tons per year with gross profit margin of 28%. Accordingly, in 2016, PMTA reported net profit of Baht 277 million and attributable net profit to TTA of Baht 188 million.

**Overall, in 2016, TTA reported net loss to TTA of Baht 418.3 million with normalized net profit to TTA of Baht 32.6 million.** TTA still maintained strong net cash flow from operation of Baht 1,894.0 million with cash and short-term investments on its consolidated balance sheet totaling to Baht 10.7 billion at the end of 2016.

## Consolidated Performance Summary

### Consolidated Income Statement

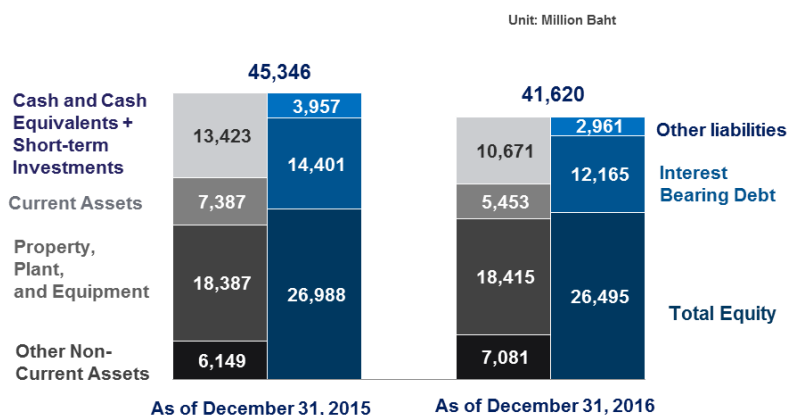
in million Baht (MB)	FY15 (Restate)		FY16		%YoY	
	MB	%	MB	%	MB	%
<b>Revenues</b>	21,425.8	100.0	13,661.8	100.0	(7,763.9)	-36%
Costs	(17,811.8)	(83.1)	(10,781.6)	(78.9)	(7,030.2)	-39%
<b>Gross Profit</b>	3,613.9	16.9	2,880.2	21.1	(733.7)	-20%
Other Income	176.2	0.8	323.5	2.4	147.4	84%
Gain/(Loss) on Investment	(152.3)	(0.7)	71.4	0.5	223.7	147%
SG&A	(2,615.9)	(12.2)	(1,774.3)	(13.0)	(841.6)	-32%
<b>EBITDA from Operation</b>	1,021.9	4.8	1,500.8	11.0	478.9	47%
Equity Income	822.6	3.8	552.5	4.0	(270.1)	-33%
<b>EBITDA</b>	1,844.6	8.6	2,053.3	15.0	208.8	11%
Depreciation & Amortization	(1,779.3)	(8.3)	(1,164.6)	(8.5)	(614.7)	-35%
<b>EBIT</b>	65.2	0.3	888.7	6.5	823.4	1262%
Financial Cost	(518.8)	(2.4)	(494.1)	(3.6)	(24.7)	-5%
Gain/(Loss) from Foreign Exchange	(178.1)	(0.8)	(10.1)	(0.1)	(168.0)	-94%
Non-Recurring Items - Impairment on Assets	(11,769.4)	(54.9)	(308.0)	(2.3)	(11,461.4)	0%
Non-Recurring Items - Other	(2,375.9)	(11.1)	(203.2)	(1.5)	(2,172.7)	-91%
<b>Profit before income tax</b>	<b>(14,777.0)</b>	<b>(69.0)</b>	<b>(126.7)</b>	<b>(0.9)</b>	<b>14,650.2</b>	<b>99%</b>
Income Tax Expense	(21.0)	(0.1)	29.8	0.2	50.8	242%
<b>Net Profit/(Loss)</b>	<b>(14,797.9)</b>	<b>(69.1)</b>	<b>(96.9)</b>	<b>(0.7)</b>	<b>14,701.0</b>	<b>99%</b>
<b>Net Profit/(Loss) attributable</b>						
To Non-controlling interest	(3,462.8)	(16.2)	321.4	2.4	3,784.2	109%
<b>To TTA</b>	<b>(11,335.1)</b>		<b>(418.3)</b>		<b>10,916.8</b>	<b>96%</b>
<b>Normalized Net Profit/(Loss)</b>	(652.6)		414.3			
<b>Normalized Net Profit/(Loss) to TTA</b>	(664.3)		32.6			

In 2016, consolidated revenues decreased 36% YoY to record at Baht 13,661.8 million which was mainly from lower revenue contribution from transport group and energy group, led by dry bulk shipping business as freight rates have declined and lower cable laying jobs within the year. Total costs also decreased 39% YoY to Baht 10,781.6 million mainly from lower vessel operating expenses and offshore service expenses.

Consequently, gross profit decreased 20% YoY to Baht 2,880.2 million, however, gross margin increased from 17% in 2015 to 21% in 2016. Moreover, other income increased 84% YoY to Baht 323.5 million which was mainly from dividends received from short-term investments and interest income and gain on investment increased to Baht 71.4 million. The SG&A significantly reduced 32% YoY to Baht 1,774.3 from effective cost reduction. The equity income decreased 33% YoY to Baht 552.5 million in 2016 primarily from lower profit sharing from a MML's associate due to lower rate contracted.

As a result, the EBITDA in 2016 was at Baht 2,053.3 million, an increase of 11% YoY. Furthermore, the depreciation and amortization decreased 35% YoY. As of December 31, 2016, the Thoresen Shipping Group recognised an impairment charge of Baht 308.0 million on vessels that was sold in 2016 and planned to be sold in 2017 as a result of lower recoverable amounts comparing to carrying amounts and there was non-recurring loss of around Baht 203.2 million mainly from provision of non-refundable tax and net losses for disposals of fixed assets.

## Statement of Financial Position



As of December 31, 2016, TTA had total assets of Baht 41,620 million, decreased by Baht 3,726 million from Baht 45,346 million as of December 31, 2015. Whereas, the total current assets decreased to Baht 16,124 million mainly from lower trade accounts receivable and short-term investments, while the total non-current assets increased to Baht 25,496 million mainly from higher investments in associates and joint ventures, additional investment properties despite the decline of property, plant, and equipment due to depreciation and non-cash impairment of the assets.

Total liabilities, as of December 31, 2016, were at Baht 15,125 million, reduced by Baht 3,233 million from the end of 2015 at Baht 18,358 million. The decline was mainly from lower interest bearing debts and other liabilities. Total equity decreased by Baht 493 million from Baht 26,988 million at the end of 2015 to Baht 26,495 million as of December 31, 2016 mainly due to the decline of retained earnings from net losses for the period.

## Statement of Cash Flows

For the statement of cash flows for the year ended December 31, 2016, TTA had net cash from operating activities of Baht 1,894 million while net cash from investing activities of Baht 1,720 million was mainly from net cash proceeds from other investments. In addition, TTA had net cash used in financing activities of Baht 2,551 million mainly from repayments of long-term loans and finance lease liabilities. Adding up together with beginning cash and cash equivalents as at 1 January 2016, foreign currency translation differences for foreign operations, and the effect of exchange rate changes on balances held in foreign currencies of Baht 5,890 million, TTA had consolidated cash and cash equivalents at the end of 2016 of Baht 6,953 million. Including short-term investments, TTA reported consolidated cash and cash equivalents and short-term investments totaling Baht 10,671 million.

## Key Financial Ratio

Financial Ratios	2015	2016	2015*	2016*
Current Ratio (Times)	1.91	2.04	1.91	2.04
EBITDA to Revenue (%)	8.6%	15.0%	8.6%	15.0%
Net Profit to Revenue (%)	-52.9%	-3.1%	-3.1%	0.2%
Return on Total Assets (%)	-29.4%	0.8%	-0.3%	1.1%
Return on Equity (%)	-49.4%	-2.0%	-2.9%	0.2%
Interest Bearing Debt to Equity (Times)	0.53	0.46	0.53	0.46
Net Interest Bearing Debt to Equity (Times)	0.04	0.06	0.04	0.06
Net Interest Bearing Debt to EBITDA (Times)	0.53	0.73	0.53	0.73

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

Note:

Current ratio	=	Current assets divided by current liabilities
EBITDA to sales revenue	=	EBITDA divided by sales revenue
Net profit on sale revenue	=	Net profit divided by sales revenue
Return on total assets	=	Net profit divided by average total assets
Return on equity	=	Net profit divided by average total shareholder's equity
Interest Bearing Debt to Shareholders' Equity	=	Interest Bearing Debt divided by shareholder's equity
Net Interest Bearing Debt to Shareholders' Equity	=	Interest Bearing Debt net from cash and cash equivalent and current investments divided by shareholder's equity
Net Interest Bearing Debt to EBITDA	=	Interest Bearing Debt net from cash and cash equivalent and current investments divided by EBITDA

**Thoresen Shipping Group (TSG)**

- TSG's TCE Rate at \$5,155 per day in 2016
- Owned fleet utilization rate remained at high level at 99.4%
- EBITDA remained positive at Baht 87.1 million despite the lowest BDI index in history

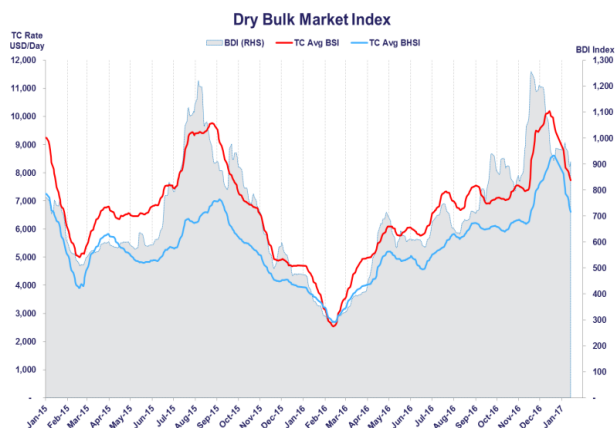
**Performance Summary**

Income Statement*								
in million Baht (MB)	FY15	FY16	%YoY	4Q/15	3Q/16	4Q/16	%YoY	%QoQ
<b>Freight Revenue</b>	5,756.1	3,176.9	-45%	1,398.3	811.5	820.4	-41%	1%
Vessel Operating Expenses	(4,911.9)	(2,895.6)	-41%	(1,174.8)	(729.7)	(663.3)	-44%	-9%
<b>Gross Profit</b>	844.3	281.3	-67%	223.5	81.7	157.1	-30%	92%
Other Income	50.6	31.7	-37%	4.6	8.8	6.3	37%	-29%
Gains (Losses) on Investment	32.1	(0.2)	-101%	-	(0.2)	-	-	100%
SG&A	(353.7)	(225.7)	-36%	(107.5)	(61.0)	(43.8)	-59%	-28%
<b>EBITDA</b>	573.2	87.1	-85%	120.6	29.4	119.6	-1%	307%
Depreciation & Amortization	(714.2)	(402.9)	-44%	(188.3)	(99.5)	(99.0)	-47%	-1%
<b>EBIT</b>	(140.9)	(315.8)	-124%	(67.7)	(70.1)	20.6	130%	129%
Financial Cost	(172.9)	(171.5)	-1%	(44.8)	(42.2)	(42.5)	-5%	1%
Gain/(Loss) from Foreign Exchange	210.2	(16.4)	-108%	(26.7)	(39.3)	81.8	406%	308%
Non-Recurring Items	(4,731.2)	(364.5)	-92%	(4,731.2)	(71.1)	(247.9)	-95%	249%
Profit before income tax	(4,834.8)	(868.2)	82%	(4,870.4)	(222.7)	(188.0)	96%	16%
Income Tax Expense	(25.2)	(6.2)	-75%	(4.4)	(0.0)	(3.6)	-18%	-
<b>Net Profit/(Loss)</b>	(4,860.0)	(874.4)	82%	(4,874.7)	(222.7)	(191.6)	96%	14%
<b>Normalized Net Profit/(Loss)</b>	(128.8)	(509.9)	-296%	(143.5)	(151.6)	56.3	139%	137%
<b>Gross Margin (%)</b>	15%	9%		16%	10%	19%		
<b>EBITDA Margin (%)</b>	10%	3%		9%	4%	15%		
<b>Net Profit Margin (%)</b>	-84%	-28%		-349%	-27%	-23%		

\*as consolidated on TTA's P&L

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

During the relatively difficult year for dry bulk shipping, the Baltic Dry Index (BDI), an indicator of international cargo trade, had fallen to its 30 years low at 290 in February 2016 prior to the Chinese New Year due to the continuing depression in shipping market from low international trade and an excess supply of ships since 2015. However, it slowly picked up toward the end of the year 2016 as the situation eased. The BDI index in 2016 averaging at 673, declined 6% from year 2015 at 718. Consequently, the Supramax average TC rates (key benchmark rates for TSG) dropped to \$6,236 per day in 2016 comparing with \$6,966 per day in 2015.



In 2016, TSG's average TCE rate was at \$5,155 per day, this is 10% under the adjusted market TC Avg BSI of \$5,746 per day. TSG's average TCE rate in 2016 consisted of owned fleet TCE rate of \$5,206 per day and losses from chartered-in vessels of \$50 per day. In a rising market, vessel earnings lag the market index (BDI) by about a month. TSG continues to provide forward freight for its key customers to conclude commodity sales but is required to be more cautious front running a firming market. However, the owned fleet utilization rate remained high at 99.4%. In aggregate, the group operated an average of 28.4 vessels (21.1 owned vessels<sup>(5)</sup> and 7.4 chartered-in vessels) in 2016, decreased from an average of 37.3 vessels (23.1 owned vessels<sup>(5)</sup> and 14.3 chartered-in

# Thoresen Thai Agencies Public Company Limited

## Management Discussion and Analysis FY2016

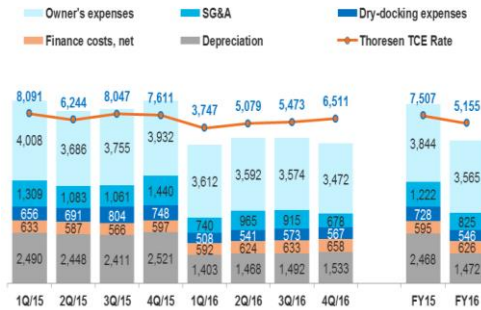
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vessels) in 2015, mainly due to limited market opportunities for chartered-in vessels. In 2016, TSG sold 4 vessels for scrap, following TTA's strategy to improve the efficiency of the fleet and TTA's fleet renewal program. At end of 2016, TSG owned 20 vessels with an average size of 52,555 DWT and an average age of 11.6 years.

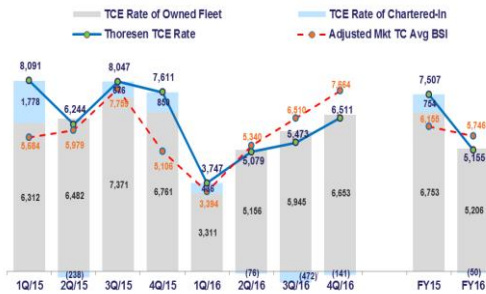
Accordingly, the freight revenue in 2016 decreased to Baht 3,176.9 million or reduced 45% YoY from Baht 5,756.1 million 2015, with gross profit of Baht 281.3 million or down 67% YoY. Gross margin was reduced to 9% in 2016 down from 15% in 2015. The operating cash cost per day in 2016 was at \$4,936 per day, which reduced 15% from 2015, where dry-docking expenses reduced 25% and general and administrative expenses reduced 33%.

TSG achieved a positive EBITDA of Baht 87.1 million (down 85% YoY) with EBITDA margin of 3% despite the 30-year low BDI index in 2016. Additionally, the TSG recognised an impairment charge of Baht 308.0 million on vessels was sold in 2016 and planned to be sold in 2017 as a result of lower recoverable amounts comparing to carrying amounts. In conclusion, TSG reported net loss of Baht 874.4 million in 2016 with normalized loss of Baht 509.6 million.

Revenue vs Cost Structure (per vessel day)



Adjusted Market BSI vs Thoresen's TCE Rate



Fleet data Summary	FY15	FY16	%YoY	4Q/15	3Q/16	4Q/16	%YoY	%QoQ
Average DWT (Tons)	50,636	52,555	4%	50,636	52,078	52,555	4%	1%
Calendar days for owned fleet <sup>(1)</sup>	8,760	7,947	-9%	2,208	1,932	1,860	-16%	-4%
Available service days for owned fleet <sup>(2)</sup>	8,451	7,755	-8%	2,084	1,914	1,824	-12%	-5%
Operating days for owned fleet <sup>(3)</sup>	8,418	7,706	-8%	2,084	1,914	1,824	-12%	-5%
Owned fleet utilization <sup>(4)</sup>	99.6%	99.4%	0%	100.0%	100.0%	100.0%	0%	0%
Voyage days for chartered-in fleet	5,204	2,695	-48%	1,323	778	450	-66%	-42%
Average number of vessels <sup>(5)</sup>	37.3	28.4	-24%	37.0	29.3	24.7	-33%	-16%

Market Rate (USD/Day)	FY15	FY16	%YoY	4Q/15	3Q/16	4Q/16	%YoY	%QoQ
BDI Index	718	673	-6%	640	736	994	55%	35%
BSI Index	666	596	-10%	553	676	795	44%	18%
Mkt TC Avg BSI	6,966	6,236	-10%	5,779	7,064	8,317	44%	18%
Adjusted Mkt TC Avg BSI	6,155	5,746	-7%	5,106	6,510	7,664	50%	18%

Average Daily Operating Results <sup>(6)</sup> (USD/Day)	FY15	FY16	%YoY	4Q/15	3Q/16	4Q/16	%YoY	%QoQ
<b>Thoresen TCE Rate <sup>(7)</sup></b>	<b>7,507</b>	<b>5,155</b>	<b>-31%</b>	<b>7,611</b>	<b>5,473</b>	<b>6,511</b>	<b>-14%</b>	<b>19%</b>
TCE Rate of Owned Fleet	6,753	5,206	-23%	6,761	5,945	6,653	-2%	12%
TCE Rate of Chartered-In	754	(50)	-107%	850	(472)	(141)	-117%	-70%
<b>Expenses</b>								
Vessel operating expenses (Owner's expenses)	3,844	3,565	-7%	3,932	3,574	3,472	-12%	-3%
Dry-docking expenses	728	546	-25%	748	573	567	-24%	-1%
General and administrative expenses	1,222	825	-33%	1,440	915	678	-53%	-26%
<b>Cash costs</b>	<b>5,794</b>	<b>4,936</b>	<b>-15%</b>	<b>6,121</b>	<b>5,061</b>	<b>4,717</b>	<b>-23%</b>	<b>-7%</b>
Finance costs, net	595	626	5%	597	633	658	10%	4%
Depreciation	2,468	1,472	-40%	2,521	1,492	1,533	-39%	3%
<b>Total costs</b>	<b>8,856</b>	<b>7,034</b>	<b>-21%</b>	<b>9,239</b>	<b>7,186</b>	<b>6,909</b>	<b>-25%</b>	<b>-4%</b>
USD/THB Rate (Daily Average)	34.25	35.30	3%	35.84	34.84	35.39	-1%	2%

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

Note:

- 1) 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.
- 2) Available service days are calendar days(1) less planned off hire days associated with major repairs, dry dockings, or special or intermediate surveys.
- 3) Operating days are the available days (2) less unplanned off-hire days, which occurred during the service voyage.
- 4) 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.
- 5) 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.
- 6) Adjusted Mkt TC Avg BSI = Market TC Avg BSI adjusting commission fee and Thoresen Fleet Type
- 7) The per day basis is calculated based on available service days
- 8) 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)**

- EBITDA from Operation increased 107% YoY to Baht 952.9 million
- Average vessel day rate increased 4.1% despite lower utilization rate at 45%
- Lower equity income contribution from its associate

**Performance Summary**

**Income Statement**

in million Baht	FY15	FY16	% YoY	4Q/15	3Q/16	4Q/16	% YoY	% QoQ
<b>Total Revenues</b>	11,527.3	6,533.4	-43%	2,578.3	1,806.7	1,562.7	-39%	-14%
Total Costs	(9,594.9)	(4,808.6)	-50%	(2,205.2)	(1,223.5)	(1,158.9)	-47%	-5%
<b>Gross Profit/(Loss)</b>	1,932.4	1,724.8	-11%	373.1	583.3	403.8	8%	-31%
Other Income	14.7	67.4	359%	3.5	6.8	47.9	1263%	605%
SG&A	(1,486.0)	(839.3)	-44%	(370.4)	(217.9)	(232.1)	-37%	6%
<b>EBITDA from Operation</b>	461.1	952.9	107%	6.2	372.1	219.6	3434%	-41%
Equity Income	507.3	407.6	-20%	(243.9)	71.1	62.0	125%	-13%
<b>EBITDA</b>	968.4	1,360.5	40%	(237.7)	443.3	281.6	218%	-36%
Depreciation & Amortization	(840.1)	(599.2)	-29%	(275.6)	(150.2)	(154.6)	-44%	3%
<b>EBIT</b>	128.3	761.3	493%	(513.3)	293.1	127.0	125%	-57%
Financial Cost	(116.8)	(122.7)	5%	(30.7)	(30.1)	(31.5)	3%	5%
Gain/(Loss) from Foreign Exchange	59.4	9.9	-83%	3.7	1.9	0.4	-90%	-81%
Non-Recurring Items	(6,002.9)	(143.8)	-98%	(6,003.5)	0.7	(144.8)	-98%	-22090%
Non-Recurring Items - share of impairment losses from MML's drilling associate	(2,232.1)	-	-100%	(2,232.1)	-	-	-100%	
<b>Profit/(Loss) before income tax</b>	<b>(8,164.1)</b>	<b>504.8</b>	<b>106%</b>	<b>(8,775.8)</b>	<b>265.6</b>	<b>(48.9)</b>	<b>99%</b>	<b>-118%</b>
Income Tax Expense	(18.1)	100.3	654%	28.6	(3.7)	73.7	158%	2077%
<b>Net Profit/(Loss)</b>	<b>(8,182.2)</b>	<b>605.0</b>	<b>107%</b>	<b>(8,747.2)</b>	<b>261.9</b>	<b>24.8</b>	<b>100%</b>	<b>-91%</b>
<b>Net Profit/(loss) attributable</b>								
To Non-controlling interest	(3,467.9)	255.2	107%	(3,698.9)	109.9	12.3	100%	-89%
<b>To TTA</b>	<b>(4,714.3)</b>	<b>349.8</b>	<b>107%</b>	<b>(5,048.3)</b>	<b>151.9</b>	<b>12.5</b>	<b>100%</b>	<b>-92%</b>
<b>Normalized Net Profit/(Loss)</b>	52.8	748.8	1319%	(511.6)	261.2	169.6	133%	-35%
<b>Normalized Net Profit/(Loss) To TTA</b>	76.8	433.5	464%	(256.8)	151.6	96.8	138%	-36%
<b>Gross Margin (%)</b>	17%	26%		14%	32%	26%		
<b>EBITDA Margin (%)</b>	8%	21%		-9%	25%	18%		
<b>Net Profit Margin (%)</b>	-71%	9%		-339%	14%	2%		

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

**Oil and gas market continued to be volatile throughout 2016, while crude oil continued to slump to its lowest level in nearly ten years at the beginning of 2016 and gradually picked up toward the end of the year 2016.** Therefore, the average crude oil price in 2016 at around USD 41 per barrel declined from 2015 at around USD 51 per barrel as crude oil market was under supply surplus condition. In early 2016, there was around 2 million barrels per day of excess supply. Nevertheless, crude oil price slowly rose toward the end of the year as both OPEC and Non-OPEC members discussed to reduce collective output by 1.8 million barrels per day during the first 6 months of year 2017.

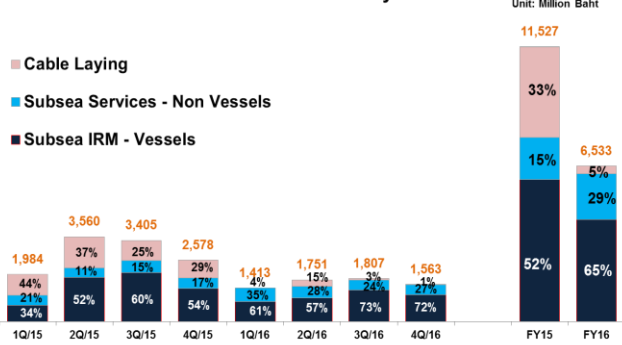
In 2016, MML Group's total revenue was at Baht 6,533.4 million, a decrease of 43% YoY from Baht 11,527.3 million due to lower activities, especially cable laying, during the year. Cable laying revenue decreased 91% from 2015 at Baht 3,811.3 million to Baht 340.9 million in 2016 as most cable laying jobs in the Middle East are completed. Whereas, the revenue from subsea IRM-vessels and survey services decreased only 28% from 2015 at Baht 5,949.1 million to Baht 4,274.8 million in 2016 from lower operating days despite higher average vessel day rate in 2016 than 2015.

# Thoresen Thai Agencies Public Company Limited

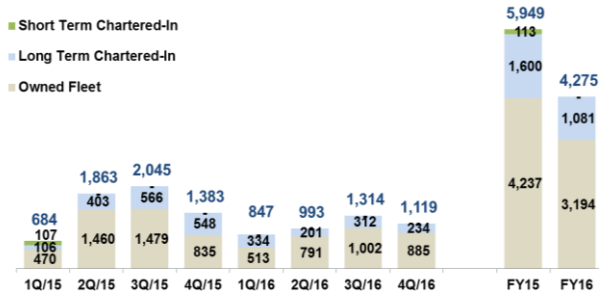
## Management Discussion and Analysis FY2016

Ref No. COR:MS/EL17005e/PP

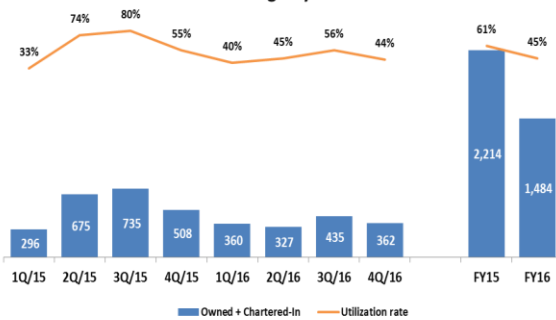
### Revenues Breakdown by Services



### Subsea IRM - Vessels Revenue Breakdown

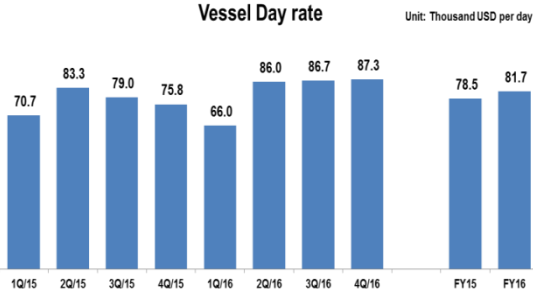


### Vessel Working Days & U-Rate\*



\*Total Working Days/Total Vessel Calendar Days  
Utilization Rate are blended Rate of Owned and Chartered-In  
1Q/15 - 1Q/16 are based on 10 Vessels, 2Q/16 is based on 8 Vessels, 3Q/16 - 4Q/16 is based on 9 Vessels

### Vessel Day rate



Therefore, the overall subsea utilization rate dropped from 61% with 2,214 working days in 2015 (10 vessels) to 45% with 1,484 working days in 2016 (9 vessels). In drilling business, the MML Group's three high specification jack-up drilling rigs, under its associate, have performed strongly with an average of 100% utilization in 2016 while tender rigs (MTR1 and MTR2) were still in cold stack throughout the year and are being marketed for sale.

The overall cost decreased 50% YoY comparing to the total revenue which reduced 43%, the gross profit was at Baht 1,724.8 million, a decline of only 11% from 2015 whereas the gross margin increased from 17% in 2015 to 26% in 2016. Moreover, through effective cost management programs, MML was able to cut the SG&A expenses down by 44% YoY. Accordingly, the overall EBITDA from operations in 2016 grew by 107% YoY to Baht 952.9 million from Baht 461.1 million in 2015. Moreover, the equity income, which was mostly contributed from Asia Offshore Drilling ("AOD", Operation of 3 Jack-up rigs), had reduced to Baht 407.6 million in 2016, as the day rates of AOD were discounted since 2015. However, AOD's contract with its customer had been extended for another 3 years.

MML Group showed an EBITDA of Baht 1,360.5 million in 2016, an increase of 40% from Baht 968.4 million in 2015. Depreciation and amortization decreased 29% YoY, while non-recurring items in 2016 was mainly from the provision of non-refundable tax of a MML's subsidiary. MML Group reported the consolidated financial statements for the FY2016 with net profit of Baht 605.0 million and attributable net profit to TTA of Baht 349.8 million. MML still maintained strong net cash flow from operations of approximately Baht 1,742 million, cash and cash equivalents and short-term investments totaling Baht 3,502 million, and Net IBD/Equity at 0.26 at the end of 2016.

**Unique Mining Services Public Company Limited (UMS)**

- Lower sales volume and revenue, but SG&A reduced 31% YoY
- EBITDA increased 83% YoY
- Lower net loss attributable to TTA

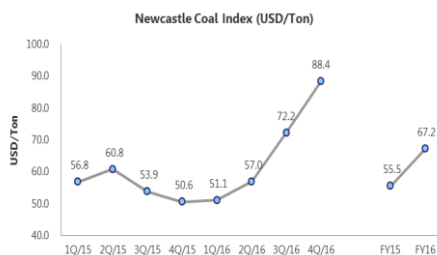
**Performance Summary**

**Income Statement**

in million Baht	FY15	FY16	% YoY	4Q/15	3Q/16	4Q/16	% YoY	% QoQ
<b>Total Revenues</b>	577.5	483.1	-16%	104.8	100.1	183.2	75%	83%
Total Costs	(457.1)	(385.0)	-16%	(74.0)	(71.7)	(165.5)	124%	131%
<b>Gross Profit</b>	120.4	98.0	-19%	30.8	28.4	17.8	-42%	-38%
Other Income	3.2	2.4	-25%	(4.24)	1.03	(0.85)	-80%	-182%
SG&A	(110.6)	(76.4)	-31%	(22.6)	(17.7)	(19.7)	-13%	11%
<b>EBITDA</b>	13.0	24.0	85%	3.9	11.7	(2.8)	-173%	-124%
Depreciation & Amortization	(54.9)	(40.3)	-26%	(13.2)	(10.0)	(9.6)	-27%	-4%
<b>EBIT</b>	(41.8)	(16.3)	61%	(9.3)	1.7	(12.4)	-34%	-822%
Financial Cost	(55.4)	(38.6)	-30%	(13.1)	(8.8)	(8.4)	-36%	-5%
Gain/(Loss) from Foreign Exchange	(2.9)	0.6	120%	0.5	-	0.6	32%	100%
Non-Recurring Items	(271.1)	(3.3)	-99%	(251.8)	(1.2)	0.0	-100%	103%
<b>Profit/(loss) before income tax</b>	(371.2)	(57.6)	84%	(273.7)	(8.2)	(20.2)	93%	-145%
Income Tax Expense	-	-	-	-	-	-	-	-
<b>Net Profit/(Loss)</b>	(371.2)	(57.6)	84%	(273.7)	(8.2)	(20.2)	93%	-145%
<b>Net Profits/(losses) attributable</b>								
To Non-controlling interest	(42.0)	(5.8)	86%	(31.0)	(0.8)	(2.0)	94%	-145%
<b>To TTA</b>	(329.2)	(51.8)	84%	(242.7)	(7.4)	(18.2)	93%	-145%
<b>Normalized Net Profit/(Loss)</b>								
	(100.1)	(54.3)	46%	(21.9)	(7.1)	(20.2)	8%	-185%
<b>Normalized Net Profit/(Loss) To TTA</b>	(88.8)	(48.8)	45%	(19.4)	(6.4)	(18.2)	6%	-185%
<b>Gross Margin (%)</b>								
	21%	20%		29%	28%	10%		
<b>EBITDA Margin (%)</b>								
	2%	5%		4%	12%	-2%		
<b>Net Profit Margin (%)</b>								
	-64%	-12%		-261%	-8%	-11%		

As consolidated on TTA's P&L

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



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 2016, Unique Mining Services Public Company Limited (“UMS”) had a net loss of Baht 57.6 million comparing to losses of Baht 371.2 million in 2015. The negative performance of UMS was mainly because of low selling volume during the year and non-recurring items of Baht 271.1 million. Coal prices continued to increase from its low in the beginning of 2016 toward the end of the year as China reduced domestic coal output while steel production increased. As a result, the Newcastle index coal price grew 21% YoY from the average of 55.5 USD/ton in 2015 to average 67.2 USD/ton in 2016.

UMS’s sales volume decreased 14% YoY from 259 Ktons in 2015 to 223 Ktons in 2016. The decline in sales volume was mainly from lower volume of low margin 0-5 mm size coal which reduced 40% YoY from 2015, while classified size reduced 5% due to the limited opportunities for importing coals for sales.

UMS management had been focusing on selling down its 0-5 mm coal inventories and limiting the production of classified coals to rebalance its capital structure which continued into 2015. While focusing on selling down large volume

# Thoresen Thai Agencies Public Company Limited

## Management Discussion and Analysis FY2016

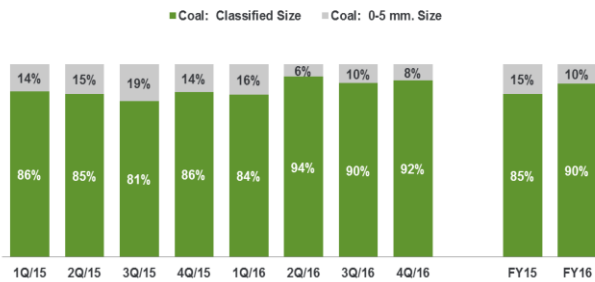
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of coal inventory, UMS was also impacted by the limited financial facilities for coal imports which have been prolonged since 2Q/15.

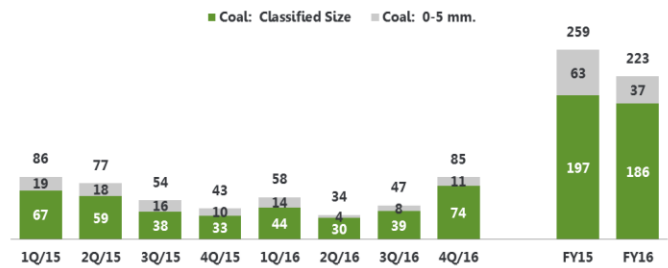
In 2016, total revenues reduced 16% YoY and the cost also reduced by 16% YoY, therefore, the gross profit consequently decreased 19% YoY to Baht 98.0 million comparing with Baht 120.4 million in 2015. The other income decreased 25% YoY as the implemented business turnaround plan was limited due to lower activities during raining season. From the cost reducing program conducted during 2016, UMS was able to reduce SG&A by 31% YoY. Therefore, EBITDA in 2016 increased 85% YoY to Baht 24 million, with EBITDA margin of 5%. In addition, depreciation and amortization reduced 26% from last year, while financial cost reduces 30%.

Accordingly in 2016, UMS reported net loss of Baht 57.6 million and attributable net losses to TTA of Baht 51.8 million.

**Revenue Breakdown**



**Sales Volume ('000 Tons)**



# Thoresen Thai Agencies Public Company Limited

## Management Discussion and Analysis FY2016

Ref No. COR:MS/EL17005e/PP

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

- Sales volume growth 5% YoY in 2016, despite the prolonged drought and saline intrusion in Vietnam during the first half of the year
- Gross profit increased 14% YoY to Baht 897.2 million with gross margin of 28%
- Net Profit growth by 19% YoY to Baht 277 million

### Performance Summary

in Million Baht	FY15	FY16	% YoY	4Q/15	3Q/16	4Q/16	% YoY	% QoQ
<b>Sales Revenue</b>	<b>3,258.5</b>	<b>3,177.7</b>	-2%	904.8	793.2	954.0	5%	20%
Raw Material Costs	(2,472.3)	(2,280.5)	-8%	(672.1)	(556.3)	(654.0)	-3%	18%
<b>Gross Profit</b>	<b>786.2</b>	<b>897.2</b>	14%	232.7	236.9	300.0	29%	27%
Service & Other Income	52.4	57.0	9%	13.4	14.2	16.6	24%	16%
Operating Cost	(236.0)	(244.3)	3%	(67.7)	(59.7)	(73.6)	9%	23%
Cost of providing services	(10.5)	(19.8)	87%	(4.0)	(4.5)	(6.2)	54%	38%
SG&A	(243.6)	(293.8)	21%	(63.3)	(81.3)	(86.6)	37%	7%
<b>EBITDA</b>	<b>348.6</b>	<b>396.4</b>	14%	111.0	105.6	150.2	35%	42%
Depreciation & Amortization	(57.2)	(65.8)	15%	(16.2)	(16.7)	(16.5)	2%	-1%
<b>EBIT</b>	<b>291.4</b>	<b>330.6</b>	13%	94.8	88.9	133.7	41%	50%
Financial Cost	(6.3)	(5.8)	-9%	(1.3)	(1.6)	(0.3)	-80%	-84%
Gain/(Loss) from Foreign Exchange	(2.4)	3.6	248%	(1.1)	(0.9)	7.3	778%	902%
Profit before income tax	282.6	328.5	16%	92.4	86.5	140.8	52%	63%
Income Tax Expense	(49.6)	(51.5)	4%	(16.9)	(9.4)	(29.9)	77%	219%
<b>Net Profit</b>	<b>233.0</b>	<b>277.0</b>	19%	75.6	77.1	110.9	47%	44%
<b>Net Profit/(loss) attributable</b>								
To Non-controlling interest	58.1	89.1	53%	25.4	25.0	35.0	38%	40%
<b>To TTA</b>	<b>174.9</b>	<b>188.0</b>	7%	50.2	52.1	75.9	51%	46%
<b>Gross Margin (%)</b>	24%	28%		26%	30%	31%		
<b>EBITDA Margin (%)</b>	11%	12%		12%	13%	16%		
<b>Net Profit Margin (%)</b>	7%	9%		8%	10%	12%		

During first half of 2016, PMTA's overall performance was affected by drought situation in the region causing the difficulties in planting, lack of water and saline intrusion. The prolonged El Nino within the region brought the water shortage situation both for living and for planting. However, the drought situation is being slowly relieved while the situation started to ease in June as rains finally started, delaying the season. In spite of the challenges, PMTA was able to perform reflecting the company's ability to maintain its competitive positioning in the market.

#### Fertilizer Sales Volume

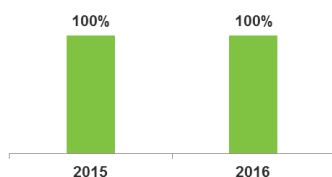
Unit: Tons	FY15	FY16	% YoY	4Q/15	3Q/16	4Q/16	% YoY	% QoQ
Fertilizer NPK	193,075	202,633	5%	48,733	52,167	60,649	24%	16%
Single fertilizer	3,224	4,332	34%	2,549	794	1,449	-43%	82%
Pesticide	2,242	2,364	5%	587	618	717	22%	16%
Total	198,541	209,329	5%	51,869	53,580	62,815	21%	17%

#### Sales Volume Breakdown

Unit: Tons	FY15	FY16	% YoY	4Q/15	3Q/16	4Q/16	% YoY	% QoQ
Domestic	118,851	117,822	-1%	32,673	27,450	36,479	12%	33%
Export	79,690	91,507	15%	19,196	26,129	26,335	37%	1%
Total	198,541	209,329	5%	51,869	53,580	62,815	21%	17%

Sales volume in 2016 was 209,329 tons, grew 5% YoY from 198,541 tons in 2015. Domestic sales slightly drop 1% YoY from 118,851 tons in 2015 to 117,822 tons in 2016 while export sales volume expanded 15% YoY from 79,690 tons in 2015 to 91,507 tons in 2016. The higher export volumes in 2016 were mainly to Philippines and countries in Africa. Besides, the successful N-Protect launched with Solvay since 2015 had increased the single fertilizer sales volume by 34% YoY to 4,332 tons in 2016 from 3,224 tons in 2015.

**Occupancy Rate of  
Factory Area for  
Leasing**



The demand for factory area leasing remained very high, with increasing demand from current customers. Therefore, the utilization rate of the company's factory area for leasing in 2016 maintained at 100%. Thus, service income from factory area leasing business increased from Baht 49.1 million to Baht 55.1 million or rose 12% YoY. Besides, PMTA has expanded its factory area for leasing by 8,200 sq. m. in 2016 to total of 50,500 sq. m. and is in the process of building Baconco5-C (capacity of 10,000 sq.m) to support growing demand.

In 2016, net profit was at Baht 277 million increasing 19% YoY from Baht 233 million in 2015. Sales revenue slightly declined 2% YoY from Baht 3,258.5 million to Baht 3,177.7 million because of lower average selling price per ton. However, cost of raw material declined 8% YoY from Baht 2,472.3 million to Baht 2,280.5 million. Therefore, the gross profit increased 14% YoY to Baht 897.2 million in 2016 from Baht 786.2 million in 2015, whereas the gross margin increased to 28% in 2016 from 24% in 2015.

Service and other incomes increased 9% YoY to Baht 57 million from Baht 52.4 million in 2015, which was contribute mainly from the revenue of factory area for leasing at Baht 55 million in 2016 comparing to Baht 49.1 million in 2015. Operating cost slightly increased 3% YoY from Baht 236 million in 2015 to Baht 244.3 million in 2016, while the SG&A, increased 21% YoY from Baht 243.6 million in 2015 to Baht 293.8 million in 2016 due to higher marketing expenses.

Therefore, EBITDA was at Baht 396.4 million in 2016 from Baht 348.6 million in 2015 or increasing 14% YoY, while EBITDA margin slightly increased from 11% to 12% in 2016. Depreciation and amortization grew 15% YoY from Baht 57.2 million to Baht 65.8 million in 2016, from the additional factory area for leasing. Resultantly, PMTA reported the consolidated financial statements for the year 2016 with net profit of Baht 277 million, increased 19% YoY from Baht 233 million in 2015.

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

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Mr. Chalermchai Mahagitsiri  
President & Chief Executive Officer

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