

Tipco Asphalt Public Company Limited

Meeting with Krungsi Asset Management

28th May 2015



บริษัท ทิปโก้แอสฟัลท์ จำกัด (มหาชน)
Tipco Asphalt Public Company Limited

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Mission

A **well-recognized leading asphalt focus** company in Asia Pacific

Vision

To **distribute 2 million tons of asphalt products by 2015** and be the key contributor to the success of all stakeholders while maintain the highest Corporate Social Responsibility standards at all times



Core Values

T - Teamwork

I - Integrity

P - Prudence

C - Commitment

O - Open-mind

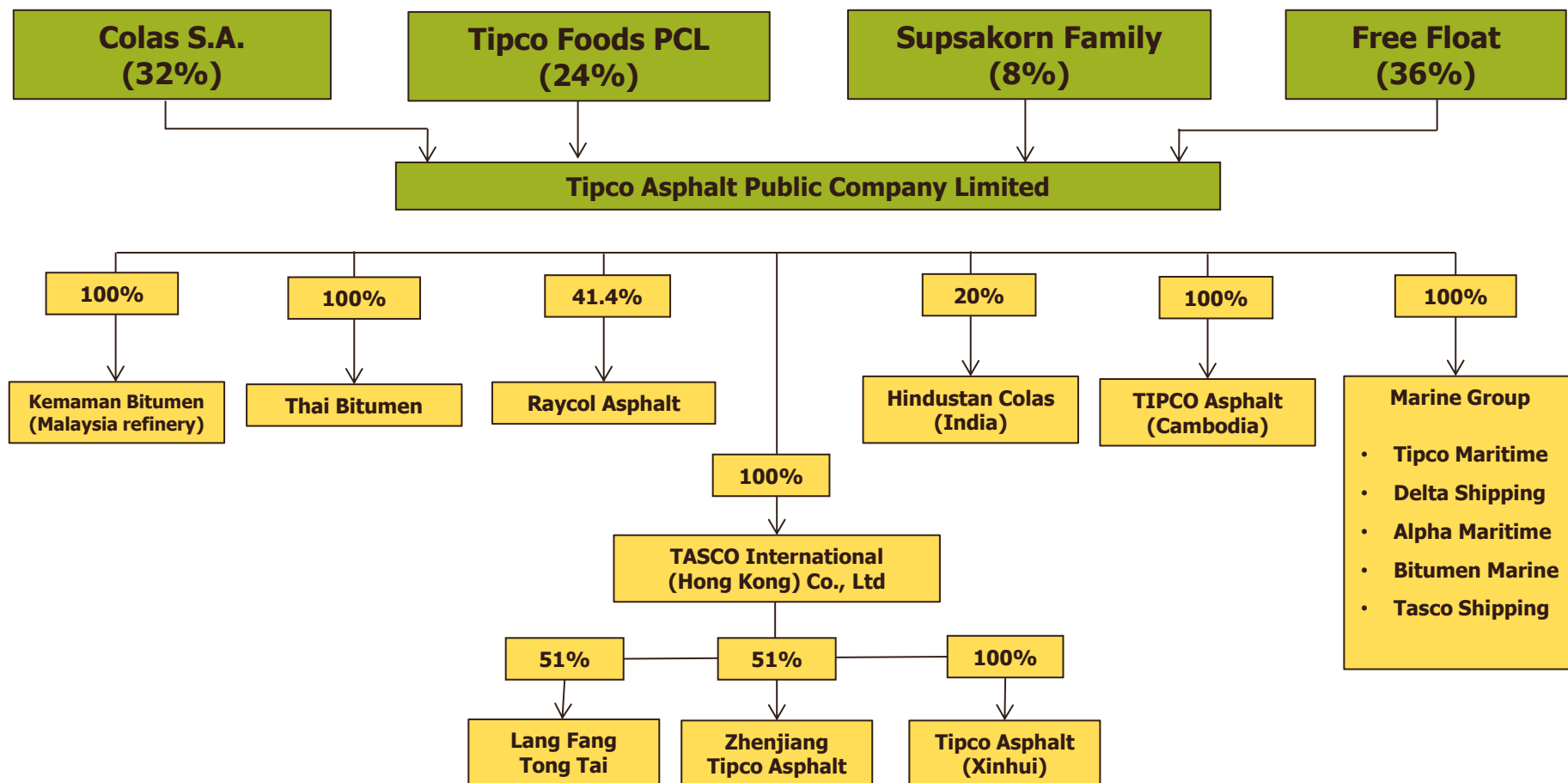
36 years of strong track records...

Tipco Asphalt has grown from a local asphalt trading company into a significant regional player via commitment to our TIPCO core values and striving towards achieving our vision



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Company background: Shareholders & Group Structure (As of 30 April 2015)



Company background: A Complete Value Chain in Asphalt Supply Business



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Company background: Tipco presence

- Capitalize on our strong logistic capability in truck fleets and vessels to export product globally

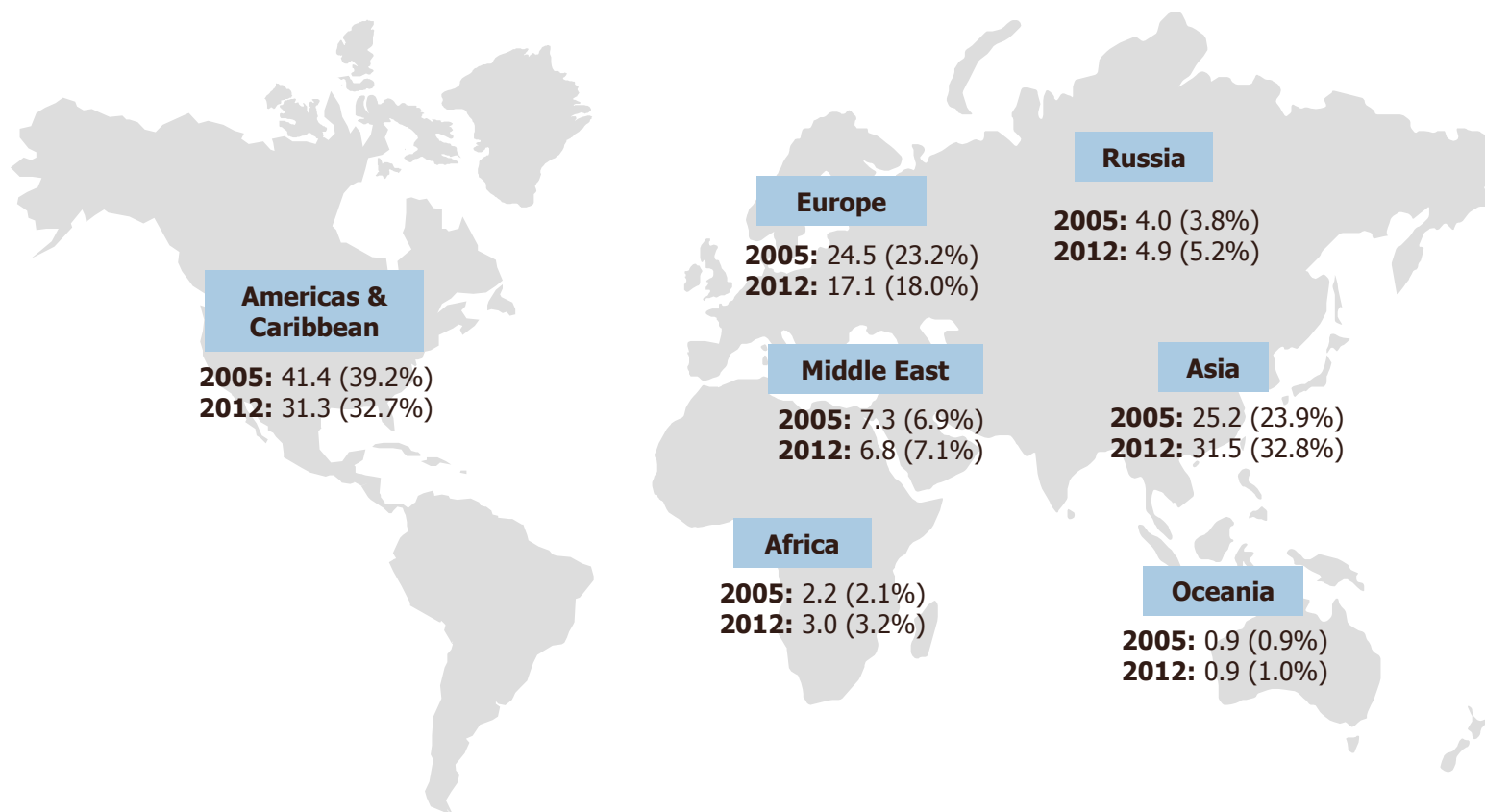
Tipco Asphalt Group Network

- **Kemaman Bitumen Company Sdn. Bhd.**
(Tipco Asphalt Refinery in Malaysia)
- **Thai Bitumen Co., Ltd**
- **Raycol Asphalt Co., Ltd**
- **Tasco International (Hong Kong) Co., Ltd**
- **Hindustan Colas Limited (India)**
- **Tipco Asphalt (Cambodia) Co., Ltd**
- **Marine Group**



Company background: Global demand

- Global demand of asphalt is projected to rise 3.6% annually through 2017 to 121 million tons. Asia remains the growth area



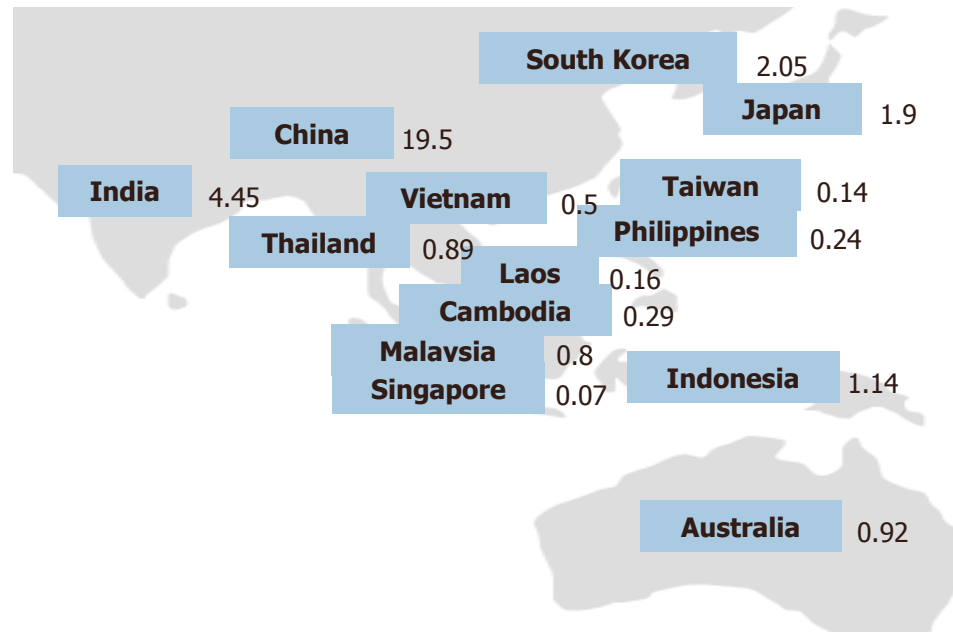
Total Global Demand (Unit: Million Ton)
2005: 105.5 **2012:** 95.5 **2017:** 121



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Company background: Asia Pacific demand

- Asphalt demands of China, Australia, Indonesia, **Vietnam, Laos and Cambodia** are met largely by imports
- Outlook for Asia Pacific remains robust over the medium term (2015-2018), anchored by the steady rise in domestic demand and investments
- Investment in these countries mostly focus on infrastructure developments, hence indicating great opportunities for construction sector to grow



Asia Pacific Asphalt Demand
2013 : 33.05

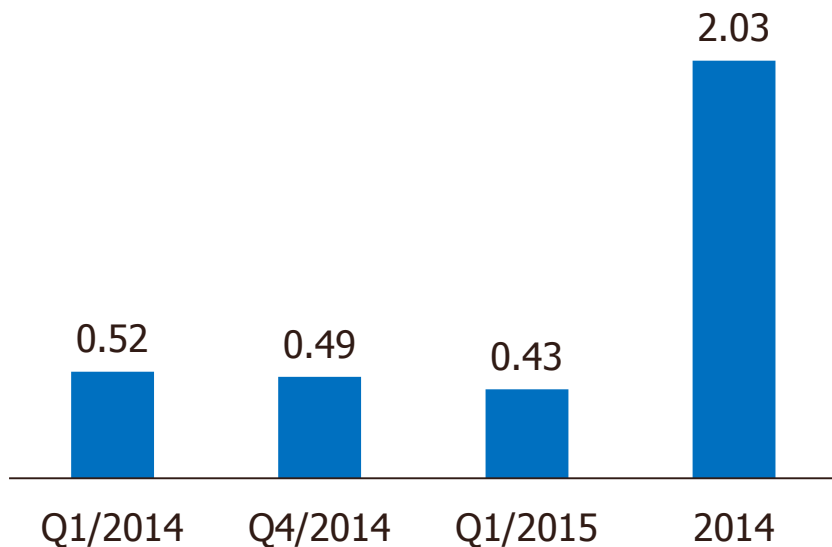
(Unit: Million Ton)



Q1/2015 Highlights: Total sales volumes

Sales volumes by quarters

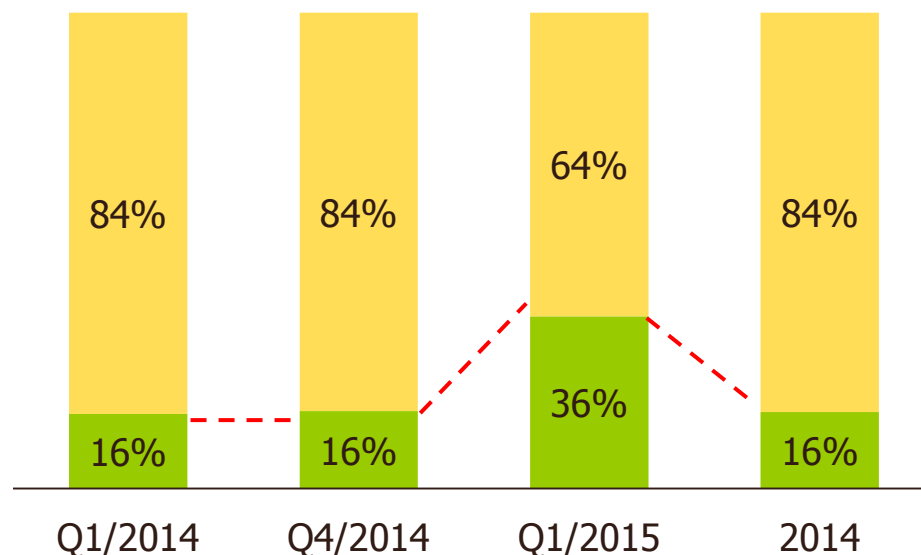
Unit: Mil tons



Sales volumes concentration by market

Unit: %

■ Domestic ■ International



- Although Q1/2015 total asphalt volume declined, emulsion and AC sales volume increased by 61% from Q1/2014 due to high demand in domestic and export sales
- Higher Q1 14 sales volume was due to exceptionally high Bitumen Mixture sales

According to total volumes domestic volumes accounted for 36% in Q1/2015 which was very high

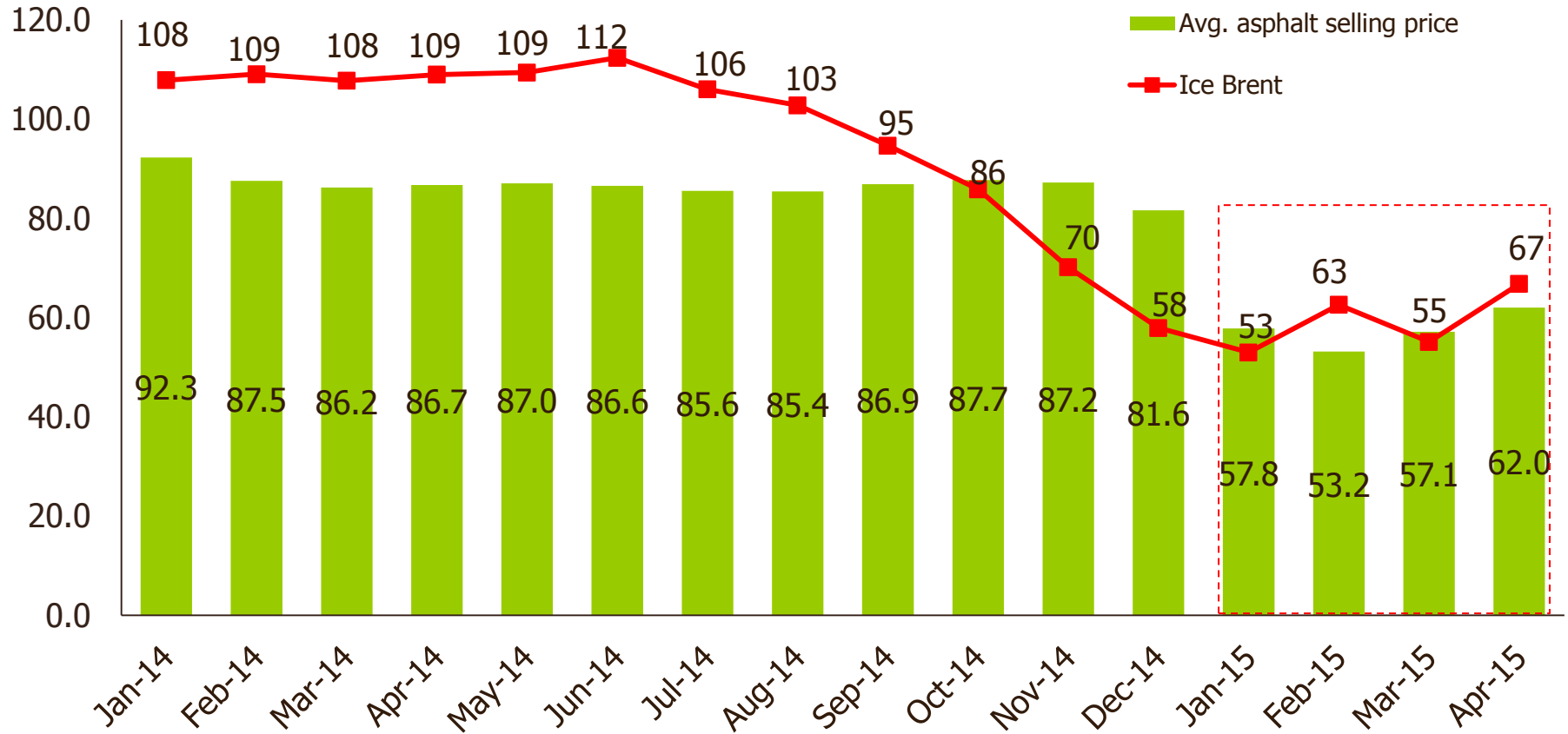


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Q1/2015 Highlights: International asphalt market selling price vs Ice Brent

USD/Barrel



- The Company's margin is on spread between selling price and crude cost
- Asphalt selling price recovers in line with Brent price due to tight logistic in vessel availability

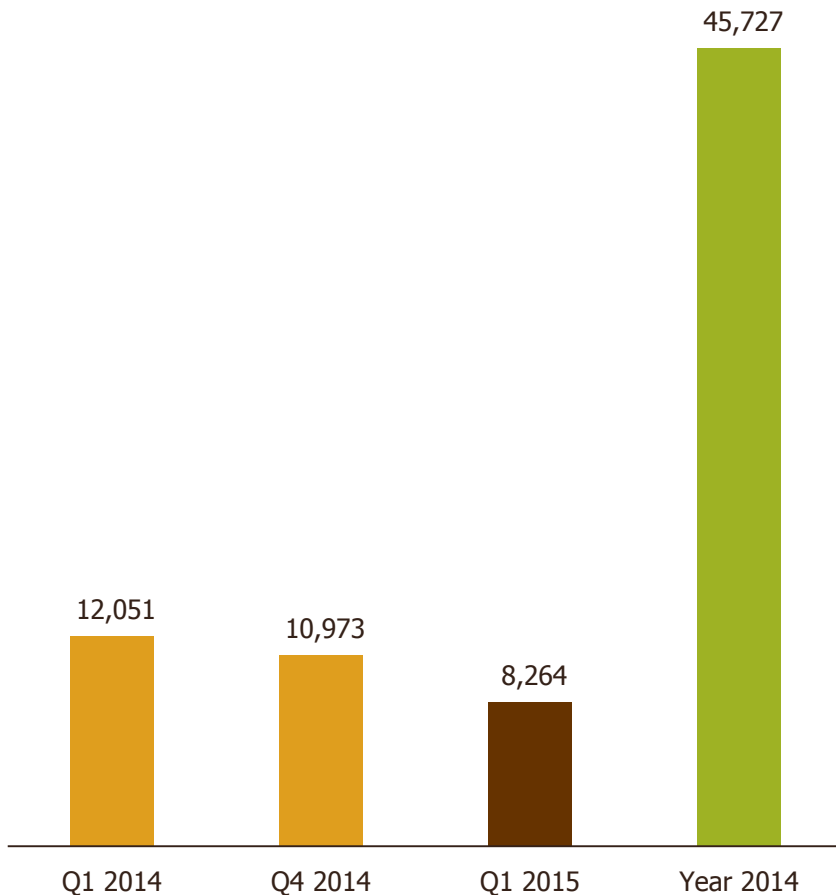


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Performance Highlights: Sales & Services Revenue

(Unit : THB Million)

Sales & services Revenue



- Sales and services stood at Baht 8,264 million reflecting a decrease of almost 31% from the same period last year.
- This decrease in revenue was mainly attributable to an abruptly drop in selling price in accordance with the plunge in crude price during Q4 2014 that continued into Q1 2015.
- Nevertheless, sales volume for asphalt emulsion and asphalt cement increased significantly because demand in the export and domestic market was exceptionally strong in Q1 2015.
- As a consequence, the Group's operations in refinery, logistic and customer support service were tested to its fullest.

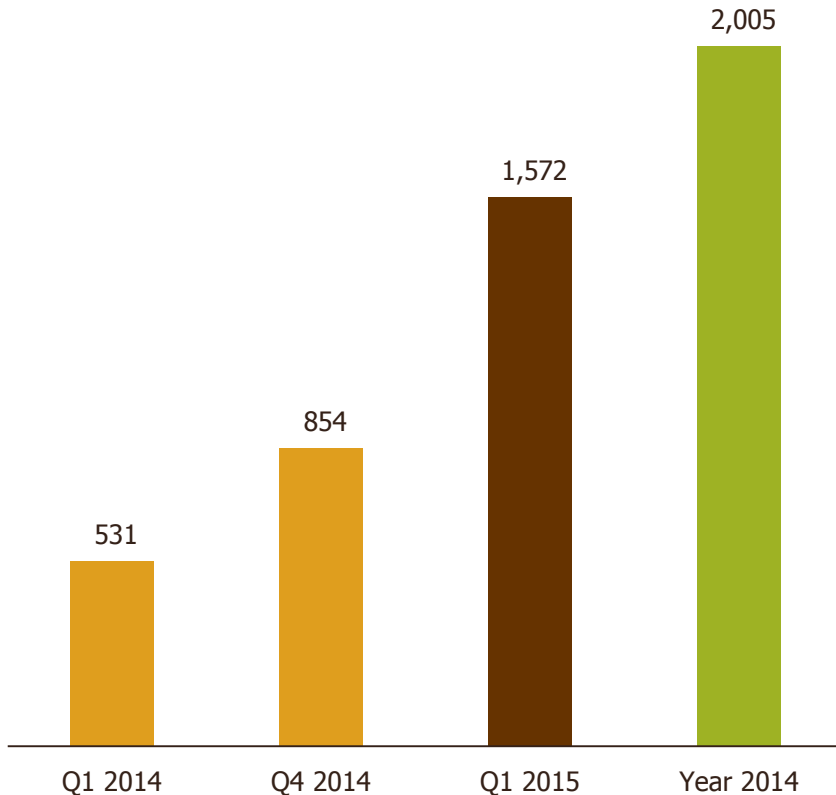


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Performance Highlights: Operating Gross Profit

(Unit : THB Million)

Operating Gross Profit(Inc. hedging & NRV)



- The significantly improvement of overall gross profit margin was mainly due to the increase in asphalt prices arising from strong demand in both export and domestic market, and also a stable crude cost.
- Brent crude price started at USD 58.02 on the first trading day of 2015 but stayed within a range from USD 46.59 to USD 62.53 and ended at USD 55.11 on 31st March 2015. The company's hedging strategy has been effective in managing our crude cost and as a result, reduced the hedging exposure substantially.
- Since petroleum product prices were stabilised within a trading range, the result of hedging in Q1 was a low hedging loss of Baht 6 million as compared to a hedging gain of Baht 45 million in Q1 2014. In additions, there was a reversal of net realizable value (NRV) provision of Baht 366 million on the crude inventory.

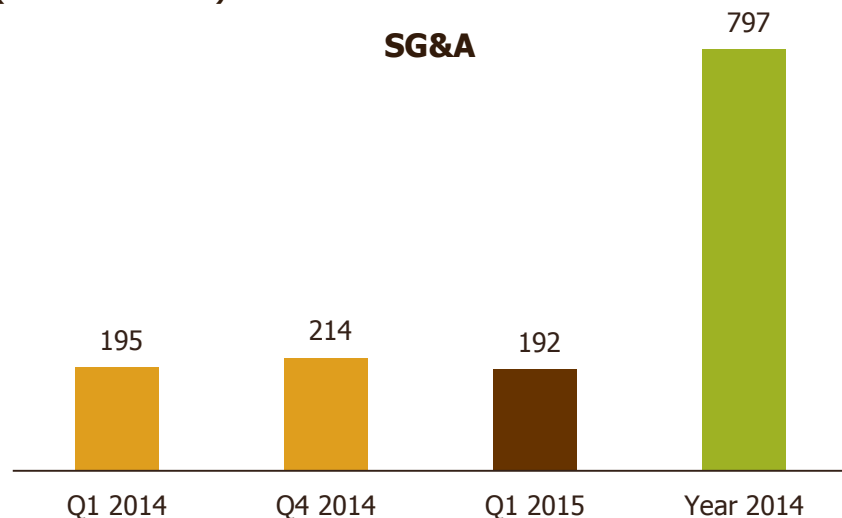


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Performance Highlights: SG&A & EBITDA

(Unit : THB Million)

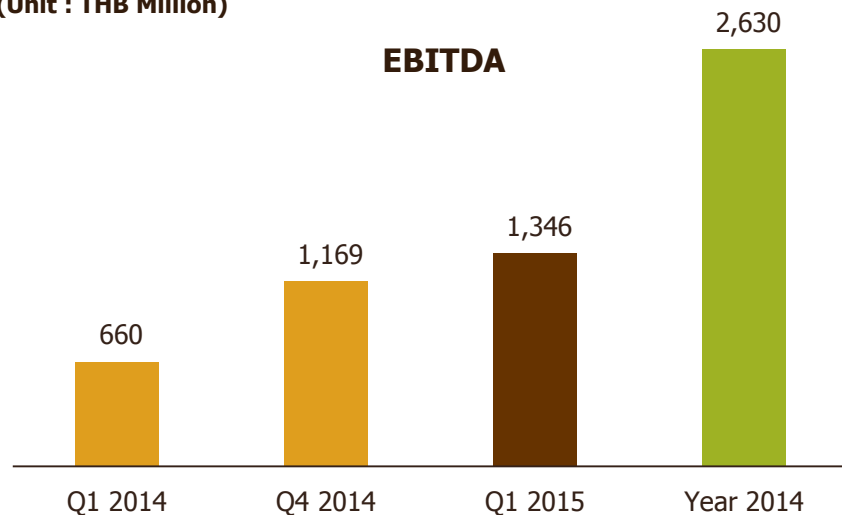
SG&A



- Selling and administrative expenses stood at Baht 38 million and Baht 154 million representing 0.46%, and 1.86% of sales and services, respectively. Comparatively, these expenses in the same period 2014 stood at Baht 34 million and Baht 160 million or 0.28% and 1.33% of sales and services, respectively.
- The Company is committed to controlling overhead expenses while improving the operating gross profit margin.

(Unit : THB Million)

EBITDA



- EBITDA in 1st quarter 2015 stood at Baht 1,346 million reflecting another positive increase of almost 104% from the same period last year.

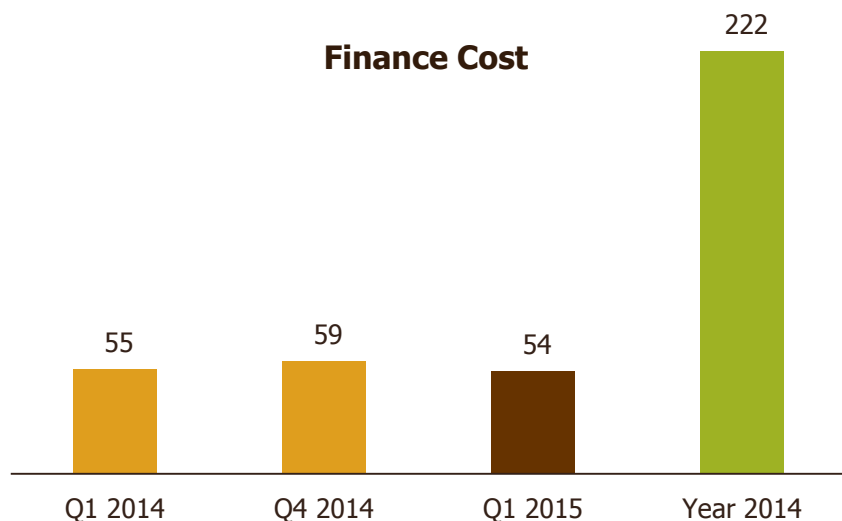


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Performance Highlights: Net Profit After Tax

(Unit : THB Million)

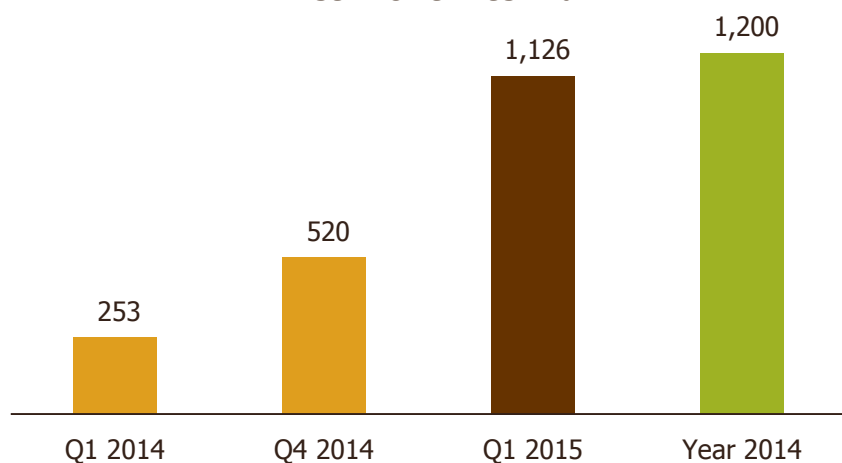
Finance Cost



- Financial expense in 1st quarter 2015 was Baht 54 million, similar to financial expense in the same period of 2014 of Baht 55 million.

(Unit : THB Million)

Net Profit After Tax



- The Net Profit After Tax of Baht 1,126 million represented earning per share of Baht 0.73 (par value of Baht 1 each) compare to baht 0.17 per share in corresponding quarter of 2014 attributable to the equity shareholders of the Company
- **This representing an annualized ROE of 34% !**



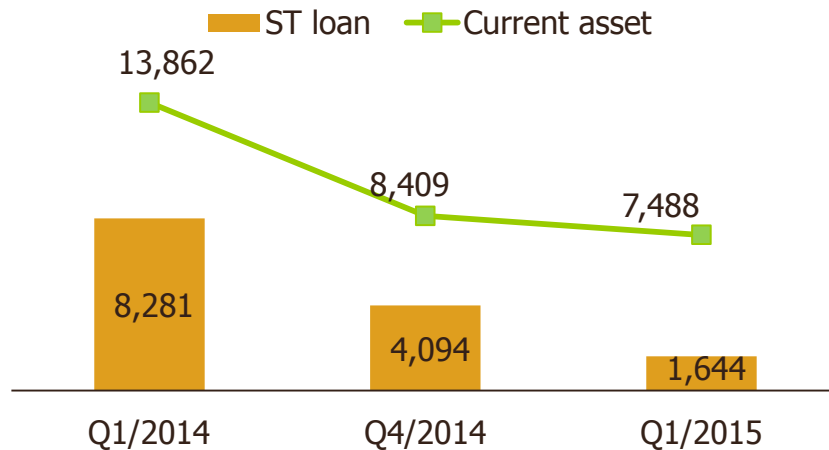
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Performance Highlights: Debt to Equity Ratio

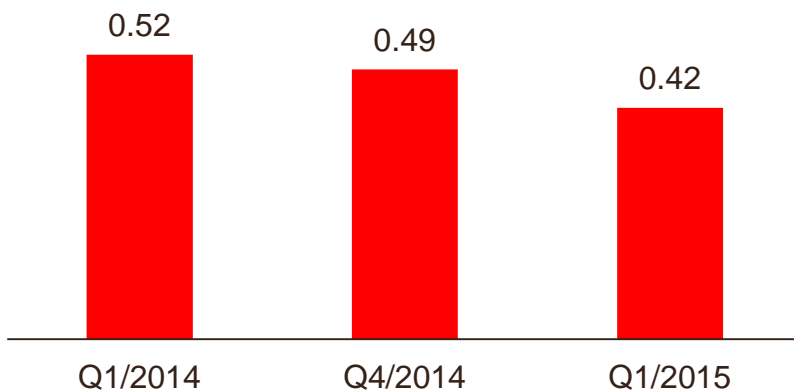
ST loan vs Current asset

Unit: THB million



- The Group's consolidated current ratio has improved to 1.6 due to decrease in crude price and improved "crude to cash conversion cycle" in 1st quarter 2015 as compared to 2014.
- Short-term borrowing has further reduced by 60% from Q4/2014 due to strong cashflow generated from operations.

Long Term Debt/ Equity Ratio



- The Group's consolidated long term debt to equity ratio (D/E ratio) has decreased from 0.52 to 0.42 due to loan repayment



- **Crude:** Expect to see volatility in Brent price but stay within \$60-\$70 price range in Q2. Nevertheless, we will manage this by effective hedging strategy



- **Refinery:**
 - With almost 100% refining process volume, the Group continued to enjoy high efficiency in fuel consumption
 - Maintain high reliability at 99.9%
 - The refinery performance has been also impressive.



- **Marine:**
 - Tightness of vessel still continue and the freight revenue improved significantly.
 - Opportunity to invest additional vessel to support the business growth



- **Domestic market:**

- Expect disbursement of Baht 40,000 million of government budget in Q2/2015 and also Q3/2015
- Substantially increase in usage of natural rubber modified asphalt products



- **International market**

- Strong demand especially in Indonesia due to government roadmap
- The tight logistic in asphalt delivery has strengthened TASCOS orders book in respect of term sales contract.
- The Asphalt price is expected to remain strong as the customers are eager to take delivery.