

Tipco Asphalt Public Company Limited

Thai Corporate Day

27th January 2015



บริษัท ทีปโก้แอสฟัลท์ จำกัด (มหาชน)
Tipco Asphalt Public Company Limited

Time : 9.00 - 17.00 pm.
Venue : Four Season Hotel Bangkok

Agenda

- 1 Mission, Vision and Values
- 2 Value Chain
- 3 Market Landscape
- 4 2014 Business Highlights
- 5 2014 Performance Highlights
- 6 2015 Outlook



Mission, Vision and Values

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

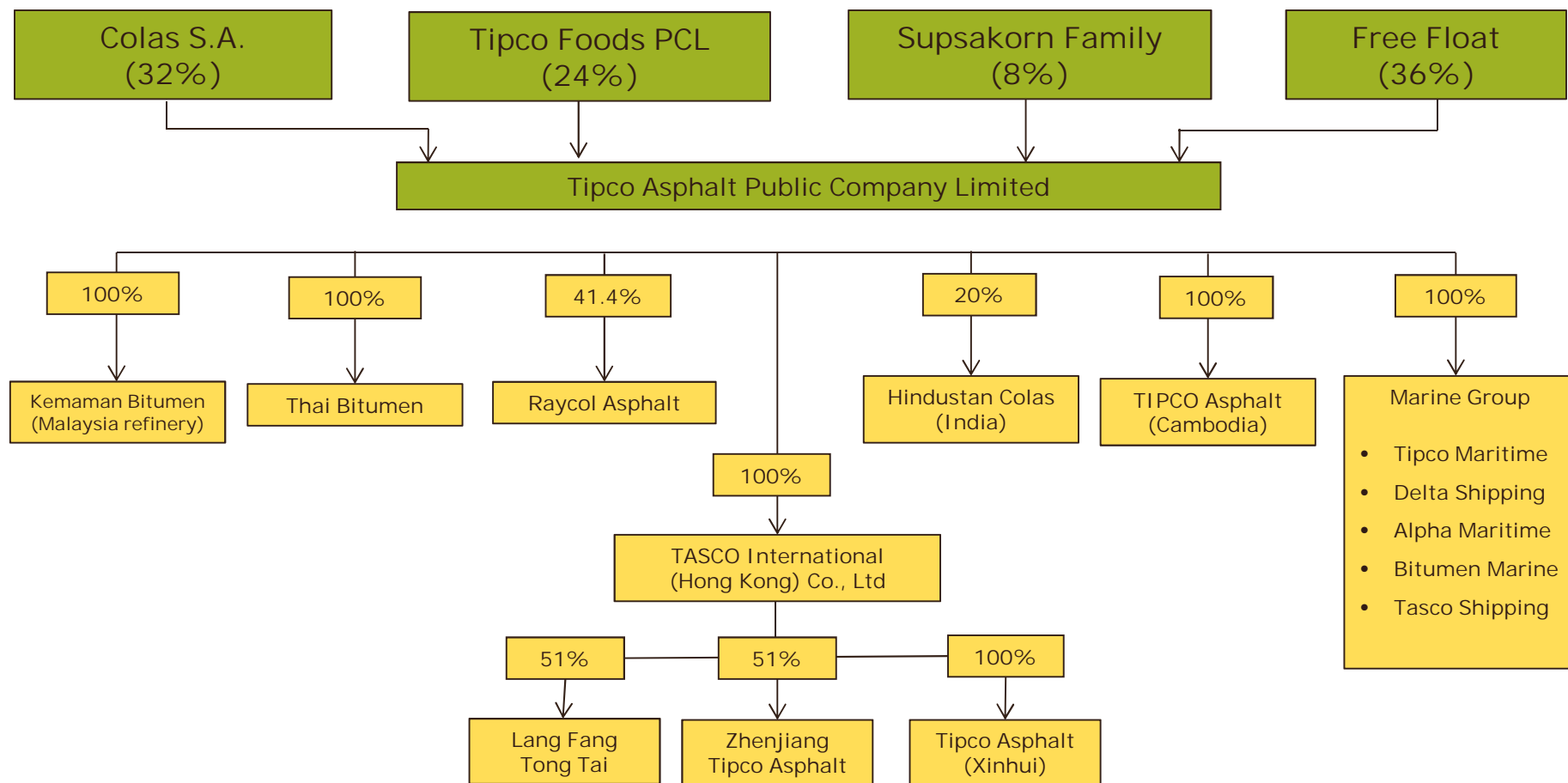
35 years of strong track records...

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

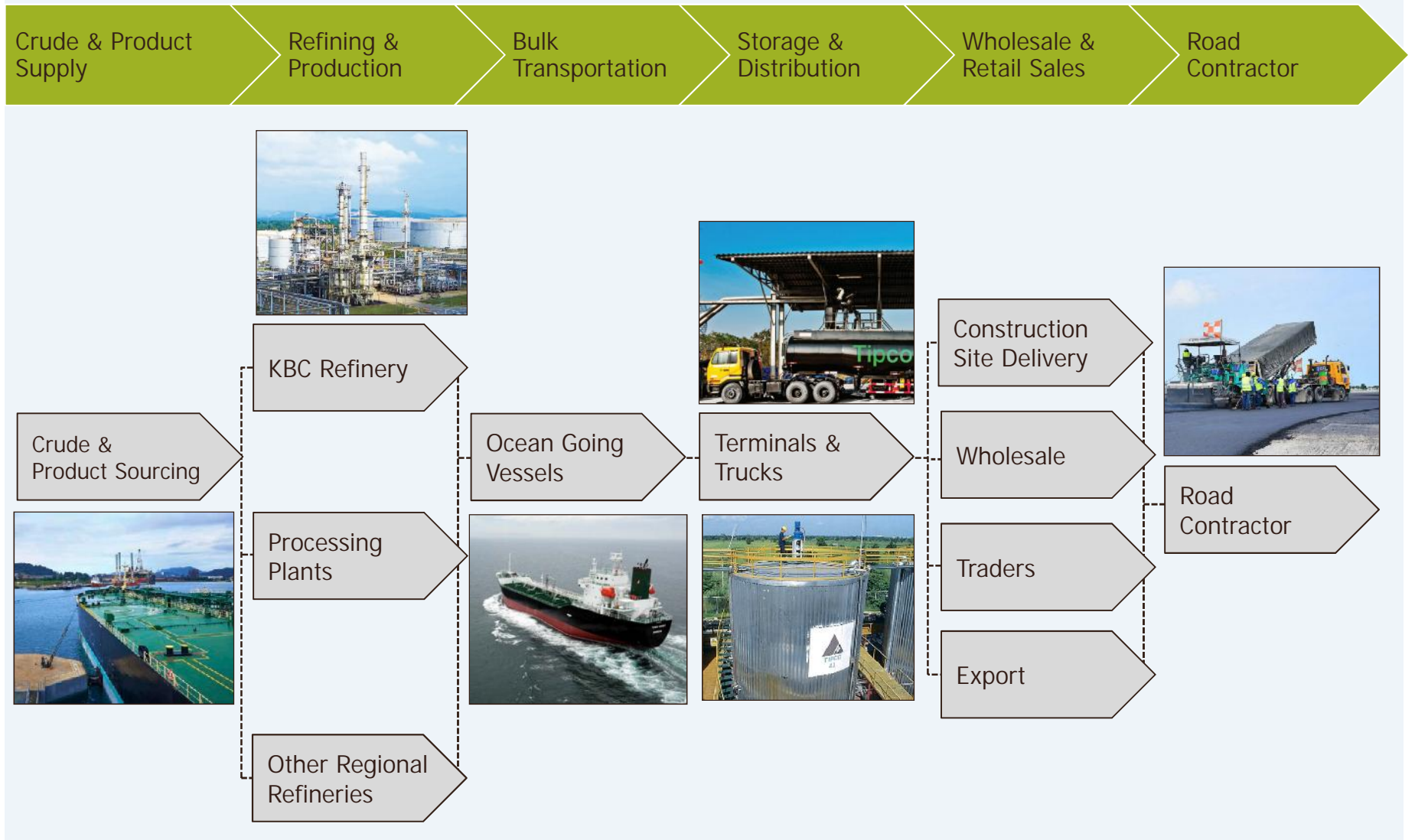


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Shareholders & Group Structure (As of 30 Dec 2014)

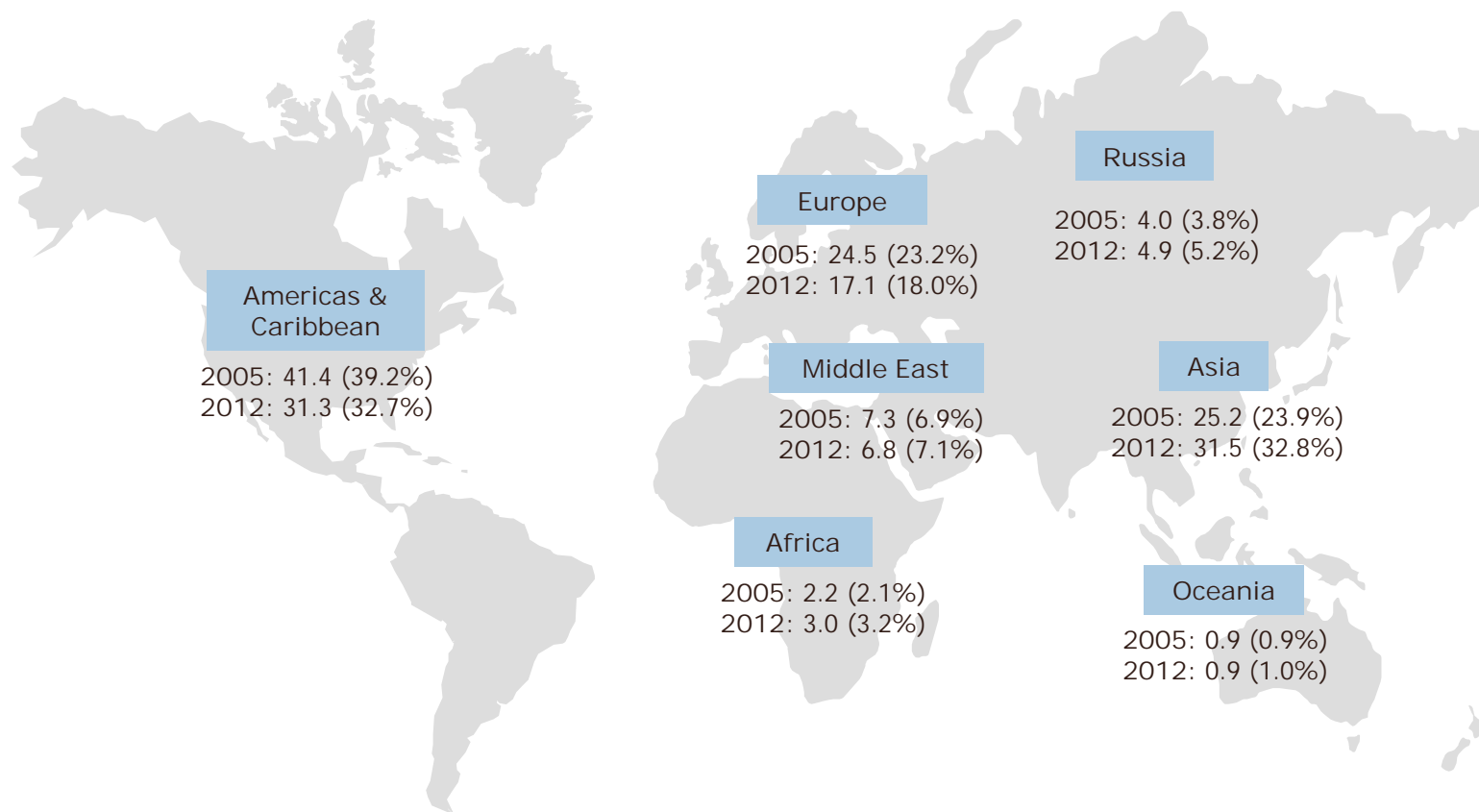


A Complete Value Chain in Asphalt Supply Business



Market Landscape – Global demand

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



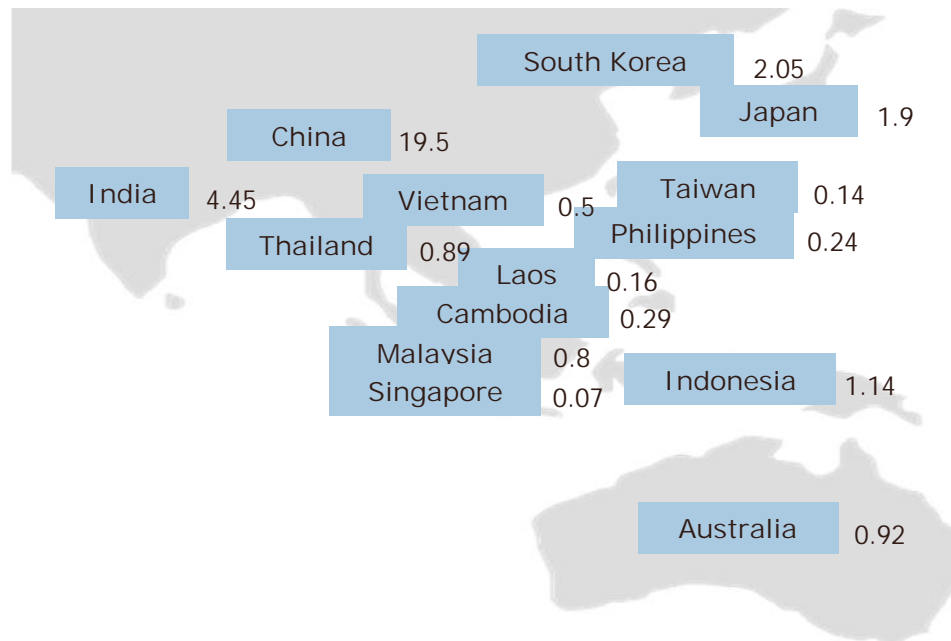
Total Global Demand (Unit: Million Ton)
2005: 105.5 2012: 95.5 2017: 121



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Market Landscape – 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)



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Market Landscape – 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



2014 Business Highlights

Business Drivers

- ❑ Declining crude price: from USD 107 per barrel in Jan 2014 to USD 58 per barrel in December 2014
- ❑ Declining asphalt price : in line with crude oil price
- ❑ Asphalt supply: Stable supply but with uncertain outlook due to surplus of crude
- ❑ Asphalt demand: Stable demand with positive GDP growth outlook

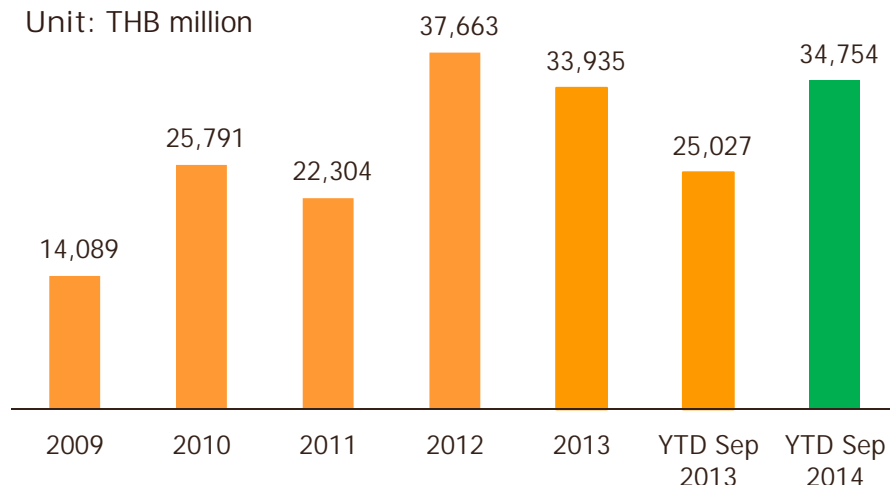
Business Competitiveness

- ❑ Crude supply: Consistent supply of crude feed to refinery with 10.4 million barrel per annum
- ❑ Refinery: Increased 20% processing capacity from 25,000 - 30,000 barrel/day
- ❑ Marine: Competitive logistic advantage by having 6 own Tipco Asphalt tankers plus 2 tankers through a Technical ship-management contract.
- ❑ Storage & distribution: Largest Bitumen storage capacity & extensive distribution channels
- ❑ Marketing outreach: Leader in domestic and export to 14 countries

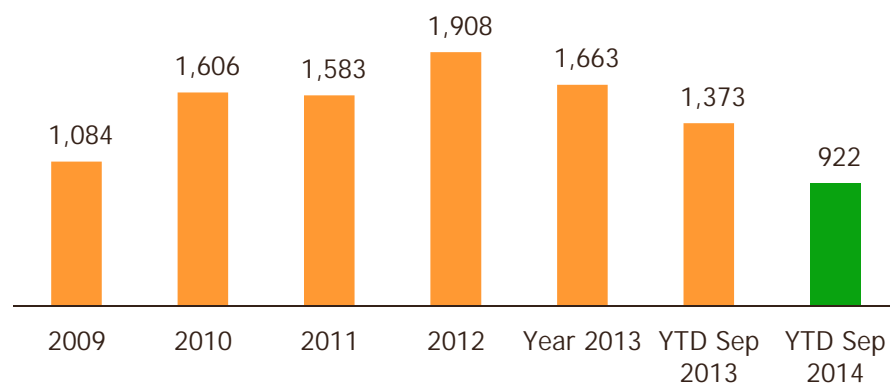


Financial Highlight: Impressive Revenue and Margin Growth

Total Revenue
Unit: THB million



Operating Gross Profit
Unit: THB million



- Sales and services of YTD Sep 2014 stood at Baht 34,754 million reflecting an increase of 39% from the same period last year. The increase in revenue was mainly attributable to abundance supply of heavy crude. In early 2014, the Company entered into a crude term (up to 4 years) supply contract with a major crude supplier whereby the Company has the opportunity to procure approximately 10 million barrel of heavy crude per annum.
- We took this opportunity to diversify our product range in the export market and thereby managed to increase revenue during a weak (in terms of demand and price) export asphalt market in the first 2 quarters of 2014 while sales in export markets in Q3 of 2014 was higher due to better market demand in this region and also the increase of our refinery production in Malaysia. The domestic asphalt sales remained healthy and reported similar sales volume in comparison to last year.
- The overall lower gross profit margin was due to stronger competition and weak demand in the asphalt export market for Q1 & Q2 2014. However, the big drop in crude oil prices in Q3 is turning point to Tipco business model and we see a significant improvement in the profit margin.
- Brent crude price started at USD 107 on the first trading day of 2014 and stayed in this range until April 2014 and gradually went up to USD 112 again in June 2014. The Brent market plummeted a whopping USD 18/barrel (from US\$113/barrel to US\$95/barrel) during Q3 of 2014. This free fall was the result of surplus crude supply in the market from Shale Oil in the US competing with OPEC productions and also negative global economic outlook by IMF.
- Nevertheless, the reduction in gross profit margin was protected by the hedging strategy in this incredible market volatility with a hedging gain of Baht 392 million in YTD Sep 2014.

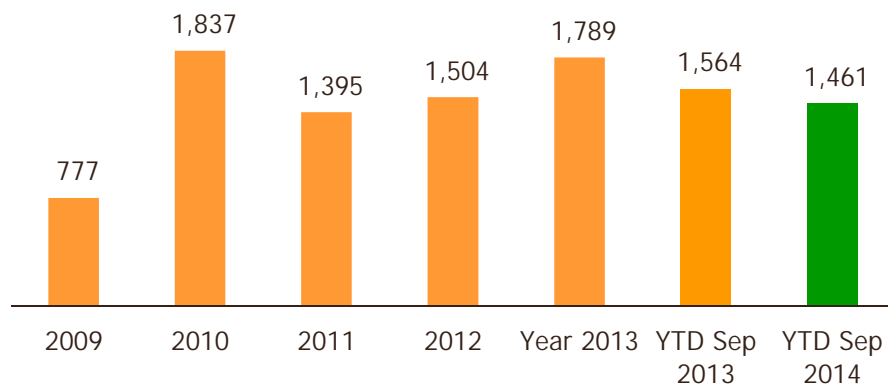


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Financial Highlight: EBITDA & Financial Performance

EBITDA

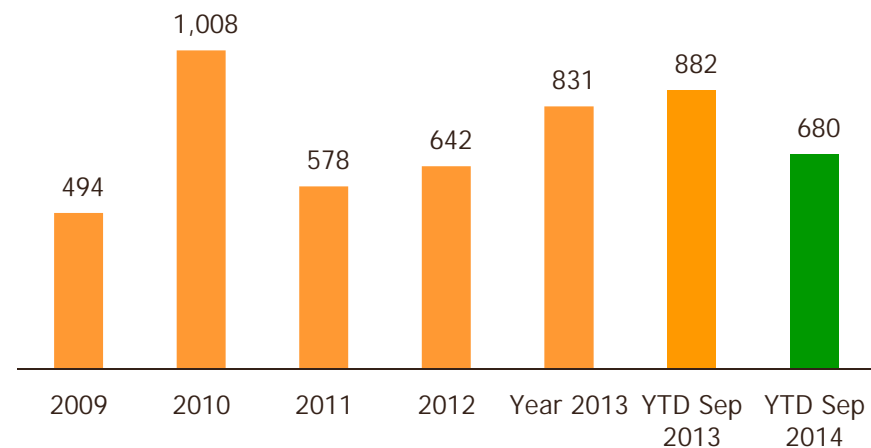
Unit: THB million



- Strong net cashflow generation sufficient for funding of annual CAPEX.
- Consequently, minimum long term borrowings to fund CAPEX.

Net Profit

Unit: THB million



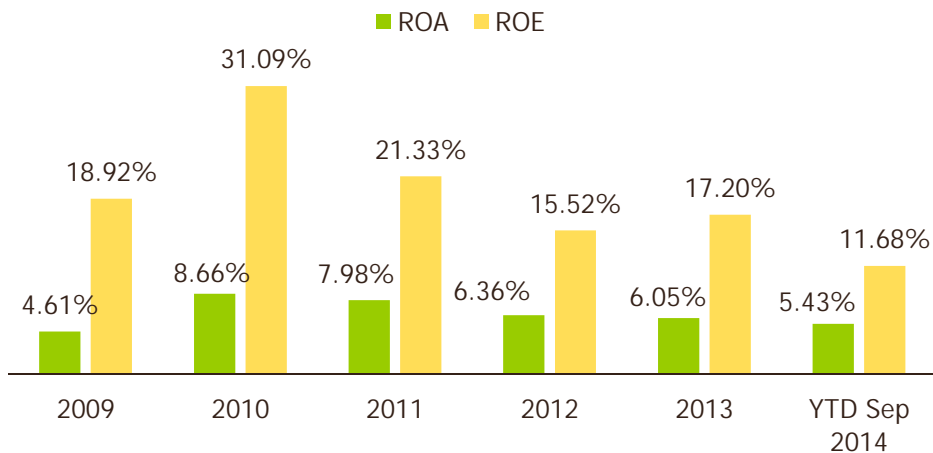
- Since 2012 onwards, financial performance has improved and stabilised with the effective hedging strategy. With the expansion of 20% refinery capacity, a secured term crude supply contract and favourable lower crude oil prices that dropped more than 30%, Tipco is in a strong position to improve its financial performance.



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Financial Highlight: Strong Financial Leverage

ROA vs ROE
Unit: %



- the ROE has been impressive with annual return above 15% and Tipco is confident to surpass this level in its full year performance in 2014. As a sign of confidence, Tipco announced its interim dividend of 1 Baht payable in December 2014.

FitchRatings BBB+

Fitch Ratings as of Dec 2014:

- National Long-Term Rating of 'BBB+(tha)' with a Stable Outlook; National Short-Term Rating of 'F2(tha)'

Key Rating Drivers

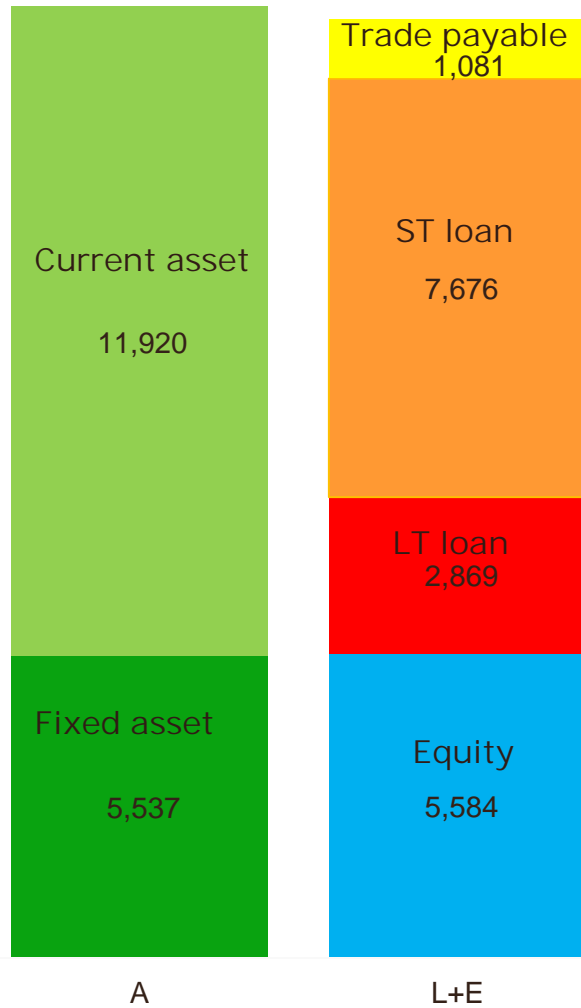
- Strong Domestic Market Position – Market Leader in the asphalt business in Thailand. Strong market share. Long track record in the asphalt business along with technical knowledge.
- Geographic Diversification – Operates 18 manufacturing plants in five countries in Asia-Pacific region. International markets are diversified across five major markets including, Indonesia, China, Australia, Malaysia and Vietnam.
- Support from Strong Parent – Able to leverage advanced technology and global market network from Colas



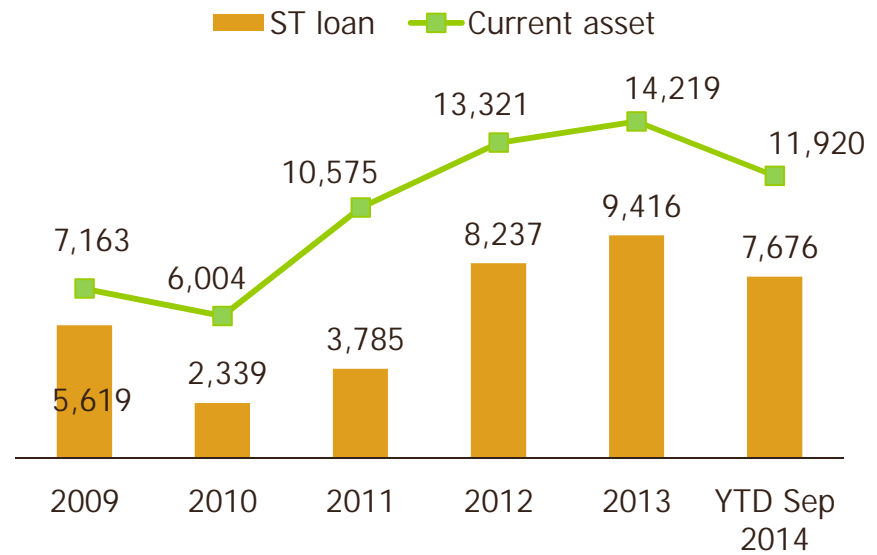
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Financial Highlight: Strong Financial Leverage

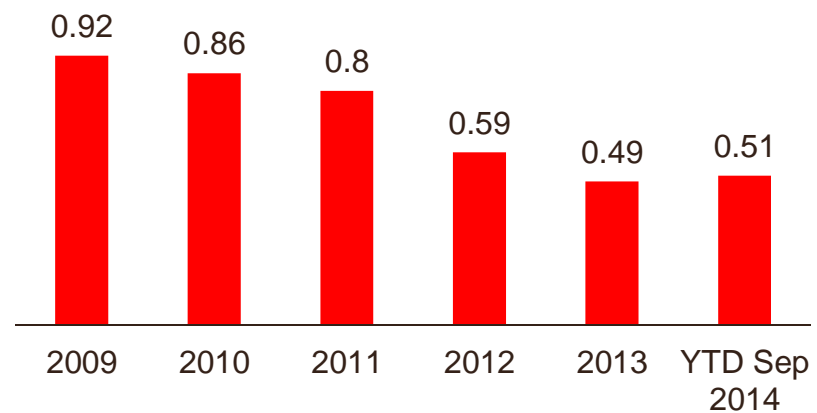
3Q 2014 Balance sheet
Unit: THB million



ST loan vs Current asset
Unit: THB million



Long Term Debt/ Equity Ratio



Corporate Social Responsibilities

- Continuously followed the lead of His Majesty the King in contributing benefits to communities, society, and the country
- Dedication to "maintaining the highest Corporate Social Responsibility standards at all times" as stated in the Company's Vision Statement
- With our unwavering efforts to improve our manufacturing standard, **we are the first asphalt manufacturer in Thailand to fully adopt the ISO 26000 standard** guideline into our operations process. Our ISO standard implementation has been fully succeeded, as evidenced by the recent satisfactory assessments and reviews by national certifying body (MASCI).



2015 Outlook



- Crude: Benefit from low crude price in the market – margin improve
Benefit from crude supply contract - consistency, productivity
Effective hedging policy

- Refinery:

- Increase productivity in fuel consumption
- Maintain high reliability at 99.9%



- Marine: Maintain high reliability & utilization rate of vessels

- Domestic market:

- Increase in budget allocation for road construction and maintenance by 24%
- Substantially increase in usage of natural rubber modified Bitumen by 18%



2015 Outlook



- International market
 - Stable outlook of International market with growth potential in line with respective country GDP growth
 - JV company in Singapore progress: expect to established in Q1 2015

Unit: %	2000-07	2012	2018	2014-2018	Country's medium term policy focus
China	10.5	7.7	7.5	7.7	Domestic consumption and developments toward western provinces
India	7.1	3.7	6.1	5.9	Inclusive growth to reduce poverty
Indonesia	5.1	6.2	6.1	6.0	modernization and infrastructure development/ disaster prevention
Malaysia	5.5	5.6	5.3	5.1	Improve productivity of SMEs
Philippines	4.9	6.8	5.9	5.8	Inclusive growth to reduce poverty
Singapore	6.4	1.3	3.1	3.3	focus on becoming global city
GMS					
Thailand	5.1	6.5	5.3	4.9	Resolve political conflict, restore foreign confidence
Cambodia	9.6	7.2	7.1	6.8	Develop tourism and infrastructure
Lao PDR	6.8	7.9	7.5	7.7	Develop infrastructure to speed up rural development
Myanmar			7.0	6.8	Infrastructure development and industries to welcome FDI
Vietnam	7.6	5.2	6.0	5.4	Uplift domestic financial system
CLMV economies	8.0	6.8	6.9	6.6	
Avg ASEAN	5.5	5.5	5.6	5.4	

Source:

1 "Economic outlook for Southeast Asia, China and India 2014", OECD (2014)

2 IMF (Country Article IV Consultation), World Bank (2014)



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Q&A

