



THORESEN GROUP



**Thoresen Thai Agencies Plc.**  
**2Q FY 2010 Analyst Presentation**  
**31 May 2010**

PATH  
of SUCCESS

# Agenda



## **I. 2Q FY 2010 Financial Highlights**

## **II. Key Drivers**

## **III. Business Outlook**

## **IV. Capital Structure & Investments**

## **V. Q & A**



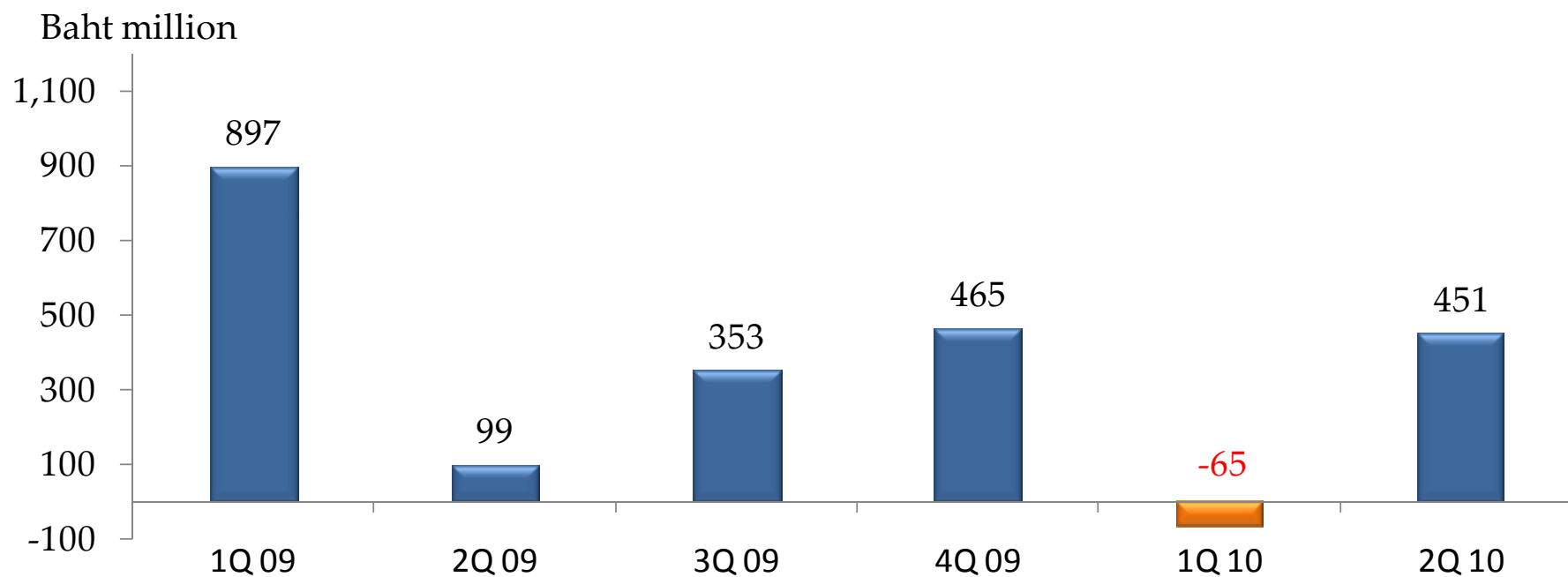
## 2Q FY 2010 Financial Highlights

- TTA reports 2.83% YoY increase in revenues to Baht 4,398.04 million (decrease 5.94% QoQ).
- Group gross profits up by 27.21% YoY to Baht 1,411.69 million (increase 19.95% QoQ).
- Group gross margin improved to 32.10% from 25.95% last year (versus 25.17% last quarter).
- Net profits of Baht 451.40 million versus Baht 99.16 million a year ago and a net loss of Baht 65.09 million a quarter ago.
- Earnings per share of Baht 0.64 versus EPS of Baht 0.14 and losses per share of Baht 0.09 a year ago and a quarter ago, respectively.
- Annualised return on average shareholders' equity of 2.95%, based on first half 2010 earnings result.
- Operating cash flow for 2Q FY 2010 of Baht 218.76 million versus Baht 607.04 million and Baht 60.73 million a year and a quarter ago, respectively.
- Net debt of Baht 4,864.33 million at 31 March 2010 versus net cash of Baht 1,541.65 million at 31 December 2009.
- Cash level remains high at Baht 6,356.90 million.
- Secured financing facilities of Baht 23,333,75 million.



# Quarterly Group Net Profits & Net Losses

**355.23% YoY Net Profit Growth**





# Briefing on Lines of Business

## Transport

- **Dry Bulk Shipping Operations**

- ✓ Today, owner of 29 and medium-term charterer of 5 vessels (3/2 expiring in FY 2010/FY2011 respectively).
- ✓ Fleet renewal plan is firm with 4 new Supramax vessels to be delivered by 2012.

- **Shipping Services Companies**

- ✓ A network of ship agency and ship brokerage companies in Asia and the Middle East.

- **Oil & Gas Tankering**

- ✓ Part owner of 9 petroleum tankers/barges and 1 liquefied petroleum gas tanker in the Philippines.

## Energy

- **Mermaid Maritime PLC. (MMPLC)**

- ✓ Listed on the Singapore Stock Exchange.
- ✓ Today, owner of 7 offshore service vessels via MMPLC + 3 more via affiliate AME.
- ✓ Subsea fleet development plan remains firm with 1 new vessel (Mermaid Endurer) delivering by 3Q FY 2010.
- ✓ Owner-operator of 2 tender drilling rigs + 1 new build tender drilling rig delivering by 4Q FY 2010.

- **Merton**

- ✓ JV with SKI Construction Group to explore & develop 12,000 hectares of coal reserves in Cebu, Philippines.
- ✓ A “mineable reserve” of 1.8 million to over 2.2 million tonnes was estimated on exploration area of 107 hectares.
- ✓ First coal was produced in April 2010, and commercial volumes are expected by August 2010.

## Infrastructure

- **Unique Mining Services (UMS)**

- ✓ Listed on the Market for Alternative Investment, Thailand.
- ✓ UMS imported more than 0.5 million tonnes of coal in FY 2010 for sale to domestic clients.

- **EMC Gestion S.A.S./Baconco Co., Ltd.**

- ✓ Baconco produced about 43,000 tons of fertiliser in Jan – Apr 2010 for sale to domestic clients.
- ✓ Professional logistics services have commenced operation since January 2010, and warehouse volumes continue to increase. As of April 2010, 50% of the planned capacity are booked.



# Income Statement Summary

**Transport Highest Profit Contributor, Followed by Infrastructure, Energy Underperformed with Net Losses**

2Q FY 2010 (Baht million)	Consolidated	Dry Bulk Shipping	MMPLC	Baconco	UMS
<b>Revenues</b>	4,398.04	2,352.51	752.59	432.17	582.02
<b>Gross profit</b>	1,411.69	999.43	137.64	78.69	102.61
<b>Operating profit</b>	161.30	349.27	-165.46	49.17	12.15
<b>SGA expenses</b>	562.47	177.38	133.22	15.66	63.87
<b>Finance costs/-income<sup>(1)</sup></b>	-40.44	-160.45	14.78	-1.90	15.44
<b>Net profits/-losses</b>	451.40	550.31	-171.01	31.83	4.15
<b>Earnings/-Losses per share (Baht)</b>	0.64	N/A	N/A	N/A	N/A
<b>Gross margin (%)</b>	32.10%	42.48%	18.29%	18.21%	17.63%
<b>GP/SGA (xs)</b>	2.51	5.63	1.03	5.02	1.61

Note: (1) Finance costs include interest expenses, losses from oil hedging, commitment fees from loans, fees for foreign currency collar contracts offset with interest income and gains on convertible bonds cancellation

Source: TTA

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# Key Drivers: Transport Group

## Fairly Stable Dry Bulk Shipping Market

- The recovery of earnings is primarily due to:
  - ✓ A stronger freight rate environment, as evidenced by TTA's fleet average TCE rate of US\$ 13,180 per vessel day (Owned fleet's TCE of US\$ 13,411);
  - ✓ Lower owner expenses : US\$ 4,132 per day.
- The primary factors for the improved TCE rates were:
  - ✓ Closing our liner services, which has allowed us to trade our vessels in higher paying geographical regions, including the Atlantic;
  - ✓ Time charter activities have been very firm in both period and spot opportunities.
- Ongoing business strategy:
  - ✓ Increase profitable spot charters;
  - ✓ Move more capacity to profitable time charter and COA opportunities in different geographical areas;
  - ✓ Ensure cost controls are emphasised;
  - ✓ Seek fleet renewal options to increase our fleet capacity.





# Dry Bulk Shipping Operating Summary

## Operating Expenses Fell with Better Cost Controls

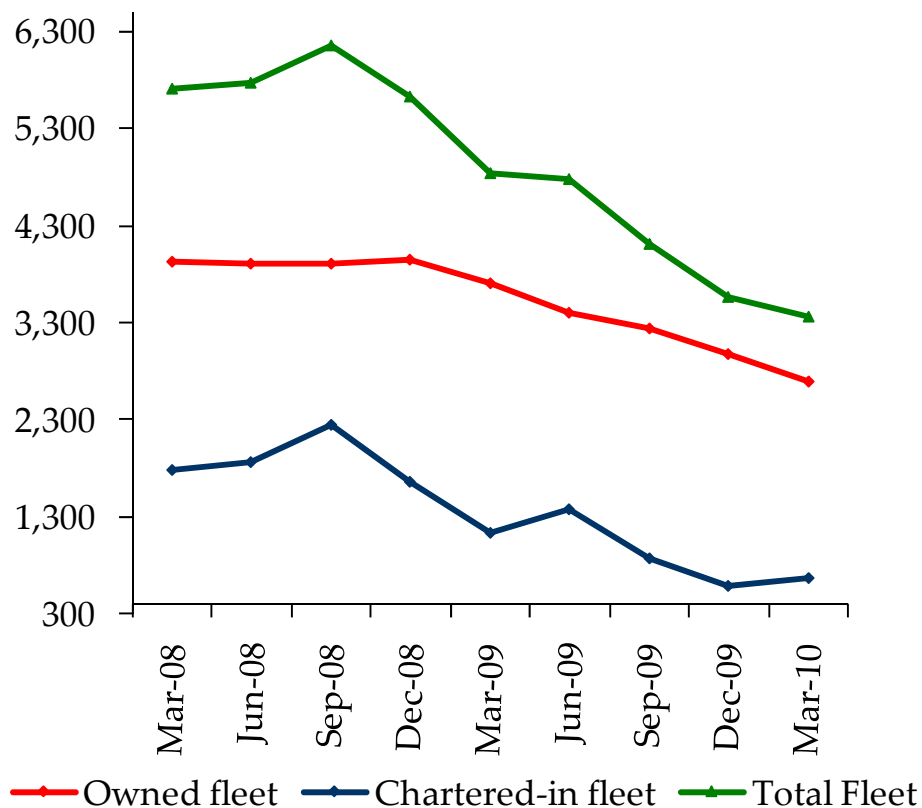
<b>% Breakdown</b>	<b><u>2Q FY 2010</u></b>	<b><u>2Q FY 2009</u></b>	<b><u>1Q FY 2010</u></b>
Operating Expenses (Baht millions)	1,522.30	2,440.47	1,864.53
Port & Cargo Exp	12.04%	21.21%	11.55%
Bunker Exp	28.27%	22.63%	27.78%
Time Charter Hire	38.05%	26.02%	19.44%
Crew Exp	10.65%	10.64%	9.90%
Repair /Maintenance	18.72%	17.36%	19.84%
Insurance	2.79%	2.59%	3.01%
Others	-10.52%	-0.45%	8.48%

Source: TTA

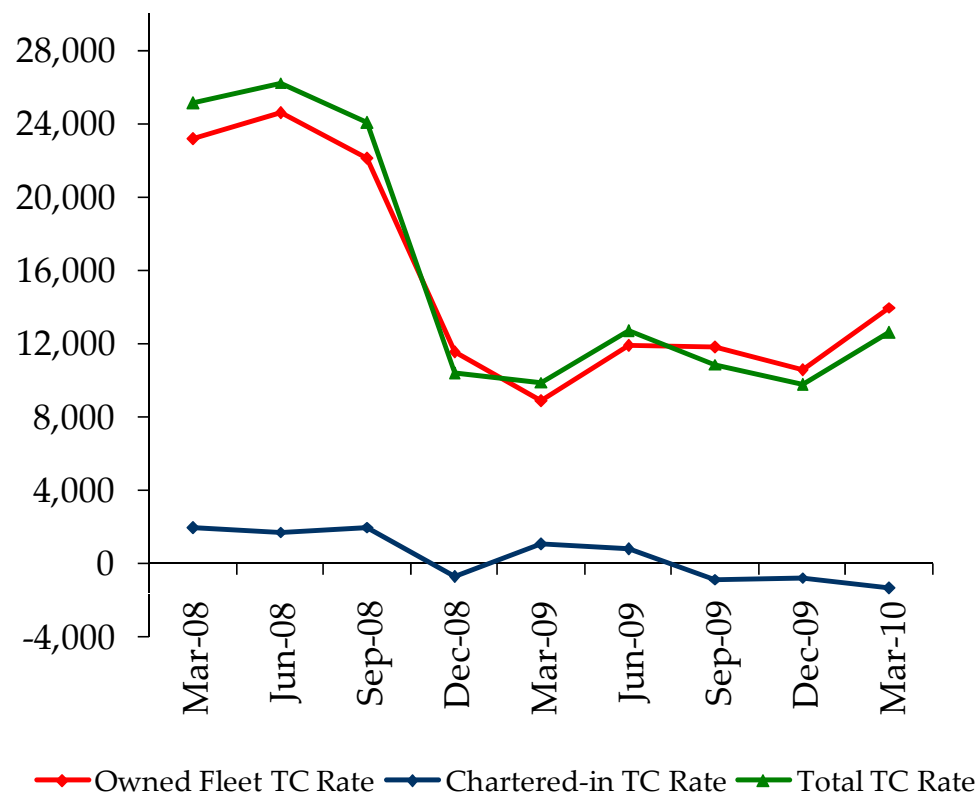
# TTA Achieved a TCE Rate Performance of US\$ 13,180 per Vessel Day in 2Q FY 2010



Actual Vessel Days



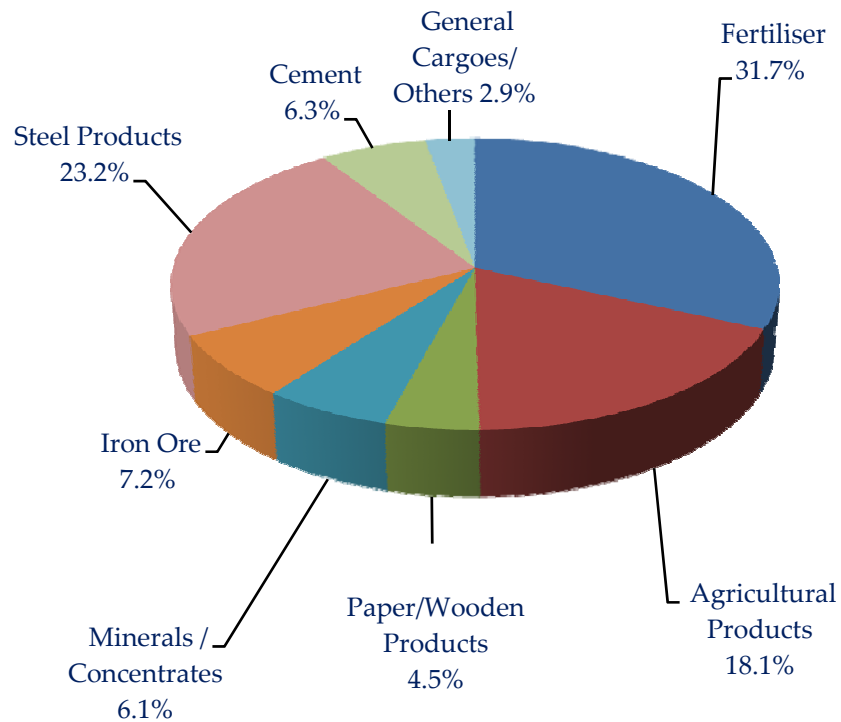
Actual TC Rates



# 2Q FY 2010 Cargo Volume of 2.309 million Revenue Tonnes

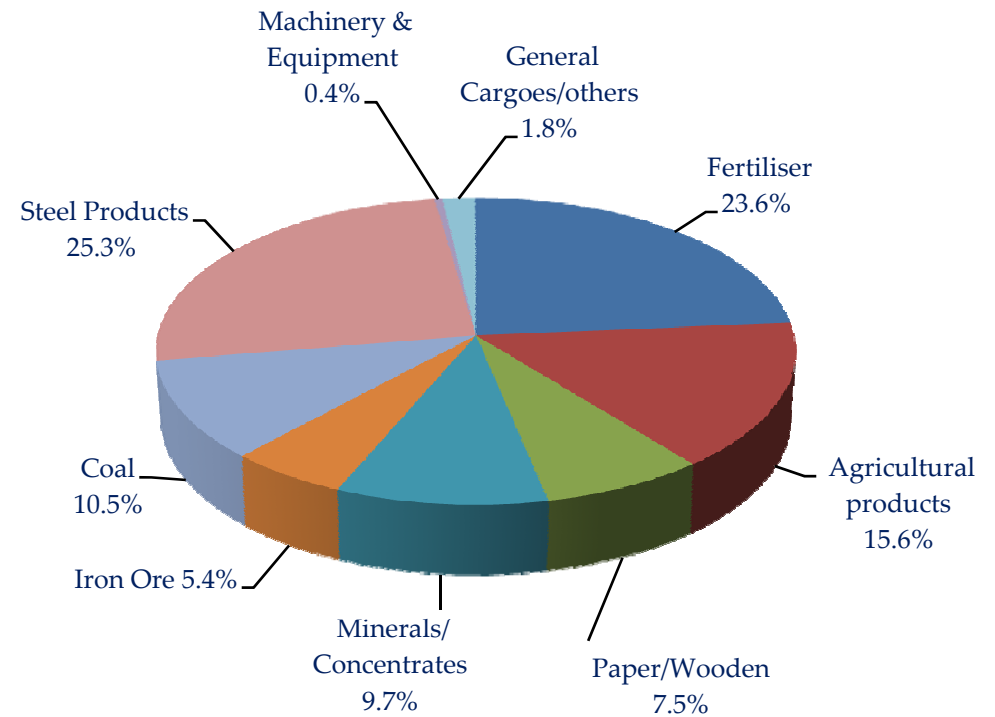


2Q FY 2010



2.309 million Revenue Tonnes

2Q FY 2009



2.894 million Revenue Tonnes

Source: TTA



## Key Drivers: Energy Group

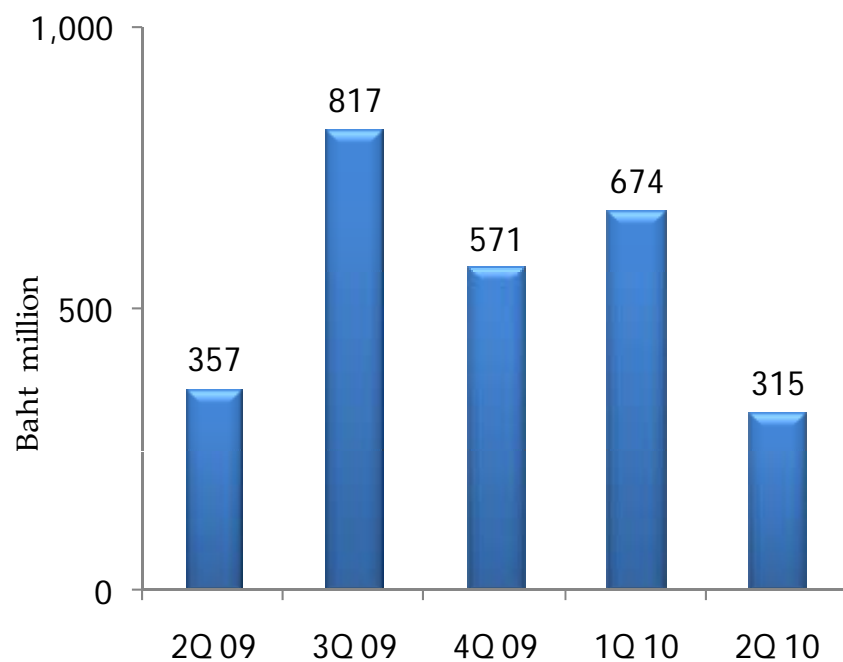
### Weak Offshore Service Market: Net Loss of Baht 171.01 million Shared to TTA

- Mermaid Offshore Services Ltd. (MOS)'s operating losses of Baht 203.93 million:
  - ✓ Asset utilisation rate of 28.26%, similar to last year's 29.93%, a reflection of seasonal monsoon conditions;
  - ✓ Lower average market day rates of 15% to 20% as number of contract awards delayed;
  - ✓ Additional depreciation expenses of Baht 16.55 million for Mermaid Sapphire and Mermaid Siam;
  - ✓ Recent acquisition of Subtech Ltd. contributed Baht 122.59 million and Baht 62.42 million of revenues and gross profits, respectively.
- Ongoing business strategy:
  - ✓ Increase marketing efforts to key clients globally;
  - ✓ Meet local content rules and other requirements to work in areas such as the Middle East and Europe;
  - ✓ Adapt service offerings to include normal charter of vessels, when subsea projects are not available.

# Energy Group: Mermaid Offshore Services (MOS)



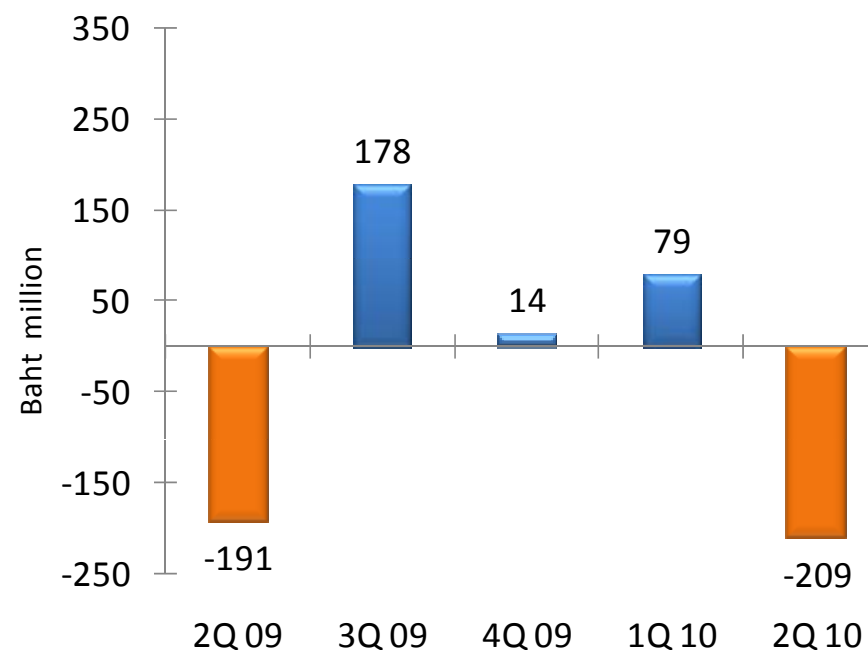
## MOS's Service Income



### MOS's Utilisation rate

2Q 09	3Q 09	4Q 09	1Q 10	2Q 10
30%	64%	57%	46%	28%

## MOS's Operating Profit & Margin (excl Forex)



### MOS's Operating margin

2Q 09	3Q 09	4Q 09	1Q 10	2Q 10
-54%	22%	3%	12%	-65%



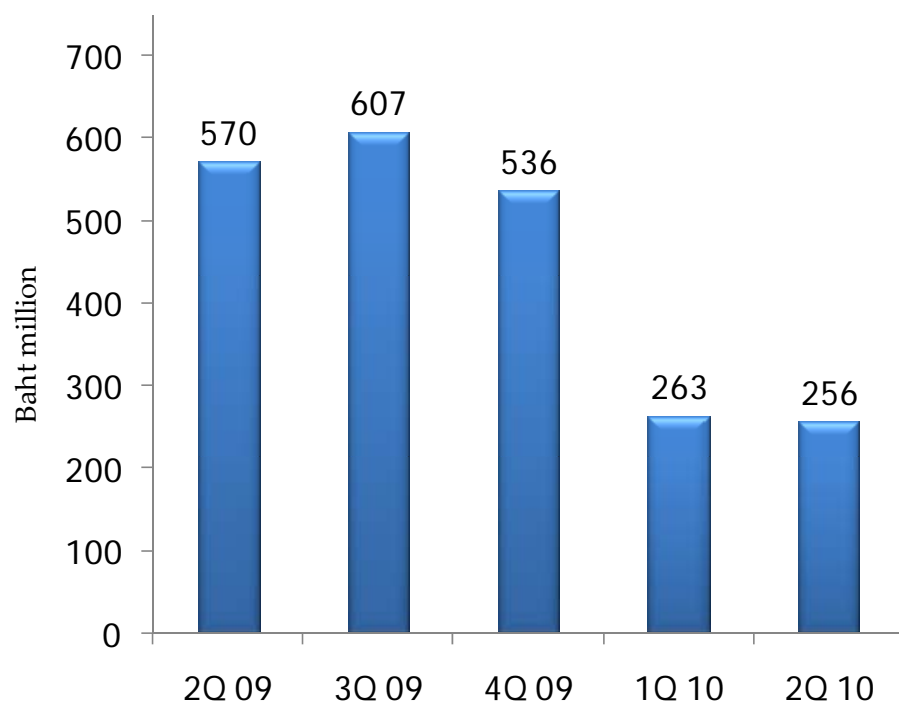
## Key Drivers: Energy Group

- Mermaid Drilling Ltd. (MDL)'s operating profit of Baht 25.50 million.
  - ✓ Asset utilisation rate fell by half to 48.91% as MTR-1 remained idle;
  - ✓ MTR-2 operated for Chevron Indonesia, with verbal agreement on contract extension through 2Q FY 2011 and on a higher day rates.
- Ongoing business strategy:
  - ✓ Market older rigs like MTR-1 in other service modes, such as accommodation work barge;
  - ✓ Search for modern and more technically advanced rig assets for expansion.

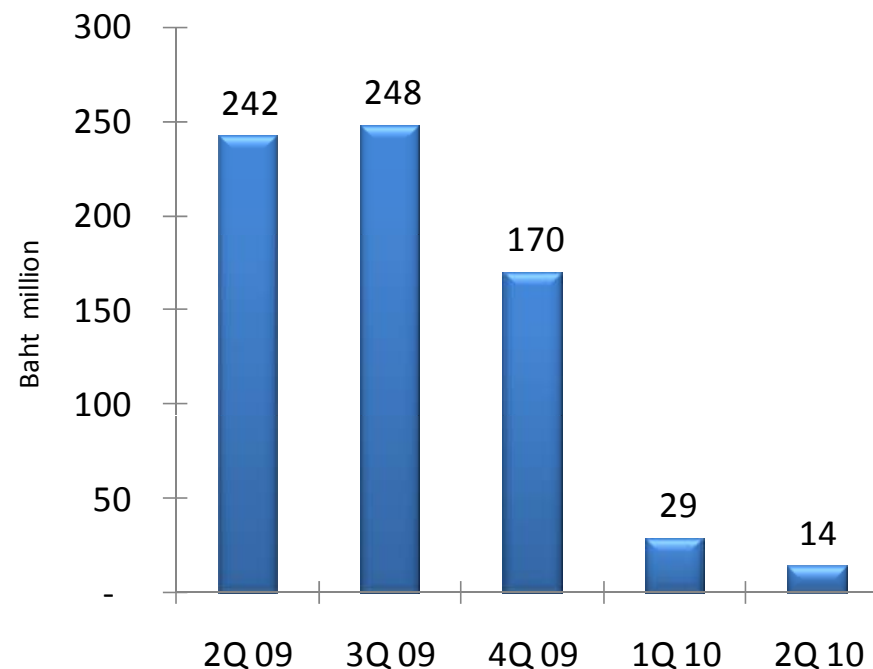


# Energy Group: Mermaid Drilling (MDL)

## MDL's Service Income



## MDL's Operating Profit & Margin (excl Forex)



### MDL's Utilisation rate

2Q 09	3Q 09	4Q 09	1Q 10	2Q 10
99%	99%	81%	50%	49%

### MDL's Operating margin

2Q 09	3Q 09	4Q 09	1Q 10	2Q 10
42%	41%	32%	11%	5%



# Key Drivers: Infrastructure Group

## UMS

- UMS's weak performance was due to:
  - ✓ Lower sales volumes to large-sized clients, particularly in the cement and pulp & paper companies, could not be offset with rising sales volumes to medium and small-sized clients;
  - ✓ High Contract of Affreightment rates;
  - ✓ Negative working capital due to high coal inventory.
- Ongoing business strategy:
  - ✓ Increase marketing efforts to clients on the back of economic recovery;
  - ✓ Complete briquette project to add value to coal dust inventory;
  - ✓ Buy coal and fix freight rates in the spot market.






## Key Drivers: Infrastructure Group (cont'd)

### Baconco

 Baconco sold 30,710 metric tonnes (mt) of fertilisers in 2Q FY2010 and a total of 75,407 mt for the first half of FY 2010:

- ✓ After a slow January and February, Baconco increased sales in March, as its clients prepared for the planting season. However, April sales were slightly slow at 10,407 mt due to lack of rain;
- ✓ Fertiliser prices remained firm over the quarter.

 During 2Q FY 2010, Baconco booked about 50.0% of its warehouse capacity for logistics. In April, a further 23,000 mt of warehousing services was booked. However, prices remain weak, as 2Q FY 2010 was not the season for restocking.

 Ongoing business strategy:

- ✓ Concentrate on fertiliser special products, where competition is less and thus higher margins;
- ✓ Invest in new equipment for more efficient fertiliser production;
- ✓ Reduce operating costs by cancelling expensive leases;
- ✓ Maintain high quality warehouse services to demand higher prices.

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# Business Outlook: Transport Group



## Dry Bulk Shipping: Even with Rising Demand, Freight Rates are Likely to be Capped by High Vessel Supply

-  Demand: China's import policy remains key for the global dry bulk market and some potential slack should be supported by growing demand from the rest of the world.
  - ✓ China continues to seek new iron ore supplies, with imports moving less from Brazil and Australia and more from India, Iran, and Ukraine. If this continues, we expect lower revenue tonnage and tonne-miles, potentially capping the BDI;
  - ✓ Demand is growing steadily for the rest of the world as reflected by the 30.6% growth in crude steel production. In 2Q FY 2010, Asia produced 219 mt of crude steel, a 27% YoY growth, and 42 mt was produced by the EU, a 37% YoY growth;
  - ✓ The grain market in the South Atlantic showed higher activity. Asia is expected to be the destination for 30.1% (69.5 mt) of total global imports during this summer.
-  Supply: The underlying threat of excess new-builds delivering this year still exists.
  - ✓ 152 vessels and 13.195 million DWT were delivered during the first three months of 2010. This represents 11.44% and 12.22% of the 2010 scheduled vessels and tonnage order-book, respectively;
  - ✓ Even with the potential of further delays and slippage going forward, we fear that the supply is still overwhelming given that the total order-book of new-builds scheduled for 2010 are 1,329 vessels equal to 107.948 million DWT.
-  Scrapping is almost negligible as earnings are above operational costs for most ship operators.

# Business Outlook: Transport Group (cont'd)

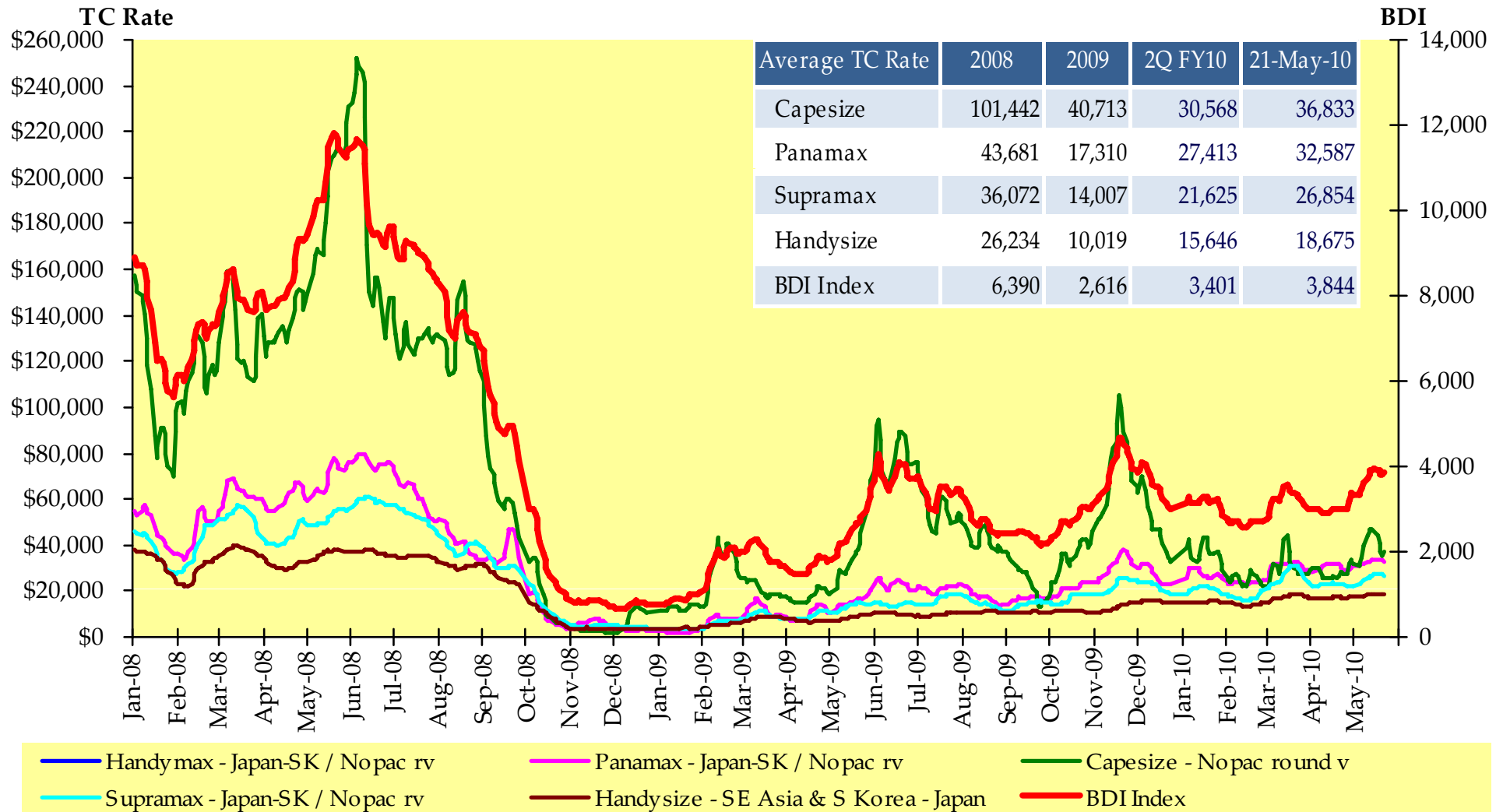


A Capesize supply versus China iron ore demand scenario analysis by RS Platou:

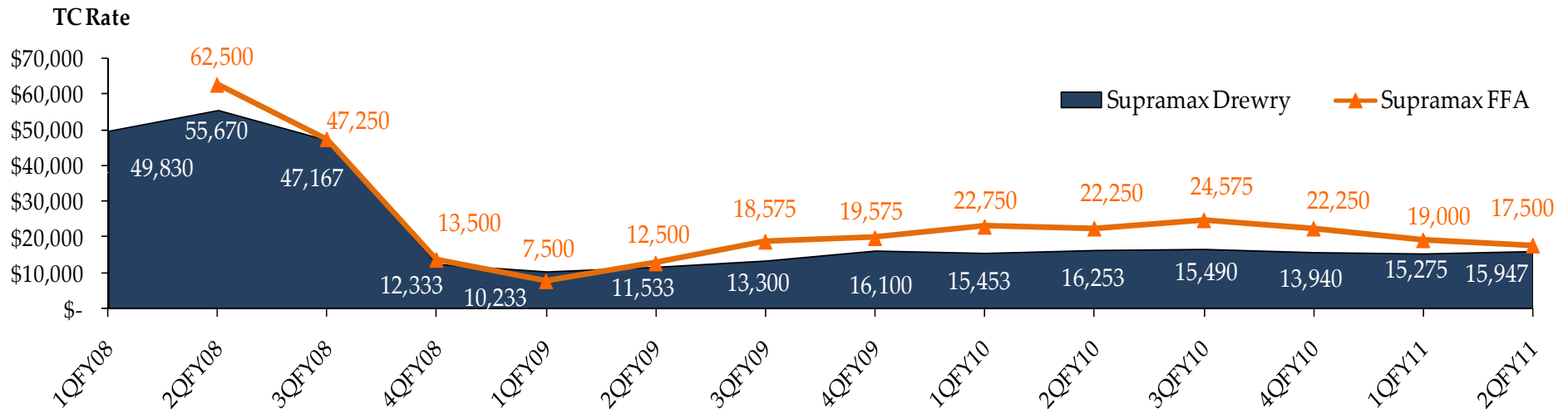
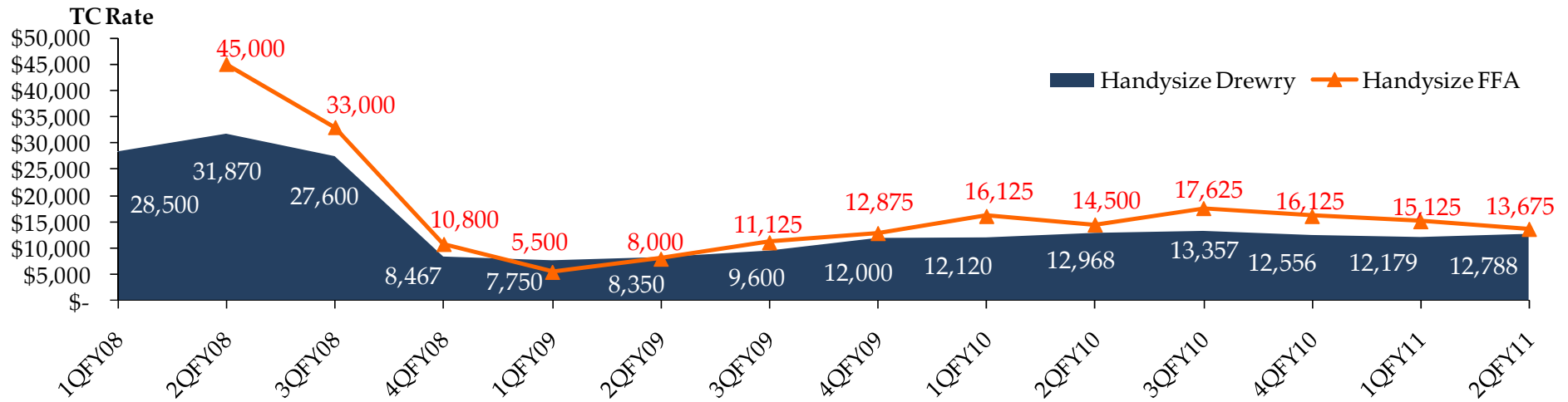
Supply	Demand
So far, 62 vessels were delivered during Jan - Apr 2010. 229 Capesize vessels remain to be delivered May - Dec 2010	213.2 mt steel produced during Jan-Apr 2010; assuming 50 mt per month for the rest of 2010; Total 2010 steel production= 613.2 mt
↓	↓
Implies 29 vessels will be delivered per month during May - Dec 2010	1 ton of steel requires 1.59 tons of iron ore (63% FE), implied iron ore demand = 613.2 mt x 1.59 = 975.0 mt
↓	↓
Assuming 20% slippage vs. actual 16% in Q1'10; 23 vessels will be delivered per month	65 mt monthly average of domestic ore output at 30% FE was reported, adjusted for 63% FE, domestic supply = 371 mt
	↓
	Implied 2010 iron ore import demand = 975-371 = 604 mt for the full year or - 4.5% down from 2009 (+11.8% ytd as of May 10)
	↓
	With 213.2 mt imported in Jan - Apr, import demand for the remainder of 2010 would be about 48.5 mt per month
	↓
	The reduced demand for the rest of 2010, adjusted for tonne mile = 4 Capesize cargoes less per month

**Conclusion: To achieve supply and demand balances, stronger coal demand, unusual high slippage, and a jump in tonne miles are needed**

# Slow Recovery of the Dry Bulk Market Over the Next Two Years



# Freight Rates Expected to be Capped at Current Levels



# The Current Dry Bulk Fleet – New Order Book Equals 56.5% of Current Fleet



Size	World Current Fleet (incl. Delivery in Apr 2010)			Total Order Book in Apr 2010 (will be delivered on 2010 – 2012+)		
	No.	DWT '000	% Breakdown DWT	No.	DWT '000	% of Current Fleet
10-25	1,063	19,767	4.2%	59	1,159	5.9%
25-50	2,778	100,750	21.2%	678	22,695	22.5%
50-60	911	49,199	10.4%	833	47,248	96.0%
60-100	1,685	125,162	26.3%	761	61,332	49.0%
100+	1,009	180,031	37.9%	706	135,835	75.4%
<b>Total</b>	<b>7,446</b>	<b>474,909</b>	<b>100.0%</b>	<b>3,037</b>	<b>268,269</b>	<b>56.5%</b>

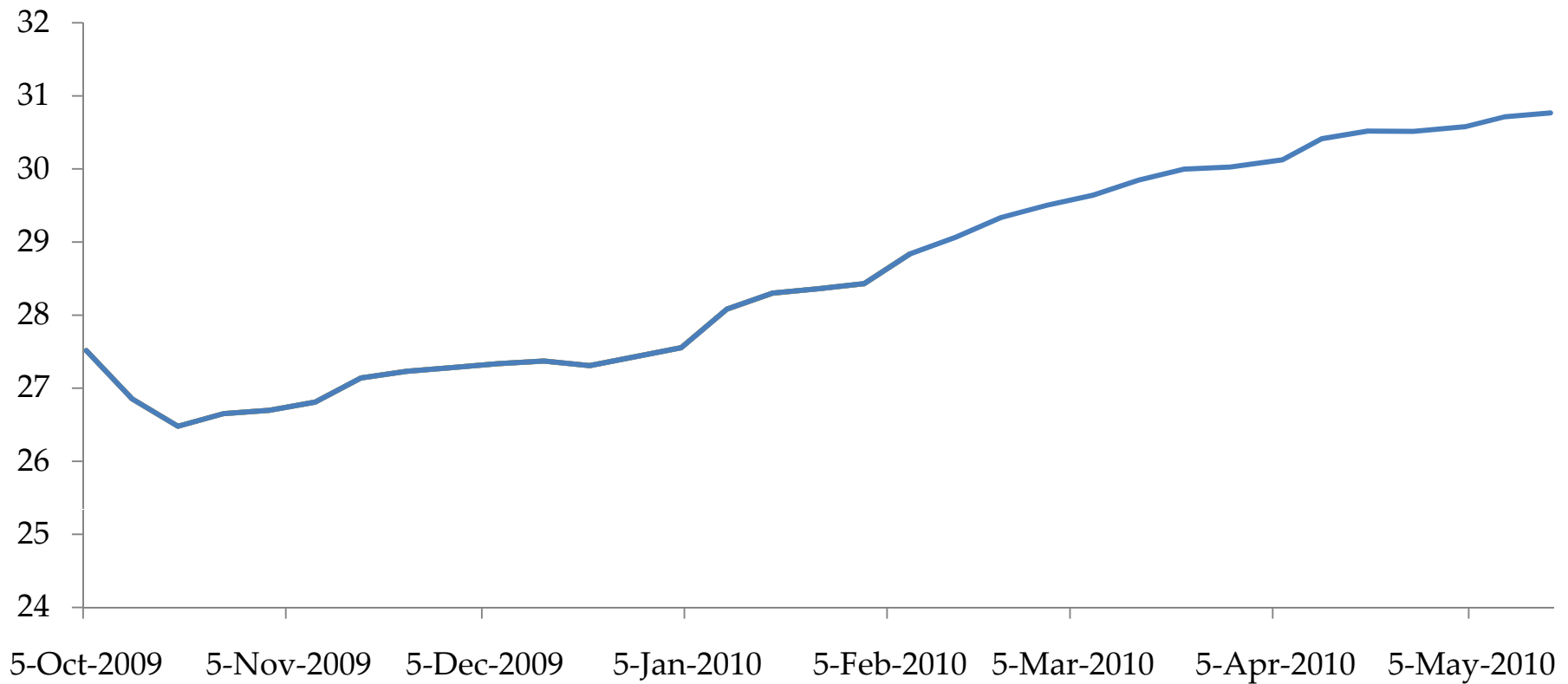
	Delivered		Demolition		Net Growth	
	No.	DWT' 000	No.	DWT' 000	No.	DWT' 000
<b>2009</b>	<b>449</b>	<b>35,653</b>	<b>115</b>	<b>5,039</b>	<b>334</b>	<b>30,614</b>
Jan	82	6,598	1	135	81	6,463
Feb	52	4,490	5	246	46	4,244
Mar	18	2,107	1	18	8	2,089
Apr	16	1,476	2	51	14	1,425
<b>4 months 2010</b>	<b>168</b>	<b>14,671</b>	<b>9</b>	<b>450</b>	<b>149</b>	<b>14,221</b>

# Baltic Exchange Sale & Purchase Assessment for a 5-year old Supramax Vessel



## Second Hand Values Steadily Rising...

USD million



Source: Baltic S&P 17 May 2010





# Business Outlook: Energy Group

## Subsea Engineering Utilisation Rates Should Improve...

- Market outlook for subsea engineering services:
  - ✓ A significant surge in enquiries for subsea projects has been observed, which can translate into awards;
  - ✓ Day rates are expected to recover, as oil prices remain within a stable range for project viability. Many oil and gas companies will commit to new projects;
  - ✓ A maiden contract for Mermaid Asiana will commence in 3Q FY 2010 in Indonesia;
  - ✓ As of April 2010, the current order book stood in excess of USD 50 million.

## Drilling Earnings Growth is Expected to Stem from New Assets...

- Continued demand for drilling rigs is observed as major oil and gas companies commit to new programmes.
- Modern and technically advanced equipment is preferred by clients today.

# Business Outlook: Infrastructure Group



## **UMS: Coal Sales Should Improve with Rising Prices and Sales Volumes**

- ✓ In general, coal prices follow the trend of the Newcastle Export Index (“NEX”). Given the rising NEX, UMS’ average sales price should rise over the next few months accordingly;
- ✓ Despite the significant drop in sales to cement plants, UMS has seen signs of improvement as many public infrastructure projects have been re-activated;
- ✓ Most small to medium-sized companies are reporting sales growth as the local and international economies recover.;
- ✓ UMS will no longer fix any of its shipping costs forward, margins should improve over the next few quarters.

## **Baconco: Fertiliser and Warehousing Expect Continuing Growth**

- ✓ Fertiliser sales should remain high, as Vietnam’s high season is typically April to June or July.

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# Capital Structure

## Leverage Remains Low

Baht million	2Q FY 2010	2Q FY 2009	1Q FY 2010
Net operating CF	218.76	607.04	60.73
Cash and short term investment	7,791.00	11,648.61	9,459.30
Gross debt	12,655.33	6,534.09	11,000.95
Net cash/- debt	-4,864.33	5,114.52	-1,541.65
Shareholders' equity	32,230.62	30,580.45	32,586.67
ROE (%)	2.95%	7.83%	-0.99%
Debt/Equity (x)	0.37	0.22	0.28
Debt / Total capitalisation <sup>1</sup> (x)	0.28	0.18	0.25

Note: <sup>1</sup> Total capitalisation includes gross debts and shareholders' equity

Source: TTA



# Credit Metrics & Liquidity Profile

## Debt Servicing Capability Improves

Baht million	2Q FY 2010	2Q FY 2009	1Q FY 2010
Shareholder's equity	32,230.62	30,580.45	32,586.67
Net book value per share	45.52	43.19	46.03
Adjusted EBITDA*	761.62	652.72	460.85
Adjusted EBITDA margin (%)	17.32%	15.26%	9.86%
Gross debt/Adjusted EBITDA* (x)	16.62	10.01	23.87
Adjusted net financial cash or -debt/Adjusted EBITDA* (x)	-6.39	7.84	-3.35
Adjusted net financial cash or -debt/Equity (x)	-0.15	0.17	-0.05
Adjusted EBITDA*/Net interest expenses (x)	6.94	8.34	5.76
Cash and short term investments	7,791	11,649	9,459
Current ratio (xs)	2.04	4.25	2.08
Adjusted cash conversion cycle (days)	14	22	15
A/R	37	52	37
A/P	23	30	22
Adjusted working capital / Revenues	1.51	2.80	1.67

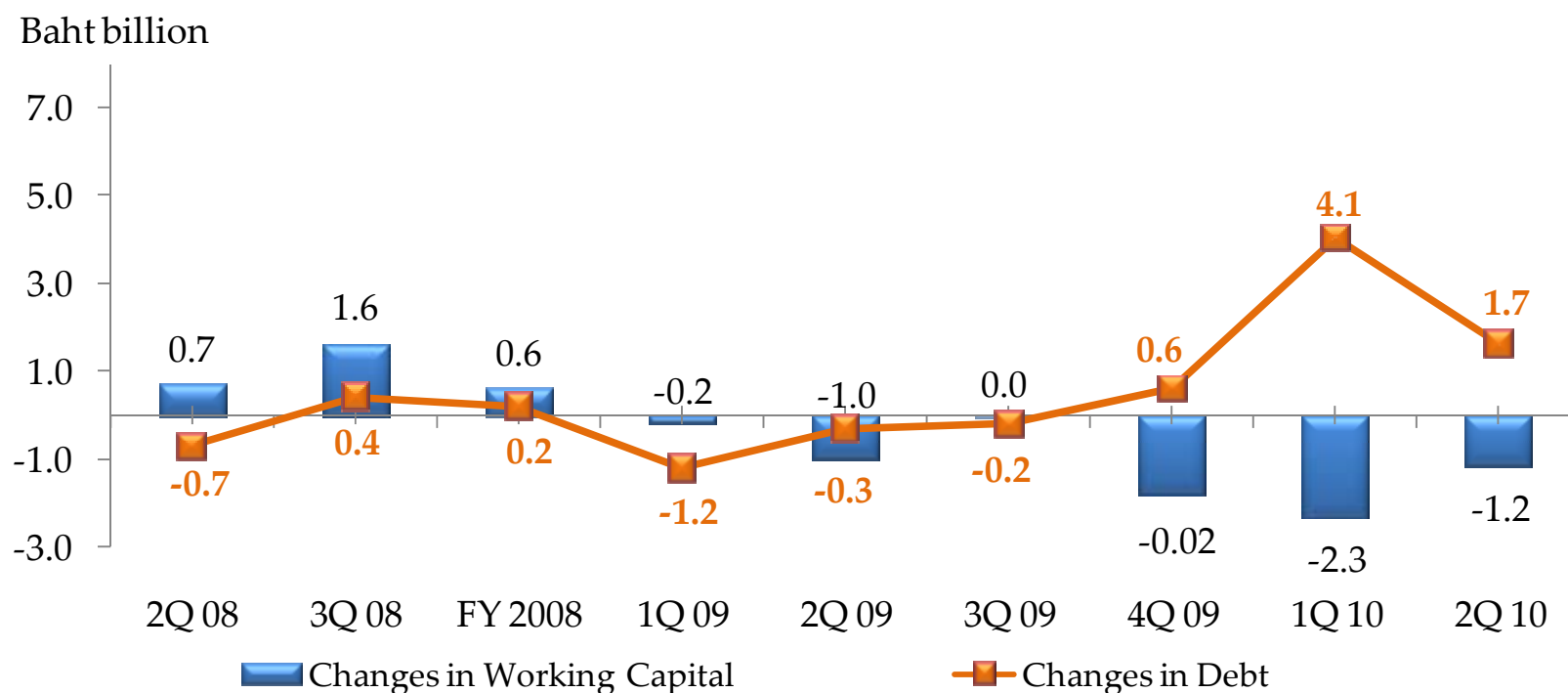
Note: \*Adjusted to exclude one-off gains/losses

Source: TTA



# QoQ Changes in Working Capital and Debt

**Demand for Working Capital and Debt Level have Both Fallen...**



Source: TTA

# TTA Committed Capital Investments



## Initiatives from New Assets Remain Firm

Strategy	Project	Project Cost	Spending up to 31 Mar 10	Capex Committed FY 2010	Capex Committed FY 2011	Capex Committed FY 2012
<b>Dry bulk shipping fleet renewal</b>	New build vessels from Oshima and Vinashin shipyards	US\$ 142.85 million	US\$ 31.61 million	US\$ 27.72 million	US\$ 76.59 million	US\$ 6.93 million
<b>Subsea fleet expansion</b>	New build DSV vessel from Aquanos Limited	US\$ 91.00 million	US\$ 61.00 million	US\$ 30.00 million	-	-
<b>Drilling fleet expansion</b>	New build tender rig from Kencana HL	US\$ 139.54 million	US\$ 94.55 million	US\$ 44.99 million	-	-
<b>Increase short-term fleet capacity</b>	Chartered-in ▪ 5 dry bulk vessels	US\$ 53.73 million	US\$ 26.45 million	US\$ 19.22 million	US\$ 8.06 million	-

Source: TTA



# Funding Facilities & Debt Maturity Profile

## Cash for Funding Capex, Assets Acquisition and Expansions

- Cash levels exceed Baht 6,356.90 million equivalent to 13.27% of total assets.
- US\$ 32.84 million available under committed US\$ 32.95 million revolving term loan facilities.
- US\$ 652.24 million available under committed US\$ 766.79 million term loan facilities.
- US\$ 32.29 million available under committed US\$ 36.29 million short-term credit facilities.

## 81.33% of Total Debt with Maturities over 12 months; 64.88% of group debt from commercial banks & 34.63% raised in debt capital markets

Baht millions	Within 12 Months	12-24 Months	>24 Months
<u>As of 31 Mar 2010</u>			
▪ Convertible Bonds	1,308.12	1,308.12	1,308.12
▪ Bank Debt	772.89	1,171.99	5,406.20
▪ Other Debts	33.97	15.05	6.41
<b>Total</b>	<b>2,114.98</b>	<b>2,495.16</b>	<b>6,720.73</b>
<b>% Breakdown</b>	<b>18.67%</b>	<b>22.02%</b>	<b>59.31%</b>



# Debt Maturity Profile Breakdown by Business Group



Baht millions	Within 12 Months	12-24 Months	>24 Months	Total
<u>As of 31 Mar 2010</u>				
<b>Convertible Bonds</b>	<b>1,308</b>	<b>1,308</b>	<b>1,308</b>	<b>3,924</b>
TTA	1,308	1,308	1,308	3,924
UMS	-	-	-	-
Mermaid	-	-	-	-
<b>Bank Debt</b>	<b>773</b>	<b>1,172</b>	<b>5,406</b>	<b>7,351</b>
TTA	103	101	3,204	3,408
UMS	88	293	275	656
Mermaid	582	778	1,927	3,287
<b>Other Debts</b>	<b>34</b>	<b>15</b>	<b>6</b>	<b>55</b>
TTA	18	1	-	19
UMS	14	12	5	31
Mermaid	2	2	1	5
<b>Total</b>	<b>2,115</b>	<b>2,495</b>	<b>6,720</b>	<b>11,330</b>
<b>% Breakdown</b>	<b>18.67%</b>	<b>22.02%</b>	<b>59.31%</b>	<b>100.00%</b>

Source: TTA

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