

February 28, 2017

The President

The Stock Exchange of Thailand

Dear Sir/Madam,

Re: Management's Discussion and Analysis on FY2016

FY2016 Highlight

- Sales volume growth 5% YoY in 2016, despite the prolonged drought and saline intrusion within the 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

Overview

Year 2016 was another great year of PMTA ending with the net profit growth of 19% to Baht 277 million in 2016 from Baht 233 million in 2015. In the beginning of 2016, PMTA was challenge by the prolonged drought within the Southeast Asia region while the situation started to ease in June as rains finally started and PMTA was able to recover the sales from management's high effort with effective marketing campaigns. In addition, the occupancy rate of factory area for leasing remained full at 100% with growing demand.

PMTA achieved sales revenue of Baht 3,177.7 million in 2016 or slight decreased of 2%YoY from Baht 3,258.5 million in 2015 from lower selling price per ton, while raw material costs decreased 8% YoY to Baht 2,280.5 from Baht 2,472.3 million in 2015, with gross profit of Baht 897.2 million increased gross margin from 24% to 28%. Therefore, PMTA reported an improved net profit of Baht 277 million (2.74 Baht per share) in 2016 comparing to Baht 233 million (2.36 Baht per share) in 2015.

Table 1: Performance Summary

<i>in Million Baht</i>	FY15	FY16	% YoY	4Q/15	3Q/16	4Q/16	% YoY	% QoQ
Sales Revenue	3,258.5	3,177.7	-2%	904.8	793.2	954.0	5%	20%
Gross Profit	786.2	897.2	14%	232.7	236.9	300.0	29%	27%
Gross Margin (%)	24%	28%		26%	30%	31%		
EBITDA	348.6	396.4	14%	111.0	105.6	150.2	35%	42%
EBITDA Margin (%)	11%	12%		12%	13%	16%		
Net Profit	233.0	277.0	19%	75.6	77.1	110.9	47%	44%
Net Profit Margin (%)	7%	9%		8%	10%	12%		
Basic earnings per share (in Baht)	2.36	2.74	16%	0.76	0.76	1.10	44%	44%

Fertilizer and Factory Area Leasing Business

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.

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.

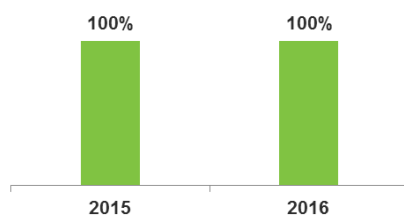
Table 2: Fertilizer Sales Volume

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%

Table 3: 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%

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-B and5-C (capacity of 20,000 sq.m) to support growing demand.

Consolidated Performance

Table 4: Income Statement

in Million Baht	FY15	FY16	% YoY	4Q/15	3Q/16	4Q/16	% YoY	% QoQ
Sales Revenue	3,258.5	3,177.7	-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%
Gross Profit	786.2	897.2	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%
EBITDA	348.6	396.4	14%	111.0	105.6	150.2	35%	42%
Depreciation & Amortization	(57.2)	(65.8)	15%	(16.2)	(16.7)	(16.5)	2%	-1%
EBIT	291.4	330.6	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%
Net Profit	233.0	277.0	19%	75.6	77.1	110.9	47%	44%

In 2016, net profit was at Baht 277 million increasing 19% YoY from Baht 233 million in 2015. Sales revenue slightly decline 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, and 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 55.1 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 export transportation and marketing expenses. Therefore, EBITDA was better at Baht 396.4 million in 2016 from Baht 348.6 million in 2015 or increasing 14% YoY, while EBITDA margin slightly increase 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 (2.74 Baht per share), increased 19% YoY from Baht 233 million (2.36 Baht per share) in 2015.

Financial Position

	As of 31 Dec. 2015	As of 31 Dec. 2016
Asset	1,961.6	2,012.1
Cash and Cash Equivalent	297.2	473.5
Other Current Assets	1,020.9	907.1
Plant and Equipment	642.6	622.0
Other Non Current Assets	0.9	9.6
Liabilities and Equity	1,961.6	2,012.1
Interest Bearing Debt	93.3	-
Other Liabilities	329.9	323.5
Shareholder's Equity	1,538.5	1,688.6

As of 31 December 2016, PMTA had total asset of Baht 2,012.1 million, increased 3% YoY from 31 December 2015. Cash and cash equivalent increased 59% from Baht 297.2 million at the end of 2015 to Baht 473.5 million at the end of 2016, which was mainly from the profit during the period. Other current assets reduced 11% YoY mainly from lower inventories of Baht 259.5 million despite the increased in trade accounts receivable of Baht 142.1 million. Plant and equipment reduced mainly from depreciation for the period.

Total liabilities as of 31 December 2016 were at Baht 323.5 million, decreasing Baht 99.6 million or declined 24% YoY from end of 2015. Short-term loans from financial institutions decreased by Baht 93.3 million, reduced 100% YoY from loan repayment, while trade accounts payable decreased by Baht 41.2 million or declined 17% YoY.

As of 31 December 2016, PMTA reported total shareholders' equity of Baht 1,688.6 million or rose 10% YoY from Baht 1,538.5 million at the end of 2015, due to profit generated during the period.

Cash Flows

As of 31 December 2016, net cash from operating activities was at Baht 435.9 million increasing Baht 230.6 million or 112% YoY. Net cash used in investing activities was at Baht at 53.5 million, which mainly used for purchases of plant and equipment. Moreover, net cash used in financing activities was at Baht 207.2 million. Therefore, net increase in cash and cash equivalents was equal to Baht 175.2 million. Together with cash and cash equivalents as at 1 January 2016 and effect of exchange rate changes on balances held in foreign currencies, PMTA's cash and cash equivalents as of 31 December 2016 was at Baht 473.5 million.

Financial Ratios

Key Financial Ratio	2015	2016
Current Ratio	3.2	4.4
EBITDA to Sales Revenue (%)	11%	12%
Net Profit to Sales Revenue (%)	7%	9%
Return on Total Asset (%)	16%	17%
Return on Equity (%)	17%	17%
Interest Bearing Debt to Equity (Times)	0.1	-
Net Interest Bearing Debt to Equity (Times)	(0.1)	(0.3)
Net Interest Bearing Debt to EBITDA (Times)	(0.6)	(1.2)

Note:

<i>Current Ratio</i>	: <i>Current assets divided by current liabilities</i>
<i>EBITDA to sales revenue</i>	: <i>EBITDA divided by sales revenue</i>
<i>Net profit on sale revenue</i>	: <i>Net profit divided by sales revenue</i>
<i>Return on total assets</i>	: <i>EBIT divided by average total assets</i>
<i>Return on equity</i>	: <i>Net profit divided by average total shareholder's equity</i>
<i>Interest Bearing Debt to Shareholders' Equity</i>	: <i>Interest Bearing Debt divided by shareholder's equity</i>
<i>Net Interest Bearing Debt to Shareholders' Equity</i>	: <i>Interest Bearing Debt net from cash and cash equivalent and current investments divided by shareholder's equity</i>
<i>Net Interest Bearing Debt to EBITDA</i>	: <i>Interest Bearing Debt net from cash and cash equivalent and current investments divided by EBITDA</i>

Yours faithfully,
PM Thoresen Asia Holdings Public Company Limited

Mr. Chalermchai Mahagitsiri
Chairman of the Board of Directors

Mr. Sigmund Stromme
Managing Director