PRIMA MARINE
PUBLIC COMPANY LIMITED

Operating Results for Q4 and FY2018

8 March 2019

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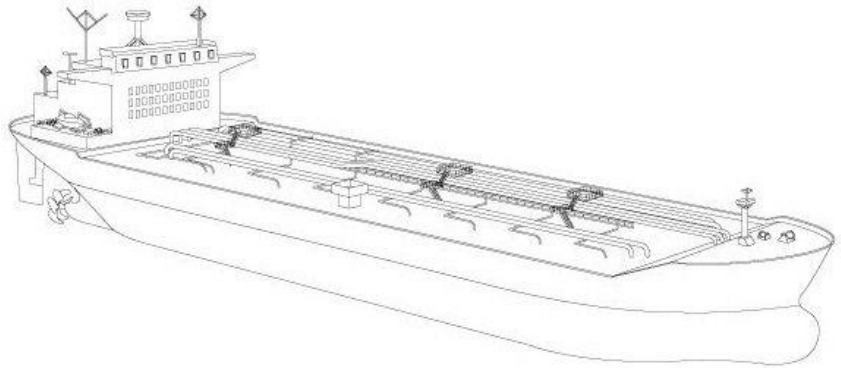

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Q4 and FY2018 Operating Results

Domestic Oil and Petrochemical Tanker Business ("Domestic Trading")

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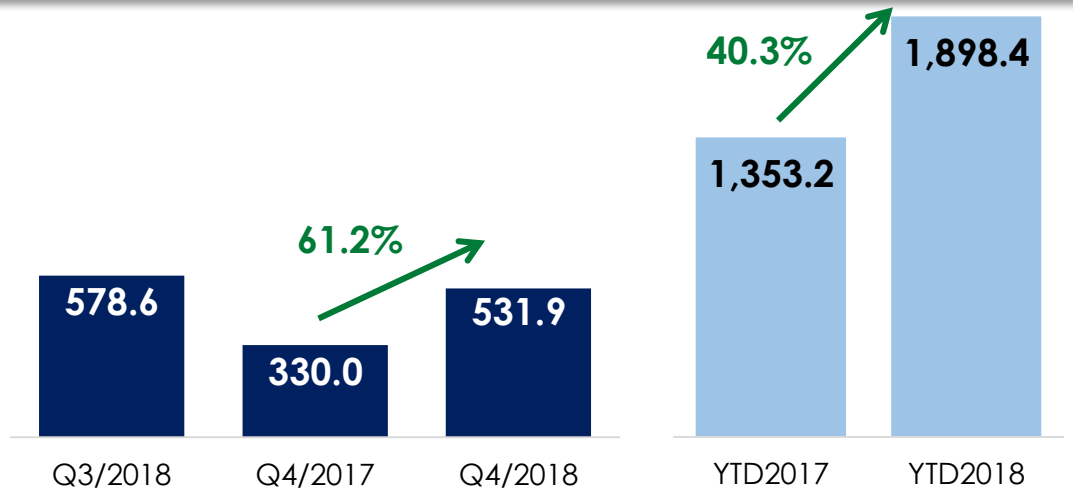
Revenue

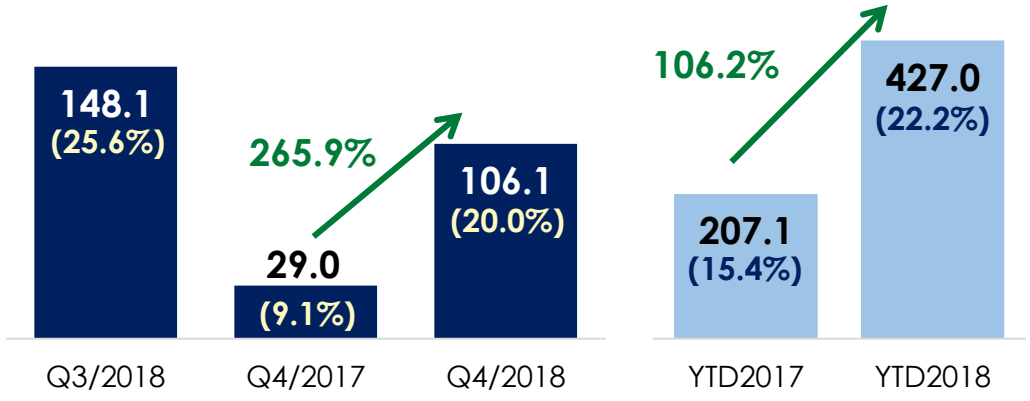
Unit: MTHB



27/84	13/47	26/83	Vessels/ '000 DWT
85.4%	88.0%	85.0%	Utilization Rate

Gross Profit

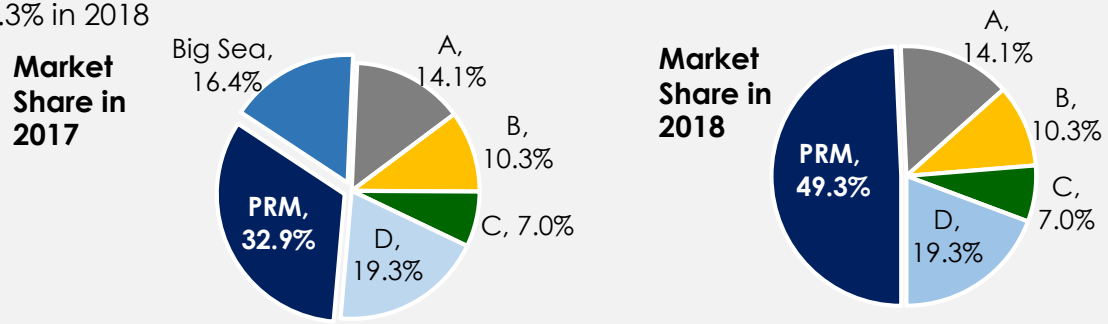
Unit: MTHB



- Contribution by Big Sea (MTHB)

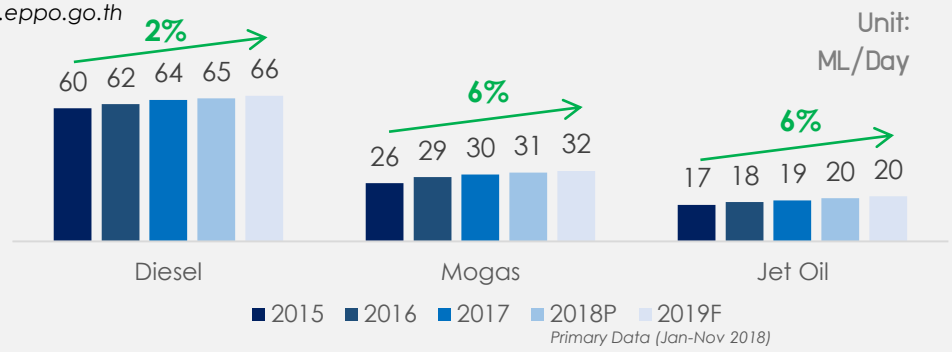
	Q3/18	Q4/18	FY18
Revenue	169.0	159.0	328.0
GP	49.0	49.5	98.5

- Following acquisition of Big Sea, PRM's market share increased from 32.9% in 2017 to 49.3% in 2018



- Domestic oil demand continues to grow in 2019, so does marine logistics

Source: www.eppo.go.th



- Q4/17 sales and GP dropped from flood in Thailand but opportunity was taken to do ship repair and maintenance
- Revenue and GP declined from Q3/18 because revenue under a one-year affreightment contract with PTT was booked in the first three quarters according services required by PTT while the relating cost of charter-in vessel was equally prorated into 4 quarters. PRM maintains the planned GP under this contract.

International Oil and Petrochemical Tanker Business ("International Trading")

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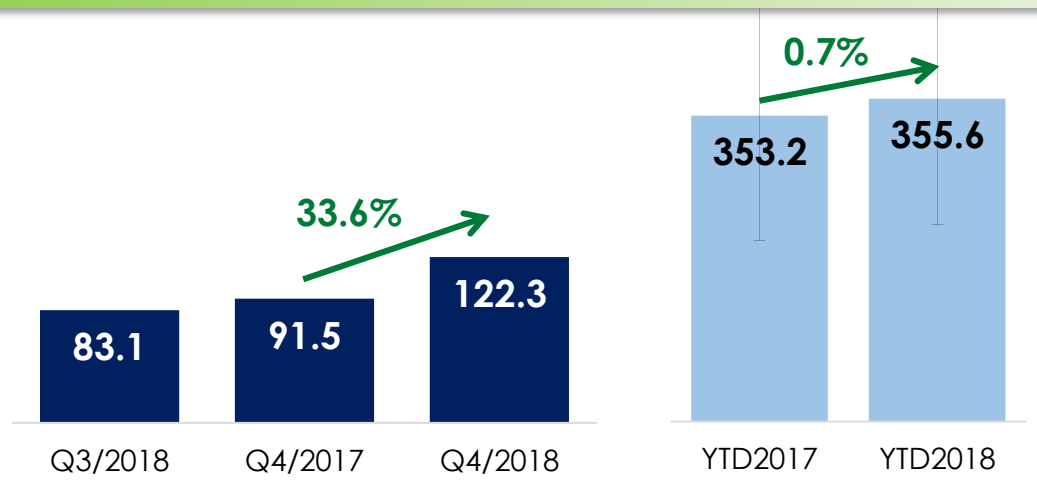
Revenue

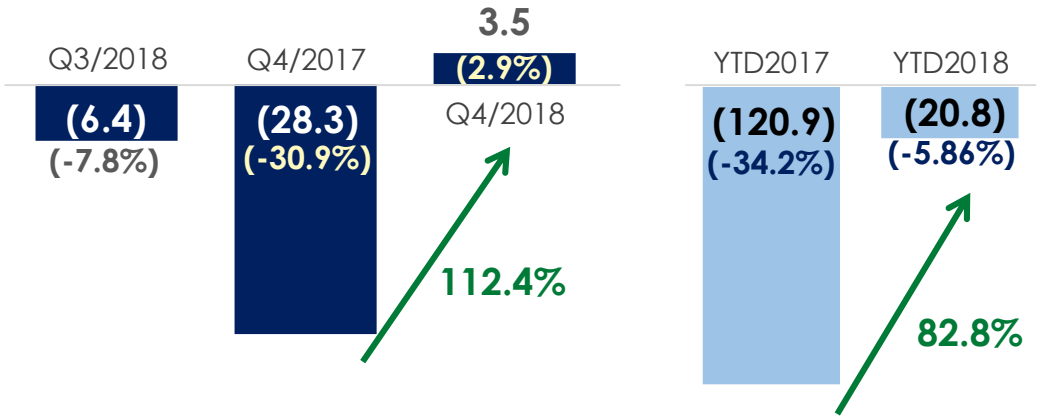
Unit: MTHB



2/211	2/211	2/211	Vessels/ '000 DWT
95.2%	81.0%	71.4%	Utilization Rate

Gross Profit

Unit: MTHB

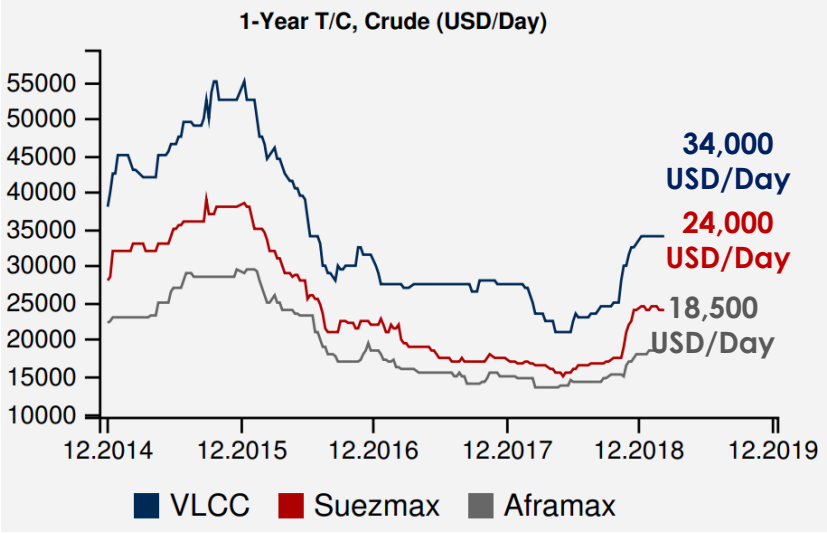


- Q4/18 revenue and GP increased from Q3/18 because one Aframax vessel completed its time-charter contract and converted to SPOT chartering starting Nov 2018
- Time-charter contract for another vessel continued until May 2019
- In Q4/17, both vessels were on SPOT chartering and the freight market was at bottom
- GP for FY18, though still negative, improved from FY17 significantly due to improved freight market which is expected to continue in 2019

1-Year-TC Rate

Unit: $USD/Day

Type	Week6(A)	2020F	2019F	2018	2017
VLCC	**34,000**	60,000	40,000	**25,394**	27,524
Aframax	**18,500**	31,200	22,500	**15,543**	16,034
MR	**13,500**	22,100	17,400	**13,721**	13,375



TC rate trend is moving up compared to the rate ended as of 2018. VLCC's increased by 33.9%, Aframax's increased by 19.0%.

Source: Fearnleys Weekly Report as of 27 Feb 2019

Floating Storage Unit ("FSU") Business

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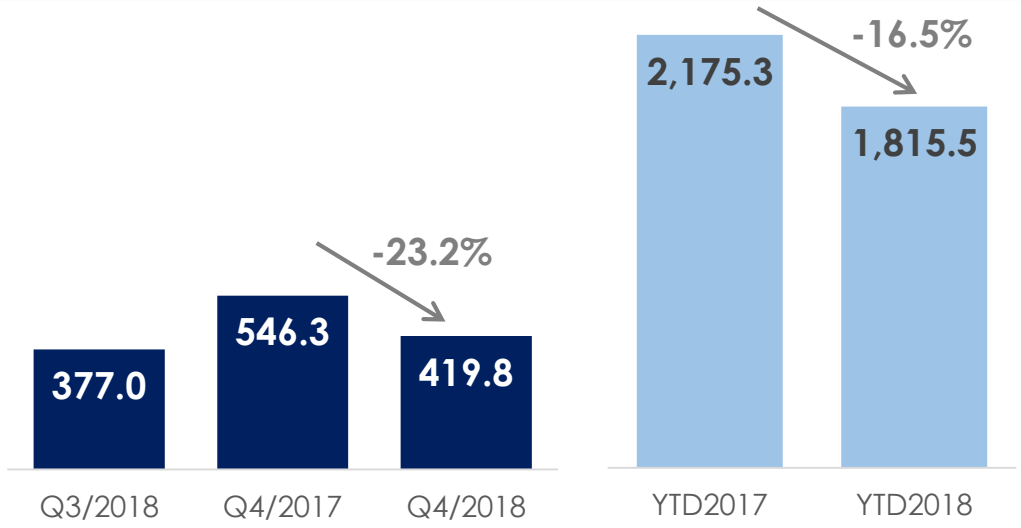
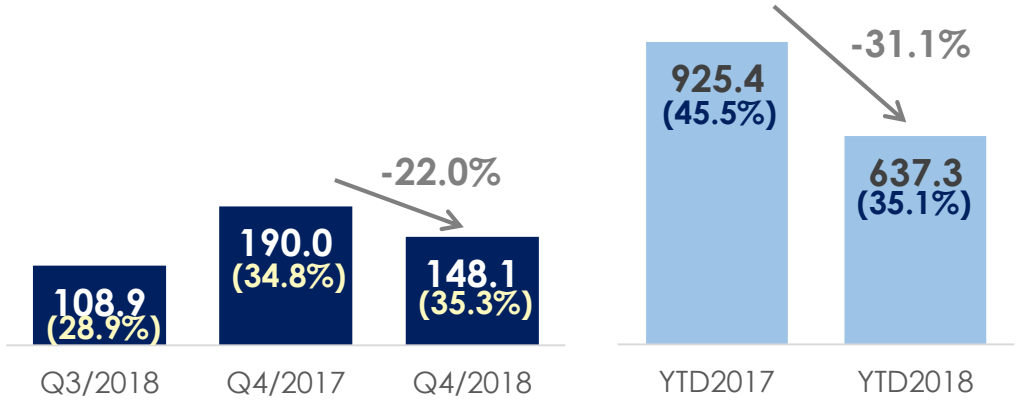
Revenue *Unit: MTHB*



5/1,504	7/2,076	5/1,504	Vessels/ '000 DWT
95.0%	87.0%	94.0%	Utilization Rate

Gross Profit *Unit: MTHB*



- Q4/18 revenue and GP improved from Q3/18 from increased demand for low Sulphur FO storage which enabled PRM to increase utilization rate from 94.0% to 100% at the end of Q4/18
- Q4/17 revenue and GP was higher than Q4/18 from favorable market and higher demand; i.e. 7 vessels on hired in 2017 VS 5 vessels in 2018
- PRM's ability to reduce number of FSU vessels during weak market situation and quickly recapture new business opportunity (low Sulphur FO storage) when market recovered towards the end of 2018 contributed to the FY/18 GP of 35.1% which is significantly improved from beginning of the year.
- FSU Market is expected to further improve in 2019 (See market outlook)

Floating Storage and Offshore Exploration Service ("Offshore") Business

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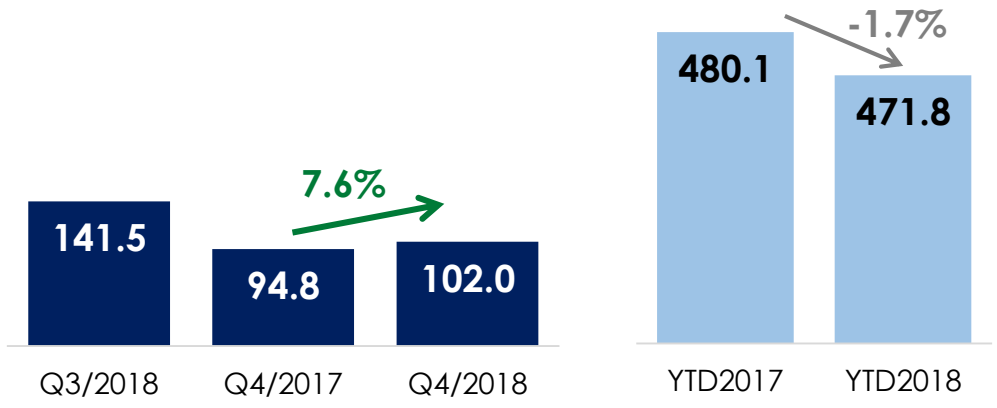
Revenue

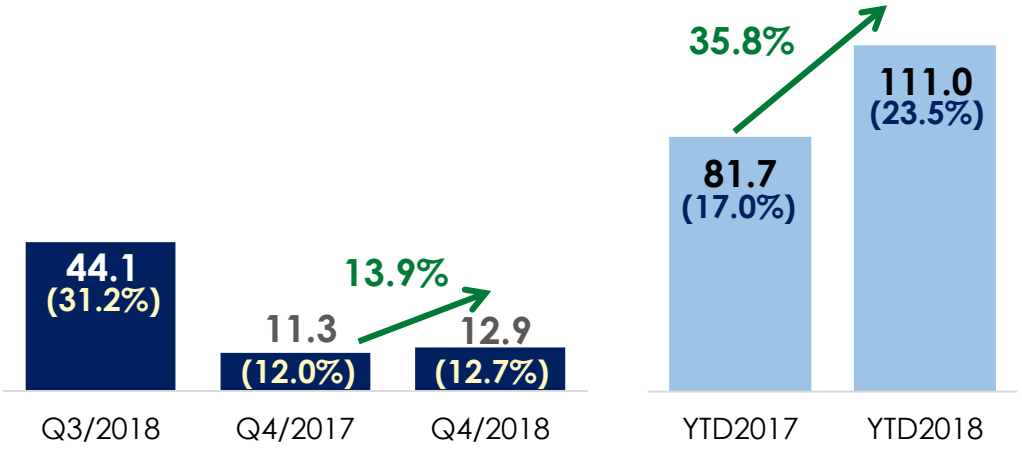
Unit: MTHB



2/192	2/192	2/192	FSO/ '000 DWT
100.0%	100.0%	100.0%	FSO Utilization Rate
1/300	1/300	1/300	AWB/Capacity (PAX)
100.0%	0.0%	12.6%	AWB Utilization Rate

Gross Profit

Unit: MTHB



- 2 floating storage and off-loading vessels (FSO) were on hired throughout 2018.
- Navathani, the accommodation work barge (AWB) was in services for customers totaling 200 days in 2018 higher than 2017 by 34 days in line customer's offshore activities. However, its daily chartering rate dropped by 26% causing FY/18 revenue to be lower than FY/17
- Improvement in 2018 GP was attributable to lower operating cost mainly depreciation from extended useful life of AWB
- The AWB was rehired for rate December 2018 until October 2019 at improved daily rate
- The government and PTTEP have entered in a Production Sharing Agreement under a concession for PTTEP to carry out natural gas production and exploration at Erawan and Bongkot fields in February 2019. This will lead to potential requirement for offshore support service for PRM.
- Under final discussion with strategic partners for Anchor Handling Tugs service and crew boat marketing and ship management to support expected increase in offshore exploration and products activities.

Ship Management ("SM") Business

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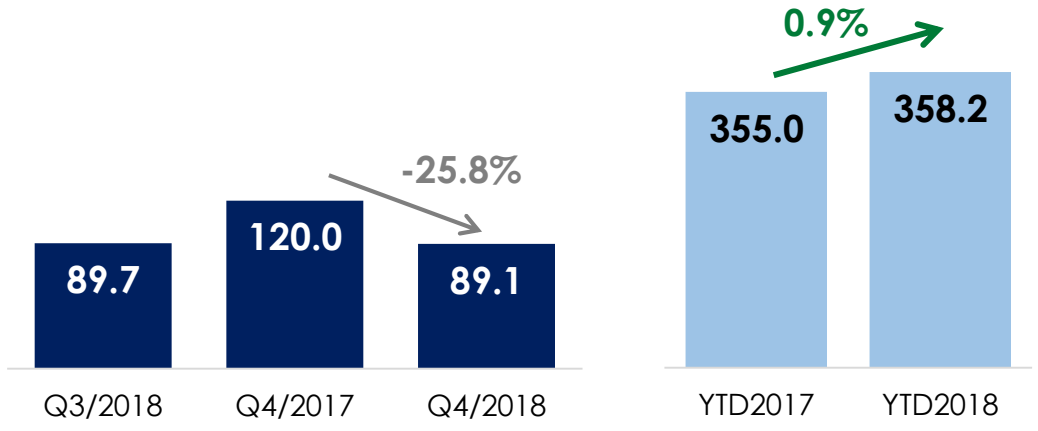
Revenue

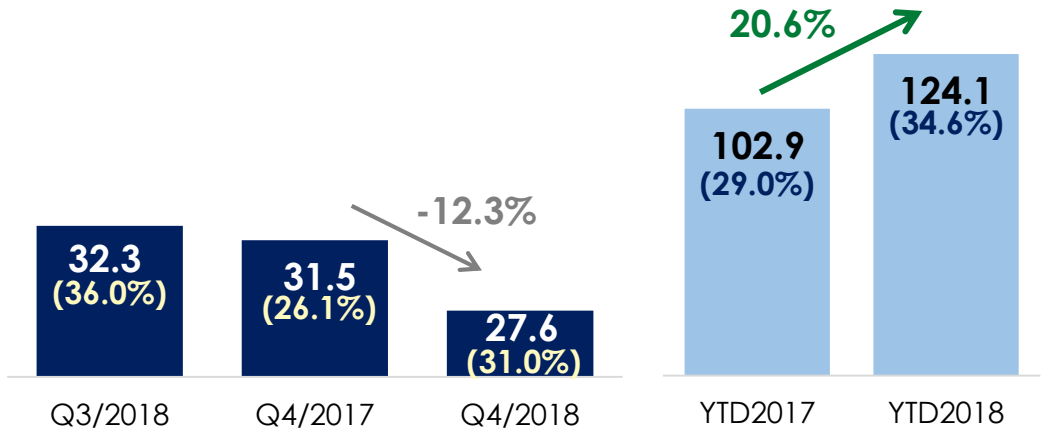
Unit: MTHB



5	6	5	No. of 3rd Party Vessels

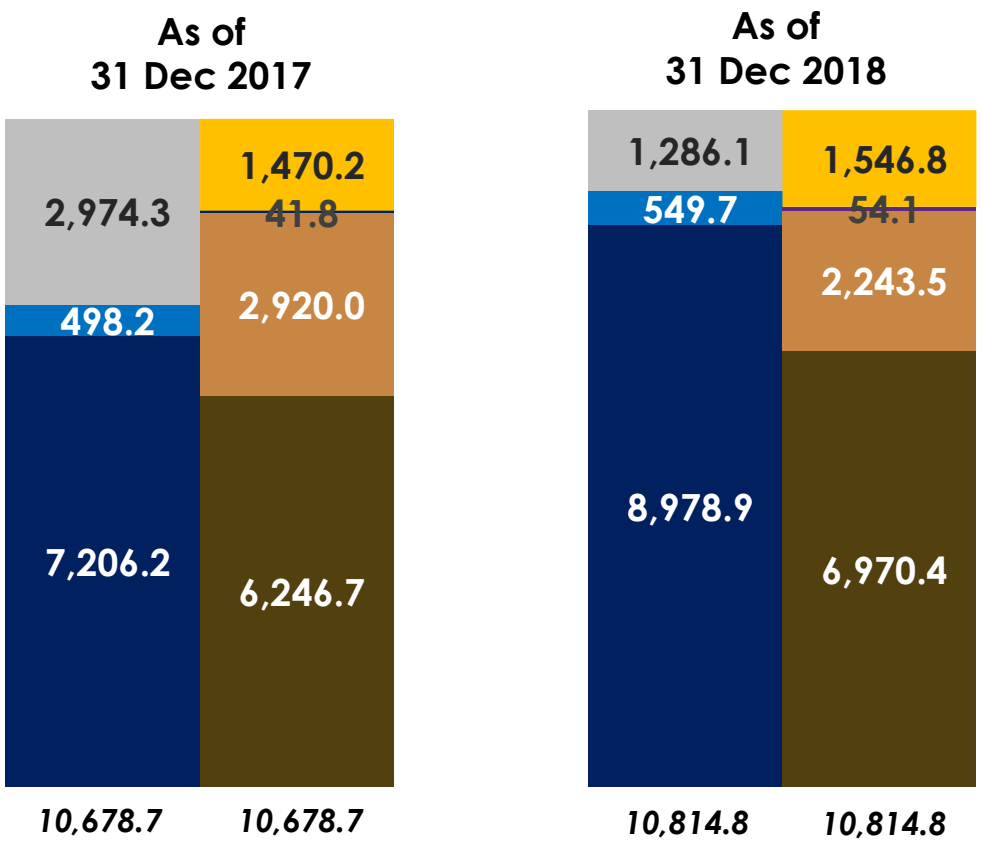
Gross Profit

Unit: MTHB



- PRM provides ship management services for 27 vessels of which 22 are own vessels and 5 are third party vessels:
  - 2 VLCC vessels
  - 1 Aframax vessel
  - 2 container vessels
- Lower revenue and GP in Q4/18 VS Q4/17 was due to scrapping of one third party vessel under ship management since Q1/17
- Despite lower GP in Q4/18 due to one-time adjustment of labor expenses, GP for FY2018 is still higher than FY2017 by 20.6%

Consolidated Financial Position



	As of 31 Dec 2017	As of 31 Dec 2018
Current Ratio	2.36:1	1.19:1
D/E Ratio	0.71:1	0.55:1

- Cash & Cash Equivalents
- Other Current Assets
- Non Current Assets
- Current Liabilities
- Other Non Current Liabilities
- L/T Loan
- Shareholders' Equity

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- 1,688.2 MTHB reduction in cash and cash equivalent at the end of 2018 was due mainly to 1,400 MTHB payment for the first 70% of Big Sea's shares and 407.7 MTHB payment for 2 domestic tanker vessels
- Goodwill relating to acquisition of Big Sea amounting to 1,022.2 MTHB was included in the non-current assets as at 31 December 2018
- The net reduction in loan in amount of Baht 687.9 million in 2018 came from additional borrowing of Baht 750.6 million and loan payments of Baht 1,427.5 million

Consolidated P/L Statement

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	Unit: MTHB	Q3/2018	Q4/2017	Q4/2018	FY2017	FY2018
1	Sales	1,195.8	1,079.7	1,159.2	4,501.0	4,479.7
2	Gross Profit	300.1	199.4	252.3	1,131.2	1,111.2
3	Share of P/L fr Assoc.	41.0	13.3	52.2	55.0	150.3
4	Other incomes	54.9	23.1	15.5	39.7	92.5
5	Net FX Gain/(Loss)	1.0	10.9	2.7	97.7	8.2
6	SG&A	(106.6)	(98.5)	(98.0)	(345.1)	(389.7)
7	Financial cost	(45.7)	(45.3)	(40.5)	(217.4)	(167.8)
8	Income Tax	(15.1)	2.6	(18.8)	(2.0)	(58.3)
9	Net Profit	229.6	105.4	165.4	759.1	746.4
10	EBITDA	419.0	317.4	350.5	1,636.5	1,474.4
11	Gross Profit Margin(%)	25.1%	18.5%	21.8%	25.1%	24.8%
12	FX rate (Baht/USD)	32.6228	32.8293	32.7054	32.8293	32.7054
13	No. of Vessels	37	25	36	25	36
14	Capacity ('000 DWT)	1,991.7	2,527.3	1,990.1	2,527.3	1,990.1

- Increase in share of profit from associated companies in 2018 came from full year operation of Bongkot Marine Service Co., Ltd. compared to 6-month in 2017
- Increase in other incomes was mainly due to the gain on the disposal of one VLCC vessel by 44.4 MTHB in Q3/2018
- Decrease in financing cost in 2018 was due mainly to lower borrowing from loan repayment totaling Baht 688 million
- FX rate at the end of 2016 was Baht 36.0025/USD1 and Baht strengthened to Baht 32.8293/USD1 at the end of 2017 resulting in FX gain in 2017 of Baht 97.7 million base of USD loan outstanding of USD 15.2 million
- USD Loan as at 31 December 2018 amounted to USD 9.9 million

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Market Situation & Outlook

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FSU Market Situation

Storage supply is lesser than demand

- High Sulphur bunker (3.5%) requirement is still on going
- Traders started to store Low Sulphur components (0.1-0.5%) for the upcoming 2020 Low Sulphur cap (0.5%)
- Shore tank in average keep 30% capacity running on spot leasing instead of asking long term business.

Positive sentiment of FSU requirement

- Market says a requirement for storage will continue growing, which is mainly for Low Sulphur bunker blending components and Gasoil
- After IMO Low Sulphur bunker cap comes into effect, Singapore will continue to keep certain storage capacity for High Sulphur Fuel Oil (HSFO) which is mainly for forward market structure play

"PRM is the Largest FSU Service Provider"

Operator E: 2
Operator F: 1
PRM: 1

Operator A: 2
Operator B: 4
Operator C: 2
Operator D: 1
PRM: 3+1

FSU Advantages

1. Immediate solution to provide LS bunker is to blend HSFO with low Sulphur components ie. heavy sweet crude, LSWR, VR, Gas oil etc. This blending solution is a key competitive advantage of FSU which shore terminal cannot imitate due to the large volume required for economies of scale.
2. FSU individual tank size is much smaller than shore tank so that charterers are more flexible to store different components in separate cargo tanks.
3. Chance of contamination is low compared to shore tank
4. Intensive costs and time are required for converting shore tank from HSFO storage to be LS compartment

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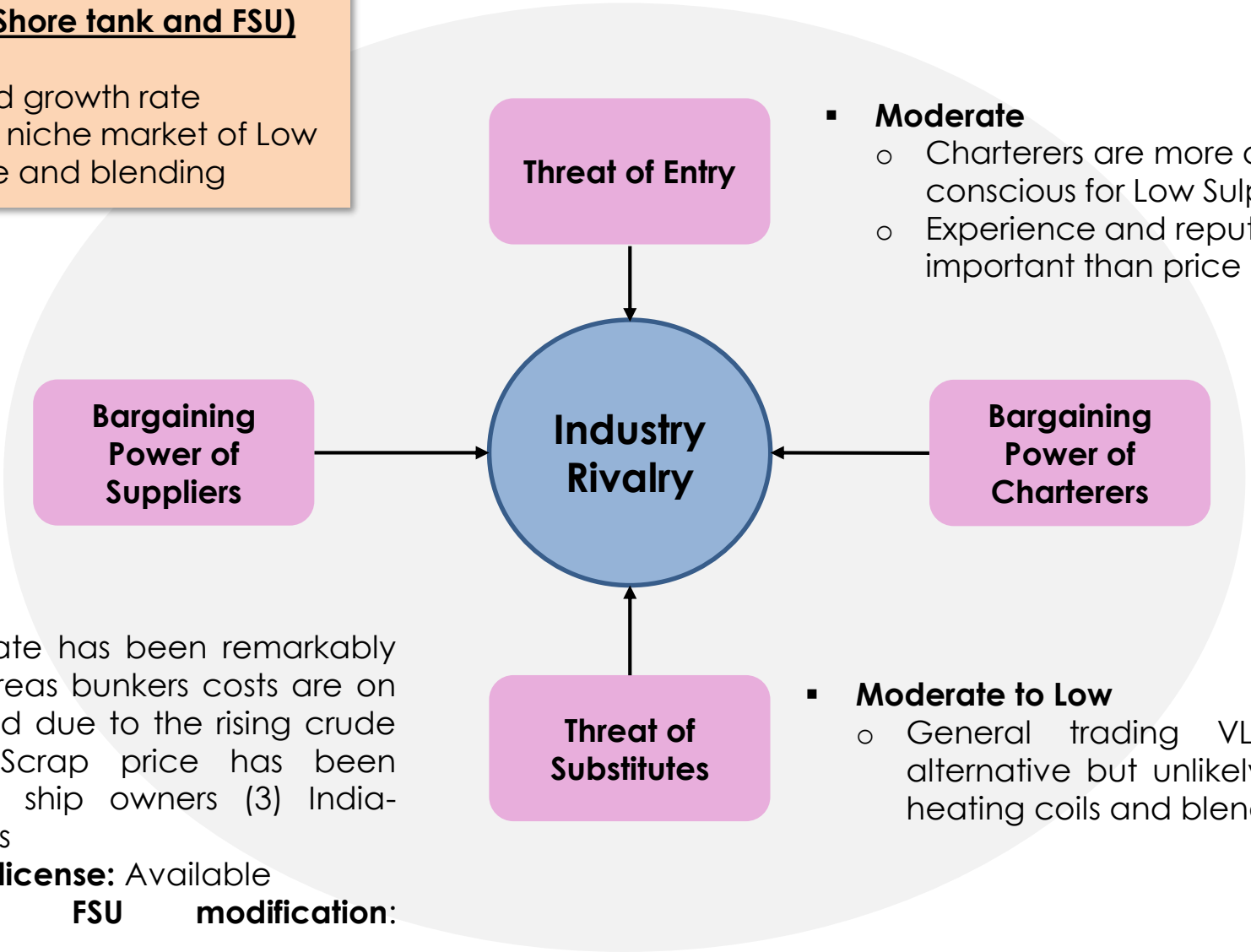
Storage Industry Analysis

Industry Rivalry (b/w Shore tank and FSU)

- **Moderate to Low**
  - Strong demand growth rate
  - FSU focuses on niche market of Low Sulphur storage and blending



- **Moderate**
  - Charterers are more quality and standard conscious for Low Sulphur storage
  - Experience and reputation become more important than price

- **Moderate to Low**
  - The current market is already in short supply situation

- **Moderate to Low**
  - **Ship**: (1) Spot rate has been remarkably fluctuated whereas bunkers costs are on an upward trend due to the rising crude oil price (2) Scrap price has been unfavorable to ship owners (3) India-Pakistan tensions
  - **STS/Anchorage license:** Available
  - **Shipyard for FSU modification**: Manageable

- **Moderate to Low**
  - General trading VLCC could be an alternative but unlikely due to non existing heating coils and blending system

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Investment Plan 2019

Investment Plan 2019

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No.	Period	Vessels	Size (DWT)	Purpose
Domestic Trading Business (6 Vessels)				
1	Jan/19	1 New-built	3,000 DWT	PRM's additional business LT Contract with Major Oil
2	Q1/19	1 New-built	5,300 DWT	Big Sea's additional business LT Contract with Major Oil
3	Q2/19	3 New-built	3,000 DWT each	Replace Prima's old vessels 2,500 DWT each and support customers increased demand
4	Q2/19	1 New-built	3,000 DWT	PRM's additional business LT Contract with Major Oil
International Trading Business (1 Vessel)				
5	Q4/19	1 Second Hand (approximate 10 years) MR size (Medium Range)	50,000 DWT	Clean Petroleum Product (CPP) delivery to international transportation
Floating Storage and Unit Business (2 Vessels)				
6	Mar/19	1 Second Hand VLCC (Very Large Crude Carrier) (approximate 19 years)	300,000 DWT	Additional business with an international oil trader for fuel oil storage and blending under LT contract
7	Mar/19	1 Second Hand VLCC (Very Large Crude Carrier) (approximate 19 years)	300,000 DWT	Additional business with existing customers for fuel oil storage and blending under LT contract

Strategies Supporting Investment in PRM

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1 Domestic Oil & Petrochemical Tanker Business

New-built vessels delivery, Age decrease, Capacity increase, Market Expansion

2 International Oil & Petrochemical Tanker Business

Invest in medium sized vessels, Trading Clean Petroleum products

3 Floating Storage Unit Business

Increase investment align with market rebound situation

4 Offshore Support Vessels Business

Penetrate into other offshore support vessels

5 Ship Management Business

Maintain high quality and quantity standard with safety operations

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Q&A

THANK YOU

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