

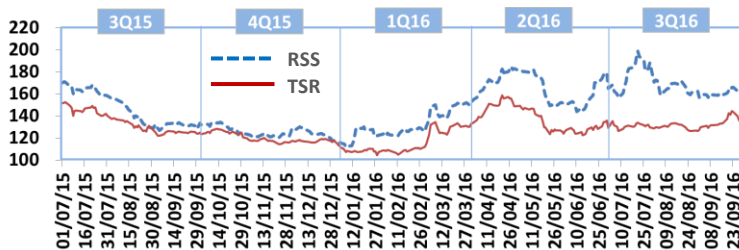
STA : The World's Leading Natural Rubber Player

Financial result overview

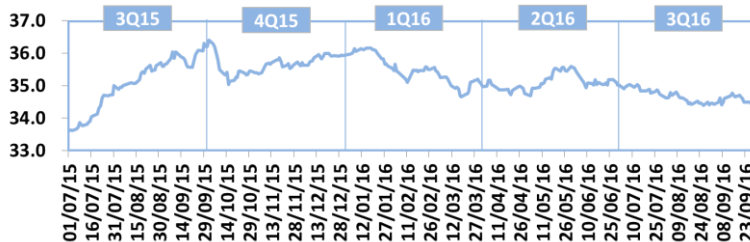
In Q3 2016, the Natural Rubber (NR) Futures market continued its "Calm Correction Period" whereas the physical market encountered tight supply. However, our diversification of production together with sizable scale of business enabled us to hit a new record of sales volume at 370,467 tons despite Raw Material (RM) supply constraints in this quarter, resulting in an increase in revenues both YoY and QoQ.

This RM supply constraints, nevertheless, negatively affected our profitability as the selling prices that are generally referenced by futures market did not fully reflect the higher RM cost. The lower gains from rubber hedging activities YoY and QoQ as well as the increase in SG&A expenses and lower profits shared from associates and joint ventures pressured our net profit in Q3 2016.

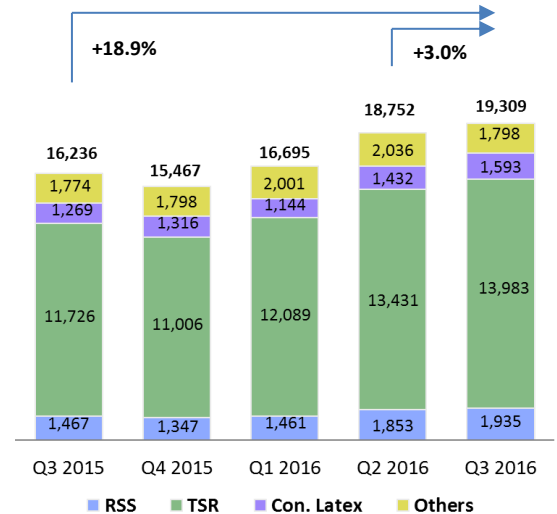
TSR20 and RSS3 Price movement (US cent : Kg.)



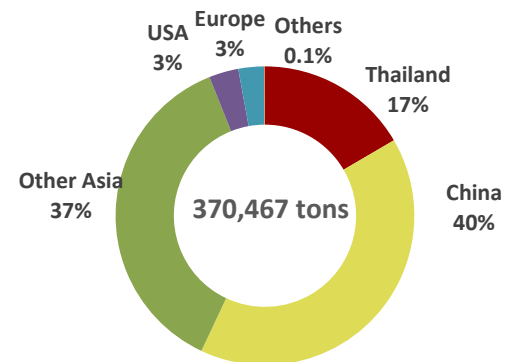
Exchange rate of Thai Baht against US dollar



Revenues by product (THB million)



Sales Volume by Country (Q3'16)



Key financial ratios

Key Financial Ratios	Q3 2016	FY 2015	FY 2014
Gross profit margin	5.4%	5.7%	4.4%
Adjusted gross profit margin**	6.6%	8.1%	6.1%
EBITDA margin	2.1%	4.9%	3.4%
Net profit margin	-0.5%	1.8%	1.4%
Current ratio (times)	1.21	1.21	1.42
Net D/E ratio (times)	1.12	0.95	0.73
Fixed asset turnover (times)	4.69*	3.87	5.38
Inventory Turnover (days)	73.74*	74.75	66.36
Collection Period (days)	24.32*	22.77	27.55
Payment Period (days)	7.55*	9.67	10.58

Note:

* Annualised

** Adjusting for (reversal) allowance of inventory cost and realised items from hedging activities

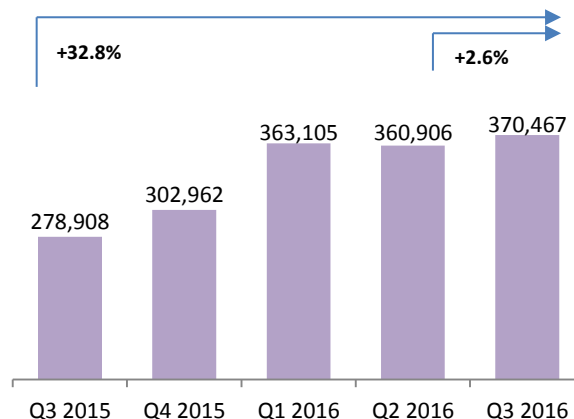
Statements of Comprehensive Income

(Unit : THB million)	Q3 2016	Q3 2015	% YoY	Q2 2016	%QoQ
Revenue from sale of goods and services	19,309.0	16,235.8	18.9%	18,751.6	3.0%
Cost of sales and services	(18,272.0)	(15,666.0)	16.6%	(16,813.7)	8.7%
Gross profit	1,037.0	569.9	82.0%	1,938.0	-46.5%
SG&A	(1,234.0)	(897.2)	37.5%	(1,183.0)	4.3%
Other income	49.3	28.8	71.4%	44.9	9.9%
Gains (losses) on exchange rate, net	95.8	145.2	-34.1%	(49.3)	294.3%
Other gains, net	43.9	626.2	-93.0%	64.3	-31.7%
Operating profit (loss)	(8.0)	472.8	-101.7%	814.9	-101.0%
Share of profit from investments in associates and joint ventures	112.0	242.6	-53.8%	92.5	21.1%
EBITDA	402.2	982.8	-59.1%	1,200.8	-66.5%
EBIT	104.0	715.5	-85.5%	907.3	-88.5%
Finance costs (net)	(141.6)	(376.1)	-62.4%	(80.7)	75.4%
Income tax (expense)	(52.3)	7.9	764.8%	(33.5)	56.4%
Net Profit (loss) for the periods	(89.9)	347.3	-125.9%	793.2	-111.3%
Attributed to Owners of the parent	(90.8)	349.8	-126.0%	801.5	-111.3%
Attributed to non-controlling interests	0.9	(2.5)	134.9%	(8.4)	110.5%

Total revenue from all products for Q3 2016 was Baht 19,309.0 million, an increase of 18.9% YoY and 3.0% QoQ. The YoY increase was mainly driven by a 32.8% growth in sales volume, despite an 8.8% decline in average selling price. For quarterly comparison, the increase of revenue came from both a 2.6% growth in sales volume and a 2.1% increase in average selling price.

Sales volume hit a record high of 370,467 tons in Q3 2016 amidst RM supply constraints, up 32.8% YoY and 2.6% QoQ. Our well-diversified locations of factories allowed us to benefit from the continuing resilient NR demand. The substantial increase in total sales volume YoY for Q3 2016 was attributable to the YoY increase in sales volume in China, Thailand, and Singapore. However, sales volume expanded slightly in comparison with Q2 2016 as the increase in sales volume in the Asean market was counterpoised by the decrease in sales volume in USA and China.

Sales volume (Tons)



Revenues by product (THB million)

	Q3 2016	Q3 2015	% YoY	Q2 2016	% QoQ
TSR	13,983.0	11,726.2	19.2%	13,431.4	4.1%
%	72.4%	72.2%		71.6%	
RSS	1,935.1	1,466.6	31.9%	1,852.7	4.4%
%	10.0%	9.0%		9.9%	
LTX	1,592.5	1,269.0	25.5%	1,431.8	11.2%
%	8.2%	7.8%		7.6%	
Others*	1,798.4	1,774.0	1.4%	2,035.7	-11.7%
%	9.3%	10.9%		10.9%	
Total	19,309.0	16,235.8	18.9%	18,751.6	3.0%

Note*: Comprises revenue from (i) the sale of rubber wood and wood packing product and (ii) the provision of certain services (such as logistics, research and development and information technology services) to our associates and a joint venture entity as well as other third parties (iii) the sale of gloves

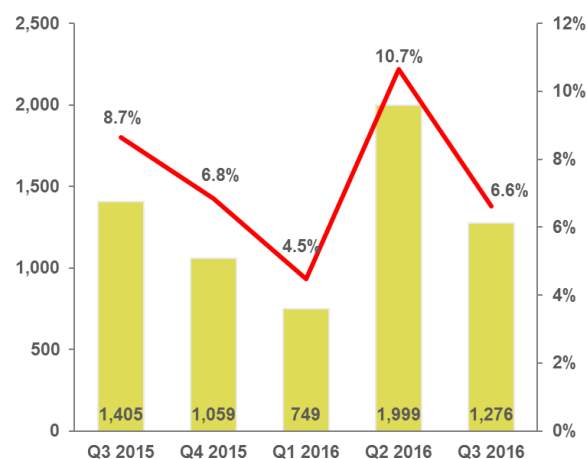
Gross profit for Q3 2016 stood at Baht 1,037.0 million, an increase of 82.0% YoY but declining 46.5% QoQ. Our gross profit margin in Q3 2016 was recorded at 5.4%, up from 3.5% in Q3 2015 but down from 10.3% in Q2 2016. The increase of gross profit margin from the same period last year was attributable to an improved demand from better market sentiment. However, raw material supply constraints caused by an unusual drought and a prolonged wintering period from the previous quarter followed by a continuous rainfall brought up our raw material costs. The upward movement of NR prices during September 2016 has also led to an increase in selling prices at a slower rate than the cost of sales. As a result of this, our gross profit margin decreased from the last quarter. Assuming the inventory allowance of Baht 174.8 million had not been made in Q3 2016 but including realised gain of Baht 64.4 million from our hedging activities, our adjusted gross profit margin in Q3 2016 would have been at 6.6%, decreasing from Q3 2015 at 8.7% and Q2 2016 at 10.7%.

Operating loss for Q3 2016 is Baht 8.0 million, down from operating profit of Baht 472.8 million in Q3 2015 and operating profit of Baht 814.9 million in Q2 2016. The operating loss compared with Q3 2015 was primarily due to the increased SG&A expenses mainly from higher CESS expense as a result of higher sales volume and lower gains on hedging activities, despite being partially offset by the increase in gross profit. For quarterly comparison, operating loss resulted principally from the declining gross profit and higher selling expenses despite being partially offset by the increase in gains on hedging activities.

Net loss of Baht 90.8 million was recorded in Q3 2016, compared with net profit of Baht 349.8 million in the same period of last year and net profit of Baht 801.5 million in the previous quarter. A decline in net profit margin YoY was mainly driven by operating loss, higher income tax, and lower shares of profits from associates and joint ventures despite being offset by decreased finance costs from unrealized gains on USD-denominated loans as a result of an appreciation of IDR against USD in Q3 2016. Meanwhile, a decline in net profit margin QoQ was mainly attributable to operating loss, the increasing finance cost, and higher income tax despite being offset by higher shares of profits from associates and joint ventures. As a result, we had a negative profit margin of 0.5%, decreasing from net profit margin of 2.2% in Q3 2015 and net profit margin of 4.3% in Q2 2016.

Adjusted GP and GPM*

(Unit : THB million)



Note*: Adjusting for (reversal) allowance of inventory cost and realised items from hedging activities

Business Segmentation Analysis



Technically Specified Rubber (TSR)

Revenue from the sale of TSR rose 19.2% YoY and 4.1% QoQ.

The YoY increase in revenue was primarily attributable to a 32.4% increase in sales volume that resulted from a pick-up in demand while average selling price decreased by 10.0%, in the same direction as SICOM TSR20 Rubber Futures.

The QoQ revenue growth resulted from the increase in both sales volume of 2.2% and in average selling price of 1.8%.

Gross Profit for TSR significantly improved by 257.0% comparing with Q3 2015 when a sharp fall in NR prices brought down our gross profit. However, the raw material supply constraints as a result of unfavorable weather conditions negatively affected the Cup Lump (TSR raw material) price and brought about a 47.5% QoQ decline in gross Profit.

Gross profit margin, therefore, improved YoY but contracted QoQ.



Ribbed Smoked Sheet (RSS)

Revenue from the sale of RSS rose 31.9% YoY and 4.4% QoQ.

The YoY increase in revenue was mainly contributed by a 38.1% increase in sales volume as a result of more favorable market sentiment despite being offset by a decrease in average selling price of 4.5%.

For quarterly comparison, the increase in revenue was mainly due to a 7.4% increase in average selling price even though sales volume declined by 2.8%.

A shortage of unsmoked sheet (RSS raw material) was exacerbated by the increase in both demand and prices of LTX as rubber farmers tend to produce field latex rather than unsmoked sheets when the price gap becomes closer.

Thus, gross profit for RSS declined 51.9% YoY and 80.0% QoQ. Gross profit margin tapered YoY and QoQ.



Concentrated Latex (LTX)

Revenue from sale of LTX rose 25.5% YoY and 11.2% QoQ.

The YoY expansion in revenue was primarily driven by a 31.4% increase in sales volume despite being offset by a decrease in average selling price of 4.5%.

In comparison to the previous quarter, increase in revenue was mainly due to a 10.9% increase in sales volume while the average selling price remained unchanged.

The continuing robust demand resulted in the increase in sales volume both YoY and QoQ.

Nonetheless, gross profit for LTX decline 22.7% YoY and 37.2% QoQ since the RM supply constraints have brought up the field latex price. Accordingly, gross profit margin was softer both YoY and QoQ.

Industry Outlook

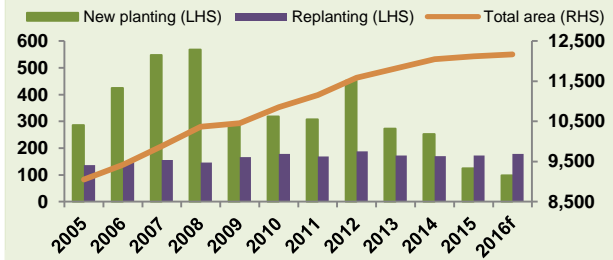
Having bottomed out in Q1 2016, the NR market is emerging on firmer ground as healthy NR demand and suppressed NR supply from unfavorable weather conditions earlier this year have led to a 50% rebound in NR prices.

Still, current NR prices are only one-fourth of the peak in 2011 and the NR market is expected to continue to benefit from the reduced NR supply and the lowest level in 5 years of NR stocks in Qingdao at the end of September, as well as the improving sentiment in the overall commodity market.

The signs of skilled tapper shortage, the switch to other more profitable crops, and lower tapping frequency have signaled that NR prices, which had been declining for several years, might have finally reached unsustainable levels. This also indicates a limited downside risk for NR prices in the short to medium term.

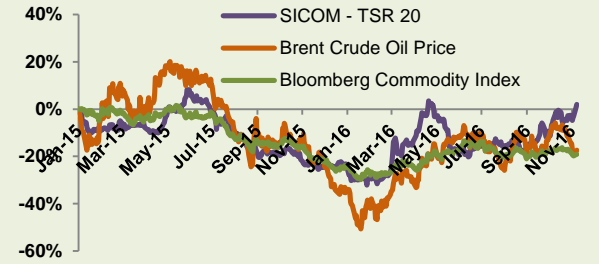
However, the upcoming peak season for rubber production in Thailand and the Thai government’s stock of over 300,000 tons, as well as developed countries’ weak economic growth and fluctuations in US dollars and oil prices will continue to weigh on sentiment in the NR market.

NR Planting Area of 11 Main Producers (000' HA)



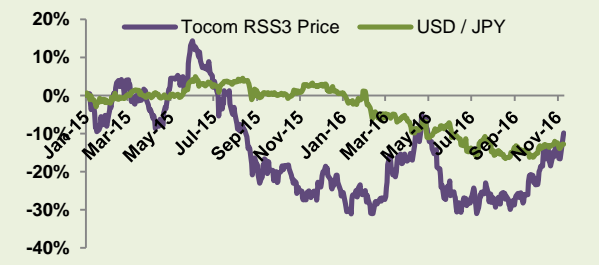
Source: IRSG

Price Performance of SICOM – TSR 20



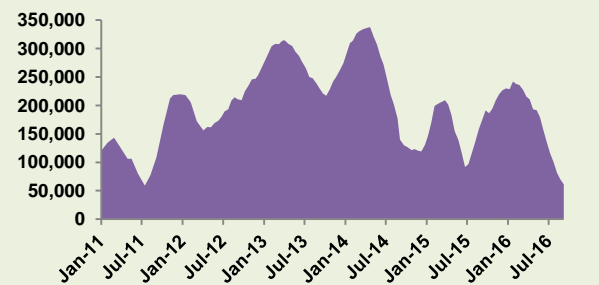
Source: Bloomberg

Price Performance of TOCOM – RSS3



Source: Bloomberg

NR stock at Qingdao, China (tons)



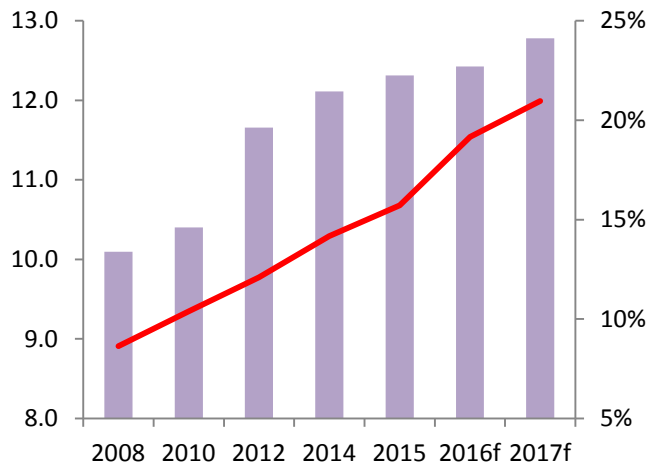
Progress of Business Growth Plan

Upstream Operations – 8,000-odd hectares of land already secured for rubber plantations

As of 30 September 2016, Sri Trang Group has obtained approximately 51,950 rai (8,312 hectares) of land suitable for the cultivation of rubber trees in several provinces of Thailand. 85% of the lot has already been planted with rubber trees and a small area already started to provide yield from December 2015 onwards. The majority of our rubber plantations are located in the northern and northeastern regions of Thailand.



Proportion of Sri Trang Group Capacity to NR World Supply



World's NR supply (mil. Tons) (LHS)
 % engineering capacity* to NR world supply (RHS)

Midstream Operations – continuing capacity expansion to reach 20% of world's NR supply by the end of 2017

As of 30 September 2016, our engineering capacity was at an industry record of 2.4* million tons per annum or 19% of world's NR supply. A new TSR facility in the Loei province in Thailand has already commenced operation in Q3 2016, adding 61,000 tons to overall group capacity.

Note: The engineering capacity is derived from the specifications certified by the supplier of the processing machinery. Our engineering capacity includes the engineering capacity of Thaitech Rubber Corporation Limited after the additional share acquisition in this company in April 2016.*

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