

(Translation)

MD. 155/2018

November 14, 2018

Re: Management Discussion and Analysis  
For the Operating Results ended September 30, 2018

To: President  
The Stock Exchange of Thailand

**Management Discussion and Analysis For the Operating Results ended September 30, 2018**

**Report and Analysis of the Operating Results**

In Q3/2018, the amount of aviation fuel services volume at BKK and DMK totaling up to 1,461 million liters, which have the growth rate of 3.0%(y-o-y) and the total flights increased by 4.6%(y-o-y) to 74,917 flights. While for the nine months of 2018, the growths of aviation fuel services volume and the total flights of thus two main airports were 4.5% (y-o-y) and 5.8%(y-o-y) respectively in line with the growth of tourism industry of Thailand. During the passengers who traveling through BKK and DMK were 25.1 million passenger, increasing by 3.0%(y-o-y) from 24.4 million passenger in Q3/2017.

For the total multi-products fuel transportation volume of FPT in Q3/2018 was increased by 1.4%(y-o-y) to 1,101 million liters from 1,086 million liters of Q3/2017 and for the nine months of 2018, the growths of multi-products fuel transportation volume was declined by 1.5%(y-o-y) due to Bangchak Corporation Pcl. (BCP) underwent its refining unit for annual maintenance for 45 days from April to May, 2018.

	Q3/2018	Q3/2017	Q2/2018	Growth		9M/2018	9M/2017	Growth (y-o-y)
				(y-o-y)	(q-o-q)			
<b>Aviation Refuelling Services Business :</b>								
Aviation Fuel Volume (million litres)	1,461	1,418	1,444	3.0%	1.2%	4,453	4,262	4.5%
Flights	74,917	71,649	75,306	4.6%	(0.5%)	226,073	213,608	5.8%
<b>Fuel Pipeline Transportation Business :</b>								
Multi-products Fuel Volume (million litres)	1,101	1,086	1,097	1.4%	0.4%	3,452	3,506	(1.5%)

\* Note: Total Flights was data of flights that serviced by BAFS only at BKK and DMK

Total revenue of Q3/2018 of the Group was Bt940.5 million increased by Bt54.4 million or 6.1% compared with Bt886.1 million of Q3/2017. While the services income was Bt928.9 million increased by Bt53.4 million or 6.1% (y-o-y). The total revenue of the nine months of 2018 totaled to Bt2,843.6 million, increasing by Bt127.6 million or 4.7% compared to the same period of 2017 which of Bt2,716.0 million. While the others income in Q3/2018 was Bt11.6 million which increased by 9.4%(y-o-y) whereas the nine months of 2018 was Bt36.4 million which declined by 21.2% (y-o-y) due to the interest income from short-term investments decreased.

As the growth rate of total revenue was higher than the growth rate of total expenses, then the Net profit attributable to Equity holders of the Company in Q3/2018 and of the nine months of 2018 were of Bt304.6 million and Bt869.5 million which increasing by Bt32.8 million or 12.1%(y-o-y) and Bt60.9 million or 7.5%(y-o-y), representing Net profit margin of 34.2% and 32.6% respectively. The earnings per share of Q3/2018 and the nine months of 2018 were Bt0.48 and Bt1.36.

Table summarized the operating results of the Group

(unit : Bt million)

	Q3/2018	Q3/2017	Q2/2018	Growth		9M/2018	9M/2017	Growth
				(y-o-y)	(q-o-q)			
Services income	928.9	875.5	912.1	6.1%	1.8%	2,807.2	2,669.8	5.1%
Others income	11.6	10.6	13.4	9.4%	(13.4%)	36.4	46.2	(21.2%)
Total revenues	940.5	886.1	925.5	6.1%	1.6%	2,843.6	2,716.0	4.7%
Costs of service	381.2	370.6	414.7	2.9%	(8.1%)	1,174.1	1,143.9	2.6%
Gross Profit	547.7	504.9	497.4	8.5%	10.1%	1,633.1	1,525.9	7.0%
Gross Profit Margin	59.0%	57.7%	54.5%			58.2%	57.2%	
Administrative expenses	119.2	117.7	148.4	1.3%	(19.7%)	398.8	375.1	6.3%
Total expenses	500.4	488.3	563.1	2.5%	(11.1%)	1,572.9	1,519.0	3.5%
EBIT	440.1	397.8	362.4	10.6%	21.4%	1,270.7	1,197.0	6.2%
EBIT Margin	46.8%	44.9%	39.2%			44.7%	44.1%	
Depreciation and amortization	141.9	141.5	139.6	0.3%	1.6%	420.2	416.8	0.8%
EBITDA	582.0	539.3	502.0	7.9%	15.9%	1,690.9	1,613.8	4.8%
EBITDA Margin	61.9%	60.9%	54.2%			59.5%	59.4%	
Finance cost	(34.8)	(37.7)	(34.9)	(7.7%)	(0.3%)	(104.6)	(115.3)	(9.3%)
Income tax expenses	(83.7)	(73.2)	(67.3)	14.3%	24.4%	(238.9)	(219.7)	8.7%
Net Profit for the period	321.6	286.9	260.2	12.1%	23.6%	927.2	862.0	7.6%
Net Profit to Equity holders of the Company	304.6	271.8	242.3	12.1%	25.7%	869.5	808.6	7.5%
Net Profit Margin	34.2%	32.4%	28.1%			32.6%	31.7%	
Earning per share (Bt)	0.48	0.43	0.38	12.1%	25.7%	1.36	1.27	7.5%

## 1.1 Revenue

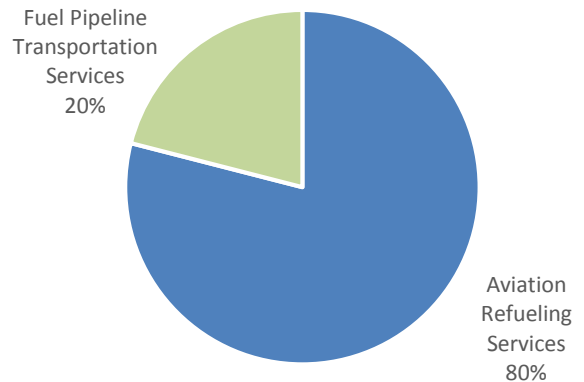
For Q3/2018 and the nine months of 2018, total revenues of the Group were Bt940.5 million and Bt2,843.6 million which increased by 6.1%(y-o-y) and 4.7%(y-o-y) and comprised of ;-

### 1.1.1 Services Income

The services income in Q3/2018 and the nine months of 2018 were Bt928.9 million and Bt2,807.2 million, increasing by 6.1%(y-o-y) and 5.1%(y-o-y) respectively, in line with the growth of services volume of the Group.

For the income proportion separating by business structure consisted of Aviation refueling services at 80% and Fuel pipeline transportation services at 20% respectively.

Services Income structure of 9M/2018



### 1.1.2 Others Income

Others income in Q3/2018 and the nine months of 2018 were Bt11.6 million and Bt36.4 million which increased by 9.4% (y-o-y) but decreased by 21.1%(y-o-y) respectively since lower interest income as investment in short-term Government bonds has been reduced due to the proceed of investment in the Northern Multi-Products Fuel Pipeline project (NFPT).

## 1.2 Expenses

### 1.2.1 Cost of services

In Q3/2018, Cost of services was of Bt381.2 million, increased by Bt10.6 million or 2.9%(y-o-y), mainly due to the increasing in the direct labor costs and maintenance. The Gross profit margin of the Group was of 59.0% compared to 57.7% of Q3/2017.

While in the nine months of 2018, Cost of services was of Bt1,174.1 million, increased by Bt30.2 million or 2.6%(y-o-y), mainly were the increasing in the direct labor costs, Airport concession fee for Aviation refueling services business, maintenance expenses and depreciation and amortization expenses. The Gross profit margin of the Group was of 58.2% compared to 57.2% of the same period of last year.

### 1.2.2 Administrative Expenses

In Q3/2018, administrative expenses were of Bt119.2 million, increased by Bt1.5 million or 1.3%(y-o-y). While in the nine months of 2018 were Bt398.8 million which increased by Bt23.8 million or 6.3%(y-o-y). The increase was mainly due to higher personnel expenses from the same period of last year.

The profit from operations before finances cost and taxes (EBIT) in Q3/2018 was of Bt440.1 million, increasing by Bt42.3 million, or 10.6%(y-o-y). Representing operating profit margin before finances expense and income taxes (EBIT margin) at 46.8% compared to 44.9% of Q3/2017. Resulted the EBITDA was totaled to Bt582.0 million, increasing by Bt42.7 million or 7.9%(y-o-y) and EBITDA margin was of 61.9% compared to 60.9% of Q3/2017

While in the nine months of 2018, the profit from operations before finance costs and tax (EBIT) of Bt1,270.7 million, increasing by Bt73.7 million or 6.2% (y-o-y), representing operating margin before finance costs and taxes (EBIT margin) at 44.7% compared to 44.1% in the same period of last year. And resulted in EBITDA was of Bt1,690.9 million, increasing by Bt77.2 million or 4.8% (y-o-y), equivalent to EBITDA margin at 59.5% compared to 59.4% of the same period of last year.

### 1.2.3 Finances Cost

The financial expenses for Q3/2018 amounted to Bt34.8 million, a decrease of Bt2.9 million or 7.7%(y-o-y). And the financial expenses in the nine months of 2018 was of Bt104.6 million, a decrease of Bt10.8 million or 9.3% (y-o-y). As the long-term loans of the Group have been gradually reduced in accordance with the payment schedule. While the interest arising from the loans for investment in the second phase of Hydrant pipeline system expansion project at BKK of TARCO and NFPT Project of FPT will be capitalize in the projects' cost then would be amortized over the life time of the projects.

### 1.3 Operating Results

Net profit attributable to the Equity of the Company in Q3/2018 was amounted to Bt304.6 million, increasing by Bt32.8 million or 12.1%(y-o-y) from Bt271.8 million of Q3/2017, representing an Bt0.48 earnings per share. And for the nine months of 2018, Net profit attributable to the Equity of the Company was of Bt869.5 million, increasing by Bt60.9 million or 7.5%(y-o-y), representing an Bt1.36 earnings per share. Thus approximately of 84% of the Net profit was derived from Aviation refueling services business and around 16% was derived from Fuel pipeline transportation business.

## 2. Report and Analysis of Financial Status

### 2.1 Assets

As of September 30, 2018 the Group had total assets at the amount of Bt15,513.3 million, increasing by Bt3,098.9 million or 25.0% from December 31, 2017. The important details of cash flow were as follows:

2.1.1 Cash and cash equivalent of Bt2,071.7 million which cash flow summarized for the period of the nine months of 2018 were below :-

- The Group's net cash from operation was of Bt1,408.3 million, increasing by Bt58.6 million or 4.3%
- Cash for investment activities was of Bt3,345.8 million, increasing by Bt1,148.9 million or 52.3% which Bt3,100.7 million were the investment in expansion of the NFPT project and the second phase of Hydrant pipeline system expansion project
- Net cash received from financing activities was of Bt1,776.0 million, increasing by Bt2,982.1 million or 247.2%. During the nine months of 2018, the Group had drawn down long-term loans for Bt3,118.4 million, while repayments of long-term loans and financial lease payment amounted to Bt378.2 million and dividend payments to the Company's shareholders amounted to Bt833.0 million

2.1.2 Property, leasehold improvement and equipment as of September 30, 2018 was of Bt10,591.9 million, increasing by Bt3,387.7 million or 47.0% from December 31, 2017

2.1.3 Project costs under concession agreements was of Bt1,603.1 million which comprise of Into-plane substation project of Bt90.8 million, Aviation Fuel pipeline equipment of Bt1,023.7 million, Concession of a subsidiary of Bt460.6 million and Right to use leased land related to concession agreement of Bt28.0 million

### 2.2 Liabilities

As of September 30, 2018, the Group had total liabilities of Bt7,843.3 million, increasing by Bt2,998.6 million or 61.9% from December 31, 2017. The total liabilities to total equity ratio was of 1.02:1 time and the Interest bearing debts to total equity ratio was of 0.77:1 time. The liabilities comprised of major items which are follows:-

2.2.1 Account payable and others account payable was of Bt596.4 million

- 2.2.2 Long term loan from banks, which are due within one year, was of Bt337.2 million which were belonged to BAFS at the amount of Bt197.7 million and belonged to TARCO and FPT at the amount of Bt110.0 million and Bt29.4 million respectively
- 2.2.3 Long-term loans from banks were Bt5,554.5 million, increasing by Bt2,908.5 million from December 31, 2017 or 109.9%. These comprise of:-

BAFS

- Long-term loans from TMB was of Bt2,169.6 million due on April 30, 2026 with 3 years grace period and quarterly, principal repayment: Bt80.4 million/period (the last repayment will be made for remaining principal) at a fixed rate per annum

FPT

- Long term loan from BBL was of Bt121.9 million for the investment in the 3 Diesel Fuel Tanks project at DMK depot. The loan will be due on May 31, 2024 which was monthly principal repayment at Bt2.2 million at the rate of MLR minus percent of fixed rate per annum
- Long term loans from BBL was of Bt6,070.0 million and Bt230.0 million for the investment in the Northern Multi-Products Fuel Pipeline project which was quarterly principal repayment at MLR less fixed interest rate. The loans will be due on December 31, 2030 and 2026, respectively. FPT has drawn down the loan amounting to Bt3,049.2 million

TARCO

- Long term loan from TMB was of Bt143.8 million, which TARCO had a loan agreement for Bt550 million to invest in the Hydrant pipeline system expansion project Phase II at BKK. TARCO has been granted a 3-year grace period. The loan will be due on December 31, 2021 which was quarterly principal repayment at Bt27.5 million at the rate of BIBOR 3-month plus percent of fixed rate per annum

BAFS INTECH

- Long term loan from BBL was of Bt70.0 million. The loan will be due on April, 2028 which was three month principal repayment at Bt2.2 million at the rate of MLR minus percent of fixed rate per annum

2.2.4 Long-term debt of FPT under rehabilitation plan with Bangchak Petroleum Plc. was of Bt8.5 million.

2.2.5 The Employee benefit obligations was of Bt980.3 million according to Labor Protection Laws as TAS no.19 on employee benefits.

2.3 Shareholders' Equity

As at September 30, 2018, total shareholders' equity was of Bt7,670 million, increased from December 31, 2017 by Bt100.3 million or 1.3%.

Please be informed accordingly.

Yours sincerely,

*Signed*

(Mr. Prakobkiat Ninnad)

Managing Director