

(Translation)

MD. 110 / 2017

August 7, 2017

Subject: Report on the progress and increase of investment budget in the Northern Route Fuel Pipeline Expansion Project

To: President  
The Stock Exchange of Thailand

The Extraordinary General Meeting of Shareholders No. 1/2559 of Bangkok Aviation Fuel Services Public Company Limited (“The Company”) approved the investment in the expansion of the Northern Route Fuel Pipeline Expansion Project (“Project”), of Fuel Pipeline Transportation Limited Company (“Subsidiary”) on the date of February 25, 2016. The Company would like to report the progress of such project as follows:

- The Environmental Impact Assessment (EIA) in respect of the project has been approved by the Office of Natural Resources and Environmental Policy and Planning (ONEP) on June 27, 2017.
- Subsidiary has acquired land for construction of fuel depots and fuel pipelines including equipment for the project and has selected contractors through the transparent and verifiable bidding under the designated selection process to select contractors for the project. In addition, the subsidiary has also coordinated with relevant government agencies to obtain the necessary permits for the construction and installation of the pipeline. The government agency has stipulated that the subsidiary must comply with relevant regulations, directives and guidelines for instance the project must change the method of construction from the Open Cut which is surface excavation to install pipe and then backfilled, to be the Horizontal Directional Drill (HDD) which is pipe installing without surface excavation by using a surface-launched drilling rig. Moreover, subsidiary must install pipe roundabout route to avoid highway interchange point as this result it is increased the number of pipe that need to be used in the project. As a consequent, the investment cost of the project has increased to approximately 9,690 million Baht, an increase of 29.2% from the originally estimated budget which was assessed on the basis of conceptual design. In this regard, the subsidiary has appointed a financial advisor to review the financial feasibility of the project and it remains interesting to invest by:
  - The net present value of the project is 1,492 million baht.
  - The Internal Rate of Return (IRR) on Project is 8.34% per annum (higher than the weighted average cost of the subsidiary) and
  - The Payback Period is 19 years (since 2015)

Currently, the Subsidiary is negotiating with financial institutions to seek additional financing support for the entire additional investment. Also, the project is expected to commence commercially in 2019, as originally planned.

The Company and its subsidiaries have been prioritizing on budget control and construction of the project in accordance with the plan and have identified the potential of the project to sustain growth and diversify its revenue stream. Thus, in case of any significant progress of the project, the Company will inform the shareholders and investors accordingly.

Please be informed accordingly.

Yours sincerely,

*-Signed-*

(Mr. Prakobkiat Ninnad)

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