

(Translation)

MD. 030/2018

February 21, 2018

Re: Management Discussion and Analysis
For the Year Ended December 31, 2017

To: President
The Stock Exchange of Thailand

Management Discussion and Analysis of Operating Results For the Year Ended December 31, 2017
Report and Analysis of the Operating Results

In 2017, the operating result of the Group continues to grow steadily. The aviation fuel services volume of the two main airports, Suvarnabhumi (BKK) and Don Mueang (DMK) have a total growth rate of 1.6%(y-o-y) to 5,747 million liters while the total flights which services by BAFS grew by 3.0%(y-o-y) to 287,701 flights. This is attributed to the slowdown growth rate of aviation fuel consumption this year as it has been negatively impacted by a number of external factors, such as measurements of the government in shaping laws and regulations for the zero-dollar tours to suppress illegal tourism companies. The runway closure for maintenance at BKK for about 60 days. The development of aircraft engine technology, which can save more fuel. In particular, the impact of the increase in excise tax rates on domestic aviation fuel. Domestic airlines have reduced their fuel reserves on each flight. While the passengers who traveling through BKK and DMK have a total of 99.2million, increasing by 8.9%(y-o-y) from 91.1 million in 2016.

Currently at BKK and DMK, the company has nine customers which are oil companies. The marketing strategies of the company are;- To be a representative of aviation fuel services provider of oil companies which has been entrusted to take care of its clients, airlines, with on time services, maintain the quality of aviation fuel to the standards and provides services with safety under the strictly emphasis on Good Corporate Governance practices.

For the total multi-products fuel transportation volume of FPT in 2017 was increased by 3.0%(y-o-y) to 4,643 million liters from 4,509 million liters of last year.

	2017	2016	Growth (y-o-y)
<u>Aviation Refuelling Services Business :</u>			
Aviation Fuel Volume (mil litres)	5,747	5,657	1.6%
Flights	287,701	279,266	3.0%
<u>Fuel Pipeline Transportation Business :</u>			
Multi-products Fuel Volume (mil litres)	4,643	4,509	3.0%

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

Total revenue of 2017 of the Group was Bt3,640.2 million decreased by Bt71.3 million or 1.9% compared with Bt3,711.5 million of 2016. While the services income was of Bt3,581.3 million increased by Bt16.6 million or 0.5%(y-o-y). However, in the last year, the Group had other income of Bt76.4 million from damaged pipeline at Phayathai Skytrain Station at Bt47.0 million, and the reversal of the provision of Bt29.4 million was due to the relocation of pipeline at Bang Sue train Station. Excluding such special items, total revenue for the year 2017 will increase by Bt5.0 million or 0.1% from the previous year.

Total revenue growth was lower than the increase in expenses, mainly due to an increase in depreciation and amortization and financial expenses. As a result, the Net profit attributable to Equity holders of the Company of Bt970.6 million, a decrease of Bt126.5 million or 11.5%(y-o-y) from Bt1,097.1 million in 2016, representing a Net profit margin of 28.3% compared to 31.6% which has an earnings per share of Bt1.52. However, excluding the special items for 2016, net profit attributable to equity holders of the Company will decrease by Bt 65.4 million or 6.3% from 2016.

Table summarized the operating results of the Group

(unit : Bt million)

	2017	2016	Inc / (Dec)	Growth (y-o-y)
Services income	3,581.3	3,564.7	16.6	0.5%
Others income	58.9	70.4	(11.5)	(16.4%)
Other income from damaged pipeline and the reversal of the provision	0.0	76.4	(76.4)	(100.0%)
Total revenues	3,640.2	3,711.5	(71.3)	(1.9%)
Costs of service	1,606.0	1,546.3	59.7	3.9%
Gross Profit	1,975.3	2,018.4	(43.1)	(2.1%)
Gross Profit Margin	55.2%	56.6%		
Administrative expenses	583.8	578.6	5.2	0.9%
Total expenses	2,189.8	2,124.9	64.9	3.1%
EBIT	1,450.4	1,586.6	(136.2)	(8.6%)
EBIT Margin	39.8%	42.7%		
Depreciation and amortization	558.1	538.0	20.1	3.7%
EBITDA	2,008.5	2,124.6	(116.1)	(5.5%)
EBITDA Margin	55.2%	57.2%		
Finance cost	160.3	131.2	29.1	22.2%
Income tax expenses	261.7	283.1	(21.4)	(7.6%)
Profit for the year	1,028.5	1,172.3	(143.8)	(12.3%)
Net Profit to Equity holders of the Company	970.6	1,097.1	(126.5)	(11.5%)
Net Profit Margin	28.3%	31.6%		
Earning per share (Bt)	1.52	1.72	(0.2)	(11.5%)

1.1 Revenue

In 2017, total revenues of the Group was of Bt3,640.2 million, a decrease of Bt71.3 million or 1.9%(y-o-y) which were comprising of ;-

1.1.1 Services Income

Total services income in 2017 of the Group was Bt3,581.3 million, an increase of Bt16.6 million or 0.5% (y-o-y). In line with the total volume of aviation fuel, the growth rate was 1.6%(y-o-y), and the total volume of multi-products fuel transported by FPT's pipelines was up 3.0%(y-o-y).

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

1.1.2 Others Income

Others income was of Bt58.9 million, a decrease of Bt87.9 million or 59.9%(y-o-y). Since last year the Group recorded extraordinary items of approximately Bt76.4 million which were :-

- 1) FPT received both principal and interest compensation according to the damaged in its fuel pipeline at Phayathai train station at the amount of Bt47.0 million and
- 2) The Group had income from the reversal of the provision at Bt29.4 million from the relocation of FPT's pipeline at Bang Sue train station.

1.2 Expenses

1.2.1 Cost of services

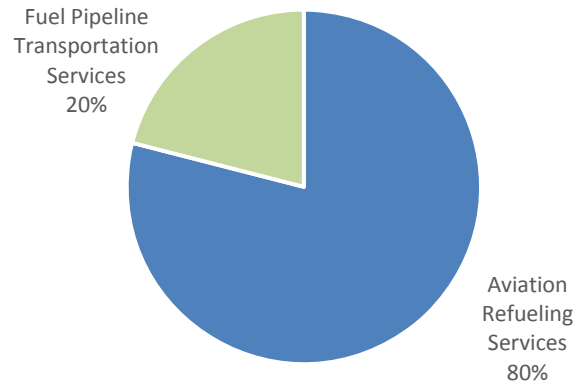
In 2017, Cost of services was of Bt1,606.0 million, an increase of Bt59.7 million or 3.9%(y-o-y), mainly due to an increase in depreciation and amortization. Costs related to direct labor and Airport concession fee for Aviation refueling services business. The Gross profit margin of the Group was 55.2%, declining from 56.6% of the previous year since the growth rate of revenue was lower than the growth rate of services cost.

1.2.2 Administrative Expenses

In 2017, administrative expenses was of Bt583.8 million, increasing by Bt5.2 million or 0.9%(y-o-y), mainly due to an increase in depreciation and amortization also.

Total expenses, Cost of services and the administrative expenses, was totaled Bt2,189.8 million, an increase of Bt64.9 million or 3.1%(y-o-y). Mainly due to the depreciation and amortization which was of Bt558.1 million, increased by Bt20.1 million or 3.7%(y-o-y) while the personnel expenses were Bt758.3 million, an increase of Bt16.4 million or 2.2%(y-o-y). The airport concession and refueling fee was totaled Bt257.9 million, increased

Services Income structure of 2017



by Bt7.5 million or 3.0%(y-o-y) and the operating lease expenses were Bt114.3 million, an increase of Bt10.6 million or 10.2%(y-o-y).

Due to the total Cost of services and Administrative expenses has a rate of incremental higher than the increasing rate of the total revenue, then profit from operations before finances cost and taxes (EBIT) was amounted to Bt1,450.5 million, a decrease of Bt136.2 million, or 8.6%(y-o-y). Representing operating profit margin before finances expense and income taxes (EBIT margin) at 39.8% which was lower than 42.7% of 2016. Resulted the EBITDA was totaled Bt2,008.5 million, a decrease of Bt116.1 million or 5.5%(y-o-y) and EBITDA margin was at 55.2% which was lower than 57.2% of 2016. However, excluding extra income from 2016, the EBIT margin for the year 2017 will declined by Bt59.8 million or 4.0%(y-o-y), while EBITDA will declined by Bt39.8 million or 1.9%(y-o-y).

1.2.3 Finances Cost

In 2017, the Company had a long-term loan of Bt2,250.0 million to be used as a capital increase in FPT, which has already been withdrawn from the approved amount since the third quarter of 2016. While the total amount of Bt6,300 million of FPT's loan which was used to finance for the expansion of the Northern Multi-Products Fuel Pipeline project of Bt118.9 million. As a result, the Group's financial expenses in 2017 amounted to Bt160.3 million increased by Bt29.1 million or 22.2% compared to 2016.

1.3 Operating Results

Net profit attributable to the Equity of the Company in 2017 was amounted to Bt970.6 million, a decrease of Bt126.5 million or 11.5%(y-o-y) from Bt1,097.1 million, representing an Bt1.52 earnings per share. Approximately of 87% of the Net profit was derived from Aviation refueling services business and around 13% was derived from Fuel pipeline transportation business.

2. Report and Analysis of Financial Status

2.1 Assets

As at December 31, 2017 the Group had total assets in the amount of Bt12,414.4 million, increased by Bt256.6 million or 2.1% from December 31, 2016. The important details of cash flow were as follows:

2.1.1 Cash and cash equivalent of Bt1,453.7 million which cash flow summarized for the year of 2017 were below :-

- The Group's net cash from operation was of Bt1,981.0 million, increased by Bt376.5 million or 23.5%
- Cash for investment activities was of Bt3,439.0 million, increased by Bt2,223.9 million or 183.0% which Bt2,620.0 million was of the investment in expansion of the Northern Multi-Products Fuel Pipeline project and the expansion of the High Pressure Aviation Fuel Pipeline project for BKK phase2 of TARCO
- Net cash used for financing activities was of Bt1,236.5 million, increased by Bt3,705.8 million or 150.1%. As the Group paid dividend of Bt808.7 million to its shareholders, repaid long-term loans and interest payment of Bt500.2 million and Bt132.4 million respectively

2.1.2 Property, leasehold improvement and equipment as of December 31, 2017 was of Bt7,204.2 million, increased by Bt2,312.3 million or 47.3% from December 31, 2016.

2.1.3 Project costs under concession agreements was of Bt1,675.8 million which comprise of Into-plane substation project of Bt99.2 million, Hydrant equipment of Bt1,066.3 million, Concession of a subsidiary of Bt479.7 million and Right to use leased land related to concession agreement of Bt30.6 million.

2.2 Liabilities

As of December 31, 2017, the Group had total liabilities of Bt4,844.7 million, increased by Bt58.0 million or 1.2% from December 31, 2016. The total liabilities to total equity ratio was of 0.64:1 time and the Interest bearing debts to total equity ratio was of 0.42:1 time. The liabilities comprised of major items which are follows;-

2.2.1 Account payable and others account payable was of Bt430.3 million

2.2.2 Long term loan from banks, which are due within one year, was of Bt497.4 million which were belonged to BAFS at the amount of Bt357.0 million and belonged to TARCO and FPT at the amount of Bt110.0 million and Bt30.4 million respectively

2.2.3 Long-term loans from banks were Bt2,646.0 million, decreased by Bt288.4 million from December 31, 2016 or 9.8%. These comprise of;-

BAFS

- Long term loan from BBL was of Bt24.2 million due on September 30, 2019 which was quarterly, principal repayment at rate of MLR minus percent of fixed rate per annum
- Long-term loans from TMB was of Bt2,250.0 million due on April 30, 2026 with 3 years grace period and quarterly, principal repayment: Baht 80.4 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 Bt142.0 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 Baht 2.2 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 Bt118.6 million

TARCO

- Long term loan from TMB was of Bt111.2 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

2.2.4 Long-term debt of FPT under rehabilitation plan with Bangchak Petroleum Plc. was of Bt11.5 million.

2.2.5 The Employee benefit obligations was of Bt939.3 million according to Labor Protection Laws as TAS no.19 on employee benefits.

2.3 Shareholders' Equity

As at December 31, 2017, total shareholders' equity was of Bt7,569.7 million, increased from December 31, 2016 by Bt198.5 million or 2.7% which Bt6,229.6 million was Equity attributable to owners of the Company, increased by Bt172.9 million or 2.9%.

Please be informed accordingly.

Yours sincerely,

Signed

(Mr. Prakobkiat Ninnad)

Managing Director