

(Translation)

MD. 107/2018

August 8, 2018

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

To: President
 The Stock Exchange of Thailand

**Management Discussion and Analysis of Operating Results For the Operating Results ended June 30, 2018
 Report and Analysis of the Operating Results**

In Q2/2018, the amount of aviation fuel services volume at BKK and DMK totaling up to 1,444 million liters, with the growth rate increased by 6.4%(y-o-y) and the total flights increased by 8.4%(y-o-y) to 75,306 flights. While for the first six months of 2018, the growths of aviation fuel services volume and total flights of thus two main airports were 5.2% (y-o-y) and 6.5%(y-o-y) respectively with consequences to the growth of tourism industry of Thailand. During the passengers who traveling through BKK and DMK were 25.2 million passenger, increasing by 7.7%(y-o-y) from 23.4 million passenger in Q2/2017.

For the total multi-products fuel transportation volume of FPT in Q2/2018 was declined by 12.5%(y-o-y) to 1,097 million liters from 1,202 million liters of Q2/2017 and for the first six months of 2018, the growths of multi-products fuel transportation volume was declined by 2.8%(y-o-y) due to Bangchak Corporation Pcl. (BCP) underwent its refining unit for annual maintenance for 45 days from April to May, 2018.

| | Q2/2018 | Q2/2017 | Q1/2017 | Growth (y-o-y) | (q-o-q) | 1H/2018 | 1H/2017 | Growth (y-o-y) |
|--|---------|---------|---------|-------------------|---------|---------|---------|-------------------|
| Aviation Refuelling Services Business : | | | | | | | | |
| Aviation Fuel Volume (million litres) | 1,444 | 1,357 | 1,548 | 6.4% | (6.7%) | 2,993 | 2,844 | 5.2% |
| Flights | 75,306 | 69,441 | 75,850 | 8.4% | (0.7%) | 151,156 | 141,959 | 6.5% |
| Fuel Pipeline Transportation Business : | | | | | | | | |
| Multi-products Fuel Volume (million litres) | 1,097 | 1,202 | 1,254 | (8.7%) | (12.5%) | 2,351 | 2,419 | (2.8%) |

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

The company has established two more subsidiaries:

- 1) BAFS INTECH Company Limited, with a registered capital of Bt60.0 million. The Company holds a 90% stake. This company operation were design, manufacture, assembling of refueling vehicles and aircraft service equipment. Currently, the payment of shares, Bt54.0 million, was already paid and
- 2) BPTG Company Limited, with a registered capital of Bt100.0 million. The Company holds a 40% stake. This company operation were operate for petrol stations which located in the front area of Pichit Depot, Lampang Depot, and Kampang Petch Booster Pump Station of Fuel Pipeline Transportation Company Limited (FPT). Currently, 25% of its share registered was paid which was the proportion of the Company of Bt10. million

Total revenue of Q2/2018 of the Group was Bt925.5 million increased by Bt45.3 million or 5.1% compared with Bt880.2 million of Q2/2017. While the services income was of Bt912.1 million increased by Bt48.6 million or 5.6%(y-o-y). The total revenue of the first six months of 2018 totaled to Bt1,903.1 million, increasing by Bt73.3 million or 4.0% compared to the same period of 2017 which of Bt1,829.8 million. While the others income in Q2/2018 and in the first six months of 2018 were of Bt13.4 million and Bt24.9 million which declined by 19.8%(y-o-y) and 29.9% (y-o-y) respectively due to Interest income from short-term investments decreased.

As the growth rate of total revenue was lower than the growth rate of total expenses, then the Net profit attributable to Equity holders of the Company in Q2/2018 and of the first six months of 2018 were of Bt242.3 million and Bt564.9 million which increasing by Bt11.1 million or 4.8%(y-o-y) and of Bt28.1 million or 5.2%(y-o-y), representing Net profit margin of 28.1% and 31.8% respectively. Thus have earnings per share of Bt0.38 and Bt0.89.

Table summarized the operating results of the Group

(unit : Bt million)

| | Q2/2018 | Q2/2017 | Q1/2017 | Growth | | 1H/2018 | 1H/2017 | Growth (y-o-y) |
|---|---------|---------|---------|---------|---------|---------|---------|-------------------|
| | | | | (y-o-y) | (q-o-q) | | | |
| Services income | 912.1 | 863.5 | 966.2 | 5.6% | (5.6%) | 1,878.3 | 1,794.3 | 4.7% |
| Others income | 13.4 | 16.7 | 11.4 | (19.8%) | 17.5% | 24.9 | 35.5 | (29.9%) |
| Total revenues | 925.5 | 880.2 | 977.6 | 5.1% | (5.3%) | 1,903.1 | 1,829.8 | 4.0% |
| Costs of service | 414.7 | 408.9 | 378.2 | 1.4% | 9.7% | 792.9 | 773.3 | 2.5% |
| Gross Profit | 497.4 | 454.6 | 588.0 | 9.4% | (15.4%) | 1,085.4 | 1,021.0 | 6.3% |
| Gross Profit Margin | 54.5% | 52.6% | 60.9% | | | 57.8% | 56.9% | |
| Administrative expenses | 148.4 | 121.5 | 131.2 | 22.1% | 13.1% | 279.6 | 257.3 | 8.7% |
| Total expenses | 563.1 | 530.4 | 509.4 | 6.2% | 10.5% | 1,072.5 | 1,030.6 | 4.1% |
| EBIT | 362.4 | 349.8 | 468.2 | 3.6% | (22.6%) | 830.6 | 799.2 | 3.9% |
| EBIT Margin | 39.2% | 39.7% | 47.9% | | | 43.6% | 43.7% | |
| Depreciation and amortization | 139.6 | 139.3 | 138.7 | 0.2% | 0.6% | 278.4 | 275.3 | 1.1% |
| EBITDA | 502.0 | 489.1 | 606.9 | 2.6% | (17.3%) | 1,109.0 | 1,074.5 | 3.2% |
| EBITDA Margin | 54.2% | 55.6% | 62.1% | | | 58.3% | 58.7% | |
| Finance cost | (34.9) | (38.6) | (34.9) | (9.6%) | 0.0% | (69.8) | (77.7) | (10.2%) |
| Income tax expenses | (67.3) | (63.3) | (87.8) | 6.3% | (23.3%) | (155.1) | (146.5) | 5.9% |
| Profit for the year | 260.2 | 247.9 | 345.5 | 5.0% | (24.7%) | 605.7 | 575.0 | 5.3% |
| Net Profit to Equity holders of the Company | 242.3 | 231.2 | 322.6 | 4.8% | (24.9%) | 564.9 | 536.8 | 5.2% |
| Net Profit Margin | 28.1% | 28.2% | 35.3% | | | 31.8% | 31.4% | |
| Earning per share (Bt) | 0.38 | 0.36 | 0.51 | 4.8% | (24.9%) | 0.89 | 0.84 | 5.2% |

1.1 Revenue

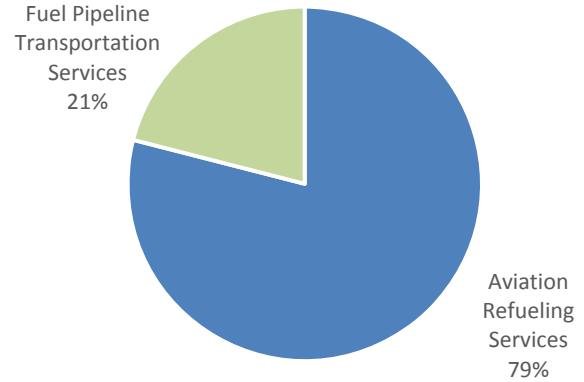
For Q2/2018 and the first six months of 2018, total revenues of the Group were Bt925.5 million and Bt1,903.1 million which have increasing by 5.1%(y-o-y) and 4.0%(y-o-y) and comprised of ;-

1.1.1 Services Income

The services income in Q2/2018 and the first six months of 2018 were Bt912.1 million and Bt1,878.3 million, increasing by 5.6%(y-o-y) and 4.7%(y-o-y) respectively. Thus in line with the services volume of the Group.

For the income proportion separating by business structure consisted of Aviation refueling services at 79% and Fuel pipeline transportation services at 21% respectively.

Services Income structure of 1H/2018



1.1.2 Others Income

Others income in Q2/2018 and the first six months of 2018 were Bt13.4 million and Bt24.9 million which declined by 19.8%(y-o-y) and 29.9%(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 Q2/2018, Cost of services was of Bt414.7million, increased by Bt5.8 million or 1.4%(y-o-y), mainly due to the increasing in the direct labor costs, Airport concession fee for Aviation refueling services business and maintenance expenses. The Gross profit margin of the Group was of 54.5% compared to 52.6% of Q2/2017.

While in the first six months of 2018, Cost of services was of Bt792.9 million, increased by Bt19.6 million or 2.5%(y-o-y), mainly were the increasing in the direct labor costs, Airport concession fee for Aviation refueling services business and maintenance expenses also. The Gross profit margin of the Group was of 57.8% compared to 56.9% of the same period of last year.

1.2.2 Administrative Expenses

In Q2/2018, administrative expenses were of Bt148.4 million, increased by Bt26.9 million or 22.1%(y-o-y). Such the increment were raised from increasing in the personnel expenses, the consulting and legal fee, the real estate taxes and the depreciation and amortization.

The profit from operations before finances cost and taxes (EBIT) in Q2/2018 was of Bt362.4 million, increasing by Bt12.6 million, or 3.6%(y-o-y). Representing operating profit margin before finances expense and

income taxes (EBIT margin) at 39.2% compared to 39.7% of Q2/2017. Resulted the EBITDA was totaled Bt502.0 million, increasing by Bt12.9 million or 2.6%(y-o-y) and EBITDA margin was of 54.2% compared to 55.6% of Q2/2017

While in the first six months of 2018, the profit from operations before finance costs and tax (EBIT) of Bt830.6 million, increasing by Bt31.4 million or 3.9% (y-o-y), representing operating margin before finance costs and taxes (EBIT margin) at 43.6% compared to 43.7% in the same period of last year. And resulted in EBITDA of Bt1,109.0 million, increasing by Bt34.5 million or 3.2% (y-o-y), equivalent to EBITDA margin at 58.3% compared to 58.7% of the same period of last year.

1.2.3 Finances Cost

The financial expenses for Q2/2018 amounted to Bt34.9 million, a decrease of Bt3.7 million or 9.6%(y-o-y). And the financial expenses in the first six months of 2018 was of Bt69.8 million, a decrease of Bt7.9 million or 10.2%(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 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 Q2/2018 was amounted to Bt242.3 million, increasing by Bt11.1 million or 4.8%(y-o-y) from Bt231.3 million of Q2/2017, representing an Bt0.38 earnings per share. And for the first six months of 2018, Net profit attributable to the Equity of the Company was of Bt564.9 million, increasing by Bt28.1 million or 5.2%(y-o-y), representing an Bt0.89 earnings per share. Thus approximately of 83% of the Net profit was derived from Aviation refueling services business and around 17% was derived from Fuel pipeline transportation business.

2. Report and Analysis of Financial Status

2.1 Assets

As of June 30, 2018 the Group had total assets at the amount of Bt14,260.6 million, increasing by Bt1,846.2 million or 14.9% from December 31, 2017. The important details of cash flow were as follows:

- 2.1.1 Cash and cash equivalent of Bt2,018.6 million which cash flow summarized for the period of the first six months of 2018 were below ;-
- The Group's net cash from operation was of Bt1,017.9 million, increasing by Bt109.3 million or 12.0%
 - Cash for investment activities was of Bt2,160.2 million, increasing by Bt549.2 million or 34.1% which Bt695.9 million was of 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 Bt957.2 million, increasing by Bt1,872.5 million or 204.6% During the first six months of 2018, the Group had drawn down long-term loans of Bt1,953.4 million, while repayments of long-term loans amounted to Bt240.7 million and dividend payments to the Company's shareholders amounted to Bt656.6 million
- 2.1.2 Property, leasehold improvement and equipment as of June 30, 2018 was of Bt9,332.0 million, increasing by Bt2,127.9 million or 29.5% from December 31, 2017
- 2.1.3 Project costs under concession agreements was of Bt1,627.6 million which comprise of Into-plane substation project of Bt93.7million, Hydrant equipment of Bt1,038.0 million, Concession of a subsidiary of Bt467.0 million and Right to use leased land related to concession agreement of Bt28.8 million
- 2.2 Liabilities
- As of June 30, 2018, the Group had total liabilities of Bt6,754.9 million, increasing by Bt1,910.2 million or 39.4% from December 31, 2017. The total liabilities to total equity ratio was of 0.90:1 time and the Interest bearing debts to total equity ratio was of 0.65:1 time. The liabilities comprised of major items which are follows;-
- 2.2.1 Account payable and others account payable was of Bt484.8 million
- 2.2.2 Long term loan from banks, which are due within one year, was of Bt349.1 million which were belonged to BAFS at the amount of Bt212.7 million and belonged to TARCO and FPT at the amount of Bt110.0 million and Bt26.4 million respectively
- 2.2.3 Long-term loans from banks were Bt4,507.0 million, increasing by Bt1,861.0 million from December 31, 2017 or 70.3%. These comprise of;-

BAFS

- 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: 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 Bt128.5 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 Bt1,997.3 million

TARCO

- Long term loan from TMB was of Bt131.2 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 Bt9.5 million.

2.2.5 The Employee benefit obligations was of Bt969.6 million according to Labor Protection Laws as TAS no.19 on employee benefits.

2.3 Shareholders' Equity

As at June 30, 2018, total shareholders' equity was of Bt7,505.6 million, decreased from December 31, 2017 by Bt64.1 million or 0.8%.

Please be informed accordingly.

Yours sincerely,

Signed

(Mr. Prakobkiat Ninnad)

Managing Director