



(Translation)

MD. 045/2019

February 27, 2019

Re: Management Discussion and Analysis
For the Year Ended December 31, 2018

To: President
The Stock Exchange of Thailand

Management Discussion and Analysis For the Operating Results ended December 31, 2018

In 2018, the amount of aviation fuel services volume at BKK and DMK totaling up to 6,003 million liters, which have the growth rate of 4.5%(y-o-y) and the total flights increased by 5.5%(y-o-y) to 303,520 flights. While the number of passengers in both airports, BKK and DMK are growing steadily according to the expansion of the Thai tourism industry. As well as from the supporting of the expansion of the aviation industry in the world, which is a large service sector that has continuously increased in value which as a result of the direction for the openness of the free trade policy Economic expansion in the developing countries and the continued growth of low-cost airlines, especially in Asia.

For the total multi-products fuel transportation volume of FPT in 2018 was slightly decreased by 1.0%(y-o-y) to 4,597 million liters due to Bangchak Corporation Pcl. (BCP) underwent its refining unit for annual maintenance for 45 days from April to May, 2018.

	2018	2017	Growth (y-o-y)
<u>Aviation Refuelling Services Business :</u>			
Aviation Fuel Volume (million litres)	6,003	5,747	4.5%
Flights	303,520	287,701	5.5%
<u>Fuel Pipeline Transportation Business :</u>			
Multi-products Fuel Volume (million litres)	4,597	4,643	(1.0%)

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



Total revenue in 2018 of the Group was Bt3,806.6 million increased by Bt166.4 million or 4.6%(y-o-y). While the services income was Bt3,754.3 million increased by Bt173.0 million or 4.8%(y-o-y). As the growth rate of total revenue at 4.6%(y-o-y) was higher than the growth rate of total expenses at 3.7%(y-o-y), the Net profit attributable to Equity holders of the Company in 2018 were of Bt1,050.6 million which increased by Bt80.0 million or 8.2%(y-o-y), representing the Net profit margin of 29.2% and the earnings per share of 2018 were Bt1.65.

Table summarized the operating results of the Group

(unit : Bt million)

	2018	2017	Increase / (Decrease)	Growth (y-o-y)
Services income	3,754.3	3,581.3	173.0	4.8%
Others income	52.3	58.9	(6.6)	(11.2%)
Total revenues	3,806.6	3,640.2	166.4	4.6%
Costs of service	1,658.9	1,606.0	52.9	3.3%
Gross Profit	2,095.4	1,975.3	120.1	6.1%
Gross Profit Margin	55.8%	55.2%		
Administrative expenses	611.8	583.8	28.0	4.8%
Total expenses	2,270.7	2,189.8	80.9	3.7%
EBIT	1,535.9	1,450.4	85.5	5.9%
EBIT Margin	40.3%	39.8%		
Depreciation and amortization	560.6	558.1	2.5	0.4%
EBITDA	2,096.5	2,008.5	88.0	4.4%
EBITDA Margin	55.1%	55.2%		
Finance cost	139.4	160.3	(20.9)	(13.0%)
Income tax expenses	286.3	261.7	24.6	9.4%
Profit for the year	1,110.2	1,028.5	81.7	7.9%
Net Profit to Equity holders of the Company	1,050.6	970.6	80.0	8.2%
Net Profit Margin	29.2%	28.3%		
Earning per share (Bt)	1.65	1.52	0.13	8.2%

1.1 Revenue

In 2018, total revenues of the Group were Bt3,806.6 million which increased by 4.6%(y-o-y) comprised;-

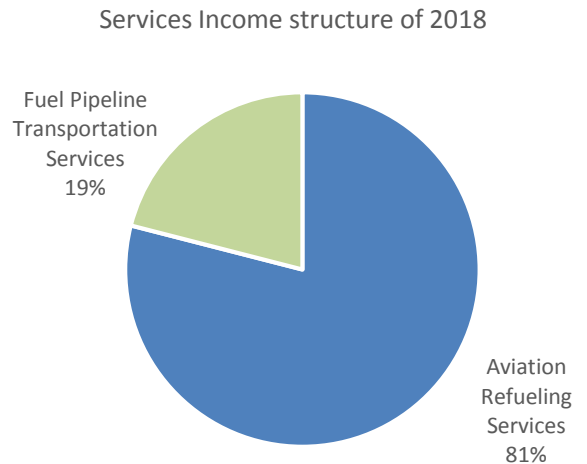
1.1.1 Services Income

The services income in 2018 was Bt3,754.3 million, increasing by 4.8%(y-o-y) in line with the growth of fuel services volume of the Group.

For the income proportion separating by business structure consisted of Aviation refueling services at 81% and Fuel pipeline transportation services at 19% respectively.

1.1.2 Others Income

Others income in 2018 was Bt52.3 million, decreasing by 11.2%(y-o-y) since lower interest income as the investment in short-term Government bonds have 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 2018, Cost of services was of Bt1,658.9 million, increased by Bt52.9 million or 3.3%(y-o-y), mainly due to the increase in the direct labor costs, maintenance cost and the airport concession fee for Aviation refueling services business. The Gross profit margin of the Group was of 55.8% compared to 55.2% of 2017.

1.2.2 Administrative Expenses

In 2018, administrative expenses were of Bt611.8 million, increased by Bt28.0 million or 4.8%(y-o-y), mainly due to the increase in the personnel expenses and the consulting fee.

Total expenses, Cost of services and the administrative expenses, were totaled Bt2,270.7 million, an increase of Bt80.9 million or 3.7%(y-o-y). The profit from operations before finances cost and taxes (EBIT) in 2018 was of Bt1,535.9 million, increasing by Bt85.5 million, or 5.9%(y-o-y). Representing operating profit margin before finances expense and income taxes (EBIT margin) at 40.3% and the EBITDA was totaled to Bt2,096.5 million, increasing by Bt88.0 million or 4.4%(y-o-y) and EBITDA margin was of 55.1%.



1.2.3 Finances Cost

The financial expenses for 2018 amounted to Bt139.4 million, a decrease of Bt20.9 million or 13.0%(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 capitalized in the projects' cost then would be amortized over the lifetime of the projects.

1.3 Operating Results

Net profit attributable to the Equity of the Company in 2018 was amounted to Bt1,050.6 million, increasing by Bt80.0 million or 8.2%(y-o-y), representing Bt1.65 earnings per share with the Net Profit margin of 29.2%. Thus approximately 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 of December 31, 2018 the Group had total assets at the amount of Bt16,290.4 million, increasing by Bt3,876.0 million or 31.2% from December 31, 2017. The important details of cash flow were as follows:

2.1.1 Cash and cash equivalent of Bt1,504.4 million which cash flow summarized for the period of 2018 were below;-

- The Group's net cash from operation was of Bt1,838.5 million, increasing by Bt106.6 million or 6.2%
- Cash for investment activities was of Bt4,217.2 million, increasing by Bt1,027.4 million or 32.2% which Bt4,099.5 million were the investment in the expansion of the NFPT project and the second phase of Hydrant pipeline system expansion project
- Net cash received from financing activities was of Bt2,429.5 million, increasing by Bt3,660.0 million or 296.5%. During in 2018, the Group had drawn down long-term loans for Bt3,971.7 million, while repayments of long-term loans and financial lease payment amounted to Bt507.0 million and dividend payments to the Company's shareholders amounted to Bt833.0 million

2.1.2 Property, leasehold improvement and equipment as of December 31, 2018 was of Bt11,353.9 million, increasing by Bt4,149.7 million or 57.6% from December 31, 2017



2.1.3 Project costs under concession agreements was of Bt1,578.6 million which comprise of Into-plane substation project of Bt88.0 million, Aviation Fuel pipeline equipment of Bt1,009.4 million, Concession of a subsidiary of Bt454.1 million and Right to use leased land related to concession agreement of Bt27.1 million

2.2 Liabilities

As of December 31, 2018, the Group had total liabilities of Bt8,437.4 million, increasing by Bt3,592.7 million or 74.2% from December 31, 2017. The total liabilities to total equity ratio was of 1.07:1 time and the Interest bearing debts to total equity ratio was of 0.85:1 time. The liabilities comprised of major items which follow;-

2.2.1 Account payable and others account payable was of Bt406.2million

2.2.2 Long term loan from banks, which are due within one year, was of Bt326.2 million which were belonged to BAFS at the amount of Bt185.7 million and belonged to TARCO and FPT at the amount of Bt110.0 million and Bt30.5 million respectively

2.2.3 Long-term loans from banks were Bt6,292.3 million, increasing by Bt3,646.3 million from December 31, 2017 or 137.8%. These comprise of;-

BAFS

- Long-term loans from TMB was of Bt2,089.3 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 Bt115.3 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 Bt3,820.8 million
- Long-term loans from BBL was of Bt12.9 million for use in Energy conservation projects. The loan will be due in March 2023 which was monthly principal repayment at Bt0.34 million at a fixed percentage per annum



TARCO

- Long term loan from TMB was of Bt184.0 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 was of Bt7.5 million.

2.2.5 The Employee benefit obligations was of Bt983.0 million according to Labor Protection Laws as TAS no.19 on employee benefits.

2.3 Shareholders' Equity

As at December 31, 2018, total shareholders' equity was of Bt7,853.0 million, increased from December 31, 2017 by Bt283.3 million or 3.7% which Bt6,476.9 million was Equity attributable to owners of the Company, increased by Bt247.4 million or 4.0%.

Please be informed accordingly.

Yours sincerely,

Signed

(Mr. Prakobkiat Ninnad)

Managing Director