



(Translation)

MD. 083/2019

May 8, 2019

Re: Management Discussion and Analysis
For the Operating Results ended March 31, 2019

To: President
The Stock Exchange of Thailand

Management Discussion and Analysis For the Operating Results ended March 31, 2019

In Q1/2019, the amount of aviation fuel services volume at BKK and DMK totaling up to 1,613 million liters, which have the growth rate of 4.2%(y-o-y) and the total flights increased by 4.9%(y-o-y) to 79,535 flights. While the number of passengers in both airports, BKK and DMK are growing by 3.3%(y-o-y) to 28.4 million. For the total multi-products fuel transportation volume of FPT was decreased by 8.2%(y-o-y) to 1,151 million liters due to the refinery has maintenance shutdown and as a result of some customers being in the process of improving the transportation system to increase their efficiency.

	Q1/2019	Q1/2018	Growth (y-o-y)
<u>Aviation Refuelling Services Business :</u>			
Aviation Fuel Volume (million litres)	1,613	1,548	4.2%
Flights	79,535	75,850	4.9%
<u>Fuel Pipeline Transportation Business :</u>			
Multi-products Fuel Volume (million litres)	1,151	1,254	(8.2%)

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

Total revenue in Q1/2019 of the Group was Bt1,031.3 million increased by Bt53.7 million or 5.5%(y-o-y). While the services income was Bt999.5 million increased by Bt33.3 million or 3.4%(y-o-y). As the growth rate of total revenue at 5.5%(y-o-y) was higher than the growth rate of total expenses at 5.2%(y-o-y), the Net profit attributable to Equity holders of the Company in Q1/2019 were of Bt347.9 million which increased by Bt25.3 million or 7.8%(y-o-y), representing the Net profit margin of 35.7% and the earnings per share of Bt0.55.



Table summarized the operating results of the Group

(unit : Bt million)

	Q1/2019	Q1/2018	Increase / (Decrease)	Growth (y-o-y)
Services income	999.5	966.2	33.3	3.4%
Others income	31.8	11.4	20.4	178.9%
Total revenues	1,031.3	977.6	53.7	5.5%
Costs of service	387.7	378.2	9.5	2.5%
Gross Profit	611.8	588.0	23.8	4.0%
Gross Profit Margin	61.2%	60.9%		
Administrative expenses	148.3	131.2	17.1	13.0%
Total expenses	536.0	509.4	26.6	5.2%
EBIT	495.3	468.2	27.1	5.8%
EBIT Margin	48.0%	47.9%		
Depreciation and amortization	139.0	138.7	0.3	0.2%
EBITDA	634.1	606.9	27.2	4.5%
EBITDA Margin	61.5%	62.1%		
Finance cost	32.3	34.9	(2.6)	(7.4%)
Income tax expenses	94.5	87.8	6.7	7.6%
Profit for the year	368.4	345.5	22.9	6.6%
Net Profit to Equity holders of the Compar	347.9	322.6	25.3	7.8%
Net Profit Margin	35.7%	35.3%		
Earning per share (Bt)	0.55	0.51	0.04	7.8%

1.1 Revenue

In Q1/2019, total revenues of the Group were Bt1,031.3 million which increased by 5.5%(y-o-y) comprised;-

1.1.1 Services Income

The services income was Bt999.5 million, increasing by 3.4%(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 82% and Fuel pipeline transportation services at 18% respectively.

1.1.2 Others Income

Others income in Q1/2019 was Bt31.8 million, increasing by 178.9%(y-o-y) since the revenue from fines from delivery of work is delayed in the operation of the contractor, the profit from the sale of residual value of assets and the revenue from fuel tank rental services.

1.2 Expenses

1.2.1 Cost of services

In Q1/2019, Cost of services was of Bt387.7 million, increased by Bt9.5 million or 2.5%(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 61.2 % compared to 60.9% of Q1/2018.

1.2.2 Administrative Expenses

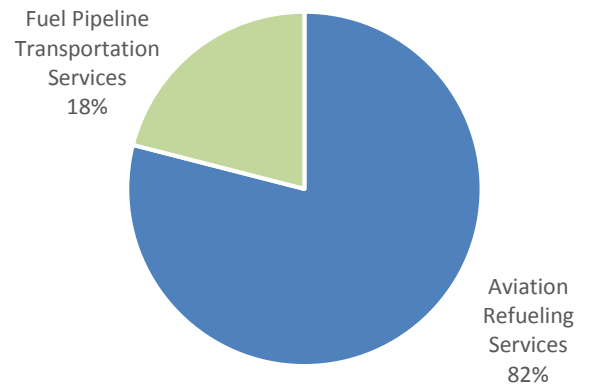
In Q1/2019, administrative expenses were of Bt148.3 million, increased by Bt17.1 million or 13.0%(y-o-y), mainly due to the real estate tax paid earlier than last year and the increasing in consulting fees.

Total expenses, Cost of services and the administrative expenses, were totaled Bt536.0 million, an increase of Bt26.6 million or 5.2%(y-o-y). The profit from operations before finances cost and taxes (EBIT) was of Bt495.3 million, increasing by Bt27.1 million, or 5.8%(y-o-y). Representing operating profit margin before finances expense and income taxes (EBIT margin) at 48.0% and the EBITDA was totaled to Bt634.3 million, increasing by Bt27.4 million or 4.5% (y-o-y) and EBITDA margin was of 61.5%.

1.2.3 Finances Cost

The financial expenses for Q1/2019 amounted to Bt32.3 million, a decrease of Bt2.6 million or 7.4%(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

Services Income structure of Q1/2019





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 Q1/2019 was amounted to Bt347.9 million, increasing by Bt25.3 million or 7.8%(y-o-y), representing Bt0.55 earnings per share with the Net Profit margin of 35.7%. Thus approximately 87% of the Net profit was derived from Aviation refueling services business and around 13% was derived from Fuel pipeline transportation business.

According to the Labor Protection Act (No. 7), BE 2562, additional compensation rates have been imposed in the event that employers terminate employment for employees who have worked for 20 years or more to be entitled to compensation not less than the final rate 400 days. This law is effective from May 5, 2019 onwards. Such change is considered a revision of the project for the post-retirement benefit program. And has the effect that the Group has a provision for long-term employee benefits of Bt79 million which will record the effect of such change by recognizing the past service costs as expenses immediately in the income statement of the period the law came into force in the Q2/2019.

2. Report and Analysis of Financial Status

2.1 Assets

As of March 31, 2018 the Group had total assets at the amount of Bt16,967.9 million, increasing by Bt677.6 million or 4.2% from December 31, 2018. The important details of cash flow were as follows:

2.1.1 Cash and cash equivalent of Bt1,781.3 million which cash flow summarized for the period of Q1/2019 were below;-

- The Group's net cash from operation was of Bt550.8 million, increasing by Bt31.1 million or 6.0%
- Cash for investment activities was of Bt704.2 million, decreasing by Bt351.0 million or 33.3% which Bt638.8 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 Bt430.2 million, decreasing by Bt385.2 million or 47.2%. During in Q1/2019, the Group had drawn down long-term loans for Bt558.7 million, while repayments of long-term loans and financial lease payment amounted to Bt62.5million.



2.1.2 Property, leasehold improvement and equipment as of March 31, 2019 was of Bt11,759.2 million, increasing by Bt405.3 million or 3.5% from December 31, 2018

2.1.3 Project costs under concession agreements was of Bt1,554.6 million which comprise of Into-plane substation project, Aviation Fuel pipeline equipment, Concession of a subsidiary and Right to use leased land related to concession agreement.

2.2 Liabilities

As of March 31, 2019, the Group had total liabilities of Bt8,766.7 million, increasing by Bt329.3 million or 3.9% from December 31, 2018. The total liabilities to total equity ratio was of 1.07:1 time and the Interest bearing debts to total equity ratio was of 0.87:1 time. The liabilities comprised of major items which follow;-

2.2.1 Account payable and others account payable was of Bt232.2 million

2.2.2 Long term loan from banks, which are due within one year, was of Bt381.5 million which were belonged to BAFS at the amount of Bt241.1 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 Bt6,735.6 million, increasing by Bt443.3 million from December 31, 2018 or 7.0%. These comprise of;-

BAFS

- Long-term loans from TMB was of Bt2,008.9 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 Bt108.7 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 Bt4,343.3 million



- Long-term loans from BBL was of Bt12.2 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 Bt192.5 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 Bt6.6 million.

2.2.5 The Employee benefit obligations was of Bt1,002.7 million according to Labor Protection Laws as TAS no.19 on employee benefits.

2.3 Shareholders' Equity

As at March 31, 2019, total shareholders' equity was of Bt8,201.2 million, increased from December 31, 2018 by Bt348.2 million or 4.4% which Bt6,824.9 million was Equity attributable to owners of the Company, increased by Bt347.9 million or 5.4%.

Please be informed accordingly.

Yours sincerely,

Signed

(Mr. Prakobkiat Ninnad)

President