



(Translation)

MD. 134/2019

August 7, 2019

Re: Management Discussion and Analysis
For the Operating Results ended June 30, 2019

To: President
The Stock Exchange of Thailand

Management Discussion and Analysis For the Operating Results ended June 30, 2019

In Q2/2019, the amount of aviation fuel services volume at BKK and DMK totaling up to 1,451 million liters, which have the growth rate of 0.5%(y-o-y) while the total flights decreased by 0.9%(y-o-y) to 74,601 flights. For the first six months of 2019, the growths of aviation fuel services volume and total flights of thus two main airports were 2.4% (y-o-y) and 2.0%(y-o-y) respectively with consequences to the growth of tourism industry of Thailand. During the passengers who travel through BKK and DMK were 53.5 million passengers, increasing by 1.5%(y-o-y) from 52.7 million passengers in 1H/2018.

For the total multi-products fuel transportation volume of FPT was increased by 10.5%(y-o-y) to 1,212 million liters due to the Northern Pipeline Transportation Project (Phase 1) started operations during the Q2/2019. And for the first six months of 2019, the growths of multi-products fuel transportation volume was increased by 0.5%(y-o-y).

	Q2/2019	Q2/2018	Q1/2019	Growth		1H/2019	1H/2018	Growth
				(y-o-y)	(q-o-q)			(y-o-y)
Aviation Refuelling Services Business :								
Aviation Fuel Volume (million litres)	1,451	1,444	1,613	0.5%	-10.0%	3,064	2,993	2.4%
Flights	74,601	75,306	79,535	(0.9%)	-6.2%	154,136	151,156	2.0%
Fuel Pipeline Transportation Business :								
Multi-products Fuel Volume (million litres)	1,212	1,097	1,151	10.5%	5.3%	2,363	2,351	0.5%

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



Total revenue of Q2/2019 of the Group was Bt949.0 million increased by Bt23.5 million or 2.5%(y-o-y) and the services income was of Bt930.3 million increased by Bt18.2 million or 2.0%(y-o-y). The total revenue of the first six months of 2019 totaled to Bt1,980.2 million, increasing by Bt77.1 million or 4.1% compared to the same period of 2018 which of Bt1,903.1 million and the services income was of Bt1,929.8 million increased by Bt51.5 million or 2.7%(y-o-y). While the others income in Q2/2019 and in the first six months of 2019 were of Bt18.7 million and Bt50.5 million which increased by 39.6%(y-o-y) and 102.8% (y-o-y) respectively.

Due to the growth rate of total revenue in Q2/2019 was of 2.5%(y-o-y) lower than the growth rate of total expenses at 20.3%(y-o-y), then the Net profit attributable to Equity holders of the Company in Q2/2019 and of the first six months of 2019 were of Bt176.1 million and Bt524.0 million which decreasing by Bt66.2 million or -27.3%(y-o-y) and of Bt40.9 million or -7.2%(y-o-y), representing Net profit margin of 19.2% and 27.8% respectively. Thus have earnings per share of Bt0.28 and Bt0.82.

In Q2/2019 and the first six months of 2019, the Group has been affected by 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 Bt80 million which will record the effect of such change by recognizing the past service costs as expenses in the income statement. However, if excluding such effects the Net profit in the Q2/2019 and the first six months of 2019 will increase by Bt1.7 million and Bt24.7 million or 0.7%(y-o-y) and 4.1%(y-o-y) with a net profit margin of 27.6% and 31.8%, respectively.



Table summarized the operating results of the Group

(unit : Bt million)

	Q2/2019	Q2/2018	Q1/2019	Growth		1H/2019	1H/2018	Growth (y-o-y)
				(y-o-y)	(q-o-q)			
Services income	930.3	912.1	999.5	2.0%	(6.9%)	1,929.8	1,878.3	2.7%
Others income	18.7	13.4	31.8	39.6%	(41.2%)	50.5	24.9	102.8%
Total revenues	949.0	925.5	1,031.3	2.5%	(8.0%)	1,980.2	1,903.1	4.1%
Costs of service	486.2	414.7	387.7	17.2%	25.4%	873.9	792.9	10.2%
Gross Profit	444.1	497.4	611.8	(10.7%)	(27.4%)	1,055.9	1,085.4	(2.7%)
Gross Profit Margin	47.7%	54.5%	61.2%			54.7%	57.8%	
Administrative expenses	191.0	148.4	148.3	28.7%	28.8%	339.3	279.6	21.4%
Total expenses	677.2	563.1	536.0	20.3%	26.3%	1,213.2	1,072.5	13.1%
EBIT	271.8	362.4	495.3	(25.0%)	(45.1%)	766.9	830.6	(7.7%)
EBIT Margin	28.6%	39.2%	48.0%			38.7%	43.6%	
Depreciation and amortization	151.0	139.6	139.0	8.2%	8.6%	290.0	278.4	4.2%
EBITDA	422.7	502.0	634.3	(15.8%)	(33.4%)	1,056.9	1,109.0	(4.7%)
EBITDA Margin	44.5%	54.2%	61.5%			53.4%	58.3%	
Finance cost	(41.5)	(34.9)	(32.3)	18.9%	28.5%	(73.8)	(69.8)	5.7%
Income tax expenses	(48.3)	(67.3)	(94.5)	(28.2%)	(48.9%)	(142.8)	(155.1)	(7.9%)
Profit for the year	181.9	260.2	368.5	(30.1%)	(50.6%)	550.3	605.7	(9.1%)
Net Profit to Equity holders of the Company	176.1	242.3	347.9	(27.3%)	(49.4%)	524.0	564.9	(7.2%)
Net Profit Margin	19.2%	28.1%	35.7%			27.8%	31.8%	
Earning per share (Bt)	0.28	0.38	0.55	(27.3%)	(49.4%)	0.82	0.89	(7.2%)

1.1 Revenue

For Q2/2019 and the first six months of 2019, total revenues of the Group were Bt949.0 million and Bt1,980.2 million which have increasing by 2.5%(y-o-y) and 4.1%(y-o-y) and comprised of :-

1.1.1 Services Income

The services income in Q2/2019 and the first six months of 2019 were Bt930.3 million and Bt1,929.8 million, increasing by 2.0%(y-o-y) and 2.7%(y-o-y) respectively.



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 Q2/2019 and the first six months of 2019 were Bt18.7 million and Bt50.5 million which increased by 39.6%(y-o-y) and 102.8%(y-o-y) respectively. Due to the revenue from fines from delivery of work is delayed in the operation of the contractor and the revenue from fuel tank rental services.

1.2 Expenses

1.2.1 Cost of services

In Q2/2019, Cost of services was of Bt486.2 million, increased by Bt71.5 million or 17.2%(y-o-y), mainly due to the increasing in the direct labor costs from the affected by the Labor Protection Act, the depreciation from the FPT's multi-products fuel pipeline expansion project to the northern of Thailand (phase 1 or NFPT-phase1) which is recognized in this quarter. The Gross profit margin of the Group was of 47.7% compared to 54.5% of Q2/2018.

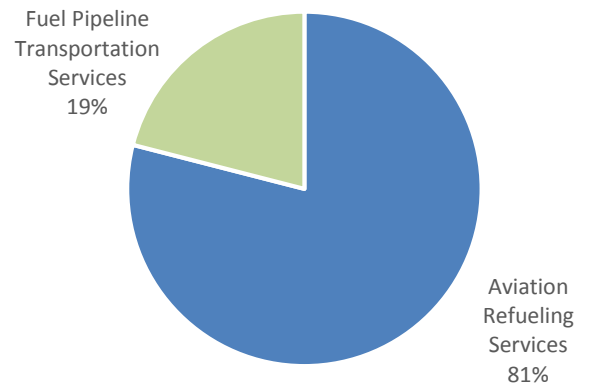
While in the first six months of the year 2019, the Group had a Cost of services of Bt873.9 million, an increase of Bt81.0 million or 10.2%(y-o-y). Which is the increase in expenses as well as the increase in service costs in the Q2/2019, resulting in the gross profit margin of 54.7% compared with 57.8% of the same period of last year.

1.2.2 Administrative Expenses

In Q2/2019, the Group had administrative expenses of Bt191.0 million, an increase of Bt42.6 million or 28.7%(y-o-y). In the first six months of 2019, the Group had administrative expenses of Bt339.3 million, increasing by 59.7 million or 21.4%(y-o-y), due to the increase in personnel expenses which was mainly affected by the Labor Protection Act and consulting fees.

As a result, in the Q2/2019, the Group had expenses for cost of services and administrative expenses totaling Bt677.2 million, an increase of Bt114.1 million or 20.3%(y-o-y) and operating profit before financial costs, EBIT

Services Income structure of 1H/2019





amounted to Bt271.8 million, a decrease of Bt90.6 million or 25.0%(y-o-), representing operating profit margin, EBIT Margin at 28.6% and EBITDA of Bt422.7 million which decreased by Bt79.3 million or 15.8%(y-o-y), representing an EBITDA Margin of 44.5%.

In the first six months of 2019, the Group had operating profit before finance costs and taxes (EBIT) of Bt766.9 million, a decrease of Bt63.7 million or 7.7%(y-o-y), which is the EBIT Margin at 38.7% compared to 43.6% in the same period of last year. The EBITDA was Bt1,056.9 million, a decrease of Bt52.1 million or 4.7%(y-o-y), representing EBITDA Margin at 53.4% compared to the same period of last year at 58.3%.

1.2.3 Finances Cost

The financial expenses for Q2/2019 and the first six months of the year 2019 amounted to Bt41.5 million and Bt73.8 million, an increase of Bt6.6 million and Bt4.0 million or 18.9%(y-o-y) and 5.7%(y-o-y) respectively. Due to the Group started recognizing interest expenses on loans from the NFPT-Phase 1, Bang Pa-in – Phichit that started to open in this quarter. 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-Phase2, Kamphaeng Phet - Lampang 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 Q2/2019 amounted to Bt176.1 million, a decrease of Bt66.2 million or 27.3%(y-o-y) and equivalent to earnings per share of Bt0.28. And in the first six months of the year 2019, the Group had net profit attributable to shareholders of the Company of Bt524.0 million, a decrease of Bt40.9 million or 7.2%(y-o-y) and accounted for earnings per share of Bt0.82. The net profit margin was of 19.2% and 27.8% respectively. Thus approximately 90% of the Net profit was derived from Aviation refueling services business and around 10% was derived from Fuel pipeline transportation business.

However, if excluding the impact from the affected of the Labor Protection Act, net profit in the Q2/2019 and the first six months of 2019 of the Group will increase from the same period of last year in the amount of Bt1.7 million and Bt24.7 million or has a growth rate of 0.7%(y-o-y) and 4.1%(y-o-y), with have the net profit margin of 27.6% and 31.8% respectively.



2. Report and Analysis of Financial Status

2.1 Assets

As of June 30, 2019 the Group had total assets at the amount of Bt16,789.5 million, increasing by Bt499.1 million or 3.1% from December 31, 2018. The important details of cash flow were as follows:

2.1.1 Cash and cash equivalent of Bt1,315.9 million which cash flow summarized for the period of six months of 2019 were below;-

- The Group's net cash from operation was of Bt620.2 million, decreasing by Bt102.1 million or 14.1%
- Cash for investment activities was of Bt814.1 million, decreasing by Bt1,050.5 million or 56.3% which Bt753.4 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 Bt5.4 million, decreasing by Bt951.9 million or 99.4%. Due to the Group had drawn down long-term loans for Bt994.7 million, while repayments of long-term loans and financial lease payment amounted to Bt100.3 million and dividend payment to shareholders of Bt746.9 million

2.1.2 Property, leasehold improvement and equipment as of June 30, 2019 was of Bt12,106.3 million, increasing by Bt752.4 million or 6.6% from December 31, 2018

2.1.3 Project costs under concession agreements was of Bt1,530.4 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 June 30, 2019, the Group had total liabilities of Bt9,133.1 million, increasing by Bt695.7 million or 8.2% from December 31, 2018. The total liabilities to total equity ratio was of 1.19:1 time and the Interest bearing debts to total equity ratio was of 0.99:1 time. The liabilities comprised of major items which follow;-

2.2.1 Account payable and others account payable was of Bt179.4 million

2.2.2 Long term loan from banks, which are due within one year, was of Bt461.9 million which were belonged to BAFS at the amount of Bt321.4 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 Bt7,056.1 million, increasing by Bt763.8 million from December 31, 2018 or 12.1%. These comprise of:-

BAFS

- Long-term loans from TMB was of Bt1,928.6 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 Bt102.1 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 Bt4,779.3 million
- Long-term loans from BBL was of Bt11.1 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 Bt165.0 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 Bt5.7 million.



2.2.5 The Employee benefit obligations was of Bt1,102.0 million according to Labor Protection Laws as TAS no.19 on employee benefits.

2.3 Shareholders' Equity

As at June 30, 2019, total shareholders' equity was of Bt7,656.4 million, decreased from December 31, 2018 by Bt196.6 million or 2.5% which Bt6,274.2 million was Equity attributable to owners of the Company, decreased by Bt202.7 million or 3.1%.

Please be informed accordingly.

Yours sincerely,

Signed

(Mr. Prakobkiat Ninnad)

President

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