



(Translation)

MD. 036/2020

February 26, 2020

Re: Management Discussion and Analysis
For the Year Ended December 31, 2019

To: President
The Stock Exchange of Thailand

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

In 2019, the amount of aviation fuel services volume at BKK and DMK totaling up to 6,139 million liters, which have the growth rate of 2.3%(y-o-y) while the total flights increased by 1.2%(y-o-y) to 307,184 flights. While the passengers who traveling through BKK and DMK have a total of 106.7million, increasing by 2.5% (y-o-y). The passenger growth rate decelerated in accordance with the global economic growth which was affected by the trade war between the United States and China, together with the appreciation of the Thai Baht as one of the factors sending the impact on tourism decisions in Thailand. For the total multi-products fuel transportation volume of FPT was decreased by 0.6%(y-o-y) to 4,569 million liters.

	2019	2018	Growth (y-o-y)
<u>Aviation Refuelling Services Business :</u>			
Aviation Fuel Volume (million litres)	6,139	6,003	2.3%
Flights	307,184	303,520	1.2%
<u>Fuel Pipeline Transportation Business :</u>			
Multi-products Fuel Volume (million litres)	4,569	4,597	(0.6%)

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

Total revenue of 2019 of the Group was Bt3,956.1 million increased by Bt149.5 million or 3.9%(y-o-y) and the services income was of Bt3,872.4 million increased by Bt118.1 million or 3.1%(y-o-y) which according to the growth of the total fuel volume that the Group provides services.

However, from the start of operation of the Northern Fuel Pipeline Project Phase I (Bang Pa-in-Phichit) of FPT during the second quarter of 2019, resulting in the Group recognizing operating costs of depreciation and interest expenses of the project that started to be recorded in the income statement and the effect of recording



additional compensation rates for employees who have worked consecutively for over 20 years shall be entitled to compensation not less than the last 400 days' wage rate under the Labor Protection Act (No. 7) BE 2562. The total expenses of the Group increased by 11.4%(y-o-y), which is higher than the total revenue increased by 3.9% (y-o-y), resulting in the net profit attributable to Equity holders of the company in the year 2019 amounted to Bt939.9 million decreased by Bt110.7 million or 10.5%(y-o-y), with a net profit margin of 24.5%, a decrease compared to last year at 29.2% and representing earnings per share of Bt1.47.

Table summarized the operating results of the Group

(unit : Bt million)

	2019	2018	Inc / (Dec)	Growth (y-o-y)
Services income	3,872.4	3,754.3	118.1	3.1%
Others income	83.7	52.3	31.4	60.0%
Total revenues	3,956.1	3,806.6	149.5	3.9%
Costs of service	1,829.2	1,658.9	170.3	10.3%
Gross Profit	2,043.2	2,095.4	(52.2)	(2.5%)
Gross Profit Margin	52.8%	55.8%		
Administrative expenses	701.4	611.8	89.6	14.6%
Total expenses	2,530.6	2,270.7	259.9	11.4%
Share of loss from investment in associate	(1.0)	(0.0)	1.0	56991%
EBIT	1,424.5	1,535.9	(111.4)	(7.3%)
EBIT Margin	36.0%	40.3%		
Depreciation and amortization	644.7	560.6	84.1	15.0%
EBITDA	2,069.2	2,096.5	(27.3)	(1.3%)
EBITDA Margin	52.3%	55.1%		
Finance cost	(196.3)	(139.4)	56.9	40.8%
Income tax expenses	(260.8)	(286.3)	(25.5)	(8.9%)
Profit for the period	967.4	1,110.2	(142.8)	(12.9%)
Net Profit to Equity holders of the Company	939.9	1,050.6	(110.7)	(10.5%)
Net Profit Margin	24.5%	29.2%		
Earning per share (Bt)	1.47	1.65	(0.2)	(10.5%)



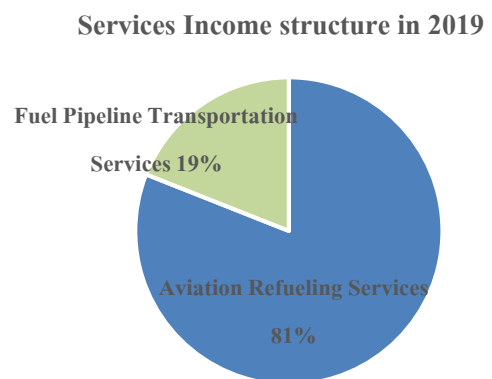
1.1 Revenue

In 2019, total revenues of the Group were Bt3,956.1 million increasing by Bt149.5 million or 3.9% (y-o-y) which comprised of ;-

1.1.1 Services Income

The services income was of Bt3,872..4 million increasing by Bt118.1 million or 3.1%(y-o-y).

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 was of Bt83.7 million increased by Bt31.4 million or 60.0%(y-o-y) respectively. Due to the revenue from 1) contaminated fuel sales 2) fines from work delayed by the contractors 3) sales of unused aviation refueling vehicles and 4) fuel tank rental services.

1.2 Expenses

1.2.1 Cost of services

In 2019, Cost of services was of Bt1,829.2 million, increased by Bt170.3 million or 10.3%(y-o-y), mainly due to 1) the increasing in the direct labor costs 2) the depreciation from the FPT's multi-products fuel pipeline expansion project to the northern of Thailand (phase 1 or NFPT-phase1) and 3) the affected by the Labor Protection Act. The Gross profit margin of the Group was of 52.8% compared to 55.8% of 2018.

1.2.2 Administrative Expenses

In 2019, the Group had administrative expenses of Bt701.4 million, increasing by Bt89.6 million or 14.6%(y-o-y) due to 1) the affected by the Labor Protection Act 2) the increase in personnel expenses and 3) the increase in consulting fees.



As a result, in 2019, the Group had expenses for cost of services and administrative expenses totaling Bt2,530.6 million, an increase of Bt259.9 million or 11.4%(y-o-y) and operating profit before financial costs, EBIT amounted to Bt1,424.5 million, a decrease of Bt114.4 million or 7.3%(y-o-y), representing operating profit margin, EBIT Margin at 36.0% and EBITDA of Bt2,069.2 million which decreased by Bt27.3 million or 1.3%(y-o-y), representing an EBITDA Margin of 52.3%.

1.2.3 Finances Cost

The financial expenses for 2019 was amounted to Bt196.3 million, an increase of Bt56.9 million or 40.8%(y-o-y). Due to the Group started recognizing interest expenses on loans from the NFPT-Phase 1, Bang Pa-in – Phichit. 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 2019 was amounted to Bt939.9 million, a decrease of Bt110.7 million or 10.5%(y-o-y) and equivalent to earnings per share of Bt1.47. The net profit margin was of 24.5%. Thus approximately 97% of the Net profit was derived from Aviation refueling services business and around 3% was derived from Fuel pipeline transportation business.

2. Report and Analysis of Financial Status

2.1 Assets

As of December 31, 2019 the Group had total assets at the amount of Bt17,345.8 million, increasing by Bt1,055.5 million or 6.5% from December 31, 2018. The important details of cash flow were as follows:

2.1.1 Cash and cash equivalent of Bt1,426.5 million which cash flow summarized for the period of the year were below;-

- The Group's net cash from operation was of Bt1,488.1 million, decreasing by Bt350.4 million or 19.1%
- Net cash for investment activities was of Bt1,405.8 million, decreasing by Bt2,811.4 million or 66.7% which Bt1,391.4 million were the investment in the expansion of the NFPT project and the second phase of Hydrant pipeline system expansion project



- Net cash used for financing activities was of Bt160.3 million, decreased by Bt2,589.8 million or 106.6%. Due to the Group had drawn down long-term loans for Bt1,414.4 million, while repayments of long-term loans and financial lease payment amounted to Bt336.7 million and dividend payment to its shareholders of Bt934.1 million

2.1.2 Property, leasehold improvement and equipment as of December 31, 2019 was of Bt12,697.0 million, increasing by Bt1,343.1 million or 11.8% from December 31, 2018

2.1.3 Project costs under concession agreements was of Bt1,481.5 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 December 31, 2019, the Group had total liabilities of Bt9,482.0 million, increasing by Bt1,044.6 million or 12.4% from December 31, 2018. The total liabilities to total equity ratio was of 1.21:1 time and the Interest bearing debts to total equity ratio was of 0.98:1 time. The liabilities comprised of major items which follow;-

2.2.1 Account payable and others account payable was of Bt295.9 million

2.2.2 Long term loan from banks, which are due within one year, was of Bt526.3 million which were belonged to BAFS at the amount of Bt321.4 million, TARCO at the amount of Bt110 million, FPT at the amount of Bt90.5 million and BAFS-Intech at the amount of Bt4.4 million respectively

2.2.3 Long-term loans from banks were Bt7,180.4 million, increasing by Bt888.1 million from December 31, 2018 or 14.1%. These comprise of;-

BAFS

- Long-term loans was of Bt1,767.8 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 was of Bt88.9 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 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 which is equivalent to loans net of the current portion in one year of Bt5,139.0 million
- Long-term loans was of Bt9.1 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 was of Bt110.0 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 was of Bt65.6 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 Bt3.8 million.

2.2.5 The Employee benefit obligations was of Bt1,134.9 million according to Labor Protection Laws as TAS no.19 on employee benefits.

2.3 Shareholders' Equity

As at December 31, 2019, total shareholders' equity was of Bt7,863.8 million, increased from December 31, 2018 by Bt10.8 million or 0.1% which Bt6,517.6 million was Equity attributable to owners of the Company, increased by Bt40.7 million or 0.6%.

Please be informed accordingly.

Yours sincerely,

Signed

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President

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