

FZ.104/2008

September 11, 2008

Re: Management Discussion and Analysis  
For the Three Month Period Operating Results ended September 30, 2008

To: President  
The Stock Exchange of Thailand

## **Management Discussion and Analysis**

### **For the Three Month Period Operating Results ended September 30, 2008**

#### **1. Report and Analysis of the Operating Results**

For the three months period ended September 30, 2008, Bangkok Aviation Fuel Services Plc. or BAFS and its subsidiaries' net profit was Baht 129.5 million as compared to net income of Baht 150.0 million earned during the same period in 2007 which is decreasing by 13.7%. The details of changes are as follows:

##### **1.1 Revenue**

In Q3/2008, total revenues of BAFS and its subsidiaries amounted to Baht 512.7 million, and decrease of Baht 32.9 million or 6.0% when compared with that for the last year which details are follows.

##### **1.1.1 Services Income**

Services income of BAFS and its subsidiaries amounted to Baht 499.7 million, an decrease of 6.4% when compared with that for the last year. Which the major factor influent the decreasing in services income of company's group was decreased in volume of fuel serviced by 8.1% (y-o-y) to 1,042 million litres when compared with that for the last year at 1,134 million litres. As a result of economics slow down which affect to aviation business and rental charges for receiving pipeline system. Moreover, in Q3/2008, TARCO, JP-One and IPS had services income at Baht 139.4 million, Baht 20.4 million and Baht 1.1 million respectively.

##### **1.1.2 Rental Income**

The rental income of the consolidated financial statement of company's group was Baht 4.7 million for the Q3/2008, decreasing by Baht 2.7 million or 37.0% compared to that of the last year.

##### **1.1.3 Other Income**

Other income of the consolidated financial statement of company's group was Baht 8.3 million, increasing by Baht 3.9 million or 90.9% compared to that of the last year. Which the major factor

influent this increasing was diminishing in FX loss by Baht 1.9 million to 1.9 million from baht appreciation from 34.2143 baht/us\$ in September 29, 2007 to 33.8828 baht/us\$ in September 30, 2008 which the detail was follows a note of no.18 in financial statement.

Other income also comprised of principal repayment as specified in the repayment schedule of debt restructuring and principal prepayment received from FPT of Baht 4.3 million, interest income from short term investment of Baht 5.0 million, guarantee fee from TARCO and JP-One at rate of 1% of outstanding loan of Baht 2.8 million. Moreover for this quarter, BAFS received dividend income from TARCO's operation at the amount of Baht 68.3 million.

## **1.2 Expenses**

### **1.2.1 Cost of Services**

For the consolidated financial statement of company's group in Q3/2008, cost of services was Baht 221.4 million, increasing by Baht 7.2 million or 3.4% compared to that of the last year. Major items which increased cost of services are 1) increasing in salaries and other employee's expense of Baht 9.3 million 2) increasing in depreciation and amortization of Baht 3.7 million 3) increasing in maintenance expense of Baht 1.5 million respectively. However, in this quarter Airport Concession Fee, rental charge for pipeline system and insurance premium was decreasing by Baht 4.1 million, Baht 2.4 million and Baht 1.6 million respectively.

### **1.2.2 Administrative Expenses**

Administrative expenses for the consolidated financial statement of company's group in Q3/2008, was Baht 65.9 million, increasing by Baht 1.5 million or 2.4% compared to that of the last year. Which are comprised of 1) increasing in salaries and other employee's expense of Baht 4.9 million and 2) increasing in depreciation and amortization of Baht 3.2 million

### **1.2.3 Interest Expenses**

The interest expenses for the consolidated financial statement of company's group in Q3/2008 was Baht 41.1 million which decreasing by Baht 1.1 million or 2.6% when compared to that of the last year. Mainly comprised of interest payment for long term loan of BAFS at amounted of Baht 26.8 million and interest payment for financial lease amounted to Baht 0.4 million. Besides that the interest expenses of long term loan and interest payment for financial lease of TARCO and JP-One are Baht 12.2 million and Baht 1.7 million respectively.

### **1.3 Operating Results**

Net profit for Q3/2008 of BAFS and its subsidiaries was Baht 129.5 million decreasing by Baht 20.5 million or 13.7% from last year of Baht 150.0 million which is equivalent an earning per share of Baht 0.25, as a result of various factors as discussed above.

## **2. Report and Analysis of Financial Status**

### **2.1 Assets**

As at September 30, 2008 the Company's group had total assets in the amount of Baht 7,115.6 million, decreased by Baht 177.9 million or 2.4% from June 30, 2008. The important details are as follows:

2.1.1 Cash, cash equivalent and short term investment of the Company's group is Baht 556.8 million. The details of important sources and uses of cash and short term investment are as follows:

- The Company's group had cash flow from operations of Baht 180.0 million from consolidated net profit of Q3/2008 of Baht 129.5 million adjusted with cash inflow items such as depreciation and amortization of Baht 89.8 million, allowance for retirement benefit of Baht 7.9 million, concession of subsidiary of Baht 6.4 million and change in working capital.

- Cash outflow items comprised of allowance for bad debts of Baht 4.3 million, unrealized FX gain of Baht 4.2 million and decreased in account payables of Baht 43.6 million.

- Cash flow used in investment was Baht 47.6 million mainly comprised of incremental investing in JP-1 shares which the first part was Baht 50.0 million.

- Cash flow used in financing was Baht 242.9 million which was dividend payment of Baht 76.5 million, bank loan principle payment and financial lease payment at the amount of Baht 155.4 million and Baht 3.5 million respectively and including dividend paid to minority interest at the amount of Baht 7.6 million.

2.1.2 Property, leasehold improvement and equipment at September 30, 2008 was Baht 5,584.0 million comprised of TARCO's and JP-One's property, leasehold improvement and equipment of Baht 1,646.5 million and 655.3 million, respectively.

2.1.3 Concession of subsidiary was incurred from the acquisition of TARCO's shares at the price higher than its book value in August 2003. The concession of subsidiary was recorded at Baht 768.0 million and will be amortized along with the concession period for 30 years starting from the opening of Suvarnabhumi Airport. Up to September 30, 2008 this concession was Baht 716.6 million.

## **2.2 Liabilities**

As at September 30, 2008, the Company's group had total liabilities of Baht 3,916.6 million, decreased by Baht 229.6 million or 5.5% compared from June 30, 2008 and resulted in debt to equity ratio of 1.22 : 1 time. Liabilities comprised of major items as follows:

2.2.1 Account payable of Baht 41.6 million which comprised of account payable – related company's group of Baht 32.5 million and others account payable of Baht 9.1 million.

2.2.2 Portion of long term loan which to be paid of Baht 519.7 million which are comprised of long term loan which to be paid for BAFS of Baht 301.6 million, TARCO's long term loan which to be paid of Baht 194.1 million and JP-One's long term loan which to be paid of Baht 24.0 million. Besides that the financial lease which to be paid in one year was Baht 11.7 million.

2.2.3 Other current liabilities of Baht 91.5 million which comprised of major items such as accrued corporate income tax of Baht 22.5 million, other account payable of Baht 6.1 million and others of current liabilities of Baht 62.9 million.

2.2.4 Long term loan from bank of Baht 2,987.1 million decreased by Baht 155.2 million or 4.9% compared to ending of last quarter which comprised of :

- The first portion of Baht 457.1 million was long term loan from KBANK.
- The second portion of Baht 1,650.0 million was long term loan from BBL.
- The third portion was TARCO's loan of Baht 801.9 million from BBL which comprised of USD 5.6 million that TARCO already swap to Baht 176.9 million and THB baht loan of 625.0 million.
- The remaining portion was JP-One loan at amount of Baht 78.0 million from BBL.

## **2.3 Shareholders' Equity**

As at September 30, 2008, shareholders' equity of the Company's group was Baht 3,199.1 million, increasing from June 31, 2008 by Baht 51.7 million or 1.6%.

## **3. Major factors that may affect operating performance or financial status**

3.1 The Company's group has contingent liability from providing a bank guarantee to TARCO for outstanding amount from total long term loan of Baht 765.0 million and USD 6.8 million (including portion to be paid in one year) and interest as well as other expenses incurred by a lender to force TARCO to pay its liability. The liability will incur to the Company's group only for the remaining amount not covered by the

liquidation of TARCO's property, when TARCO has defaulted the loan agreement and has been charged and forced to sell its property by auction.

TARCO had net profit in Q3/2008 of Baht 65.7 million which was net profit margin at 47.1%. Resulting from services income of Baht 139.4 million, cost of services and administrative expenses of Baht 26.1 million and Baht 7.1 million respectively.

Moreover, the Company has contingent liability from providing a bank guarantee to JP-One for a proportion of 50% of outstanding amount from total long term loan which is Baht 51.0 million (including portion to be paid in one year)

JP-One had net loss in Q3/2008 of Baht 0.5 million which was net profit margin at -2.4%. Resulting from services income of Baht 20.4 million compared with cost of services and administrative expenses was of Baht 16.3 million and Baht 3.2 million respectively.

3.2 The Company purchased of 2.55 million ordinary shares of JP-1 from Finansa Group which increase the share holding of the Company in JP-1 from 50% to 92.5% for an amount of Baht 300.9 million and has made an advance payment of Baht 50 million on August 31, 2008, the remaining amount will be paid by December 31, 2008.

3.3 The Company sold the land in Lad Krabang with a total area of 16 rai 3 ngarn and 70 square wah to Mon Transport Co., Ltd. for Baht 100 million. The transaction has to be accomplished by December 18, 2008

Please be informed accordingly.

Yours sincerely,

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