



Operational Summary

PTG Energy Company Limited dedicates to be Thailand's leading full-service energy company, and continues to build its network in other related businesses. The aim is to build strong growth and sustainable returns by practicing good governance along with developing the society and the environment.

The overall Thailand's economic situation has not recovered, especially in the provincial areas outside Bangkok and vicinity areas. This is mainly due to the overwhelming agricultural output which affected agricultural prices to continually decline in many product groups from the second half of 2017 until the second quarter of 2018. As a result, sales of diesel fuel, which is the main fuel used in agriculture production and transportation, is not growing as it should. In 2Q/2018, the sales volume through service stations¹ grew by 2% YoY and by 1% QoQ.

Besides, Thailand's volume of diesel fuel sold through service stations increased by 3% YoY and only 1% QoQ. The areas where there is a noticeably increase in diesel consumption are Bangkok and its vicinities; increased on an average of 9% YoY and 3% QoQ. However, the regions with same and reduced level of retail diesel consumption are northeastern region, north region, and south region with the decrease of 0.4% YoY and 1% QoQ.

After comparing the growth of diesel consumption and the proportion of oil sales in each region, it indicates that the diesel growth YoY in Bangkok and vicinity areas contributed to the increase of the country's diesel retail sales of 1.5% out of 3%. Meanwhile, the remaining 73 provinces added only 1.5% growth. This implies that the consumption of goods and services in Bangkok Metropolitan areas is higher than those in other regions as the expansion of the economy is limited in the urban areas.

Therefore, PTG focuses on expanding its oil service stations and fulfill non-oil businesses in Bangkok and vicinity areas. Recently, PTG has opened a new service station on Vibhavadi Road, and collaborated with a wide range of partners including Punthai Coffee, Max Mart, Autobacs, and Subway restaurants to serve the needs of urban customers.

In addition, Punthai Co., Ltd. ("Punthai"), a subsidiary of PTG, has opened the first "Punthai Coffee Drive-Thru" which located in PT Service Station at Bangkapi 3 branch. Punthai Coffee Drive-Thru emphasizes on modern style. It offers both drive-thru service and seating area to meet the need of people with hustle and bustle lifestyle; and also to support the limited space in service stations. Moreover, Punthai Coffee Drive-Thru will be opened in 3 more locations in the metropolitan area by 2018.

¹ includes High Speed Diesel, Benzene 95, Gasohol 91, and Gasohol 95 (E20)

In addition, Jitramas Catering Co., Ltd. (“Jitramas”), a joint venture of PTG, launched its first branch of fast and authentic Thai restaurant named “Krua Phan Jit”. The restaurant is located in PT service station at Bangkok 3 branch, as well as Punthai Coffee Drive-Thru. The Company plans to expand 150 more branches within 5 years in Bangkok and vicinity areas, and major cities in each region to provide customers delicious Thai food made from quality ingredients at reasonable prices.

Due to PTG’s commitment to provide comprehensive customer services nationally, as the end of 2Q/2018, PTG has a total of 1,803 petrol and LPG service stations. The total number of service stations comprises of 1,692 petrol, 44 LPG, and 67 mixed service stations. Besides continuous expansion of service stations, PTG increases its non-oil services to serve the customers’ needs, and to enlarge the proportion of gross profit from non-oil businesses to 60% by 2022, according to the target. Currently, there are 155 Punthai Coffee branches, 85 branches of Coffee World and other brands under GFA, 123 Max Mart convenience stores, 5 branches of Pro Truck commercial maintenance and repair service center, 11 branches of Autobacs car maintenance and repair service center, and 1 branch of Krua Phan Jit restaurant.

With the continued growth of the PTG petrol service station in 2Q/2018, the Company’s sales volume was 985 million liters, up 12% YoY and 5% QoQ. The sales volume through service stations (retail channel) was 926 million liters, accounting for 94% of the total sales volume. The retail channel growth increased by 14% YoY and 4% QoQ. Nevertheless, PTG’s sales volume growth was higher than the country’s total oil retail sales.

However, the contraction in oil consumption in provincial regions had affected the slowdown in PTG’s sales volume growth as the majority of PTG’s service station are located in those areas. 65% of total service stations are in Northeastern region (32%), Northern region (21%), Southern region (12%). The growth of retail oil consumption in these three regions remain flat from the previous year because their economies rely heavily on agriculture activities.

PTG’s LPG sales volume was 23 million liters, up 52% YoY and 19% QoQ. Although the overall LPG consumption through the service stations decreased by 12% YoY and 3% QoQ, PTG’s LPG sales volume through service stations was still growing due to the effective PT Max Card membership program.

In 2Q/2018, PTG continued to have a strong revenue growth from sales and service of 27,089 million Baht, up 26% YoY and 9% QoQ. The increase in revenue was driven by the growth of oil and non-oil businesses. As a result, PTG’s gross profit was 1,818 million Baht, increased by 14% YoY, but decreased by 4% QoQ due to the volatility and the unequal adjustment between retail price and its cost.

However, the gross profit from non-oil businesses started to increase, from last year at 6% to 10%. The proportion of gross profit from food and beverage businesses, LPG business, and Max Mart convenience store were 4%, 3%,

and 3%, respectively. Consequently, EBITDA was 885 million Baht, reflecting an increase by 13% YoY but drop by 7% QoQ. Meanwhile, PTG posted a net profit of 177 million Baht, decreased by 33% YoY and 34% QoQ.

Anyhow, PTG will continue to increase its revenue and profit by maximizing its asset utilization. The Company will also link its PT Max Card membership system with a variety of partners to add value to the cardholder, to create customer satisfaction and to encourage long-term relationships with customers.

Operational guidelines for the second half of 2018 (adjusted forecast)

As the provincial economy has not yet recovered, this reflects the purchasing power of farmers. As a result, PTG will focus on service station expansion in areas with high economic growth to serve customers thoroughly, and to fulfill service of non-oil businesses. Therefore, PTG adjusted its expansion target of service stations to 1,900 branches, and its target of F&B, CVS and Service businesses to 500 branches. PTG also revised its sales growth to 15-20% from last year. The Company aims to increase the volume of sales through PT Max card membership by building a good relationship with customers and creating strong brand awareness.

World oil prices are likely to remain highly volatile, which may impact on retail oil price adjustment in the country. Thus, PTG forecasts the appropriate growth of EBITDA of 15-20% from last year. Nevertheless, PTG aims to continuously expand its F&B and services businesses to consistently generate long-term cash flow by fulfilling customer needs and expectations.

Financial Summary

Income statement (Baht million, unless stated)	2Q/2018	1Q/2018	2Q/2017	%QoQ	%YoY	6 months 2018	6 months 2017	%YoY
Revenue from sales and services	27,089	24,752	21,457	9.4%	26%	51,842	42,353	22%
Cost of sales and services	(25,271)	(22,849)	(19,859)	11%	27%	(48,120)	(39,368)	22%
Gross profit	1,818	1,903	1,598	-4.5%	14%	3,722	2,985	25%
SG&A	(1,628)	(1,559)	(1,309)	4.4%	24%	(3,186)	(2,502)	27%
Selling expenses	(1,389)	(1,354)	(1,098)	2.6%	27%	(2,743)	(2,087)	31%
Administrative expenses	(239)	(205)	(211)	17%	13%	(443)	(415)	6.7%
EBITDA	885	948	786	-6.6%	13%	1,834	1,437	28%
Net profit	177	269	264	-34%	-33%	447	446	0.2%
Gross profit margin	6.7%	7.7%	7.4%			7.2%	7.0%	
SG&A as a % of revenue	6.0%	6.3%	6.1%			6.1%	5.9%	
% Selling expenses	5.1%	5.5%	5.1%			5.3%	4.9%	
% Administrative expenses	0.9%	0.8%	1.0%			0.9%	1.0%	
Operating profit margin	1.1%	1.6%	1.7%			1.3%	1.5%	
EBITDA margin	3.3%	3.8%	3.7%			3.5%	3.4%	
Net profit margin	0.7%	1.1%	1.2%			0.9%	1.1%	
Earnings per share (Baht)	0.11	0.16	0.16			0.27	0.27	
Return on Equity	14.2%	21.2%	23.6%			17.9%	19.9%	
Return on Total Assets	4.3%	6.7%	8.8%			5.4%	7.5%	
IBD to equity ratio (x)	1.82	1.50	1.05			1.82	1.05	

1H/2018 Financial Summary

PTG obtained revenue from sales and services equal to 51,842 million Baht, increased by 22% YoY. This was primarily from the growth in revenue from sales and service of oil business, up 22% YoY as well as non-oil business, up 51% YoY, including LPG business, food and beverage business, convenience store business, commercial area service business, and other businesses. The increase in revenue is from two main reasons. Firstly, sales volume rose to 1,927 million liters or 13% YoY. The sales volume increased in line with the number of oil service station growth. Secondly, the retail oil price per liter increased 8% YoY. In addition, the revenue from oil business accounted for 97% of total revenue from sales and services.

On the other hand, cost of goods sales and services was 48,120 million Baht, an increase of 22% YoY. The rise in costs is the result of two main factors. The first one is the growth of oil sales volume which recently mentioned. The

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second one is the growth of crude oil price which grew to an average of 65.55 dollars per barrel or an increase of 31% YoY. During May and June, crude oil price rose to more than 70 dollars per barrel. Gross profit was 3,722 million Baht, up 25% YoY. The reason that the growth of gross profit was higher than those of revenue and cost was PTG started to gain gross profit from F&B business acquired since second half of 2017

Meanwhile, SG&A expenses were 3,186 million Baht, an increase of 27% YoY. The growth of the expenses was due to the expansion of both oil and non-oil businesses in strategic locations. This reflected an increase in employee related expenses, rental and leasehold right expenses, depreciation expenses, and advertising and promotion expenses in order to support the expansion target. Thus, EBITDA was 1,834 million Baht, up 28% YoY and net profit was 447 million Baht, up 0.2% YoY.

2Q/2018 Financial Summary

- **Revenue from sales and services** was 27,089 million Baht, reflecting an increase of 26% YoY and 9% QoQ. This was from a rise in revenue from sales and services from oil business of 26% YoY and 9% QoQ. Besides, the revenue from non-oil businesses, including LPG business, food and beverage business, convenience store business, commercial area service business, and other businesses, continued to increase by 54% YoY and 13% QoQ. The revenue growth was mainly induced by two factors. The first factor was the rise in oil sales volume to 985 million liters, an increase of 12% YoY and 5% QoQ. The sales volume increased in line with the expansion of the oil business. The second factor was an increase in retail oil price per liter by 13% YoY and 4% QoQ. The revenue from oil business accounted for 97% of total revenue from sales and services.
- **Cost of sales and services** was 25,271 million Baht reflecting a rise of 27% YoY and 11% QoQ. The increase was primarily from two factors. Firstly, the sales volume increased as mentioned above. Secondly, the oil price had gone up 13% YoY and 6% QoQ. Furthermore, the retail price was adjusted slower than the rising oil cost. Therefore, PTG's gross profit was 1,818 million Baht, rose by 14% YoY, but dropped by 5% QoQ.
- **SG&A expenses** was 1,628 million Baht reflecting an increase of 24% YoY and 4% QoQ. This is mainly caused by the expansion in number of branches of oil business and non-oil businesses according to PTG's target. As a result, the selling and administrative expenses in the employee-related expenses, rent and leasehold rights expenses, depreciation expenses, and advertising and promotion expenses rose to support the expansion of such branches.
 - **Employee-related expenses** were 583 million Baht reflecting a growth of 13% YoY and a decline of 2% QoQ. Expenditure was increased by increasing the number of employees to accommodate branch expansion in oil business, non-oil businesses, and supporting department.

- **Rental and leasehold right expenses** were 319 million Baht reflecting an increase of 40% YoY and 3% QoQ. The rise was in line with the business expansion with company-owned company-operated strategy. PTG currently operated a total of 1,571 COCO oil and LPG service stations with a focus on expansion of Bangkok, its vicinities and major cities around the country.
- **Depreciation expenses** were 288 million Baht reflecting a growth of 48% YoY and 12% QoQ. This resulted from oil business and non-oil businesses expansion which caused an increase in fixed assets under PTG and its subsidiaries, as well as the depreciation expenses.
- **Advertising and promotion expenses** was 149 million Baht reflecting an increase of 7% YoY and 10% QoQ. The expenditure rose as a result of marketing and promotion campaign, discount program, public relation activities through online media and digital media to accommodate the change in customer lifestyles.
- **EBITDA and net profit** as explained above, EBITDA was 885 million Baht reflecting a growth of 13% YoY, but a decline of 7% QoQ. In addition, net profit was 177 million Baht, decreased by 33% YoY and 34% QoQ. Meanwhile, financial cost was 70 million Baht, an increase of 28 million Baht YoY and 4 million Baht QoQ. The main factor of the increase was the growth in loans from financial institutions to invest in the oil business and other related businesses. However, PTG considers the business investment carefully and cautiously, and uses a variety of financial instruments to provide a source of funding at an appropriate interest rate to meet the needs of the company.

Financial Position (Baht million)	2Q/2018	%	4Q/2017	%	Amount changes	%
Cash and current investment	770	4.0%	926	5.1%	-156	-17%
Trade, other receivables, short-term lending	1,184	6.1%	994	5.5%	190	19%
Inventories	1,767	9.1%	1,989	11%	-222	-11%
Total current assets	3,721	19%	3,909	22%	-188	-4.8%
Investment properties	332	1.7%	278	1.5%	54	19%
Property, plant, and equipment	10,045	52%	8,865	49%	1,180	13%
Rental and leasehold rights	2,577	13%	2,311	13%	266	12%
Investment in a joint venture	687	3.6%	696	3.9%	-9	-1.3%
Investment in associate	798	4.1%	804	4.5%	-6	-0.7%
General investment	723	3.7%	723	4.0%	-	0.0%
Intangible assets	207	1.1%	193	1.1%	14	7.3%
Goodwill	53	0.3%	53	0.3%	-	0.0%
Other non-current assets	181	0.9%	153	0.9%	28	18%
Total assets	19,324	100%	17,985	100%	1,339	7.4%
Trade and other payables	4,073	21%	4,520	25%	-447	-10%
Short-term loans & loans due within 1 year	6,187	32%	3,693	21%	2,494	68%
Other current liabilities	85	0.4%	62	0.3%	23	37%
Total current liabilities	10,345	54%	8,275	46%	2,070	25%
Financial lease liabilities	481	2.5%	572	3.2%	-91	-16%
Long-term loans	2,990	15%	3,834	21%	-844	-22%
Deferred tax liabilities	62	0.3%	55	0.3%	7	13%
Other non-current liabilities	145	0.8%	130	0.7%	15	12%
Total liabilities	14,023	73%	12,866	72%	1,157	9.0%
Retained earnings	2,305	12%	2,171	12%	134	6.2%
Others	2,996	16%	2,948	16%	48	1.6%
Total equity	5,301	27%	5,119	28%	182	3.6%
Total liabilities and equity	19,324	100%	17,985	100%	1,339	7.4%

- Financial position** at the end of 2Q/2018, PTG obtained total assets of 19,324 million Baht which grew by 1,339 million Baht or 7% from the 4Q/2017. The rise of total assets is mainly from the increase of investment properties, PP&E, and pre-paid of rental and leasehold right. These are results of the expansion of oil business, and non-oil businesses focusing on Bangkok and vicinity areas, and major cities throughout the country. Meanwhile, total liabilities were 14,023 million Baht reflecting a growth of 1,157 million Baht or 9%

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7/9

from 4Q/2017. The main cause of the increase is from short-term loans and liabilities due within one year for the investment in oil and related businesses. Shareholders' equity was 5,301 million Baht, up 182 million Baht or 4% from 4Q/2017.

Sources and uses of funds statement for 2Q/2018			
(Baht million)			
Sources		Uses	
Cash from operations	1,434	Investment in leasehold rights and PP&E	2,658
Cash received from loans, net	1,706	Payment of financial lease , interest, and tax	360
Cash received from short-term investment, and dividend	23	Dividend payment	284
Cash received from assets sold	1	Investment in joint-ventures	10
Cash decreases	154	Short-term loans for related business and other businesses, and deposit guarantee	3
		Net payment for investment in subsidiaries	3
	3,318		3,318

Accreditation	
Credit rating (Tris)	BBB+
CG score	Very Good: 5 Stars
CAC	Certified CAC

Long-term debt and debenture outstanding				
Year	Debentures (Baht mn)	Maturity (Baht mn)	Loans (Baht mn)	Maturity (Baht mn)
2015			641	36
2016	1,700		491	173
2017	1,700		1,200	384
2018			500	425
2019		1,700		839
2020		1,000		610
2021				267
2022		700		

Executive view and business direction for the second half of 2018

2018 Target

✓	Number of Branch	
	○ Oil	1,900 stations (from 2,000 stations)
	○ Non-oil (F&B, CVS, Services)	500 branches (from 700 branches)
✓	Oil Sales Volume Growth	+15-20% (from +20-25%)
✓	EBITDA Growth	+15-20% (from +40-45%)

The expansion of oil and non-oil businesses will be focused more on areas with high economic growth. Thus, the number of branches revision will be 1,900 oil and LPG stations, and 500 branches of non-oil businesses, including Max Mart convenience store, Punthai Coffee shop, Coffee World branch, Krua Phan Jit restaurant, Pro Truck commercial truck maintenance and repair service center, and Autobacs car maintenance and repair service center. However, PTG will continue to expand its service stations with renting existing stations model and add the service of non-oil businesses to maximize the utilization of spaces in its stations.

Economy in the provincial level outside Bangkok and vicinity areas continues to recover slowly. This may affect the growth of oil sales volume. Therefore, the Company adjusts its growth to be +15-20%. This is because of low agricultural product prices. However, the agricultural product prices start to recover as the Government has launched a policy to stabilize the prices to help the farmers. In addition, PTG will continue to build good customer relationships through great service and add value to customers continuously, using PT Max card membership. Moreover, PTG will expand its branches more in Bangkok, vicinity areas, and major cities to balance the distribution of service stations and to support the continued expansion of non-oil businesses.

The country retail oil price adjustment with the world market price is still a challenge in the second half of 2018. Consequently, the forecast of EBITDA growth is revised to be +15-20%. However, PTG is aiming for a non-oil business to generate steady and consistent long-term cash flow. Currently, the non-oil proportion of total gross profit in 2Q/2018 continues to increase to 10% from 6% in last year. In addition, PTG will continue to expand its business partnerships to fully meet the needs of customers.