

**The Opinions of the Independent Financial Advisor on the Acquisition of Assets
regarding Investment in the Fuel Tank Farm Project**

of



NFC Public Company Limited

Presented to

Shareholders of NFC Public Company Limited

Prepared by



Jay Capital Advisory Limited

22 May 2019

This English report of the Independent Financial Advisor's Opinions has been prepared solely for the convenience of foreign shareholders of NFC and should not be relied upon as the definitive and official document. The Thai language version of the Independent Financial Advisor's Opinion is the definitive and official document and shall prevail in all aspects in the event of any inconsistency with this English Translation.

Table of Contents

	Page
Executive Summary	5
Section 1 Request approval for NFCT Company Limited to invest in the Fuel Tank Farm Project	
1.1 Characteristics and details of the Transaction	7
1.2 Reasonableness of the transaction	16
1.3 Fairness of price and conditions of the transaction	21
Section 2 Summary of the Opinion of the Independent Financial Advisor	36
Enclosure 1 General Information on NFC Public Company Limited	38

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

Abbreviation

Full name

The Company or NFC

NFC Public Company Limited

NFCT

NFCT Company Limited

The Corporate Group

NFC Public Company Limited and NFCT Company Limited

The Fuel Tank Farm Project

The construction of 6 tanks as liquid warehouse for the storage of fuel, with 15.00 million liters of tank capacity, including machinery, equipment and associated rights, located in the general industrial area, No. 2, I-II Road, Map Ta Phut Industrial Estate, Map Ta Phut Subdistrict, Muang Rayong District, Rayong Province, with total project area of approximately 43 rais 67.90 sq. wahs

Service Recipient

The Shell Company of Thailand Limited who wishes to use the service of the Fuel Tank Farm Project for a period of 12 years, with the option to renew the agreement period for another 5 years, for a total of 17 years of service.

IEAT

Industrial Estate Authority of Thailand

Thappline

Oil pipeline system at Map Ta Phut Oil Pumping Station, Rayong Province of Thai Petroleum Pipeline Co., Ltd.

IEE

Initial Environmental Examination

EIA

Environmental Impact Assessment

BOI

The Office of the Board of Investment

Independent Financial Advisor or IFA

Jay Capital Advisory Limited

SET

The Stock Exchange of Thailand

SEC

The Office of Securities and Exchange Commission

Notification on Acquisition or
Disposition of Assets

Notification of the Capital Market Supervisory Board No. Tor Chor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposition of Assets and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets BE 2547 (2004) dated 29 October 2004 and amendments

22 May 2019

To: Shareholders
NFC Public Company Limited

Subject: Opinion of the Independent Financial Advisor on the Assets Acquisition Transaction

Pursuant to the Meeting of the Board of Directors of NFC Public Company Limited ("the Company" or "NFC") No. 5/2562 held on 22 April 2019 in which a resolution was approved to propose to the Shareholders' Meeting for consideration and approval for NFCT Company Limited ("NFCT"), a subsidiary which the Company holds 100.00 percent shares, to invest in a project in respect of construction of 6 liquid storage tanks, capacity of 15 million liters per tank, including associated pipeline, machinery, equipment and rights thereof ("Fuel Tank Farm Project"), to be located in the general industrial area, No. 2, I-2 Road, Map Ta Phut Industrial Estate, Map Ta Phut Subdistrict, Muang Rayong District, Rayong Province. The project area is approximately 43 rais 67.90 sq. wahs, and total project value is THB 2,569.99 million.

The Fuel Tank Farm Project is considered an asset acquisition transaction in accordance with the Notification of the Capital Market Supervisory Board No. Tor Chor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposition of Assets And the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies in the Acquisition and Disposition of Assets BE 2547 dated 29 October 2004 and as amended ("Notification on Acquisition and Disposition of Assets") which, when calculating the transaction size according to the total value of consideration will have the highest transaction size equal to 180.15 percent of the total assets of the Company based on the consolidated financial statements of the Company for the year ended 31 December 2018 (if considering the consolidated interim financial statements of the Company ended 31 March 2019, the maximum transaction size is equal to 164.92 percent of the total assets of the Company, not having any transaction to acquire other assets occurring during the past 6 months).

The abovementioned transaction is classified as a type of transaction to acquire assets with a transaction size exceeding 100.00 percent with qualification to be exempted from having to apply for registration of the Company's relisting of securities on the market due to the acquisition of assets in the abovementioned project meet the conditions of Article 24 of the Notification on Acquisition and Disposition of Assets, which are 1) businesses that have similar characteristics or complement each other with the business of the company 2) listed companies do not have a policy to make significant changes in the core business of the company; 3) listed companies resulting from the acquisition of the property have the qualifications to be registered with the Stock Exchange of Thailand and 4) there is no significant change in the board of directors of listed companies and in the control of the company or shareholders with control power of listed companies. Therefore, the Company is required to disclose information about the transaction to the SET and must request approval from the shareholders' meeting with approval votes of not less than three-fourths of the total votes of the shareholders attending the meeting and having the right to vote, without counting the shareholders who have an interest. Furthermore, the Company must also have an independent financial advisor to provide an opinion on the reasonableness of the transaction and the fairness of the price and conditions of the transaction to the shareholders of the company for consideration in approving the transaction.

The Board of Directors' Meeting No. 5/2562, on 22 April 2019, approved the appointment of Jay Capital Advisory Company Limited ("Independent Financial Advisor" or "IFA"), an enlisted financial advisor

approved by the Securities and Exchange Commission ("SEC"), as the Independent Financial Advisor to give opinions on the transaction to acquire assets of the Company this time.

This IFA Report is prepared based on information obtained from interviews of and documents received from the Company and information published to the general public. In addition, the Independent Financial Advisor has taken into account the current economic conditions in consideration for giving opinions on this transaction. Therefore, any significant changes to this information in the future may alter the IFA's opinion on the transaction accordingly. The information and documents used in preparing this report included, but are not limited to the following:

- NFC's Board of Directors' resolutions related to this transaction
- Information on the acquisition and disposition of assets of the Company
- Information disclosure (Form 56-1) of the Company's annual transactions in 2018
- NFC's audited financial statements for the years ended 31 December 2016 - 2018 and interim financial statements for the period ended 31 March 2019
- Information from interviews of management and officers of the Company
- Information and documents provided by NFC

In addition, the IFA's opinion was based the following assumptions:

- All information and documents provided by the Company, including from the interviews with management of NFC are complete, valid and true, and that the opinions expressed are reliable and close to the current situation.
- No past, imminent or impending events, have occurred or are likely to occur which may have any material impact on the operating results and financial status of the Company.
- All business contracts relating to NFC's operations and the Fuel Tank Farm Project executed with the relevant parties are legal and binding, and that there will be no amendment, revocation nor cancellation of the abovementioned contracts.

In this regard, the Independent Financial Advisor has prepared a report on the acquisition of assets of the Company as of May 22, 2019 and hereby certifies that it has studied and analyzed the abovementioned information according to generally accepted professional standards and has given reasons based on information and analytical objectivity by taking into account the benefits of the minor shareholders of the Company. However, the opinion of the IFA is based on the assumption that the information and documents received from the Company, including from interviewing the management of the Company, as well as publicly available information and other related information is accurate and true at the time the IFA prepared this report. Therefore, if the above information is incorrect and / or inaccurate and / or incomplete and / or is subject to significant changes in the future which may impact on the IFA's opinions in providing this opinion, the IFA may not confirm the impact from such factors that may occur to the Company and its shareholders. The objective of the IFA's opinion at this time is to give the shareholders' its opinion with regard to entering into the transaction as detailed above only, with the decision to vote remaining the sole discretion of the shareholders of the Company. Shareholders should study the information and consider the reasons, advantages, disadvantages, risk factors, limitations and comments on various considerations related to entering into the abovementioned transaction attached with this invitation letter to the shareholders with prudence before voting, so that consideration to approve entering into such transaction may be undertaken appropriately. Notwithstanding, this IFA opinion does not guarantee the success of entering into such transaction, including the potential impacts, and the IFA cannot be held responsible for any consequences that may arise from entering into such transaction, whether directly or indirectly.

The IFA considered the reasonableness of this acquisition of assets transaction of the Company, details of which are presented in the following page.

Executive Summary

The NFC Board of Directors' Meeting No. 5/2562 held on 22 April 2019 resolved to propose to the Extraordinary Meeting of Shareholders No. 1/2562 to be held on 21 June 2019 for approval to allow NFCT, a subsidiary company which the Company holds 100.00 percent stake, to invest in the Fuel Tank Farm Project for the purpose of providing fuel storage services and pipeline transportation services to Shell Company of Thailand Limited ("Service Recipient") for a period of 12 years, along with the Service Recipient's right to renew the service contract for another 5 years, for a total of 17 years, with a total project value of THB 2,569.99 million. The Company will return to the Industrial Estate Authority of Thailand ("IEAT") part of the land leasehold right to a total area of 43 rais 67.90 sq.wahs that is not in use so that IEAT may lease the abovementioned plot to NFCT to be used as the project area for the fuel tank. The total project period is 30 years from 1 July 2019 - 30 June 2049 which corresponds with the rental period of land that NFCT will lease from IEAT.

Such project is an expansion of investment according to the Company's policy which focuses on businesses that support the Company's core business in the distribution of chemicals and various services such as warehousing, logistics and storage of liquid products and berthing services, as well as corresponding with the government's policies that promote investment in the Eastern Economic Corridor (EEC) and the national long-term fuel management plan. In addition, since the Service Recipient is a leading corporation with good reputation both within the country and internationally, the project would enhance the image of the NFC corporate group in terms of credibility and acceptance which is one way to increase the Company's competitive abilities to be ready for future competition.

This Fuel Tank Farm Project is considered an asset acquisition transaction under the Notification on Acquisition and Disposition of Assets, with the highest transaction size equal to 180.15 percent of the total asset value of the Company based on the consolidated financial statements of the Company for the year ended 31 December 2018, or if considering the consolidated interim financial statements of the Company ended 31 March 2019, the maximum transaction size is equal to 164.92 percent of the total assets of the Company, which is the maximum transaction size according to the calculation criteria, i.e. the total value of the consideration. Also, during the past 6 months, the Company did not have any transaction to acquire other assets. Nevertheless, the abovementioned transaction is equivalent to a transaction which would acquire assets in excess of 100.00 percent without changing the control power of the business or the business nature of the Company and does not affect the shareholding of the Company's shareholders according to the Notification on the Acquisition and Disposition of Assets, the Company is therefore obliged to disclose information regarding the transaction to the SET and must request approval from the shareholders' meeting which requires approval votes of not less than three-fourths of the total votes of the shareholders attending the meeting and having the right to vote without counting the portion of shareholders who have an interest. Moreover, the Company must also have an independent financial advisor to provide an opinion on the reasonableness of the transaction, as well as the fairness of the price and conditions of the transaction to the shareholders of the Company for their consideration in approving the transaction.

The IFA is of the opinion that the Company's investment in this Fuel Tank Farm Project **is appropriate** due to the following:

- This will increase the opportunity to generate revenue, profits and competitiveness for the Corporate Group, in addition to expanding investment to businesses that support core business operations, whereby the Corporate Group will be able to bring personnel with experience and expertise to manage the project effectively. Furthermore, the Service Recipient is also world-renowned company which will help enhance the image of the Corporate Group to be more widely accepted and credible among outsiders which is one way of expanding its customer base in the future.

- This expands the business scope of the Company into logistics and warehousing service businesses, resulting in the Company gaining increased revenue from providing additional services and diversifying the risk of its source of income. In addition, the revenue of the project is also a recurring income because the service charge has a minimum guarantee rate namely revenue from annual fixed service fee, which is different from the main business of chemical sales of the Company which fluctuates according to market conditions.
- The Company is better able to make use of existing resources more efficiently, such as being able to take advantage of unused vacant land which has the burden of rent and maintenance cost every year, including increased revenue from the use of the Company's berths, which will be derived from the ability to collect service fees according to the additional volume of liquid through the docking berths.
- Investment feasibility study results found that the Fuel Tank Farm Project has the potential to generate returns for the corporate group, with the present value of the net cash flow of the project (Project NPV) equal to THB 153.58 - 481.14 million, the rate of return on investment (IRR) at 9.54 - 11.23 percent, which is higher than the weighted average cost of capital at 8.11 - 9.37 percent and has a payback period of 9 years and 3 months. (Details of the investment feasibility study of the Independent Financial Advisor appear in Section 1, item 1.3.1 of this report.)

Therefore, the shareholders should **approve** the transaction. However, such transaction has **disadvantages and risks** which shareholders should additionally consider in voting to approve the transaction as follows:

- NFCT will require a lot of loans from financial institutions as a source of fund which will render an increase in terms of interest-bearing liabilities to the Company by THB 1,400.00 million, from THB 311.66 million (according to the consolidated interim financial statements of the company ended 31 March 2019) to THB 1,731.66 million and an increase in interest-bearing debt to equity ratio from 0.31 times to 1.70 times, resulting in a decline of the Company's ability to pay off debt. However, the abovementioned loan has not broken current financial covenant of the Company.
- There is a risk of delay in receiving a return on investment if the construction of the abovementioned fuel tank is not as expected and if the service recipient does not renew the service contract at the end of the contract period for the first 12 years or 17 years (in the case that the contract is already renewed from 12 years to 17 years), which may require time in finding a new service recipient.
- There is a risk of not being able to procure a new service recipient to replace the existing one due to various limitations of the project, such as being a tank solely for storage of liquid fuel and the Company's berth facility cannot accommodate large ships, etc.

Section 1 Request approval for NFCT Company Limited to invest in the Fuel Tank Farm Project

1.1 Characteristics and details of the Transaction

The Company's Board of Directors' Meeting No. 5/2562 held on 22 April 2019 resolved to propose to the Extraordinary Meeting of Shareholders to consider approving NFCT, a subsidiary that the Company holds 100.00 percent stake, investing in the Fuel Tank Farm Project to provide liquid warehouse services and pipeline transportation to the Shell Company of Thailand Limited ("Service Recipient"), whereby the Company will enter into a service agreement for a period of 12 years with the rights of the service recipient to renew the contract for another 5 years, totaling 17 years. The total project life is 30 years from 1 July 2019 - 30 June 2049.

The Company will return the leasehold right to a parcel of land in Map Ta Phut Industrial Estate under its current lease agreement with the Industrial Estate Authority of Thailand ("IEAT") of 43 rais 67.90 sq.wahs (from the total area of 541 rais 1 ngan 76.66 sq.wahs) and allow NFCT to use the land for the Fuel Tank Farm Project. IEAT has considered and approved the use of such land by NFCT, with the Company and NFCT required to comply with the conditions of IEAT (details of which are presented in Section 1, item 1.1.4) to be completed before initiating construction or any action on such land.

1.1.1 Date of Transaction

The transaction must be approved by the Extraordinary Meeting of Shareholders No. 1/2562 of the Company, which will be held on 21 June 2019. In addition, the Company and NFCT must comply with the relevant rules or conditions before any action on the land of IEAT to be used as the project area for the Fuel Tank Farm (details of conditions precedent are shown in Section 1, item 1.1.4). The Company expects to enter into a contract for the construction of the Fuel Tank Farm Project with contractors within the third quarter of 2019 and is expected to be constructed and open for service in the third quarter of 2021.

1.1.2 Type and size of transaction

The Fuel Tank Farm Project, which has a total project value of THB 2,569.99 million (consisting of construction costs and other expenses during the construction in the amount of THB 1,593.52 million, estimated land rental cost with IEAT (including maintenance costs for facilities) after operation commences of THB 592.98 million compensation of leasehold right transfer of THB 280.60 million and financial costs during the construction of THB 102.89 million), is considered an asset acquisition transaction under the Notification on the Acquisition and Disposition of Assets with the highest transaction size according to the total value of consideration criteria equal to 180.15 percent of the total assets of the company based on the consolidated financial statements of the company for the year ended 31 December 2018 (if considering the consolidated interim financial statements of the company ended 31 March 2019, the maximum transaction size is equal to 164.92 percent of the total assets of the Company, with the Company not having any transaction to acquire other assets that occurred during the past 6 months).

The abovementioned transaction is classified as a transaction which acquires assets with a transaction size exceeding 100.00 percent with qualification to meet all conditions under Clause 24 of the Notification on the acquisition or disposition of assets, therefore being exempted from applying for a relisting license of the Company's securities on the Stock Exchange of Thailand, with details of such conditions as follows:

1. The acquired business has similar characteristics or add to the business of listed company

At present, the Company operates the business of selling chemicals, namely ammonia, ammonium hydroxide and sulfuric acid and also provides warehouse services, logistics and warehousing services for liquid products and berthing services which is consistent and similar to

the Fuel Tank Farm Project which provides liquid storage, oil storage and oil pipeline system services. In addition, the Company can also bring experience, expertise and employees who provide logistics and liquid storage services that are currently available to be used in the project to increase the efficiency of the operation.

2. The listed company does not have a policy to make significant changes in the core business of the company.

After entering into the transaction, the Company will continue to operate chemicals distribution business and providing warehouse services, logistics and warehousing services for liquid products and the same berthing service.

3. Listed companies resulting from the acquisition of assets are qualified to be registered with the SET

The investment of NFCT, a subsidiary of the Company In this project will result in the Corporate Group having a greater opportunity to generate more income and profit in the future which will not have any impact on the qualification as a listed company under the requirements of the SET.

4. There is no significant change in the board of directors of the listed company and in the control of the company or shareholders with control of listed companies.

Investment in this project will be through a loan for use in the project implementation and there is no issuance of capital increase shares of the Company for use as a source of funds, Therefore, the shareholder structure is not affected. In addition, the Company has no policy or plan to change the board of directors, or control power or shareholders with control of the Company after entering into the transaction.

Therefore, the Company is obliged to disclose information regarding the transaction to the SET and must request approval from the shareholders' meeting with approval votes of not less than three-fourths of the total votes of the shareholders attending the meeting and having the right to vote, without counting the shareholders who have an interest. In addition, the Company must also have an independent financial advisor to give an opinion on the reasonableness of the transaction and the fairness of the price and conditions of the transaction to the shareholders of the Company for consideration in approving the transaction.

1.1.3 Summary information on the Fuel Tank Farm Project

The Fuel Tank Farm Project is located in the general industrial area, No. 2, I-2 Road, Map Ta Phut Industrial Estate, Map Ta Phut Subdistrict, Muang Rayong District, Rayong Province. The project comprises 6 liquid storage tanks of 15 million liters per tank, with a total storage capacity of 90 million liters, including associated equipment and facilities such as pumps, pipe cleaning systems (PIG Cleaning System), safety system, electrical substation, ship-payment system, oil transport and office buildings, etc., to be used to accommodate the imported oil of the Service Recipient from vessels docking at the jetty of the Company before pumping through 2 channels, namely:

1. Oil pipeline system of Thai Petroleum Pipeline Co., Ltd. at Map Ta Phut oil pumping station

Transport of oil starts from the Jetty of the Company by receiving oil from vessels of the Service Recipient to fuel tank on the project location, with a pipeline length of approximately 1 kilometer, thereafter such oil will be pumped from the NFCT fuel tank on the project location to the oil pipeline system at Map Ta Phut oil pumping station in Rayong province of Thai Petroleum Pipeline Company Limited ("Thappline"), which is the main oil pipeline system of the country, through a pipeline length of approximately 7 kilometers. Throughout the pipeline there will be construction of a pipeline on the pipe rack structure of 3 pipe rack

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

owners. NFCT has now received approval in principle for such construction throughout the route from all Pipe Rack owners and is in the process of entering into lease agreements for the pipe laying areas.

2. Pipeline transporting oil into small transport vessels according to the needs of service recipient

Transport starts from the Company's berth area, with the oil received from the Service Recipient's carrier vessel, and pumped to the fuel storage tanks on the project location through a pipeline the length of about 1 km., For transporting oil from the fuel tank to small transport vessels, NFCT will pump outgoing oil through the same pipeline receiving oil from the Service Recipient's carrier vessel which will carry out pick-up and delivery of oil according to the needs of customers.

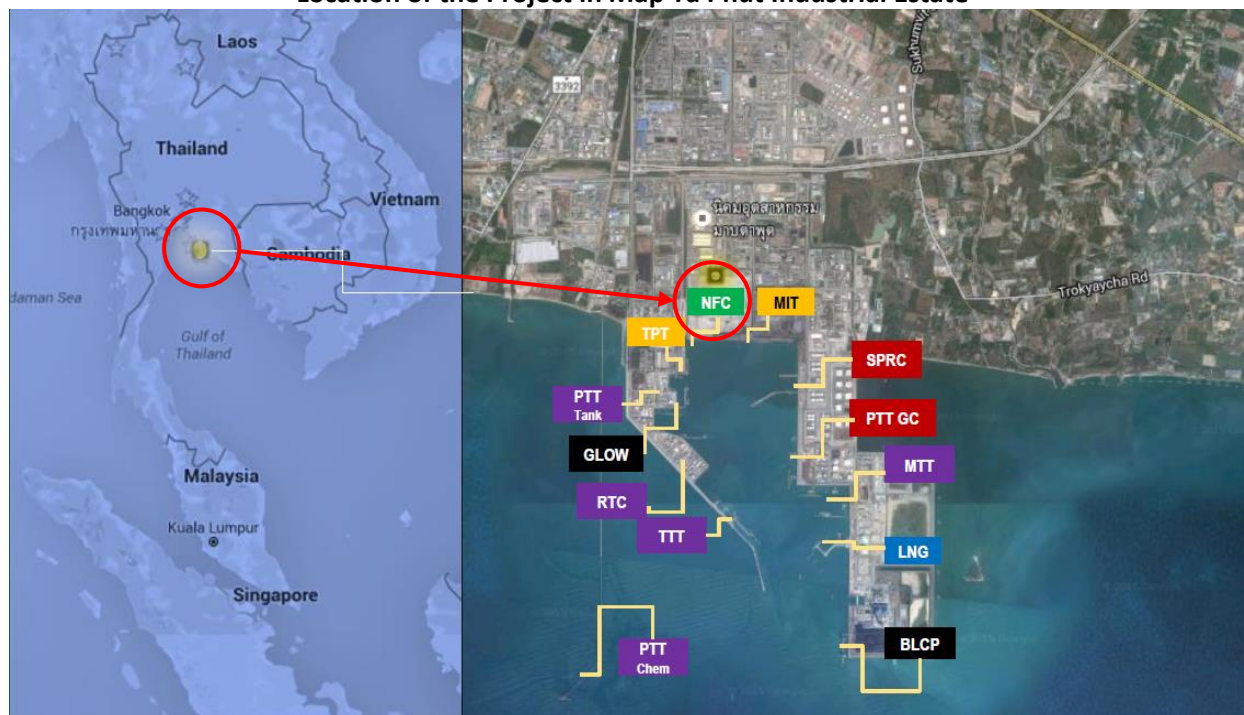
NFCT has hired Daewoo Tech (Thailand) Co., Ltd. ("Daewoo"), as a consultant on engineering and related technical work to prepare an analysis report and engineering design in considering and analyzing technical operations, including the investment budget for the construction of the Fuel Tank Farm Project. From Daewoo's report dated 11 May 2019, the investment budget for construction can be summarized as follows:

Construction Budget of the Fuel Tank Farm Project

Items	Approximate Budget (THB million)
1 Construction and procurement	1,160.19
2 Engineering and project management	103.67
3 Construction operating expenses	50.55
4 Commissioning and start-up	12.80
5 Contingency	92.79
Total	1,420.00

Source : Front-end engineering design report of Daewoo

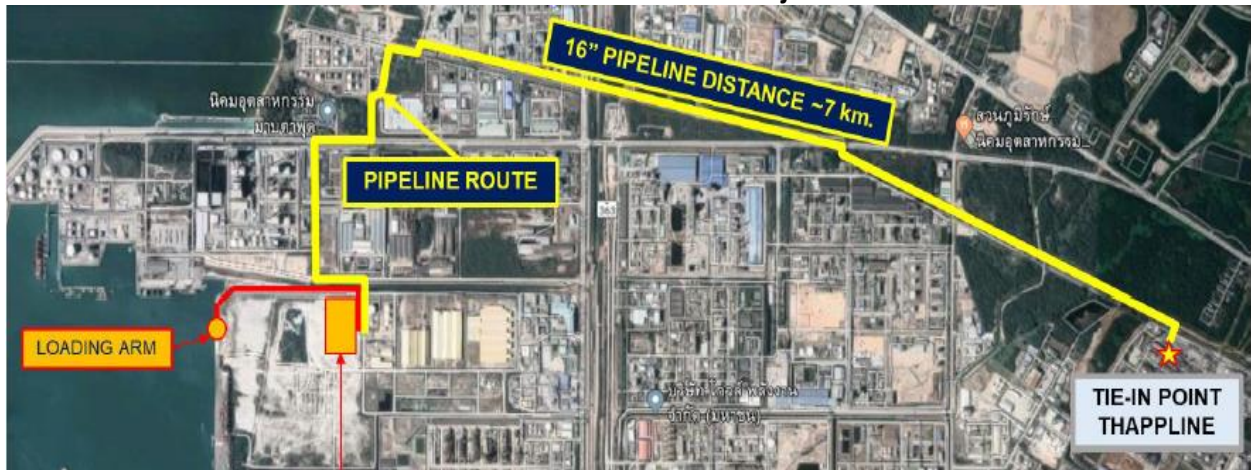
Location of the Project in Map Ta Phut Industrial Estate



Source : Feasibility study report of the Fuel Tank Farm Project from the Company

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

Fuel Transfer Path of the Project



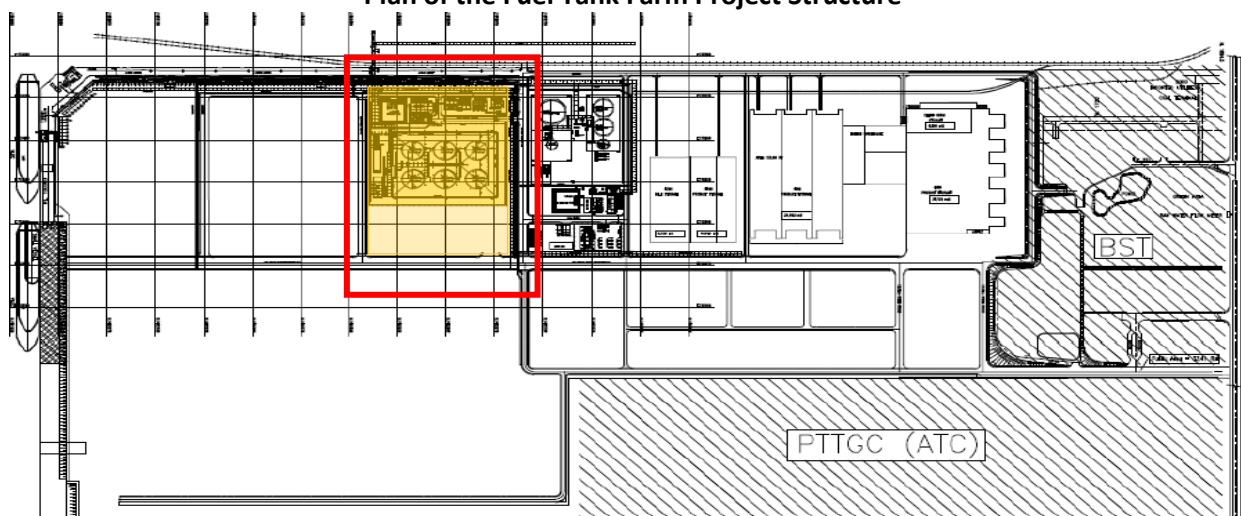
Source : Feasibility study report of the Fuel Tank Farm Project from the Company

Land for the Project Area



Source : the Company

Plan of the Fuel Tank Farm Project Structure



Source : the Company

Pipe Rack and Pipe Line

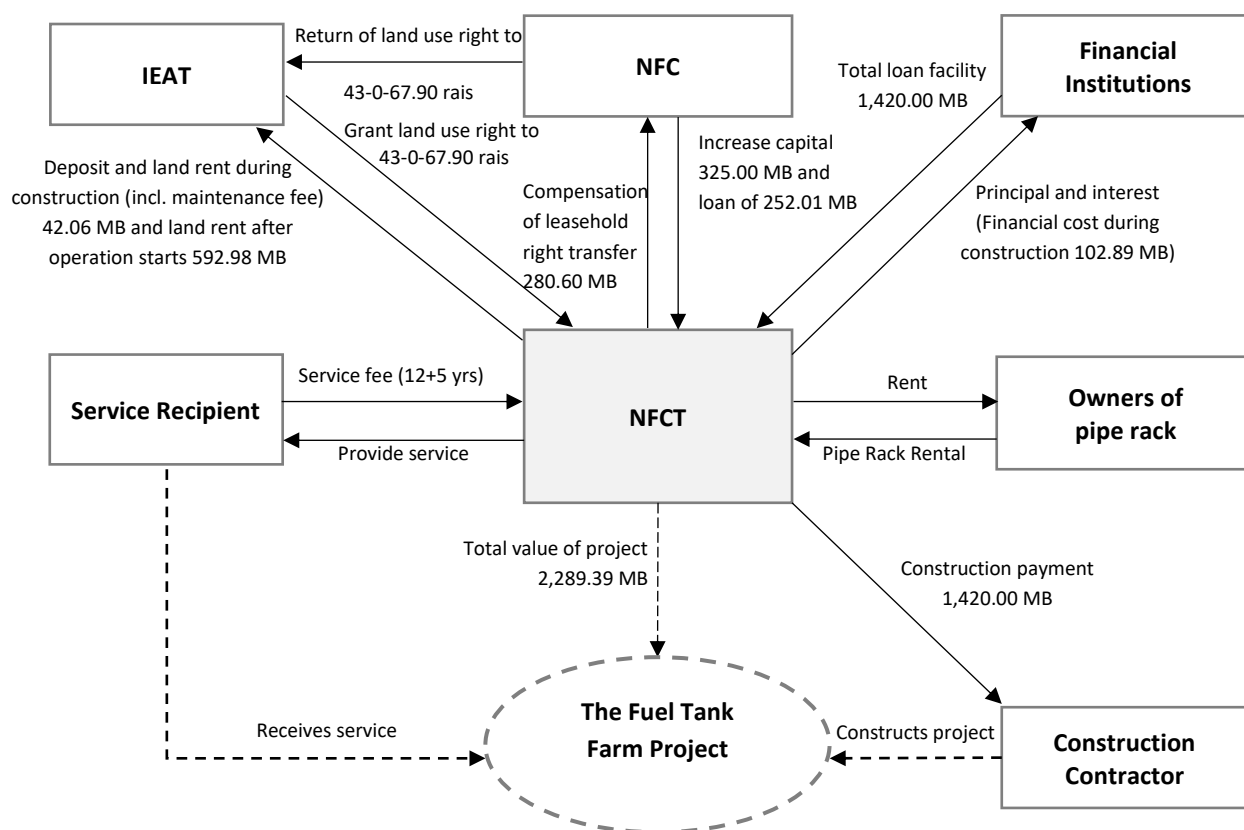


Source : the Company

1.1.4 Related counterparties and important contractual conditions

This investment in the Fuel Tank Farm Project, requires that the Corporate Group enter into contracts and / or receive approval from various parties in order for the project to proceed as planned. The structure of the transaction and related information pertaining to various parties is shown in the diagram below.

Summary of transaction structure and related parties



Remark: In addition, NFCT also has consulting fees and other expenses related to the preparation and construction of the project in the amount of THB 131.46 million.

From the diagram above, investment in NFCT's Fuel Tank Farm Project, with a total project value of THB 2,569.99 million, entails execution of a number of key document and information namely:

- 1) The service agreement with the Service Recipient : To provide to the Service Recipient services in the storage of liquid fuel products and logistics services through the pipeline system, which is currently in the process of allowing the service recipient to consider signing.
- 2) Loan agreements with financial institutions : In order to borrow a total amount of THB 1,420 million for use as the main source of funds for entering into the transaction, whereby agreements with both counterparties have already been signed.
- 3) Lease agreement with IEAT : To lease land of 43 rais 67.90 sq.wahs in the Map Ta Phut Industrial Estate for use as the project location. NFCT has now received a draft of the land use permit to operate the fuel tank business from IEAT and is currently in the process of consider drafting the contract.
- 4) Letter of approval to return the Company's land use right to IEAT: To return the land use right to 43 rais 67.90 sq. wahs that the Company currently holds, and allow NFCT to rent the abovementioned land from IEAT for the project area. At this time, the company has already received the draft approval letter from IEAT.
- 5) Pipe rack lease agreement with owners of the pipe rack : To place the NFCT oil pipeline on the Pipe Rack for connection to Thapline. NFCT has received the letter of in-principle approval from counterparties and is in the process of negotiating and drafting the contract following due process.
- 6) Construction contract with contractors : For the construction of 6 liquid storage tanks, with capacity of 15 million liters per tank, totaling 90 million liters, including pipeline, machinery, equipment and various associated rights. At the moment, it is in the process of procuring a contractor and expected to enter into a contract for the construction of the project within the third quarter of 2019.

Furthermore, NFCT will pay the land leasehold right transferal fee to the Company in the amount of THB 280.60 million with its sources of fund from the Company's capital increase amounting of THB 325.00 million, whereas the remaining amount of THB 44.40 million, NFCT will use as a source of fund for developing the project.

From the above, since the contract with some parties is in the process of signing and / or drafting and / or negotiating; therefore, the summary of the essence of the contract as appeared in this IFA report is based on consideration of the information that the Independent Financial Advisor has received as at the report date.

In addition, the IFA has limitations in disclosing sensitive and confidential business information, such as some important information from the service agreement for liquid warehouse and oil pipeline transportation services to the Service Recipient which may affect competition in the petroleum industry with few manufacturers and many similarities. Disclosure of the data may cause significant damage or have material impact on the business operation of the Fuel Tank Farm Project, and may cause the Service Recipient to be disadvantaged by competitors. However, the IFA believes that such cases will not diminish the credibility this IFA Report or significantly affect the opinion of the Independent Financial Advisor.

Summary of the draft service contract for liquid storage and oil pipeline system services

Parties	<ul style="list-style-type: none"> ▪ The Shell Company of Thailand Limited ("Service Recipient") ▪ NFCT Company Limited ("Service Provider")
Details of services	<ol style="list-style-type: none"> 1) The service provider will carry out the construction of liquid storage facilities and pipeline system to be in a ready-to-use condition as follows: <ul style="list-style-type: none"> ▪ Construction of 6 liquid storage tanks, with capacity of 15 million liters per tank, for a total capacity of 90 million liters according to the standard specifications set by the Service Recipient. ▪ Construction of a 16-inch diameter pipeline for fuel transport from the liquid storage tanks to the oil pipeline system of Thai Petroleum Pipeline Co., Ltd. at Map Ta Phut oil pumping station, Rayong Province.

	<ul style="list-style-type: none"> ▪ Construction of a 16-inch diameter pipeline for fuel transport from Map Ta Phut Port to the liquid storage tanks of the Fuel Tank Farm Project ▪ Construction of fixtures or other facilities related to the use of the liquid storage tanks ▪ The standard of the jetty must be according to the specification of the Service Recipient <p>2) The Service Provider will provide fuel transport and storage services to the Service Recipient as follows:</p> <ul style="list-style-type: none"> ▪ Provide fuel transport and storage services ▪ Provide the necessary facilities for transportation and storage of fuel ▪ Management of the fuel transportation and storage services in accordance with the standard set by the Service Recipient and relevant legal requirements.
Service period	12 years (from the start date of the services which is 1 September 2021-31 August 2033) with the right to renew the service contract for another 5 years (whereby the Service Recipient must give notification not less than 6 months before the expiration date of the first 12-year period) However, the service start date may change depending on the agreement of the parties.
Service fee and payment	<p>Service fee is divided into 2 parts namely:</p> <ol style="list-style-type: none"> 1) Yearly fixed service fee rate for storage of oil with determined escalation rate all over the contract periods 2) Service fee according to the amount of oil volume which is transported and stored in the project's storage tanks (variable throughput fee). Such fee is charged in accordance with the amount of oil in liter basis transported to the storage tank <p>In this regard, service fee is calculated from the sum of yearly fixed service fee and service fee according to oil volume transported and stored in the storage tanks</p>
Number of tanks used in the service	<p>6 tanks divided by usage as follows:</p> <ol style="list-style-type: none"> 1) 2.00 tanks for storage of reserve oil as prescribed by law 2) 4.00 tanks for storage of oil for distribution <p>With an average volume of liquid products that flow into the liquid storage tanks of not less than 80.00 million liters per tank per year, and the growth rate according to the estimates of the Service Recipients.</p>
Pre-service Testing	<ol style="list-style-type: none"> 1) The Service Provider is required to conduct pre-service testing of all operational systems according to the standard set by the Service Recipient and deliver the test protocols thereof to the Service Recipient no less than 6 months before the service start date. 2) After the testing date, the Service Provider is required to issue the Completion Certificate ("Certificate") 3) From the date the Service Provider issued the Certificate, the Service Provider must notify the Service Recipient of the Commissioning Date.
Insurance	The Service Provider is responsible for insurance to protect the assets during the service period.
Termination	<ol style="list-style-type: none"> 1) Each party may terminate the contract by written notification of a breach of any condition specified in this contract by the other party, which was not corrected or compensated within 60 days from the date of receiving such notification such as fault to comply with trade control laws, fault to comply with applicable Anti-Bribery Laws or conflict of interest between parties and its related parties. 2) In the case of termination of the contract before commencement date from any causes unspecified in the contract by the Service Provider, the Service Recipient is entitled to claim damages at the rate specified in the contract. 3) In the case of termination of the contract by the Service Recipient due to: <ol style="list-style-type: none"> 3.1) a cause that is not the fault of the Service Provider, the service provider is entitled to claim damages at the rate specified in the contract.

	3.2) a cause that is the fault of the Service Provider, or in the event that the Service Provider is unable to comply with the conditions stipulated in the contract, the Service Recipient is entitled to claim damages at the rate specified in the contract.
Suspension of service	<ol style="list-style-type: none"> 1) The Service Recipient has the right to temporarily suspend the service immediately, by written notification, in the event that there is a cause as specified by the contract such as errors, omissions, defects and non-compliance with determined standards. 2) The Service Recipient has the right to temporarily suspend the service at its own discretion with 7 days prior written notice to the Service Recipient. 3) In the event that the Service Recipient suspends services due to a malfunction of the Service Provider, the Service Provider shall be responsible for compensation and remediation. 4) The Service Recipient can withdraw the suspension by written notification. In this regard, the Server Provider will promptly continue performance of the service.
Letter of Guarantee	The Service Provider must provide a letter of guarantee to the Service Recipient according to the specified amount throughout the service period.

In this regard, from consideration of the service contract between NFCT and the Service Recipient, management interview and received documents, service revenue comprises 2 parts including (1) fixed service fee (2) service fee according to oil volume transported and stored in fuel tank (variable throughput fee). In case the Service Recipient partially pays service fee only in fixed part to NFCT and does not have any usage of service and oil transportation to the fuel tank within the service period, the sum of fixed service fee within service period of the contract is higher than investment in this project based on the assumption that the conditions and factors related to entering into this transaction have not changed.

Summary of the draft agreement for NFCT to use land to operate an fuel storage business on the land of IEAT

Parties	<ul style="list-style-type: none"> ▪ NFCT Company Limited (NFCT) ▪ Industrial Estate Authority of Thailand (IEAT)
Details	IEAT approves NFCT's use of land parcel No. I-20/1 (partial), area of approximately 43 rais 67.90 sq.wahs to operate a fuel storage business in the general industrial area No. 2, I-2 Road, Map Ta Phut Industrial Estate, Rayong Province. IEAT is in the process of considering approval of NFCT's use of the abovementioned land as per the above details.
Lease period	30 years
Rental fee	According to the IEAT announcement, at the rate of THB 292,000 per rai per year, with the rental rate increasing every year at the rate of 3.00 percent from the date of the land lease agreement.
Important conditions	<p>Prior to construction or any undertaking on the IEAT land, NFCT must fulfill the following conditions:</p> <ol style="list-style-type: none"> 1) NFCT must comply with the environmental protection and corrective measures and the measures to monitor the environmental impact identified in Environmental Impact Assessment Report ("EIA"), amended version, of the Jetty Project that the company has prepared and which has already been approved by the Office of Natural Resources and Environmental Policy and Planning (ONEP). 2) NFCT must comply with IEAT announcements and relevant laws.

Summary of the draft approval letter for the Company to return partial land use rights to IEAT

Parties	<ul style="list-style-type: none"> ▪ NFC Public Company Limited (NFC) ▪ Industrial Estate Authority of Thailand (IEAT)
Details	IEAT acknowledges the return of the Company's land use rights on the plot of land at I-20/1 (partial) with an area of 43 rais 67.90 sq.wahs from the Company to allow IEAT

	to lease the abovementioned land to NFCT to be used to operate the fuel tank. Once the return of land use right to this area is completed, the Company will have the area under this land use right equal to 498 rais 1 ngan 8.76 sq.wahs from the original 541 rais 1 ngan 76.66 sq.wahs. In this matter, IEAT is in the process of considering the right to use such land as detailed above from the Company.
Return fee	IEAT reserves the right to charge service fees in return for the transfer of land use rights according to the announcement of the Industrial Estate that will be announced in the future.
Important conditions	<ul style="list-style-type: none"> ▪ The Company is required to amend its Initial Environmental Examination Report (“IEE”) of the National Fertilizer Project to reflect the changing size and usage of the abovementioned area. ▪ The Company is required to amend the EIA of its Jetty Project to cover the fuel transport operations from the port, fuel storage area and pipeline system prior to starting the fuel transport business. ▪ The Company is required to file a general application (Form Kor. Nor. Or. 01/3) to add fuel transport operation to its business. ▪ The Company is required to seek amendments to the joint operations agreement to develop the construction site of the berthing dock to be aligned with and cover fuel port handling business operations and other related activities. ▪ The Company must consent to allow NFCT access to use the entrance – exit roads.

Summary of indicative term sheet from financial institutions

Parties	<ul style="list-style-type: none"> ▪ Kasikorn Bank Public Company Limited (“Lender”) ▪ NFCT Company Limited (“NFCT”) (“Borrower”)
Loan facilities	<p><u>Facility 1</u> : Term Loan in the amount of THB 1,100.00 million</p> <p><u>Facility 2</u> : Promissory Note in the amount of THB 300.00 million</p> <p><u>Facility 3</u> : Overdraft in the amount of THB 20.00 million</p> <p><u>Facility 4</u> : Letter of Guarantee in the amount of THB 350.00 million</p>
Purpose	<p><u>Facility 1 and 2</u> : to be used for investment in the Fuel Tank Farm Project</p> <p><u>Facility 3</u> : to be used as working capital of the project</p> <p><u>Facility 4</u> : to be used as collateral in the investment of the Fuel Tank Farm Project with the Service Recipient</p>
Interest rates	<p><u>Facility 1</u> : Rate not exceeding THBFX6M^{/1} + 5.00 percent per year</p> <p><u>Facility 2</u> : Rate not exceeding MLR^{/2} + 1.00 percent per year</p> <p><u>Facility 3</u> : Rate not exceeding MOR^{/3} + 1.00 percent per year</p> <p>Remark ^{/1} Interest rate on loans in Thai Baht calculated from FX Swap USD/THB transaction ^{/2} Interest rate for top-class large customers with period loans (Minimum Loan Rate : MLR) is the interest rate for the loan of a prime customer of the lender ^{/3} Interest rate for major large customers on overdraft of the lender</p>
Maturity	<p><u>Facility 1</u> : Not exceeding 13 years or by 15 May 2032</p> <p><u>Facility 2</u> : Not exceeding 13 years or by 15 May 2032, with payment within 180 days of each promissory note</p> <p><u>Facility 3</u> : Subject to Annual Review</p> <p><u>Facility 4</u> : Each Letter of Guarantee valid for not more than 3 years and subject to an Annual Review by the lender</p>
Principal repayment	<p><u>Facility 1</u> : Every 6 months for a total of 21 times, with the first installment due on the last working day of May 2022</p> <p><u>Facility 2</u> : Excess cash from a DSRA Account (Debt Service Reserve Account) which refers to an account which comprises cash in the value of THB 100.00 million from the income of the project after deducting operating expenses, the principal amount of the Facility 1 and the interest expense of the Facility 1 and 2.</p>

Interest payment	Facility 1 : every 6 months Facility 2 : Depending on the term of each Promissory Note
Prepayment fee	2.00 percent of the remaining principal value
Collateral	Land use rights of the project area and project assets such as building, machinery, equipment, trade accounts receivable and insurance

1.1.5 Source of funds for entering into the transaction

From the Daewoo report and the Company's budget, the Fuel Tank Farm Project requires an initial investment of approximately THB 1,977.01 million consisting of:

- Construction cost of the project amounting to THB 1,420.00 million
- Consultancy fees and other expenses related to the preparation and construction of the project amounting to THB 131.46 million
- Deposit and rental fees to IEAT during construction (including facility maintenance fee) amounting to THB 42.06 million
- Financial costs during construction period amounting to THB 102.89 million
- Land leasehold right transferal fee which NFCT will pay to the Company in the amount of THB 280.60 million

However, the initial investment does not include the rental of land with the IEAT (including maintenance of facilities) after the project construction is completed and the project commences operations in the amount of THB 592.98 million with the duration of operation period equal to 27 years and 10 months from the 30-year land lease agreement, which will be paid by cash flow from operations and working capital of the abovementioned project.

The sources of fund for the initial investment, as shown above, will come from:

1. Loans from financial institutions amounting to THB 1,400.00 million (Facility 1 and 2)
2. Loan from the Company amounting to THB 252.01 million
3. Capital increase from the Company to NFCT in the amount of THB 325.00 million which will be used to pay land leasehold right transferal fee to the Company of THB 280.60 million, and the remaining of THB 44.40 million for investment to develop the project.

The above figures are estimates which may differ slightly depending on actual operations.

1.2 Reasonableness of the transaction

1.2.1 Objectives and benefits of the transaction

As it is the Company's policy to expand investment by focusing on businesses that support the core business of distribution of chemicals, warehousing, logistics and liquid warehousing services as well as berthing services. Therefore, the company wishes to have NFCT, a subsidiary company that the Company holds 100.00 percent of the shares, invest in this Fuel Tank Farm Project In order to increase the opportunity to generate income and increase the competitiveness of the corporate group.

Whereby the Company will return the land use right to some unused land in the area of 43 rais 67.90 sq.wahs (from the total area of 541 rais 1 ngan 76.66 sq.wahs) to IEAT in order that NFCT will continue to lease this land to be used as the location of the project. The area is located in the Map Ta Phut Industrial Estate which is an important industrial area of the country with a coastal line suitable for oil tank operations because it can be easily navigated to transport oil in and out and is well-placed in terms of pipeline systems for fuel transport and distribution. Moreover, this Fuel Tank Farm Project is an

investment encouragement project from the government policy on the Eastern Economic Corridor (EEC) and is in line with the Long-term National Fuel Management Plan 2015 – 2036.

1.2.2 Comparison between the advantages and disadvantages of entering or not entering into the transaction

▪ Advantages and disadvantages of entering into the transaction

Advantages of entering into the transaction

1) Increased opportunity for the Company to generate income, profits and competitiveness

In 2018, the Company had total sales and service income of THB 1,179.99 million and net profit of THB 50.92 million. It is expected that the investment in the Fuel Tank Farm Project will enable the Company to have income from providing services and increased net profit (if the performance is as expected). The objective of this investment is to expand the investment according to the company's policy that focuses on investing in businesses that support the core business of chemicals distribution, warehouse services, logistics and warehousing services for liquid products and berthing services which the corporate group will be able to deploy its personnel with long experience and expertise to manage the Fuel Tank Farm Project to ensure efficient project operation.

In addition, the Service Recipient is a leading company of global repute in the oil and chemical distribution industries, which will use such service for the first 12 years from the start of project operation (and retains the right to renew the service contract for another 5 years). This will raise the profile of the corporate group in terms of acceptance and credibility from outsiders, as well as attracting and expanding the customer base of the corporate group which will enhance the Company's competitive potential in the future.

2) Diversification of risks in terms of source of funds of the Corporate Group

At present the Company's main source of revenue is derived from income from sale of chemicals namely ammonia, ammonium hydroxide and sulfuric acid, and income from services, namely warehousing, logistics and warehousing for liquid products services, and berthing services. In 2018, the Company's income structure was as follows:

Revenue Structure of the Company in 2018

Items	Amount (THB million)	Proportion (%)
Revenue from selling chemical products		
Ammonia	565.60	48.53
Ammonium hydroxide	21.46	1.75
Sulfuric acid	498.86	40.79
Revenue from service		
Warehouse service	29.96	2.45
Logistics and liquid warehouse service	55.04	4.50
Port service	9.07	0.74
Other income	15.14	1.24
Total revenue	1,195.13	100.00

Source : Information disclosure form (Form 56-1) of the Company

Therefore, this investment in the Fuel Tank Farm Project will expand the Company's business in providing logistics and liquid warehousing services and enable the Company to gain increasing revenue and diversify its source of income.

3) Recurring income recognition

The Company's core business of distribution of various chemicals (the proportion of income from sales of chemicals in 2018 amounted to 90.86 percent of total income) which are commodities that fluctuate according to the prevailing global market conditions, causing direct impacts on the Company's main income. Therefore, investment in the Fuel Tank Farm Project, which is a service business to provide logistics and liquid warehousing with income recognition from minimum guaranteed rate namely revenue from annual fixed service fee rate throughout 17 years (in the case the Service Recipient renews the service contract for another 5 years following the 12th year) will create income security for the Company in the event that its chemical distribution business suffers from market fluctuations which impact on the operational results not achieving set targets as expected. The Company would still have income recognition from the Fuel Tank Farm Project which has long-term stability. In this regard, since the abovementioned project has land rental period of 30 years and service period after construction of 27 years 10 months, thereby at the end of the service period of the 17th operating year, NFCT has the option to negotiate continued extension of services to the existing service recipient or procure new service recipients.

4) Ability to procure benefits from unused land

Since the Company has land use rights under a lease agreement with IEAT to a total area of 541 rais 1 ngan 76.66 sq.wahs in the Map Ta Phut Industrial Estate, Rayong Province, and wishes to transfer part of such land use rights to an area of 43 rais 67.90 sq.wahs, which currently remains unused and has no building structure, to NFCT in order to lease the land for use as the location of the Fuel Tank Farm Project, thereby releasing the Company from its obligation to pay rent and maintenance fees to IEAT on this non-performing asset, while at the same time procuring benefits from existing resources and generating long-term income.

5) Ability to more effectively use the Company's berthing facility to procure full benefits

In receiving fuel from the Service Recipient's vessel for storage in the project, the handling is undertaken in the Company's berthing area as permitted by the IEAT, whereby investment in the Fuel Tank Farm Project will also generate increased income from the berthing services since service fees are collected according to the volume of liquid that pass through the berth while the Company's expenses regarding lease and maintenance fees for the use of the berthing area remains the same. Therefore, entering into the abovementioned transaction will result in more fully effective use of the berth facility to gain maximum benefits.

6) The Project is an investment promotion project under state policy and corresponds with the National Long-term Fuel Management Plan

The Fuel Tank Farm Project is an investment promotion project under state policy in the Eastern Economic Corridor (EEC) zone whose objective is to promote and build confidence in the industrial development of the region in such industries as petrochemical, automotive, electronics, etc. Furthermore, the project is aligned with the Long-term National Fuel Management Plan 2015 - 2036 of which the objective is efficient fuel management based on measures to support investment in efficient logistics systems through development of pipeline infrastructural systems which require least energy and are able to transfer large volumes of fuel.

In addition, NFCT is in the process of applying for exemption of corporate income tax from the Board of Investment ("BOI") which, if successful, would render the right of exemption of corporate income tax for a period of the first 5 years from the date that the project generates income from business operation. Moreover, the Company expects to receive such exemption for another 3 years due to the project location in the EEC Zone which would render tax exemption for the Fuel Tank Farm Project for a total of 8 years, generating more profit and returns on investment for the Corporate Group.

▪ **Disadvantages and risks of entering into the transaction**

1) Increased debt and interest payment burdens with financial institutions

The main source of funding for NFCT's investment in the Fuel Tank Farm Project is loans from financial institutions with a total credit line of THB 1,420.00 million. In the case that NFCT uses the full credit line, the Company will have additional interest-bearing debt burden, from THB 311.66 million to THB 1,731.66 million, and an increase in the interest-bearing debt to equity ratio from 0.31 times to 1.70 times which could result in the Company's decreasing ability to repay its debts. Nonetheless, the abovementioned borrowing has not broken current financial covenant of the Company.

In addition, it is expected that NFCT will have increased burden in interest payment and other financial costs during the construction period amounting to THB 102.89 million, without income from any operation, including in the case that operating results are not as expected and NFCT is unable to repay the loans or fulfill its interest payment obligation with the financial institutions as specified. In such cases, the Company will need to increase capital and / or grant a loan to NFCT to use as funding source during such construction, possibly rendering a decline in the Company's liquidity and loss of opportunity in using its existing capital to invest in other types of investment and / or other projects.

Even though in entering into this transaction, NFCT will have higher debt and interest payment burden; however, when the cash flow from future operation is considered (in the case that procurement of benefits from the project in this investment goes according to the set plan), the IFA expects that NFCT will have sufficient cash flow from operations to pay interests and repay the abovementioned loans.

2) Risk of the Service Recipient not renewing the service contract after the expiration of the initial contract period of 12 years.

Investment in this Fuel Tank Farm Project, NFCT will provide logistics services via a pipeline transport system and liquid storage tanks. At the end of the service contract period in the 12th year, the right to renew the service contract period for another 5 years belongs to the Service Recipient. Therefore, there is a risk in the case that the Service Recipient does not renew the abovementioned service contract, which may impact on its ability to generate cash flow and render a lower rate of return on the project, and resulting in a burden to NFCT to find new service recipients. However, the Company and the Service Recipient have so far had good relations as co-developers of the Fuel Tank Farm Project and the Company wishes to continue maintaining such good relations in the long term, thereby possibly lessening the risk that the Service Recipient does not renew the service contract in the future.

3) Risk in the case that the project construction is not as expected

At present, NFCT is in the process of procuring a contractor to construct the fuel storage tanks and other associated project structures. In the event that NFCT cannot procure a contractor or is unable to conclude a definitive agreement within the set timeframe under the project plan, thereby rendering a delay in the project construction which may result in the Company having a shorter timeline to procure benefits from the land and project, while also running the risk of having to pay a fine to the Service Recipient if provision of service is delayed and starts later than required. In such case, NFCT and the Company may see slower and less returns on investment. Nonetheless, NFCT expects to be able to execute the construction contract with a contractor for the construction of the Fuel Tank Farm Project by the third quarter of 2019 and that such construction will be completed and ready for project operation in the third quarter of 2021 (construction of the project is expected to take approximately 2 years)

4) Risk of not being able to procure other service recipients upon expiration of the service contract with the Service Recipient

Based on the service agreement, the Service Recipient will receive services under the Fuel Tank Farm Project for a period of 17 years (the service period under the agreement of 12 years and including the right to renew the service for another 5 years). However, although upon expiration of the service period

under the contract NFCT has the option to negotiate with the original service recipient to continue using the project services, if such negotiation fails to succeed, NFCT has the risk of procuring new service recipients while the Fuel Tank Farm Project was designed specifically for storage of liquid fuel, and the Company's berth, which has capacity to receive fuel for transfer to the storage tanks, cannot accommodate large vessels (not exceeding 40,000 DWT). Therefore, these restrictions may make it necessary for the Company to spend a lot of time in finding new service recipients, as well as suffer lack of continuity of income. Nevertheless, it is expected that NFCT will be able to procure new service recipients, e.g. small and medium fuel traders who desire to use the service of fuel storage tank, or negotiate with the original Service Recipient to continue using the service since fuel storage facilities are necessary to the petrochemical industry, fuel being an essential commodity for the country. Furthermore, the location and berthing facility of this project are situated in the Map Ta Phut Industrial Estate which has the readiness and efficiency in conveying, storing and transporting fuel oil.

5) Future risk from determination of rental rates and other conditions by owners of the pipe rack structure

Since the transport of fuel from the storage tanks in the project area to the Thapline system at the Map Ta Phut pumping station, total pipeline length of approximately 7 kms., will require construction of pipelines on top of the pipe racks of GLOW, PTT and TPC, for which rental fees will be charged throughout the pipeline route. However, this is currently in the process of considering the contractual conditions thereof, as well as the rental rates pertaining to pipeline installation and other related conditions, such as the rate of rent increase, contract period and payment installments, etc. As such, in the event that the abovementioned conditions are not as expected, this may have direct impacts on the operating results of the Fuel Tank Farm Project. It is envisaged that NFCT will be able to complete the execution of agreements with all 3 pipe rack owners by September 2019.

▪ Advantages and disadvantages of not entering into the transaction

Advantages of not entering into the transaction

1) The Company will have cash amounts to invest in other projects or other forms of investment which provide higher returns or have lower risk.

Because this investment in the Fuel Tank Farm Project requires NFCT to use source of funding from the Company in the period during preparation and project construction between 2019-2021, in the form of both capital increase and loans amounting to a total of THB 296.42 million, equivalent to 60.00 percent of the Company's cash, based on the Company's interim financial statements for the period ending 31 March 2019. Therefore, this may result in lost opportunity for the Company to use such funds to invest in other projects and / or other forms of investment which may provide a higher return or have lower risk than the Fuel Tank Farm Project. Nevertheless, in entering into the transaction, the Company has carefully considered the rate of return on investment and various risks to find that the project has potential to generate stable income and profits to the Company in the long term, and also provides increased opportunity for business expansion and building up the Company's reputation.

2) The Fuel Tank Farm Project is dependent on a single customer.

NFCT is investing in the construction of the abovementioned project in order to provide fuel storage and pipeline transport services to a single customer for a period of 12 years from the date of completion of project construction and systems testing. However, if there is termination of the service contract before its expiration, resulting in a halt of NFCT's income continuity, as well as risk associated with procuring new service recipients who must have similar requirements that are consistent with the utility of the Fuel Tank Farm Project which was designed to provide liquid storage and transport. Moreover, the Company's berth facility which is being used to transfer fuel from vessel to storage tanks, cannot accommodate large vessels. Therefore, with the various restricting factors, the Company may require a period of time to

procure new qualified service recipients while still having the obligation to pay rent and maintenance fees of the project.

Disadvantages of not entering into the transaction

1) The Company may lose the opportunity to generate income and increase competitive potential.

If NFCT does not invest in such business investment, it may result in the Corporate Group losing the opportunity to generate stable incomes and increase its competitive potential in the future. In addition, the Company will not be able to reduce risk from market fluctuations affecting its core business of distribution of chemicals, as well as losing the opportunity to raise the corporate group's profile in providing services to a corporation of global repute which would have led to expansion of its customer base from such industry groups as MSG manufacturers, latex producers and the cold storage industry, to customers in the petrochemical industry which is an industrial group that would support and enhance the Corporate Group's current business.

2) The Company will not be able to make full and efficient use of existing resources

From the lease agreement for industrial land between the Company and IEAT that is currently in effect, the rent for land that the Company leases in Map Ta Phut Industrial Estate is set at the rate of THB 41,503.00 per rai per year. If the Company does not enter into this transaction, it will still have the burden of paying rent on the leased area amounting to THB 1.79 million annually, whereas part of such leased land (an area of 43 rais 67.90 sq.wahs that the Company wants to transfer the land-use right to NFCT for use as the project area) which has commercial potential, is not currently being fully utilized by the Company.

1.3 Fairness of price and conditions of the transaction

1.3.1 Fairness of price

In assessing the appropriateness of the Fuel Tank Farm Project in which NFCT will invest on land it is expected to receive the land use right for a period of 30 years from 1 July 2019 to 30 June 2049, which was approved in principle by IEAT and currently in the process of drafting the land use agreement, the IFA considers the feasibility of the project by considering the ability to generate future cash flows from this project from the date the Company expects to invest in the project construction, i.e. 1 September 2019 until the end of the land use date on 30 June 2049, totaling to period of 27 years 10 months. However, IFA has estimated the projection based on the land lease agreement with IEAT for the period of 30 years ended on 30 June 2049, instead of considering based on the last date of service agreement with the period of 12 years (31 August 2033) or the last date of service agreement in case there is renewal for another 5 years totaling to 17 years (31 August 2038). It is because NFCT still has the right to use the abovementioned land which NFCT may procure new service recipients, e.g. small and medium fuel traders, who desire to use oil storage tank or negotiate with the current service recipient to continue using the project services since NFCT.

whereby the IFA considers free cash flow and returns from the project divided into 2 levels as follows:

1. Free Cash Flow to Project (FCFF) and discounted cash flow using Weighted Average Cost of Capital (WACC) to determine the present value of the project's net cash flow (Project Net Present Value : Project NPV) as at 1 September 2019, including the expected rate of return of the project (Internal Rate of Return : IRR) and the payback period (Discounted Payback Period : PB).
2. Free Cash Flow to Equity (FCFE) and discounting such cash flow with the Cost of Equity (Ke) to determine the present value of the net cash flow in equity (Equity Net Present Value : Equity NPV) as at 1 September 2019, including the expected rate of return on equity (Equity Internal Rate of Return : EIRR) and the payback period (Discounted Payback Period : PB).

Evaluation of appropriateness of this transaction considers expected cash flows generating from the Fuel Tank Farm Project which has a main source of fund from financial institution. Therefore, the IFA has considered free cash flow to project discounted by Weighted Average Cost of Capital (WACC) between cost of debt from financial institution of the Company and cost of equity of the Company to reflect the net present value of free cash flow to project (Project NPV) which already considered capital structure of the Company.

Regarding the assumptions in this estimate, the IFA has referred to the investment plan and operation plan of the Fuel Tank Farm Project from interviews with the management and the Company's team, including estimates of contracts and related documents received from the Company together with consideration of current industry conditions by considering the economic conditions and information that are available at the time of this study. Therefore, if such factors change, it is possible there would be impact affecting the opinion of the IFA that may change accordingly. This estimate is prepared under various assumptions as follows.

Summary of financial assumptions used in the projections

Assumptions	Details
<u>Assumption during project development</u>	
Project details	Fuel Tank Farm Project involves construction of 6 tanks, with a total capacity of 90 million liters, operated under land use rights on an area of 43 rais 67.90 sq.wahs for a period of 30 years, under the right to provide logistics services. through pipeline systems and liquid storage warehousing, with a service contract period of 12 years with the right of the client to renew the contract for another 5 years. Based on the service agreement and information on the acquisition of assets of the Company's Fuel Tank Farm Project
Estimate period	1 September 2019 - 30 June 2049
Period of land use right	30 years from 1 July 2019 – 30 June 2049 Based on the draft permit and documentation for land use and operation in Map Ta Phut Industrial Estate from IEAT
Construction period	2 years from 1 September 2019, with expected construction completion and ready to start services within August 2021 Based on interviews with management and the projection of the Company.
Operation period	27 years 10 months from 1 September 2019 - 30 June 2049 which the period after the construction is completed.
Investment and expenses during the preparation and construction of the project	A total of THB 1,977.01 million consisting of: - investment and expenses pertaining to construction amounting to THB 1,5932.52 million - financial costs during construction amounting to THB 102.89 million - land leasehold right transferal fee from NCBT to NFC in the amount of THB 280.60 million Based on interviews with the management of the Company and Information Memorandum on the Acquisition of Assets of the Fuel Tank Farm Project of the Company, Daewoo's Report, loan agreement from the financial institution and estimates of the Company
Project funding during the preparation and construction of the project	A total of THB 1,977.01 million from - loans from financial institutions amounting to THB 1,400.00 million

Assumptions	Details
	<ul style="list-style-type: none"> - capital increase from the Company of THB 325.00 million ^{/1} which will be used to pay land leasehold right transferal fee to the Company in the amount of THB 280.60 million, and used as working capital for project development in the amount of THB 44.40 million - loan from the Company in the amount of THB 252.01 million Based on interviews with the management of the Company, loan agreements from financial institutions and estimates of the Company
Income assumption	
Details of services	<p>From the first day of business operation on 1 September 2021, divided into 2 periods namely:</p> <ul style="list-style-type: none"> - Business operations from the 1st to the 17th year based on the service agreement - Business operations from the 18th to the 28th year with other service recipients <p>Based on interviews with the management of the Company and Information Memorandum on the Acquisition of Assets of the Fuel Tank Farm Project of the Company and the service agreement</p>
1st to 17th year of business operation : based on the service agreement	
Counterpart	the Service Recipient
Service period	<p>12 years with Service Recipient's right to renew the contract for another 5 years</p> <p>Based on interviews with the management and the service agreement</p>
Service timeline	<p>Divided into 2 periods, namely</p> <ul style="list-style-type: none"> - 1st – 12th year : 1 September 2021 - 31 August 2033 - 13th – 17th year : 1 September 2033 - 31 August 2038 <p>Based on interviews with the management and the service agreement</p>
Number of tanks in service	<p>6 tanks divided by usage as follows:</p> <ul style="list-style-type: none"> - 2 tanks for storage of reserve oil according to the amount prescribed by law - 4 tanks for storage of fuel for distribution <p>Based on interviews with the management and the service agreement</p>
The volume of liquid products that pass into storage	<p>On average not less than 80.00 million liters per tank per year, with growth rate according to the projection of the Service Recipient</p> <p>Based on interviews with the management, the service agreement and estimates of the Company.</p>
Logistics service fee rate via pipeline system and liquid storage	<p>Based on service agreement which specifies service fee in 2 parts namely :</p> <ol style="list-style-type: none"> 1. Yearly fixed service fee for storage of oil with escalation rate specified in the service agreement 2. Variable throughput fee which is charged according to volume in liter basis transported to storage tank with determined escalation rate <p>In this regard, all abovementioned service fees are estimated in average of service fee not less than THB 0.20 per liter based on interviews with the management, the service agreement and estimates of the Company</p>

Remark

^{/1} The Company expects to increase capital to NFCT in 2019, amounting to THB 325.00 million, a part of which NFCT will use to pay NFC for the transfer of the land-use right in the amount of THB 280.60 million, with the remaining amount of THB 44.40 million to be used as a source of funds for project development.

Assumptions	Details
18th year – 27th year and 10th month of business operation	
Counterpart	Other service recipients
Service period	10 years and 10 months
Service utilization rate	50.00 percent of the total number of tanks Based on interviews with the management and appropriate consideration on a conservative basis.
The volume of liquid products that pass into storage	Estimated to be equal to the last year before the end of the service contract at the average volume of not less than 80.00 million liters per tank per year. Based on interviews with the management and appropriate consideration on a conservative basis.
Logistics service fee rate via pipeline system and liquid storage	The estimated sum of 2 parts of service fee is at the average rate of not less than THB 0.20 per liter Based on interviews with the management and appropriate consideration on a conservative basis.
Direct cost assumptions in operation	
Rent and maintenance fees	Estimated to be at THB 0.30 million per rai per year, with a growth rate of 3.00 percent every year Based on interviews with the management, the draft documentation on land use and business operations in Map Ta Phut Industrial Estate from IEAT and IEAT Announcement No. Sor. Nor. Phor. 10/2559 Re: Determining the rate of land lease
Pipe rack rental Fee	Estimated to be equal to 6.90 percent of service revenue for the year 2021 with the growth rate as agreed with lessor Based on interviews with the management and estimates from the Company
Throughput Rate	Estimated to be equal to 4.00 percent of service revenue for the year 2021 with the growth rate as agreed with lessor Based on interviews with the management and estimates from the Company
Routine maintenance expense	Amounting to THB 3.60 million per year, with a rate of increase of 3.00 percent in the following year and increasing at such rate every 3 years. Based on interviews with the management and estimates from the Company, prepared in collaboration with the service recipient
Expenses for change of parts and supplies	Amounting to THB 2.40 million per year, with a rate of increase of 3.00 percent every year Based on interviews with the management and estimates from the Company, prepared in collaboration with the service recipient
Staff cost	Consisting of salary, social welfare, provident fund, etc. for the total 23 employees at cost of THB 7.00 million per year with average growth rate of 5.00 percent per year Based on interviews with the management and estimates of the Company and relevant documentation
Other operating costs	Such as insurance premium, electricity and other utilities, training, etc. Estimated to be 4.80 – 8.60 percent of service revenue Based on interviews with the management and estimates from the Company, prepared in collaboration with the service recipient, and their service agreement.

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

Assumptions	Details
Administration cost assumptions	
Staff costs	Consisting of salary, social welfare, provident fund, etc. for the total of 7 employees at expenses of THB 1.04 million per year, with average growth rate of 5.00 percent per year Based on interviews with the management, estimates of the Company and relevant documentation
Other expenses	Such as office expenses, water and electricity for the office, etc. Estimated to be 0.30 – 0.80 percent of service revenue Based on interviews with the management, estimates of the Company and relevant documentation
Corporate Income Tax Assumption	
Corporate income tax rate	20.00 percent of net income, with the Company expecting to get tax exemption for a period of 8 years from first day of operation Based on interviews with the management and relevant documentation
Working Capital Assumption	
Debt collection period	60 days Based on interviews with the management and the service agreement
Inventory storage period	Namely spare parts and supplies of which inventory storage period is 30 days Based on interviews with the management and estimates of the Company
Debt repayment period	30 days Based on interviews with the management and estimates of the Company
Advance cost	Namely land rental which is paid annually at the value of one year's rent paid a year in advance Based on interviews with the management and the draft permits pertaining to land use and business operation in the Map Ta Phut Industrial Estate from IEAT
Deposit for land use rights	In the amount of THB 12.61 million which will be returned to NFCT at the end of the land use period of the project Based on interviews with the management and the draft permits pertaining to land use and business operation in the Map Ta Phut Industrial Estate from IEAT
Assumption on Capital Expenditures	
Additional investment for project development	In the amount of THB 1,964.41 million, consisting of <ul style="list-style-type: none"> - Investment and expenses related to construction amounting to THB 1,5980.92 million - Financial costs during construction amounting to THB 102.89 million - land leasehold right transferal fee from NCBT to NFC amounting to THB 280.60 million. In this regard, it excludes the deposit for land leasehold rights amounting to THB 12.61 million since it is already been considered in the working capital assumption Based on interviews with the management, the Information Memorandum on the Acquisition of Assets of the Fuel Tank Farm Project of the Company, Daewoo's Report, the loan agreement with financial institutions and estimates of the Company.

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

Assumptions	Details
Assumptions on Maintenance Capital Expenditures	
Additional investment for maintenance and major inspection of conditions	Estimated to be THB 8.60 – 13.70 million and THB 12.67 - 16.58 million in the 5 th – 15 th operating year and 20 th – 25 th operating year respectively Based on interviews with the management and estimates of the Company, prepared in collaboration with the service recipient, and Daewoo's report
Additional investment for parts replacement of machinery and equipment in major maintenance operation	Estimated to be THB 7.88 – 8.66 million in the 10 th and 20 th operating year respectively Based on interviews with the management and estimates of the Company, prepared in collaboration with the service recipient, and Daewoo's report
Additional investment for parts replacement of office equipment and supplies	Estimated to be THB 1.00 and 1.50 million in the 10 th and 20 th operating year respectively Based on interviews with the management and estimates of the Company
Depreciation assumptions	
Depreciation of additional investments for project development	Depreciated and amortized in accordance with the straight line method throughout the life of the project. Based on interviews with the management and accounting policies
Depreciation of additional investments for maintenance during operation	Depreciated and amortized in accordance with the straight line method throughout the life of usage which is equivalent to the maintenance and parts / equipment replacement cycle Based on interviews with the management and accounting policies
Salvage value at the last year	
Salvage value after deduction of decommissioning costs at the end of the term of land use rights	THB 39.00 million Based on salvage price from Waste Recycling Association and interviews with the management

Discounted cash flow assumption (Discount Rate)

The Independent Financial Advisor uses the weighted average cost of capital (WACC) of the Company as a discount rate in calculating the present value of cash flows from operations of the Fuel Tank Farm Project by using the moving weighted average cost of capital (Moving WACC) in order to reflect the interest-bearing debt ratio to the shareholders equity of the Company that changes each year, which can reflect the financial cost and risk appropriately from the capital structure that has changed since this project uses mostly loans. Therefore, when the loan repayment is made, the capital structure will change accordingly. The weighted average financial cost can be calculated as follows:

$$WACC = K_e * [E / (IBD + E)] + K_d * (1 - t) * [IBD / (IBD + E)]$$

Nevertheless, in calculating the weighted average cost of capital, it is necessary to calculate the cost of equity or K_e value of the Company in each year, which is calculated from the Capital Asset Pricing Model (CAPM), with details as follows:

$$K_e = R_f + \beta (R_m - R_f)$$

Whereby

Rf = Risk-free rate, which the IFA based on the 30-year government bond yield as at 22 April 2019 at 3.30 percent per year (Source: www.thaibma.or.th) which is a long-term government bond yield that is regularly issued and traded, including covering the economic cycle

β = Coefficient of variation of ordinary shares; however, since the Company recently resumed trading on the Stock Exchange of Thailand on 15 June 2018, as well as the low liquidity of the ordinary shares trading, the use of the Beta value of the Company itself may not be able to reflect the appropriate return rate from the investment in long-term. For this reason, the IFA therefore referred to the average Unlevered Beta for the past 3 years until 22 April 2019 of listed companies in the Stock Exchange of Thailand. That is, a company that operates a business similar to the Company which engages in importing and distributing petroleum chemicals and also conduct real estate rental business with a total asset size of not more than THB 2,500 million, namely

Comparable companies	Symbol	Total assets (Unit : THB million)
White Group Pcl.	WG	2,085.33
Global Connections Pcl.	GC	1,309.22

Source : Reviewed consolidated interim financial statement ended 31 March 2019 and the SET

Thereafter, the Independent Financial Advisor adjusted the impact of debt by applying the capital structure of comparable companies according to the equation (Unlevered Beta = Levered Beta / (1 + (1 - tax) x (IBD/E)_{comparable companies}) will get the Unlevered Beta value and bring the capital structure of the Company that changes each year because NFCT's repayment of the principal, therefore resulting in the interest-bearing debt ratio to shareholders equity of the Company also changing which will be replaced according to the equation Levered Beta = Unlevered Beta x (1 + (1 - tax) x (IBD/E)_{NFC} which more appropriately reflects financial costs and risks, thereby getting Beta value in the range of 0.47 - 1.16.

Rm = Market yield which the IFA based on the average change of the SET index for the past 35 years from 1984 - 2018, which is equivalent to 14.18 percent (Source: www.set.or.th, and the calculation of the IFA), a period that reflects the investment conditions at various times in the long term.

Details of the calculation of Ke are shown in table below:

Calculation of Cost of Equity of the Company	
Factors	Assumptions
Risk-free Rate (1) (%)	3.30
Risk Premium (Rm - Rf) (2) (%)	10.88
β (3)	0.47 - 1.16
Cost of Equity or Ke (4) = (1) + [(3)*(2)] (%)	8.42 - 15.94

However, the rate of return on equity (Ke) calculated as shown in the table above is in the range of 8.42 - 15.94 percent. When taking Ke to calculate Moving WACC, the discount rate is equal to 8.11 - 9.37 percent, the calculation details of which are shown in the table below:

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

- Ke = The rate of return on shareholders' equity is calculated using the Capital Asset Pricing Model (CAPM) as shown in the above equation. The value is in the range of 8.42 - 15.94 percent.
- Kd = Financial costs of interest-bearing liabilities, the value of which is in the range of 5.35 - 5.50 percent according to the value of the debt that changes each year, whereby the IFA is referencing the interest rate on the Company's current loans and the interest rates on loans the Company expects to secure for investment in the Fuel Tank Farm Project.
- t = Corporate income tax rate equal to 0.00 percent for the period that the company expects to be exempted from such tax in the period of 8 years from the first operating date and equal to 20.00 percent afterwards from the 9th operating year.
- IBD/(IBD+E) = The ratio of interest-bearing debt to the sum of interest-bearing liabilities of the Company and shareholders' equity, which changes according to the repayment of debt each year, thus causing the interest-bearing debt ratio to change in the range of 7.74 – 62.04 percent.

Calculation of Weighted Average Cost of Capital (WACC) of the Company

Factors (Unit : percent)	Projection Period					
	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2049
Cost of Equity or Ke (1)	9.55 - 15.94	9.78 - 12.64	8.52 - 9.14	8.46 - 8.50	8.44 - 8.45	8.42 - 8.44
Cost of Debt or Kd (2)	5.35 - 5.50	5.36 - 5.39	5.41- 5.50	5.50	5.50	5.50
IBD/(IBD+E) (3)	23.23 - 62.04	25.93 - 48.61	9.83 -21.37	8.50 - 9.51	8.13 - 8.42	7.74 - 8.07
Corporate income tax or t (4)	-	-	20.00	20.00	20.00	20.00
WACC or Discount Rate(5)	8.61 - 9.37	8.64 - 9.10	8.11	8.11	8.11	8.11

Remark WACC or discount rate (5) equals to {(1) *[1-(3)]} + {(2)*[1-(4)]*(3)}

Cash flow assessment and the rate of return of the Fuel Tank Farm Project

Based on the above assumptions, the IFA has estimated the free cash flow and the rate of return of the project during the projection period, divided into project levels and equity levels, as shown on the next page.

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

Summary of Projection of Free Cash Flows to Project

Unit : THB million	2019 (Sep-Dec)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
EBIT	-	-	53.79	162.58	165.20	170.69	178.36	178.54	183.19	188.60	186.53	188.72	193.39	193.60	164.66	110.19
Add depreciation	-	-	23.62	70.66	70.66	70.86	70.66	72.39	72.39	72.59	72.39	72.39	74.29	74.49	74.29	74.29
Add non-cash items	6.68	13.55	13.94	14.33	14.74	15.16	15.59	16.03	16.49	16.97	17.45	17.95	18.47	19.00	19.55	20.11
Deduct working capital	(29.40)	(11.99)	(30.97)	(48.44)	(15.82)	(16.53)	(17.55)	(17.06)	(17.92)	(18.42)	(18.02)	(19.07)	(20.28)	(19.67)	(15.59)	(11.87)
Deduct initial Investment	(776.03) ²	(1,051.82)	(136.56)	-	-	-	(8.66)	-	-	-	-	(22.58)	-	-	-	-
Deduct income taxes and tax benefits	-	-	-	-	-	-	-	-	-	-	(37.31)	(37.74)	(38.68)	(38.72)	(32.93)	(22.04)
Free cash flows	(798.75)	(1,050.26)	(76.18)	199.14	234.79	240.17	238.41	249.90	254.16	259.74	221.05	199.67	227.19	228.70	209.97	170.68
Add leasehold right transfer/ ³	280.60															
Project net present value (Project NPV) As of 1 September 2019	237.17															
Initial rate of return (IRR) (%)	10.10%															
Pay back period (PB)	9 years 3 months															

Remark

^{/2} Initial investment of THB 776.03 million comprises investment and other expenses during construction period of the project of THB 477.73 million, financial cost during construction period of THB 17.70 million and leasehold right transferal fee which NFCT will pay to the Company in the amount of THB 280.60 million for allowing NFCT to develop the project on such land.

^{/3} Transferal fee which NFCT will pay to the Company. the IFA added back leasehold transferal fee in the projection as it is transferred cash between the Corporate Group, and the investment appropriateness is mainly considered at the Company level.

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

Summary of Projection of Free Cash Flows to Project (Cont'd)

Unit : THB million	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
EBIT	106.27	105.07	104.01	83.95	22.78	24.33	18.82	18.13	19.53	15.14	14.02	15.06	10.25	8.95	44.30 ^{/4}
Add depreciation	74.29	73.84	73.64	73.64	73.64	73.84	75.17	75.17	75.17	75.38	75.17	75.48	75.48	75.69	37.43
Add non-cash items	20.69	21.29	21.90	22.54	23.19	23.87	24.56	25.27	26.01	26.77	27.55	28.35	29.18	30.03	15.23
Deduct working capital	(20.88)	(21.66)	(22.61)	(19.10)	(11.94)	(24.82)	(24.85)	(25.97)	(27.07)	(26.97)	(28.32)	(29.50)	(29.47)	(30.76)	12.61
Deduct initial Investment	(10.47)	-	-	-	-	(26.74)	-	-	-	-	(12.67)	-	-	-	-
Deduct income taxes and tax benefits	(21.25)	(21.01)	(20.80)	(16.79)	(4.56)	(4.87)	(3.76)	(3.63)	(3.91)	(3.03)	(2.80)	(3.01)	(2.05)	(1.79)	(8.86)
Free cash flows	148.64	157.53	156.14	144.24	103.12	65.61	89.93	88.98	89.73	87.29	72.94	86.37	83.39	82.12	100.71

Remark

^{/4} EBIT of 2049, including revenue from the sale of salvage at the end of the land use rights of THB 39.01 million, which is net income from the cost of decommissioning of 9.00 million baht.

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

Summary of Projection of Free Cash Flows to Equity

Unit : THB million	2019 (Sep-Dec)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Net profit	-	-	14.45	87.22	94.85	108.75	126.12	136.43	149.69	161.53	132.71	139.60	148.47	154.88	131.73	88.15
Add depreciation	-	-	23.62	70.66	70.66	70.86	70.66	72.39	72.39	72.59	72.39	72.39	74.29	74.49	74.29	74.29
Add non-cash items	6.68	13.55	13.94	14.33	14.74	15.16	15.59	16.03	16.49	16.97	17.45	17.95	18.47	19.00	19.55	20.11
Deduct working capital	(29.40)	(11.99)	(30.97)	(48.44)	(15.82)	(16.53)	(17.55)	(17.06)	(17.92)	(18.42)	(18.02)	(19.07)	(20.28)	(19.67)	(15.59)	(11.87)
Deduct initial Investment	(776.03) ⁵	(1,051.82)	(136.56)	-	-	-	(8.66)	-	-	-	-	(22.58)	-	-	-	-
Add additional loan	-	1,400.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deduct loan repayment	-	-	-	(68.20)	(120.01)	(178.23)	(186.17)	(193.99)	(121.00)	(121.00)	(121.00)	(121.00)	(121.00)	(48.40)	-	-
Free cash flows	(798.75)	349.74	(115.52)	55.58	44.42	-	-	13.81	99.66	111.66	83.53	67.29	99.94	180.30	209.97	170.68
Add leasehold right transfer fees ⁶	280.60															
Equity net present value (Equity NPV) As of 1 September 2019	399.68															
Equity initial rate of return to (EIRR)	16.44%															
Pay back period (PB)	9 years															

Remark

⁵ Initial investment of THB 776.03 million comprises investment and other expenses during construction period of the project of THB 477.73 million, financial cost during construction period of THB 17.70 million and leasehold right transferal fee which NFCT will pay to the Company in the amount of THB 280.60 million for allowing NFCT to develop the project on such land.

⁶ Transferal fee which NFCT will pay to the Company. the IFA added back leasehold transferal fee in the projection as it is transferred cash between the Corporate Group, and the investment appropriateness is mainly considered at the Company level.

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

Summary of Projection of Free Cash Flows to Equity (Cont'd)

Unit : THB million	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Net profit	85.02	84.06	83.20	67.16	18.22	19.47	15.05	14.51	15.63	12.12	11.21	12.04	8.20	7.16	35.44^{/7}
Add depreciation	74.29	73.84	73.64	73.64	73.64	73.84	75.17	75.17	75.17	75.38	75.17	75.48	75.48	75.69	37.43
Add non-cash items	20.69	21.29	21.90	22.54	23.19	23.87	24.56	25.27	26.01	26.77	27.55	28.35	29.18	30.03	15.23
Deduct working capital	(20.88)	(21.66)	(22.61)	(19.10)	(11.94)	(24.82)	(24.85)	(25.97)	(27.07)	(26.97)	(28.32)	(29.50)	(29.47)	(30.76)	12.61
Deduct initial Investment	(10.47)	-	-	-	-	(26.74)	-	-	-	-	(12.67)	-	-	-	-
Add additional loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deduct loan repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Free cash flows	148.64	157.53	156.14	144.24	103.12	65.61	89.93	88.98	89.73	87.29	72.94	86.37	83.39	82.12	100.71

Remark

^{/7} Net profit in year 2049 includes income from selling salvage at the end of leasehold right of THB 39.00 million, which is net value from demolition cost of THB 9.00 million.

From the above assumptions the IFA considers the investment in project development and the ability to generate cash flows from the project in the future (Project Free Cash Flow) and reduce such cash flows with appropriate discount rates, including weighted average cost of capital (WACC) of NFC to obtain the present value of the project's net cash flow (Project NPV), including the calculation of the return on investment of the project (IRR) and payback period of the project as shown below:

- **The present value of the project's net cash flow (Project NPV) as of 1 September 2019 is THB 237.17 million.**
- **Return on investment of the project (IRR) is 10.10 percent.**
- **The project's payback period is 9 years 3 months**

Furthermore, the IFA considers investment in project development and the ability to generate cash flow from the project to shareholders of NFC in the future (Free Cash Flow to Equity) and reduce such cash flow with an appropriate discount rate such as return on equity (Cost of NFC) to obtain the present value of net cash flows in the equity of NFC (Equity NPV), including the calculation of return on investment for shareholders (EIRR) and payback period as presented below:

- **The present value of the net cash flows in equity (NPV) as of 1 September 2019 is THB 399.68 million.**
- **Return on investment for shareholders (EIRR) is 16.44 percent.**
- **Payback period of NFC shareholders is 9 years.**

Therefore, the IFA deems that if the Company is able to complete the project according to plan, it is a project that has the potential to generate returns for the company.

Sensitivity analysis of performance (Sensitivity Analysis)

The IFA has analyzed the sensitivity of the project that is expected to affect the return on investment, including Service Recipient and the amount of liquid storage services from the 13th year onward, which is the year of first contract expiration (service contract period of 12 years) with the Service Recipient (Shell), divided into 2 scenarios as shown on the next page.

Sensitivity Analysis of Operating Performance

Case	Operating year 13-17		After operating year 18	
	Service recipients	No. of service (tank)	Service recipients	No. of service (tank)
Best Case	Service recipient (Shell)	6 tanks or occupancy rate of 100.00%	Other service recipients	6 tanks or occupancy rate of 100.00%
Base Case	Service recipient (Shell)	6 tanks or occupancy rate of 100.00%	Other service recipients	3 tanks or occupancy rate of 50.00%
Worst Case	Other service recipients	3 tanks or occupancy rate of 50.00%	Other service recipients	3 tanks or occupancy rate of 50.00%

From the abovementioned Sensitivity Analysis, following is a summary:

Summary of Net Present Value, Initial Rate of Return and Pay Back Period

Case	Project			Equity		
	NPV (THB million)	IRR (%)	Payback Period	NPV (THB million)	EIRR (%)	Payback Period
Best Case	481.14	11.23	9 years 3 months	631.34	17.62	9 years
Base Case	237.17	10.10	9 years 3 months	399.68	16.44	9 years
Worst Case	153.58	9.54	9 years 3 months	319.43	15.58	9 years

Based on the sensitivity analysis as shown in the above table, **the present value of the project cash flow (Project NPV) is between THB 153.58 - 481.14 million, with the rate of return from the project between 9.54. - 11.23 percent and the payback period of 9 years and 3 months. The payback period is equal to the base case since the project breaks even before the first service period with Shell (12 years) ends.**

In addition, **the present value of the net cash flows in the equity (Equity NPV) is between THB 319.43 - 631.34 million with the rate of return for shareholders being between 15.58 - 17.62 percent and the payback period is 9 years. The year in which the payback period is equal to the base case, since the project breaks even before the first service period with Shell (12 years) ends.**

Based on the above sensitivity analysis, it was found that in all cases, the present value of the project's net cash flow and the present value of the net cash flows in shareholders' equity are positive, with a higher return on investment of the project than the weighted average financial cost. Therefore, **the IFA deems that the project is feasible for investment.**

1.3.2 Fairness of the conditions for entering into the transaction

The Independent Financial Advisor has considered the information regarding the conditions of entering into the transaction related to the abovementioned Fuel Tank Farm Project from the information regarding the acquisition of assets of the Company disclosed to the SET and contracts related to the transaction (Details appear in Section 1, Item 1.4.1 of this report) which found that there are conditions and / or important requirements related to the transaction as follows:

- The Company will enter into such transaction only upon approval by the Extraordinary Meeting of Shareholders of the Company with a vote of not less than three-fourths of the total votes of the shareholders attending the meeting and having the right to vote, and without counting the portion of shareholders who have an interest.
- In returning land use rights to IEAT in order for NFCT to operate the project on the area of which the land use rights have been returned, the Company must fulfill the following conditions:
 - The company must amend the Initial Environmental Examination report ("IEE") of the National Fertilizer Project to cover the scope of the investment project due to changes in the size and use of the project area.
 - The Company must amend the EIA of the jetty project that the company has prepared to cover the scope of fuel transportation activities, from the port, oil storage and pipeline systems prior to the operation of fuel transportation.
 - The Company must submit a general application (Form Kor.Nor.Or. 01/3) requesting to increase the type of business to include fuel transportation.
 - The Company must consent to NFCT's use of the entrance-exit road.

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

- Before any construction or operation on the land of IEAT, NFCT must fulfill the following conditions:
 - NFCT must comply with environmental protection and remediation measures, and measures to monitor the environmental impact identified in the revised EIA of the jetty project that the Company has prepared, which has been approved by the Office of Natural Resources and Environmental Policy and Planning ("ONEP").
 - NFCT must comply with the relevant announcements and laws of the IEAT.
- The parties to the service contract must comply with the conditions as detailed in Section 1, Item 1.4.1 of this report. For example, the Service Recipient is obliged to pay the service fee to the Service Provider at the specified rate, with stipulated Minimum Guaranteed rate namely revenue from yearly fixed service rate, also the Service Provider must provide a bank guarantee to the Service Recipient according to the specified amount throughout the service period, etc.

The Independent Financial Advisor is of the opinion that abovementioned terms and / or requirements are conditions that the company must fulfill to comply with the criteria for the acquisition and disposition of assets and / or rules or regulations of government agencies. In addition, conditions for payment of service fees and other conditions in the service contract are normal conditions of service which the parties may have agreed to voluntarily depending on the negotiation, therefore, the Independent Financial Advisor deems that **such conditions for entering into such transactions are appropriate.**

Section 2 Summary of the Opinion of the Independent Financial Advisor

From the analysis by the IFA of the reasonableness of the transaction, as well as fairness of price and conditions regarding the investment in the Fuel Tank Farm Project, the IFA is of the opinion that entering into this transaction **is appropriate** due to the following:

- This will increase the opportunity to generate revenue, profits and competitiveness for the Corporate Group, in addition to expanding investment to businesses that support core business operations, whereby the Corporate Group will be able to bring personnel with experience and expertise to manage the project effectively. Furthermore, the Service Recipient is also world-renowned company which will help enhance the image of the Corporate Group to be more widely accepted and credible among outsiders which is one way of expanding its customer base in the future.
- This expands the business scope of the Company into logistics and warehousing service businesses, resulting in the Company gaining increased revenue from providing additional services and diversifying the risk of its source of income. In addition, the revenue of the project is also a recurring income because the service charge is at a Minimum Guarantee rate namely revenue from fixed service rate, which is different from the main business of chemical sales of the Company which fluctuates according to market conditions.
- The Company is better able to make use of existing resources more efficiently, such as being able to take advantage of unused vacant land which has the burden of rent and maintenance cost every year, including increased revenue from the use of the Company's berths, which will be derived from the ability to collect service fees according to the additional volume of liquid products through the docking berths.
- Investment feasibility study results found that the Fuel Tank Farm Project has the potential to generate returns for the corporate group, with the present value of the net cash flow of the project (Project NPV) equal to THB 153.58 - 481.14 million, the rate of return on investment (IRR) at 9.54 - 11.23 percent, which is higher than the weighted average cost of funds at 8.11 - 9.37 percent and has a payback period of 9 years and 3 months. (Details of the investment feasibility study of the Independent Financial Advisor appear in Section 1, item 1.3.1 of this report.)

As such, shareholders should **approve** this transaction. However, entering into this transaction has a number of **disadvantages and risks** which shareholders should additionally consider in respect to resolving to approve this transaction due to the following:

- NFCT will require a lot of loans from financial institutions as a source of funding which will render an increase in terms of interest-bearing liabilities to the Company by THB 1,400.00 million, from THB 311.66 million (according to the consolidated interim financial statements of the company ended 31 March 2019) to THB 1,731.66 million and an increase in interest-bearing debt to equity ratio from 0.31 times to 1.70 times, resulting in a decline of the Company's ability to pay off debt.
- There is a risk of delay in receiving a return on investment if the construction of the abovementioned fuel tank is not as expected and if the service recipient does not renew the service contract at the end of the contract period for the first 12 years or 17 years (in the case that the contract is already renewed from 12 years to 17 years), which may require time in finding a new service recipient.
- There is a risk of not being able to procure a new service recipient to replace the existing one due to various limitations of the project, such as being a tank solely for storage of liquid fuel and the Company's berth facility cannot accommodate large ships, etc.

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

In this regard, the Company will enter into this transaction after being approved from the Extraordinary General Meeting No.1/2019 of the Company, which will be held on 21 June 2019.

The decision to vote is solely dependable on the consideration and discretion of the shareholder. The shareholder should take into consideration the advantages, disadvantages, risks, limitations, and opinions expressed on consideration items of the transaction as well as carefully consider the attached documents submitted to the shareholder along with the invitation letter to shareholder' meeting so as to make the most appropriate decision.

Jay Capital Advisory Limited, as the Independent Financial Advisory of the Company, has performed the study and analysis with care in accordance with the professional standard and has provided the opinion based on the fair analysis of information by taking into consideration the benefits of all shareholders.

The opinion of the IFA is based on the information which has been received from NFC as well as interviews with the management, publicly available information and other relevant documents. The IFA assumes that all information received is truthful and correct. Therefore, if the abovementioned information is incorrect and/or is not truthful and/or has been significantly changed in the future, it will affect the opinion of the IFA. Therefore, the IFA is unable to certify or warrant the future impact that may arise to the Company and the shareholders. In addition, the opinion of the IFA is only to provide comments to the shareholders and providing this opinion does not warrant the accomplishment of the transaction and any impact flowing from the transaction to the Company.

This English report of the IFA's opinion has been prepared solely for the convenience of foreign shareholders of the NFC and should not be relied upon as the definitive and official document. The Thai language version of the IFA's opinion is the definitive and official document and shall prevail in all aspects in the event of any inconsistency with this English Translation.

Yours Sincerely,

-Ms. Jirayong Anuman-Rajadhon-

(Ms. Jirayong Anuman-Rajadhon)
Managing Director
Jay Capital Advisory Limited, the Independent Financial Advisor

Enclosure 1 General Information on NFC Public Company Limited

1.1 History and Background of the Company

NFC Public Company Limited (“the Company”) was established as a joint public-private venture on 11 November 1982 under the government’s national fertilizer project and using the name “the National Fertilizer Corporation”, located in the Map Ta Phut Industrial Estate, Rayong Province, with initial registered capital of THB 50.00 million and promotion privileges from the Board of Investment (BOI). At present, the Company’s main business operation is in distribution of chemical products and providing other services related to chemical products such as warehousing, logistics services and liquid storage facility, as well as port services.

The Company currently has 3 subsidiary companies, namely:

- 1) Rayong Bulk Terminal Co., Ltd. Which operates a pier area and warehouse service business, with registered capital of THB 764.00 million
- 2) NFCT Co., Ltd. which operates a liquid warehouse business, with registered capital of THB 1.00 million
- 3) NFCW Co., Ltd. which operates a warehouse and storage service business, with registered capital of THB 1.00 million

Since 1993, the Company’s significant changes and developments can be summarized as follows:

1993	:	Increased registered capital from THB 2,250 million to THB 4,000 million
1995	:	Transformed into a public limited company
1996	:	Became listed in the Stock Exchange of Thailand
2003	:	Shareholders' equity declined to lower than zero, which resulted in the delisting of the company from the SET, and entered the rehabilitation process of the Central Bankruptcy Court
2004	:	Underwent debt restructuring, had increased capital from 10 new investors in the amount of THB 1,838 million and changed its name to NFC Fertilizer Public Company Limited
2007	:	Shareholders' equity fell to lower than zero, and the auditor did not comment on the financial statements of the company for consecutive years from 2007 until 2014
2010	:	Adjusted the capital structure by reducing the value from THB 1.00 per share to THB 0.16 per share and converting some debt into equity to various creditors under the rehabilitation plan.
2011	:	Increased the capital through private placement of 2,125 million shares at the offering price of THB 0.16 per share, resulting in the Company's paid-up capital of THB 1,076.89 million
2016	:	Purchased and transferred some business from Chemicals and Aromatics (Thailand) Co., Ltd. and issued new shares for private placement, changing the stock value to THB 0.50 per share and increased the number of shares to 2,719.58 million shares, resulting in the Company's paid-up capital of THB 1,359.79 million
2017	:	Changed the name to NFC Public Company Limited and changed the par value to THB 1.25 per share by reducing the number of shares to 1,087.83 million shares and then changing the par value to THB 0.75 per share, resulting in a total paid-up capital of the Company of THB 815.87 million
2018	:	NFC securities resumed trading in the Stock Exchange of Thailand (Resume Trading) and set conditions for prohibiting the sale of securities (Silent Period) of 1 shareholder holding 55 percent of the paid-up capital for a period of 1 year, and the Company issued 108.78 million new ordinary shares at par value of THB 0.75 per share to support the exercise of warrants to purchase ordinary shares No. 1 (NFC - W1).

As of March 31, 2019, the Company has registered capital of THB 897.46 million, divided into 1,087.83 million ordinary shares with a par value of THB 0.75 per share, fully paid, and 108.78 million new ordinary shares with a par value of THB 0.75 per unit for supporting the exercise of warrants to purchase ordinary shares (NFC - W1) which have not yet been exercised for 108.78 million units.

1.2 Overview of Business Operation

The Company operates 2 types of business, consisting of 1) selling imported chemicals, namely ammonia, ammonium hydroxide and sulfuric acid; and 2) a service business, providing warehousing, logistics and liquid warehousing, as well as berth services. Details of the aforementioned businesses are as follows.

Chemical distribution business

The Company is an importer and distributor of chemicals, stored at the Company's liquid warehouse in Map Ta Phut Industrial Estate for distribution to domestic customers. Following is the description of products:

- Ammonia: The Company imports ammonia from Malaysia and Indonesia, as Thailand cannot produce ammonia on its own, and distributes to customers of MSG industry, latex industry, chemical industry and the cooling industry, whereby the product is sold through traders and to end users with the Company procuring packaging and installing and storage tanks tailored to customers' requirement.
- Ammonium hydroxide: The Company produces ammonium hydroxide at the factory in Pathum Thani province for sale to industrial clients namely power plants / gas separation plants, pollution removal industry, rubber industry, textile industry, as well as rubber planters, through traders and to end user groups. The Company bids for delivery according to the contractual period of each individual contract, which averages 1 - 2 years.
- Sulfuric acid: The company imports sulfuric acid from Switzerland, Korea and Japan for sale to domestic wholesalers with whom the company has annual contracts.

Service business

The service business of the company is located on the leased area of 541 rai 1 ngans 76.66 sq.wahs in the Map Ta Phut Industrial Estate, Rayong Province, details of which are as follows;

- Warehouse service: Providing services for those who want to use storage space for various raw materials and finished goods such as plastic pellets and silica etc., as well as providing open yard services for such commodities as machinery and equipment etc. The warehouse service area is approximately 90,000 sq.m. and contracts are executed according to the service period agreed with each customer.
- Logistics and liquid warehouse service: Providing storage services for ammonia and sulfuric acid, as well as inventory management services to meet the needs of customers, including providing liquid cargo for land transportation. The Company's liquid warehouse has a total capacity of 56,836 tons for storage of ammonia and sulfuric acid. This service is contracted according to the service period agreed each customer.

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

- Port service: Providing services for customers in the Map Ta Phut Industrial Estate with bulk products such as cold rolled steel, hot rolled steel, structural steel, coal and gypsum, etc. which can support berthing of cargo vessels of up to 60,000 tons (DWT). In addition, there are also other services such as mooring services and various utility services as well.

Revenue Structure of the Company for the years 2016 -2018

(Unit : THB million)	2016		2017		2018	
	amount	%	amount	%	amount	%
Revenue from chemical distribution						
Ammonia	593.55	45.06%	574.56	50.90%	565.6	47.33%
Ammonium hydroxide	20.7	1.57%	22.69	2.01%	21.46	1.80%
Sulfuric acid	253.25	19.22%	393.42	34.85%	498.86	41.74%
Total revenue from chemical distribution	867.5	65.85%	990.67	87.77%	1,085.92	90.86%
Revenue from service						
Warehouse service	18.55	1.41%	12.23	1.08%	29.96	2.51%
Logistics and liquid warehouse service	60.46	4.59%	55.34	4.90%	55.04	4.61%
Port service	77.5	5.88%	42.77	3.79%	9.07	0.76%
Total revenue from service	156.51	11.88%	110.34	9.78%	94.07	7.87%
Other income	293.3	22.27%	27.73	2.46%	15.14	1.27%
Total revenue	1,317.31	100.00%	1,128.74	100.00%	1,195.13	100.00%

Source : Information disclosure form (form 56-1) of the Company

1.3 Shareholders' list

The list of major shareholders of the Company as at 8 May 2018 is as follows:

Major Shareholders of the Company as of 8 May 2018

	Name	No. of share (shares)	%
1	Mr. Nuttaphob Ratanasuwanthawee	690,329,994	63.46
2	Inter Spec Global Company Limited	176,000,000	16.18
3	Bentayga Holdings Ltd	86,000,000	7.91
4	Mr. Asia Phukhunanun	28,164,000	2.59
5	Mr. Pratya Sermsuksakulchai	23,885,000	2.20
6	Mr. Wisut Katchamaporn	9,600,000	0.88
7	Credit Suisse AG, Singapore Branch	9,000,000	0.83
8	Mr. Satimon Aungsatumrat	5,812,561	0.53
Total top 8 major shareholders		1,028,791,555	94.58
Other shareholders		59,041,501	5.42
Total shareholders		1,087,833,056	100.00

Source : www.set.or.th

1.4 The Company's Board of Directors and management

The list of board of directors of the Company as at 8 May 2018 is as follows:

Board of Directors and Management of the Company as at 8 May 2018

	Name	Position
1	Gen. Montree Sungkasap	Chairman of the board of directors
2	Mr. Nuttaphob Ratanasuwanthawee	Chairman of the executive committee / Chief executive officer / Vice Chairman
3	Mr. Suppakit Duyapich	Director
4	Mr. Yongyos Palanitisena	Director
5	Dr. Sunee Sornchaitanasuk	Director
6	Mr. Wiboon Rasmeepaisarn	Director
7	Mrs. Bongkot Rungkornpaisarn	Director
8	Mr. Kijja Smunyahirun	Director
9	Mr. Nataphong Ratanasuwanthawee	Director
10	Mr. Seri Wongmonta	Independent director / Audit committee
11	Mrs. Aree Termwattanapakdee	Independent director / Audit committee
12	Mr. Weerasak Sutanwibool	Independent director / Chairman of Audit committee

Source : www.set.or.th

The list of management of the Company as at 8 May 2018 is as follows:

Management of the Company as at 8 May 2018

	Name	Position
1	Mr. Nuttaphob Ratanasuwanthawee	Chief Executive Officer
2	Mrs. Bongkot Rungkornpaisarn	Executive Vice President (Finance and Corporate Affairs)
3	Mr. Nataphong Ratanasuwanthawee	Executive Vice President (Commercial and Operation)
4	Mr. Kijja Smunyahirun	Senior Vice President (Corporate Affairs)
5	Mrs. Sarinthip Kittiwongsophon	Senior Vice President (Finance and Office of Director)
6	Miss Dudduen Boonsue	Senior Vice President (Accounting and Information Technology)

Source : the Company

1.5 Summary of financial status and operating performance

Financial information according to the financial statements of NFC, which passed the examination of Karin Audit Company Limited, for the years 2016 - 2018 ended 31 December and the reviewed financial statements for the first quarter ended 31 March 2019 is summarized as follows:

**Summarized financial status and operating performance of the Company
for the years 2016 - 2018 and the first quarter of 2019**

NFC	2016	2017	2018	31 Mar 2019
Balance Sheet (Unit : THB million)				
Assets				
Cash and cash equivalents	83.95	112.42	288.08	499.74
Temporary investments in available - for - sale investments	-	197.95	298.13	299.70
Trade and other current receivables	141.67	176.54	150.49	143.28
Short-term loan	-	-	-	28.50
Inventories	123.28	72.38	117.84	87.39
Other current assets	12.25	11.15	83.01	29.20
Total Current Assets	361.15	570.44	937.55	1,087.81

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

NFC				
Balance Sheet (Unit : THB million)	2016	2017	2018	31 Mar 2019
Other long-term investments	3.35	3.01	2.68	2.68
Property, plant and equipment	603.83	492.57	405.62	384.38
Intangible assets	-	34.54	45.40	48.10
Deferred tax asset	56.28	58.90	35.33	35.33
Other non - current assets	663.46	589.02	489.03	470.49
Total assets	1,024.61	1,159.46	1,426.58	1,558.30
Liabilities				
Bank overdraft and short-term loan from financial institution	-	-	216.46	311.66
Trade and other current payables	152.20	146.13	147.90	195.45
Current provisions for employee benefits	-	1.85	0.59	0.81
Other current liabilities	0.26	-	-	-
Total current liabilities	152.46	147.98	364.95	507.92
Deferred income tax liabilities	63.25	-	-	-
Non - current provisions for employee benefits	9.02	10.63	11.33	11.56
Other non-current liabilities	49.13	41.90	39.21	21.83
Total non-current liabilities	121.40	52.53	50.54	33.39
Total liabilities	273.86	200.51	415.49	541.31
Shareholders' equity				
Issued and paid share capital	1,359.79	815.88	815.88	815.88
Surplus (Deficit) from business combination under the common control	(255.26)	(255.26)	(255.26)	(255.26)
Retained earnings	(601.73)	206.48	301.72	316.94
Other components of shareholder's equity	248.19	192.59	149.97	140.73
Non-controlling interests of subsidiaries	(0.24)	(0.74)	(1.22)	(1.30)
Total equity attributable to owners of the Company	750.75	958.95	1,011.09	1,016.99
Total liabilities and shareholders' equity	1,024.61	1,159.46	1,426.58	1,558.30

NFC				
Income Statement (Unit : THB million)	2559	2560	2561	Jan - Mar 2019
Revenue from sales of chemical products	867.50	990.67	1,085.92	290.26
Revenue from services	156.51	110.34	94.07	23.85
Total Revenues from Sales and Services	1,024.01	1,101.01	1,179.99	314.11
Cost of chemical products sold	712.79	795.69	929.99	261.10
Cost of services	41.78	24.63	18.11	4.70
Total Costs of Sales and Services	754.57	820.32	948.10	265.80
Gross profit	269.44	280.69	231.89	48.31
Other income	293.30	27.73	15.14	19.45
Selling expenses	48.99	46.96	48.44	13.65
Administrative expenses	111.36	143.83	155.37	48.33
Other expenses	0.32	0.35	0.33	-
Financial cost	5.12	0.88	2.83	4.14
Total expenses	165.79	192.03	206.96	66.13
EBT	396.95	116.40	40.07	1.63
Tax income	6.29	97.79	10.85	2.70
Net profit (loss) for the period	403.24	214.19	50.92	4.33

The opinions of IFA on the acquisition of assets
(For the purpose of translation only)

NFC	2559	2560	2561	Jan - Mar 2019
Statement of Cash Flows (Unit : THB million)				
Net cash provided by (used in) operating activities	59.68	228.86	80.21	154.40
Net cash provided by (used in) investing activities	(9.05)	(199.51)	118.56)	(34.17)
Net cash provided by (used in) financing activities	-	(0.88)	214.01	91.42
Net increase (decrease) in cash and cash equivalents	50.63	28.47	175.66	211.66

NFC	2559	2560	2561	Jan - Mar 2019
Key Financial Ratio				
Liquidity Ratio				
Current ratio (times)	2.37	3.85	2.57	2.14
Quick ratio (times)	1.48	3.29	2.02	1.86
Cash flow ratio (times)	0.27	1.52	0.31	0.46
Account receivable turnover (times)	6.71	5.42	5.79	6.09
Average collection period (days)	53.64	66.44	62.17	59.15
Inventory turnover (times)	5.59	8.13	9.78	13.11
Day sales inventory (days)	64.39	44.26	36.82	27.46
Account payable turnover (times)	14.47	15.15	8.98	5.54
Average payment period (days)	24.88	23.76	40.1	65.00
Cash cycle (days)	93.15	86.94	58.88	21.61
Profitability Ratio				
Gross profit margin (%)	26.31%	25.49%	19.65%	15.38%
Operating profit margin (%)	11.07%	17.19%	3.57%	0.54%
Net profit margin (%)	38.77%	19.50%	4.36%	1.40%
Return on equity (%)	91.33%	25.10%	5.21%	2.95%
Efficiency Ratio				
Return on assets (%)	53.75%	10.74%	3.32%	1.80%
Return on fixed assets (%)	126.50%	41.39%	33.78%	31.45%
Asset turnover (times)	1.37	1.01	0.91	0.87
Financial Policy Ratio				
Debt to equity ratio (times)	0.36	0.21	0.41	0.53
Interest coverage ratio (times)	432.2	372.61	33.17	38.91
Debt service coverage ratio (times)	6.31	9.68	3.32	15.56

Explanation and analysis of financial status and operating performance of NFC

Performance

Revenue

In the annual period of 2016 - 2018 and the first 3 months of 2019, the Company had total revenue of THB 1,024.01 million, THB 1,101.01 million, THB 1,179.99 million and THB 314.11 million respectively, of which revenue from sale of chemicals accounted for THB 867.50 million, THB 990.67 million, THB 1,085.92 million and THB 290.26 million or 84.72 percent, 89.98 percent, 92.03 percent and 92.41 percent of the total revenue each year respectively.

For 2017, revenue from sale of chemicals increased from the previous year by THB 123.17 million, or representing an increase of 14.20 percent, due to the increase in sales volume. For the year 2018, revenue from chemical sales increased from the previous year by THB 95.25 million or 9.61 percent due

to the increase in the market price of chemicals, especially sulfuric acid, due to the shortage of supply in the global market, although the sales volume of chemicals was slightly lower. For the first 3 months of 2019, revenue from chemical sales has increased, compared to the same period of the previous year, in the amount of THB 14.48 million or equivalent to 5.25 percent, due to the rising market price of chemicals, especially sulfuric acid due to the shortage of supply in the global market.

Cost of goods sold

In the annual period of 2016 - 2018 and the first 3 months of 2019, the cost of sales and services was THB 754.57 million, THB 820.32 million, THB 948.10 million and THB 265.80 million respectively, representing 73.69 percent, 74.51 percent, 80.35 percent and 84.62 percent of total revenue each year respectively. The proportion of cost of sales and services to total revenue in each period has changed since the Company entered into sales contracts which set prices with reference to prices in the world market.

Selling and administrative expenses

In 2016 - 2018 and the first 3 months of the year 2019, the Company had total selling and administrative expenses of THB 160.35 million, THB 190.79 million, THB 203.81 million and THB 61.98 million respectively. For the year 2017, the Company's selling and administrative expenses increased from the previous year by THB 30.44 million or 18.98 percent as a result of the increase in depreciation of assets. For 2018, the Company's selling and administrative expenses increased from the previous year by THB 13.02 million or by 6.82 percent as a result of increased transportation costs to customers due to the impact of the oil price, as well as additional staff expenses to support future business expansion. For the first 3 months of 2019, the Company had increased selling and administrative expenses compared to the same period of the previous year in the amount of THB 11.50 million or equivalent to 22.78 percent resulting from an increase in staff expenses to support business expansion and project advisory fees.

Net profit

In 2016 - 2018 and the first 3 months of 2019, the Company had a net profit of THB 403.24 million, THB 214.19 million, THB 50.92 million and THB 4.33 million respectively, or equivalent to net profit ratio of 39.38 percent, 19.45 percent, 4.32 percent and 1.38 percent respectively. The decrease in net profit in 2017 and 2018 was due to the higher cost of finished goods based on the selling price in the world market, and for the first 3 months of 2019, the net profit of the company decreased from the same period of the previous year by THB 21.78 million or 83.42 percent also due to the higher cost of finished goods in the world market.

Assets

The Company had total assets at the end of 2016 - 2018 and as of the first quarter of 2019, amounting to THB 1,024.61 million, THB 1,159.46 million, THB 1,426.58 million and THB 1,558.30 million respectively. As at end of 2017 and 2018, total assets increased over the previous year by THB 134.85 million and THB 267.12 million respectively, or by 13.16 percent and 23.04 percent respectively; and for the first quarter of 2019, the Company had an increase in total assets compared to the end of 2018 in the amount of THB 131.72 million or 9.23 percent. The increase in total assets in each year is mostly derived from the changes in cash and cash equivalents, temporary investments and property, plant and equipment with details of each transaction in the annual period of 2016 - 2018 and the first quarter of 2019 as follows:

At the end of 2016 - 2018 and the first quarter of 2019, the Company had cash and cash equivalents in the amount of THB 83.95 million, THB 112.42 million, THB 288.08 million and THB 499.74 million or equivalent to 8.19 percent, 9.70 percent, 20.19 percent and 32.07 percent of total assets in each year, respectively. The increase each year is mainly due to the increase in deposits from financial institutions from operating cash flows.

At the end of 2017 - 2018 and as of the first quarter of 2019, the Company's temporary investments stood at THB 197.95 million, THB 298.13 million and THB 299.70 million, representing 17.07 percent, 20.90 percent and 19.23 percent of total assets, respectively, mainly from investment in debt and government bonds. The increase in temporary investments is mainly due to increased cash flow from operations after the transfer of some business from Chemicals & Aromatics (Thailand) Ltd., a related company, in the year 2016.

As at the end of 2016 – 2018 and as of the first quarter of 2019, the Company had land, building and equipment of value totaling THB 603.83 million, THB 492.57 million, THB 405.62 million and THB 384.38 million respectively, accounting for 58.93 percent, 42.48 percent, 28.43 percent and 24.66 percent of the total assets, respectively. The decreased value of the Company's land, plant and equipment is mainly due to depreciation and amortization.

Liabilities

At the end of 2016 - 2018 and as of the first quarter of 2019, the Company had total liabilities of THB 273.86 million, THB 200.51 million, THB 415.49 million and THB 541.31 million respectively. As of the end of 2017, the Company had debt reduction of THB 73.35 million, or 26.78 percent decrease, from the previous year as a result of changes in working capital from operations, namely decrease of trade accounts payable, other current creditors, and deferred tax liabilities. As of the end of 2018, the Company had increased liabilities from the previous year amounting to THB 214.98 million or 107.22 percent, which was the result of the Company's use of more credit lines from financial institutions with the objective of building relationships with financial institutions and gaining benefits in expanding the Company's business in the future. As for the first quarter of 2019, the Company has increased liabilities from the end of 2018 in the amount of THB 125.82 million or an increase of 30.28 percent due to the increasing use of credit lines from financial institutions.

Shareholders' equity

At the end of 2016 - 2018 and as of the first quarter of 2019, the Company had shareholders' equity in the amount of THB 750.75 million, THB 958.95 million, THB 1,011.09 million and THB 1,016.99 million respectively. As of the end of 2017, the Company's shareholders' equity increased from the previous year by THB 208.20 million or 27.73 percent, as a result of net profit from operations and the reduction of income tax from recording deferred tax assets. For the end of 2018, shareholders' equity increased from the previous year by THB 52.14 million or 5.44 percent due to net profit from operations. And for the first quarter of 2019, the Company had an increase in shareholders' equity from the end of 2018 by THB 5.90 million or 0.58 percent, again as a result of net profit from operations.

1.6 Industry overview

Since the Company's main income, up to 91.07 percent of total revenue, comes from the sale of chemicals (based on audited financial statements for the year ended 31 December 2018), namely Ammonia, Ammonium Hydroxide and Sulfuric acid, which are susceptible to fluctuations in the global market in each period of time. In addition, the Company also has income from services amounting to 7.69 percent of total revenue, which is derived from warehousing services, logistics and liquid warehousing services and berthing services. Therefore, the Company's business operation is directly linked to the general economic outlook as well as the chemicals and services markets pertaining to the aforementioned. Details of such information can be summarized as follows:

Thailand's Economy in 2018

According to Thailand's economic data from the fourth quarter of 2018, and trends in 2019, prepared by the Office of the National Economic and Social Development Board ("NESDB"), published on 18 February 2019, indicates that in the year 2018, the Thai economy expanded by 4.1 percent from 4.0 percent in 2017 and it is the highest expansion in 6 years due to the following factors:

- (1) Private consumption continued to expand with consistent growth and the improvement and greater distribution of income and employment bases in the economy, including low interest rates and inflation rates. Necessary measures were taken to accommodate those with low income. As a result, private consumption in 2018 expanded by 4.6 percent, accelerating from 3.0 percent growth in 2017 and it was the highest expansion in 6 years.
- (2) In 2018, private investment expanded by 3.9 percent, accelerating from 2.9 percent growth in 2017 and it was the highest expansion in 6 years. Investment in machinery and equipment expanded by 3.9 percent, equaling to that in 2017, and for investments in the construction sector expanded by 4.1 percent, a clear improvement from the 0.9 percent decrease in 2017.
- (3) Exports were worth 253,431 mm US dollars (The highest recorded value) which expanded by 7.7 percent, a continuation from the 9.8 percent growth in 2017. The export volume increased by 4.2 percent and the export price increased by 3.4 percent.
- (4) As for production, it was found that agricultural production in 2018 increased by 5.0 percent, an improvement from the 3.7 percent growth in 2017. The agricultural production index increased by 5.5 percent while agricultural product price index decreased by 5.7 percent. As a result, the farm income index decreased by 0.4 percent while manufacturing production expanded by 3.0 percent, accelerating from the 2.9 percent growth in 2017. Due to the improvement of domestic demand and the expansion of export volume led the manufacturing production index increased by 2.8 percent. The average capacity utilization rate was 68.5 percent. Production of hotels and restaurants expanded by 7.9 percent, a decrease from 10.6 percent growth in 2017 by tourists. The number of foreign tourists is 38.28 mm, an increase of 7.5 percent. The total tourism revenue is 3,075.0 billion THB, an increase of 9.0 percent and the average occupancy rate is 71.40 percent.
- (5) Production of transportation branches and the transportation sector grew by 6.3 percent, compared to 7.3 percent growth in 2017. Transport services grew by 3.2 percent and telecommunication services grew by 10.2 percent.

For industrial investments and the overall investment promotion policy in 2018, according to data from the Board of Investment ("BOI"), it is found that in 2018, there were requests for investment promotion: 1,626 projects with a total value of 901,772 mm THB, an increase of 43% from 2017 with 1,469 investment projects approved for investment promotion with investments totaling at 549,481 mm THB. This was a decrease of 13 percent from 2017, with the most concentrated investment projects in the central region of 828 projects and a total investment of 112,885 mm THB, equivalent to 13 percent of total investment, followed by investment in the eastern region. There are 465 investment promotion projects with the highest investment amount of 694,545 mm THB or 77 percent of the total investment.

Thai Economic Outlook for 2019

The Thai economic outlook for 2019 is expected to expand by 3.5 - 4.5 percent with significant support including: (1) household expenditure is likely to expand to support continued economic growth, (2) improvements in private investment following an increase in capacity utilization rate and an increase in the value of applying for investment promotion, (3) the acceleration of public investment according to the progress of major infrastructure investment projects, (4) an increase in the driving force from the tourism sector according to the adjustment to normal conditions of the amount and income from tourism and, (5) changes in the direction of trade, production and international investment which will help reduce the impact of the global economic slowdown. The export value is expected to grow by 4.1 percent, private

consumption and the total investment increased by 4.2% and 5.1% respectively. The average headline inflation was in the range of 0.5 - 1.5% and the current account surplus was 6.2% of GDP.

Chemicals distribution market

- Ammonia : The ammonia market is a niche market which has a low growth rate. Therefore, all of the ammonia must be imported from various countries. In the annual period of 2016 - 2018, Thailand imported a total of 429,115 tons, 426,896 tons and 481,642 tons, of ammonia respectively, increasing every year, mostly from Malaysia, Indonesia, Australia and Saudi Arabia. Importers must have their own storage tanks and haulage systems, or have a contract for storage tanks to store their products which are shipped. Most of the imported ammonia is for industries that use ammonia as the main raw material, such as for the production of caprolactam, acrylonitrile and methyl methacrylate. The rest is imported for sale to MSG manufacturers, Latex producers and the cold storage industry. Moreover, plans are underway to improve production so as to reduce the amount of ammonia used in the production process in the future. While competition began to change from a semi-monopoly system to more of a free-market system, customers have more bargaining power, resulting in lower sales volume from lower market share and lower sales prices. There are currently only three major importers of ammonia, including Unique Gas and Petrochemicals Public Company Limited, PTT Public Company Limited and the Company. The Company has a market share of approximately 40 percent of market value.
- Ammonium hydroxide: is caused by the chemical reaction of ammonia, the main raw material for production, with water. The concentration of ammonium hydroxide depends on the proportion of ammonia content in the mix. Ammonium hydroxide is used in the textile industry, pharmaceuticals, rubber paper, detergents, gas separation plants, power plants, dyeing and cleaning agents etc. Ammonium hydroxide used in Thailand is mostly from domestic production of imported ammonia. As for imported ammonium hydroxide, it was found that in 2016 - 2018, Thailand imported 474 tons, 445 tons and 289 tons respectively, most of which were from China, representing approximately 80 percent of the total import volume (Source: www.customs.go.th), which evidently shows that the amount of imported ammonium hydroxide in the country over the past 3 years is likely to decrease because of increased domestic production of ammonium hydroxide for domestic use. At present, there are 3 major domestic manufacturers of ammonium hydroxide for domestic sale, namely Unique Gas and Petrochemicals Public Company Limited, Brent Tag Innovations (Thailand) Public Company Limited and the Company, rendering rather high competition due to the limited market size, with new manufacturers being easily able enter the industry due to low investment cost. However, because the Company already has imported ammonium for sale and, therefore, having the initial raw material for the production of ammonium hydroxide, as well as the ability to produce ammonium hydroxide according to the concentration required by the customer, rendering the Company in a better position to expand the customer base in such business.
- Sulfuric acid : Is a primary raw material for many basic industries such as fertilizers, batteries, textiles, paints, pulp, alum and rubber etc. In Thailand, sulfuric acid production is not sufficient for domestic demand, thereby making it necessary to rely on imported sulfuric acid. Thailand currently imports approximately 69 percent of this for domestic use. Between 2016 - 2018, Thailand imported 626,047 tons, 822,640 tons and 790,735 tons respectively, mostly from Japan, Korea and the Philippines (Source: www.customs.go.th). In 2018, sulfuric acid was imported for domestic sales as well as for export to neighboring countries, accounting for approximately 73 percent of the total import volume. The rest of the total import volume was imported by operators for the production of Caprolactam, Acrylonitrile and methyl methacrylate. At present, there are 4 major sulfuric acid importers, namely Mitsui & Company (Thailand) Co., Ltd., Witcorp

Chemicals Company Limited, Siam Chemicals Public Company Limited and NFC Public Company Limited, with the Company has 50 percent market share of the market value.

Service business

- Warehouse service : Warehouse services in Thailand are mostly traditional warehouses that focus on renting warehouse space and providing utilities / facilities such as roads, electricity, water, telephone, security systems, etc. However, some operators have now begun to adjust to modern warehousing by applying modern technology and design to facilitate a comprehensive logistics system to increase the efficiency of warehouse management, which users will consider based on location in order to facilitate users to produce or deliver products quickly, reduce costs and reduce time and distance in transportation. In the next 1-3 years, the warehouse service business will stabilize although investment in industrial and commercial sectors and services continue to expand as a result of improved Thai exports and the recovery of the manufacturing industry in the Eastern Economic Corridor (EEC) area, resulting in the warehouse service business continuing to grow in the future. However, in certain areas, the expansion of warehousing may result in excess supply and there is a limitation in the rental adjustment. From all the aforementioned growth opportunities, together with the Company's location, the Company, therefore, has the potential to develop into a distribution and logistics center in the Map Ta Phut Industrial Estate to the ASEAN region in the future.
- Logistics, liquid warehouse and berthing services : Providing berthing services at deep-sea ports in Thailand that can support large cargo ships consists of the following:
 1. Map Ta Phut Deep Sea Port, Rayong Province, under the management and supervision of IEAT of all 12 ports in the industrial estate, which are the main berths providing services in handling both raw materials and finished products for factories in both Map Ta Phut Industrial Estate and other industrial zones in the vicinity. The port management is divided into 2 types as follows:
 - 1.1 Public Terminal This type of jetty does not limit the number of users. IEAT invested in building basic facilities and infrastructure, namely berths, warehouses, front areas, harbors and dock equipment. This public terminal consists of 2 general cargo berths and 1 liquid product berth.
 - 1.2 Dedicated Terminal This berth restricts the access to specific service groups, having been invested and constructed by private companies, which the service provider must obtain permission from IEAT to provide services to other operators. There are currently 9 such dedicated terminals (including the Company's).
 2. Laem Chabang Deep Sea Port, Chonburi Province is an important port of Thailand, with the main volume of in-out container transportation of container-in and out-of-container cargo and also general goods, bulk goods, Ro-Ro berth and shipyards for shipbuilding and ship repairs.
 3. Songkhla and Phuket Deep Sea Ports, originally fishing ports that focused mainly on tourism boats and the shipping of bulk goods. At present, there are not many cargo handling activities.
 4. Sattahip Commercial Port – Royal Thai Navy is a deep sea port for transporting goods for ad hoc agencies that the Navy has approved to operate maritime commerce.

The location of the port in Map Ta Phut Industrial Estate which is the production base of the major petrochemical and chemical industries in the country, has a strategic advantage as well as facilities in the port, such as having space behind the pier or the ability to provide berthing that can accommodate large cargo ships, giving it a competitive advantage in offering more services to the service users.