Re: Management Discussion and Analysis
For the Operating Results ended March 31, 2020

To: President
The Stock Exchange of Thailand
Management Discussion and Analysis For the Operating Results ended March 31, 2020

From the Coronavirus disease (COVID-19) Pandemic, affecting the tourism industry and the aviation industry of the world, resulting in an economic slowdown. Causing, the Thai government declared the Emergency Decree. With measures prohibiting aircraft, vessel, motor vehicles, or any other types of conveyance, or using transportation routes, whether by air, water, or land in order to enter into the Kingdom by temporarily. Leading to the number of the passenger at Suvarnabhumi Airport (BKK) and Don Mueang Airport (DMK) in Q1/2020 totaled 19.6 million, a decrease of 31.0%(y-o-y) compared to Q1/2019. Thus, the amount of aviation fuel services volume at BKK and DMK totaling up to 1,333 million liters, a decrease of 17.3%(y-o-y), and the total flights decreased of 18.8%(y-o-y) to 64,613 flights. For the total multi-products fuel transportation volume of Fuel Pipeline Transportation Co. Ltd. (FPT) was decreased of 16.5%(y-o-y) to 960 million liters.

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

The pandemic affects the Group in terms of services revenue. Total revenue of Q1/2020 was of Bt867.3 million decreased by Bt158.1 million or 15.4%(y-o-y) and the services income was of Bt859.1 million decreased by Bt140.4 million or 14.0%(y-o-y) in line with the reduced growth of the total fuel volume that the Group provides services.
Table summarized the operating results of the Group

( unit : Bt million )

<table>
<thead>
<tr>
<th></th>
<th>Q1/2020</th>
<th>Q1/2019</th>
<th>Inc / (Dec)</th>
<th>Growth (y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services income</td>
<td>859.1</td>
<td>999.5</td>
<td>(140.4)</td>
<td>(14.0%)</td>
</tr>
<tr>
<td>Others income</td>
<td>8.2</td>
<td>28.0</td>
<td>(17.8)</td>
<td>(88.5%)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>867.3</td>
<td>1,025.4</td>
<td>(153.1)</td>
<td>(15.4%)</td>
</tr>
<tr>
<td>Costs of service</td>
<td>424.5</td>
<td>387.7</td>
<td>36.8</td>
<td>9.5%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>434.6</td>
<td>611.8</td>
<td>(177.2)</td>
<td>(29.0%)</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>50.6%</td>
<td>61.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>182.1</td>
<td>148.3</td>
<td>13.8</td>
<td>9.3%</td>
</tr>
<tr>
<td>Other loss</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>Total expenses</td>
<td>592.6</td>
<td>536.0</td>
<td>56.6</td>
<td>10.6%</td>
</tr>
<tr>
<td>EBIT</td>
<td>274.8</td>
<td>489.4</td>
<td>(214.6)</td>
<td>(43.8%)</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>31.7%</td>
<td>47.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>201.0</td>
<td>139.0</td>
<td>62.0</td>
<td>45.0%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>476.3</td>
<td>628.4</td>
<td>(152.1)</td>
<td>(24.2%)</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>54.9%</td>
<td>81.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance cost</td>
<td>(72.0)</td>
<td>(32.3)</td>
<td>39.7</td>
<td>122.9%</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>(206.2)</td>
<td>(462.9)</td>
<td>(256.7)</td>
<td>(55.5%)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>153.1</td>
<td>368.4</td>
<td>(215.3)</td>
<td>(58.4%)</td>
</tr>
<tr>
<td>Net Profit to Equity holders of the Company</td>
<td>154.5</td>
<td>347.9</td>
<td>(193.4)</td>
<td>(55.6%)</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>17.7%</td>
<td>35.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earning per share (Bt)</td>
<td>0.24</td>
<td>0.55</td>
<td>(0.3)</td>
<td>(55.6%)</td>
</tr>
</tbody>
</table>

This situation significantly affects the Company and its subsidiaries’ business activities in terms of services income, financial position, operating results, and cash flows at present. Further is expected to do so in the future. However, the management has continuously monitored the ongoing developments and assessed the financial impact closely.
1.1 Revenue

In Q1/2020, total revenues of the Group was of Bt867.3 million decreased by Bt158.1 million or 15.4% (y-o-y) which comprised of:

1.1.1 Services Income

The services income was of Bt859.1 million decreased by Bt140.4 million or 14.0%(y-o-y).

For the income proportion separating by business structure consisted of Aviation refueling services at 79% and Fuel pipeline transportation services at 21% respectively.

1.1.2 Others Income

Others income was of Bt8.2 million decreased by Bt17.8 million or 68.5%(y-o-y). Other incomes decreased due to in Q1/2019, the subsidiary received income from the work delayed fines by the contractors and the company has income from sales of unused aviation refueling vehicles. While in Q1/2020 there are no such items.

1.2 Expenses

1.2.1 Cost of services

In Q1/2020, Cost of services was of Bt424.5 million, increased of Bt36.8 million or 9.5%(y-o-y), which was an increase of 1) depreciation and amortization of buildings, constructions, aircraft refueling vehicle fleet and the increase in the depreciation from the FPT’s multi-products fuel pipeline expansion project to the northern part of Thailand phase 1 (NFPT-phase1) 2) the increase in the maintenance expenses and 3) the increasing in the direct labor costs. The Gross profit margin of the Group was 50.6% compared to 61.2% of Q1/2019.
1.2.2 Administrative Expenses

In Q1/2020, the Group had administrative expenses of Bt162.1 million, increasing by Bt13.8 million or 9.3%(y-o-y) due to 1) the increase in the consulting expense 2) the increase in the depreciation and amortization expense and 3) the increase in personnel expenses.

As a result, in Q1/2020, the Group had expenses for the cost of services and administrative expenses totaling Bt592.6 million, an increase of Bt56.6 million or 10.6%(y-o-y) and operating profit before finance costs, EBIT amounted to Bt274.8 million, a decrease of Bt214.6 million or 43.8%(y-o-y), representing operating profit margin, EBIT margin at 31.7% and EBITDA of Bt476.3 million which decreased by Bt152.1 million or 24.2%(y-o-y), representing an EBITDA margin of 54.9%.

1.2.3 Finances Cost

The financial expenses for Q1/2020 has amounted to Bt72.0 million, an increase of Bt39.7 million or 122.9%(y-o-y). Due to the Group started recognizing interest expenses on loans from the NFPT-Phase1, Bang Pa-in – Phichit and the interest expenses of debentures No.1/2020 of the company. While the interest arising from the loans for investment in the second phase of the Hydrant pipeline system expansion project at BKK of TARCO and NFPT-Phase2, Kamphaeng Phet - Lampang will be capitalized in the projects' cost then would be amortized over the lifetime of the projects.

1.3 Operating Results

Net profit attributable to the Equity of the Company in Q1/2020 has amounted to Bt154.5 million, a decrease of Bt193.4 million, or 55.6%(y-o-y) and equivalent to earnings per share of Bt0.24. The net profit margin was 17.7%.

2. Report and Analysis of Financial Status

According to Financial Reporting Standard No.16 (TFRS 16), Leases, which defined principles for the recognition, measurement, presentation, and disclosure of leases that the company commenced from January 1, 2020, onward. As a result, the use of assets and liabilities under the lease agreement of the Group significantly increased.
2.1 Assets

As of March 31, 2020, the Group had total assets at the amount of Bt20,558.5 million, increasing by Bt3,212.6 million or 18.5% from December 31, 2019. The important details of cash flow were as follows:

2.1.1 Cash and cash equivalent of Bt2,650.6 million which cash flow summarized for the period were below:-
- The Group’s net cash from operation was of Bt555.4 million, increasing by Bt4.5 million or 0.8%
- Net cash for investment activities was of Bt894.4 million, increasing by Bt190.2 million or 27.0% which Bt831.1 million were the investment in the acquisition of property, leasehold improvement, and equipment. Most of the investments are related to the NFPT project.
- Net cash from financing activities was of Bt1,563.2 million, increased by Bt1,133.0 million, or 263.4%. Due to the Group had drawn down long-term loans for Bt820.0 million and cash received from the issuance of debentures No.1/2020, in the amount of Bt998.2 million, while the long-term loans and financial lease payment amounted to Bt126.3 million

2.1.2 Property, leasehold improvement and equipment as of March 31, 2019 was of Bt13,270.6 million, increasing by Bt573.6 million or 4.5%, most of which were increased assets from the NFPT project

2.1.3 Right of use assets was of Bt1,360.2 million, an increase of Bt1,332.5 million from Bt27.7 million as of December 31, 2019, by a significant increase which is a result of the implementation of TFRS 16

2.2 Liabilities

As of March 31, 2020, the Group had total liabilities of Bt12,564.7 million, increasing by Bt3,082.7 million or 32.5% from December 31, 2019. The total liabilities to total equity ratio was of 1.57:1 time and the Interest bearing debts to total equity ratio was of 1.36:1 time. The liabilities comprised of major items which follow:-

2.2.1 Account payable and others account payable was of Bt218.1 million

2.2.2 Long term loan from banks, which are due within one year, was of Bt468.5 million which were belonged to BAFS at the amount of Bt321.4 million, TARCO at the amount of Bt110 million, FPT at the amount of Bt30.5 million and BAFS-Intech at the amount of Bt6.6 million respectively

2.2.3 Long-term loans from banks were Bt7,942.7 million, increasing by Bt762.3 million from December 31, 2019 or 10.6%. These comprise of:-
BAFS
- Long-term loans was of Bt1,687.5 million due on April 30, 2026 with 3 years grace period and quarterly, principal repayment: Bt80.4 million/period (the last repayment will be made for remaining principal) at a fixed rate per annum

FPT
- Long term loan was of Bt82.3 million for the investment in the 3 Diesel Fuel Tanks project at DMK depot. The loan will be due on May 31, 2024 which was monthly principal repayment at Bt2.2 million at the rate of MLR minus percent of fixed rate per annum
- Long term loans was of Bt6,070.0 million and Bt230.0 million for the investment in the Northern Multi-Products Fuel Pipeline project which was quarterly principal repayment at MLR less fixed interest rate. The loans will be due on December 31, 2030 and 2026, respectively which is equivalent to loans net of the current portion in one year of Bt6,019.0 million
- Long-term loans was of Bt8.1 million for use in Energy conservation projects. The loan will be due in March 2023 which was monthly principal repayment at Bt0.34 million at a fixed percentage per annum

TARCO
- Long term loan was of Bt82.5 million, which TARCO had a loan agreement for Bt550 million to invest in the Hydrant pipeline system expansion project Phase II at BKK. TARCO has been granted a 3 year grace period. The loan will be due on December 31, 2021 which was quarterly principal repayment at Bt27.5 million at the rate of BIBOR 3-month plus percent of fixed rate per annum

BAFS INTECH
- Long term loan was of Bt63.4 million. The loan will be due on April, 2028 which was three month principal repayment at Bt2.2 million at the rate of MLR minus percent of fixed rate per annum

2.2.4 Long-term lease liabilities, net of current portion was of Bt1,386.3 million an increase of Bt1,371.2 million from Bt15.1 million as of December 31, 2019, by a significant increase which is a result of the implementation of TFRS 16

2.2.5 Debenture No.1/2020, in the amount of Bt998.2 million
2.2.6 The Employee benefit obligations was of Bt1,157.7 million according to Labor Protection Laws as TAS no.19 on employee benefits.

2.3 Shareholders’ Equity

As at March 31, 2020, total shareholders’ equity was of Bt7,993.8 million, increased from December 31, 2019 by Bt130.0 million or 1.7% which Bt6,669.3 million was Equity attributable to owners of the Company, increased by Bt151.8 million or 2.3%.

Please be informed accordingly.

Yours sincerely,

Signed

(Mr. Prakobkiat Ninnad)

President