BANGKOK AVIATION FUEL SERVICES PUBLIC COMPANY LIMITED
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(Translation)

MD. 034 / 2021

February 25, 2021

Re: Management Discussion and Analysis
For the Year Ended December 31, 2020

To: President
The Stock Exchange of Thailand

Management Discussion and Analysis For the Operating Results ended December 31, 2020

1. Report and Analysis of Performance

In 2020, the coronavirus (COVID-19) pandemic has significantly disrupted the world and Thailand's aircraft travel and tourism industries. Meanwhile, international governments implemented the international travel restrictions measures, with the number of foreign tourists entering Thailand in 2020 reported by the Ministry of Tourism and Sports at 6.7 million, down from 39.9 million of 2019, or a decrease of 83.2%(y-o-y).

As a result of this incident, the amount of aviation fuel serviced by the Group at Suvarnabhumi Airport (BKK) and Don Mueang Airport (DMK), the growth rate decreased by 61.7%(y-o-y) with 2,354 million litres. The number of refueling flights decreased by 55.2%(y-o-y), or a total of 137,736, and the total amount of the multi-products fuel transported through pipelines of Fuel Pipeline Transport Co., Ltd. (FPT) totaled to 3,132 million liters, or a decrease of 31.5%(y-o-y) from 4,570 million litres of 2019.

| | 2020 | 2019 | Growth (y-o-y) |
|---|---|---|---|
| Aviation Refuelling Services Business : | | | |
| Aviation Fuel Volume (million litres) | 2,354 | 6,139 | (61.7%) |
| Flights | 137,736 | 307,184 | (55.2%) |
| Fuel Pipeline Transportation Business : | | | |
| Multi-products Fuel Volume (million litres) | 3,132 | 4,570 | (31.5%) |

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

As a result of this situation, the Group's total revenue in 2020 amounted to Bt1,882.5 million, decreased by Bt2,035.8 million or a decrease of 52.0%(y-o-y). This was a significant decrease in the amount of aviation fuel serviced affected by the COVID-19 pandemic, with the Group resulting in a loss to its shareholders of Bt374.3 million. Operating results decreased by Bt1,314.2 million or 139.8%(y-o-y) and were Bt0.59 per share loss.

At the same time, the Company has focused on controlling the risks from liquidity problem. The Group has a policy of maintaining sufficient levels of cash and cash equivalents for the group's operations under current circumstances. The Group has provided sufficient short-term and long-term credit lines from financial institutions to provide reserves in case of necessity and to reduce the impact of future cash flow fluctuations.

Table summarized the operating results of the Group

(unit : Bt million)

| | 2020 | 2019 | Inc. / (Dec.) | Growth (y-o-y) |
|---|---|---|---|---|
| Services income | 1,804.31 | 3,872.44 | (2,068.13) | (53.4%) |
| Others income | 78.14 | 45.79 | 32.35 | 70.6% |
| Total revenues | 1,882.45 | 3,918.24 | (2,035.78) | (52.0%) |
| Costs of service | 1,528.61 | 1,829.24 | (300.63) | (16.4%) |
| Gross Profit | 275.71 | 2,043.20 | (1,767.50) | (86.5%) |
| Gross Profit Margin | 15.3% | 52.8% | | |
| Administrative expenses | 588.89 | 701.39 | (112.51) | (16.0%) |
| Total expenses | 2,117.50 | 2,530.63 | (413.14) | (16.3%) |
| EBIT | (235.04) | 1,387.60 | (1,622.65) | (116.9%) |
| EBIT Margin | (12.5%) | 35.4% | | |
| Depreciation and amortization | 793.88 | 644.67 | 149.21 | 23.1% |
| EBITDA | 558.84 | 2,032.27 | (1,473.43) | (72.5%) |
| EBITDA Margin | 29.7% | 51.9% | | |
| Finance income | 11.36 | 37.94 | (26.57) | (70.0%) |
| Finance cost | 281.08 | 196.32 | 84.76 | 43.2% |
| Income tax expenses (benefit) | (87.69) | 260.80 | (348.49) | (133.6%) |
| Profit for the period | (418.89) | 967.38 | (1,386.27) | (143.3%) |
| Net Profit to Equity holders of the Company | (374.26) | 939.92 | (1,314.18) | (139.8%) |
| Net Profit Margin | (22.3%) | 24.7% | | |
| Earning per share (Bt) | (0.59) | 1.47 | (2.1) | (139.8%) |

1.1 Revenue

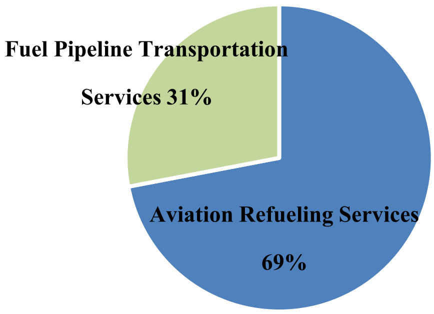
Total revenues in 2020 totaled Bt1,882.5 million, including:

1.1.1 Services Income

Service Income of Bt1,804.3 million this was down 53.4%(y-o-y) over the past year due to a decrease in the total fuel serviced by the Group from the impact of COVID-19 on aircraft travel. In addition, the slowdown in economic activity resulted in a decrease in the multi-products fuel consumption, but at a lower rate than the declining in aviation fuel services volume.

For the income proportion separating by business structure consisted of Aviation refueling services at 69% and Fuel pipeline transportation services at 31% respectively.

**Services Income structure in 2020**




1.1.2 Others Income

Others income of the Group amounted to Bt78.1 million. The company has significantly increased by Bt32.3 million or 70.6%(y-o-y) with mainly from delayed delivery of work of the contractor's operations.

1.2 Expenses

1.2.1 Cost of services

The Group had cost of services of Bt1,528.6 million, a decrease of Bt300.6 million, or -16.4%(y-o-y). This was mainly due to the company's strictly cost control measures to reduce the impact of COVID-19 on the group's performance. The reduced expenses are salary-related expenses, wages, annual bonuses, other employee benefit expenses, the Airport concession fee and lease payment on operating expenses. While depreciation increased from the Northern Fuel Pipeline Project (NFPT) to be significant, the Group had a gross operating profit of Bt275.7 million with gross margin was of 15.3%, down from 52.8% in 2019.

1.2.2 Administrative Expenses

The Group had administrative expenses of Bt588.9 million. The decrease was of Bt112.5 million or 16.0%(y-o-y) as a result of the strictly cost control measures, with reduced expenses as salary-related expenses, wages, annual bonuses, and other employee benefit expenses, administrative expenses, including the real-estate taxes which have been reduced in accordance with government aid measures.

As a result, the Group had an operating loss before finance costs and taxes (EBIT) of Bt235.0 million, a decrease in profit of Bt1,622.6 million or -116.9%(y-o-y), representing an operating loss before financial and tax margin (EBIT loss margin) at 12.5% with EBITDA of Bt558.8 million. This was a decrease of Bt1,473.4 million, or a decrease of 72.5%(y-o-y), representing an EBITDA margin of 29.7% compared to 51.9% of 2019.

Due to the impact of COVID-19 on the operations of the aviation industry and the overall economy, although the Group has appropriate procedures for regulating lending and has been regularly monitor the outstanding of its account receivables, however, this year, the Group recorded an allowance for expected credit losses from its account receivables of Bt28.7 million but this amount does not significantly affect the liquidity of the business.

1.2.3 Finances Cost

The financial cost has amounted to Bt281.1 million, an increase of Bt84.8 million or 43.2%(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

The Group had a net loss in the equity of the Company of Bt374.3 million, a decrease in profit of Bt1,314.2 million or -139.8%(y-o-y), and earnings per share of Bt-0.59 per share with a net loss margin of 22.3% is a severe direct impact on the Group's coronavirus outbreak. 2019 (Covid-19).

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 December 31, 2020, the Group had total assets at the amount of Bt19,465.8 million, increasing by Bt2,119.9 million or 12.2% from December 31, 2019. The important details of cash flow were as follows:

2.1.1 Cash and cash equivalent of Bt804.6 million which cash flow summarized for the period were below;-

- The Group's net cash from operation was of Bt440.6 million, decreasing by Bt1,047.5 million or-70.4% (y-o-y)
- Net cash for investment activities was of Bt2,065.4 million, increasing by Bt659.6 million or 46.9%(y-o-y) which most of the investments are related to the NFPT project
- Net cash from financing activities was of Bt1,002.9 million, increased by Bt1,163.2 million due to cash received from long term loan drawdown and debentures issued in the amount of Bt2,495.1 million, while the long-term loans and financial lease payment amounted to Bt480.15 million

2.1.2 Property, leasehold improvement and equipment as of December 31, 2020 was of Bt14,066.5 million, increasing by Bt1,369.5 million or 10.8%(y-o-y), mostly were increased assets from the NFPT project

2.1.3 Right of use assets was of Bt1,307.7 million, an increase of Bt1,280.0 million from Bt27.7 million as of December 31, 2019, by a significant increase which was a result of the implementation of TFRS 16

2.2 Liabilities

As of December 31, 2020, the Group had total liabilities of Bt12,698.4 million, increasing by Bt3,216.4 million or 33.9% from December 31, 2019. The total liabilities to total equity ratio was of 1.88:1 time. The liabilities comprised of major items which follows; -

2.2.1 Account payable and others account payable was of Bt162.3 million

2.2.2 Long term loan from banks, which are due within one year, was of B422.0 million which were belonged to BAFS at the amount of Bt321.4 million, TARCO at the amount of Bt68.8 million, FPT at the amount of Bt29.8 million and BAFS Intech at the amount of Bt2.0 million respectively

2.2.3 Long-term loans from banks were Bt8,397.8 million, increasing by Bt1,217.3 million from December 31, 2019 or 17.0%(y-o-y). These comprise of; -

<u>BAFS</u>

- Long-term loans was of Bt1,446.4 million dues 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

TARCO

- Long term loan was of Bt123.8 million, which TARCO had a loan agreement for Bt550 million to invest in the Hydrant pipeline system expansion project Phase II at BKK. The loan will be due on March, 2023 which was quarterly principal repayment at Bt27.5 million at the rate of BIBOR 3-month plus percent of fixed rate per annum

FPT

- Long term loan was of Bt62.5 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 Bt1,100.0 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 2032, respectively which is equivalent to loans net of the current portion in one year of Bt6,696.5 million (after net the prepaid bank fees as of September 30, 2020, the amount of Bt7.5 million)
- Long-term loans was of Bt5.1 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

BAFS INTECH

- Long term loan was of Bt63.6 million. The loan will be due on July, 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 Bt1,366.3 million an increase of Bt1,351.2 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, at the amount of Bt998.3 million

2.2.6 The Employee benefit obligations was of Bt1,162.9 million according to Labor Protection Laws as TAS no.19 on employee benefits.

2.3 Shareholders' Equity

As at December 31, 2020, total shareholders' equity was of Bt6,767.4 million, decreased from December 31, 2019 by Bt1,096.4 million or -13.9%(y-o-y) which Bt5,493.1 million was Equity attributable to owners of the Company, decreased by Bt1,024.5 million or -15.7%(y-o-y).

Please be informed accordingly.

Yours sincerely,

Signed

(Mr. Prakobkiat Ninnad)

President