



(Translation)

EM.044/ 2023

February, 2023

Re: Management Discussion and Analysis  
For the Operating Results ended December 31, 2022

To: President  
The Stock Exchange of Thailand

Management Discussion and Analysis For the Operating Results ended December 31, 2022

### 1. Report and Analysis of Performance

The Thai economy tends to continue to recover. Including the tourism and air travel sectors that have clearly recovered. In 2022, the number of foreign tourists traveling to Thailand amounted to 11.8 million, exceeding the government's expected target. In addition, as a result of the announcement of China's open borders in early 2023, Thailand has more Chinese tourists entering the country, which in 2023 the Tourism Authority of Thailand (TAT) estimates that there will be Chinese tourists traveling to Thailand more than 5 million people and is expected to be around 300,000 in the first quarter of 2023, which is higher than the number of Chinese tourists entering Thailand for the whole year of 2022 at 274,000 people. In 2023, the government targets the number of foreign tourists at 25 million, representing approximately 63% of the number of foreign tourists arriving in Thailand in 2019.

In 2022, the aviation fuel volume of the aircraft serviced by the Group at Suvarnabhumi Airport (BKK) and Don Mueang Airport (DMK) totaled 2,990 million liters, representing a growth rate of 83% from last year. Meanwhile, the number of flights serviced by the Group for refueling services grew by 107% from last year. The aircraft refueling service business has recovered from the Covid-19 epidemic situation with a tendency to ease. In addition, the government has canceled measures to prevent the spread of the disease and has opened the country to allow air travel back to normal. Then the aviation refueling services business has achieved break-even performance in the fourth quarter of 2022.

However, the expansion of air travel could be affected by risks that major world economies slowdown such as the US and Europe in many countries. The ongoing war between Russia and Ukraine, the geopolitical issues arising in East Asia as well as the high cost of living amid risks to the recovery of income and employment of the people in the country.

For Fuel Pipeline Transport Company Limited (FPT), due to FPT granted asset management rights for the fuel pipeline project (Bangkok-Bang Pa-in section) with Bangkok Fuel Pipeline and Logistics Company Limited (BFPL), a subsidiary of Bangchak Corporation Public Company Limited, with a project value of 1,600 million baht,



with a total grant period of 20 years from 2022 to 2041, which will gradually recognize income from the granting of rights over the contract period. As a result, FPT's fuel pipeline transportation service income is only service revenue from the Northern Fuel Pipeline Project (NFPT) onward. The total volume of multi-products fuel transported through NFPT project of 2022 was amounted to 410 million liters, grew by 24% from the previous year.

	2023	2022	Growth (y-o-y)
<u>Aviation Refuelling Services Business :</u>			
Aviation Fuel Volume (mil litres)	2,990	1,638	83%
Flights	172,394	83,123	107%
<u>Fuel Pipeline Transportation Business :</u>			
Multi-products Fuel Volume of NFPT project (mil litres)	410	330	24%

\* Note: 1) Total Flights was data of flights that serviced by BAFS only at BKK and DMK

2) FPT's multi-products fuel pipeline transportation volume for the NFPT project only

## 1.1 Revenue

In 2022, the total revenue was 2,334.3 million baht, increased by 40.3% from the previous year, consisting of which comprised of;-

### 1.1.1 Services Income and sales

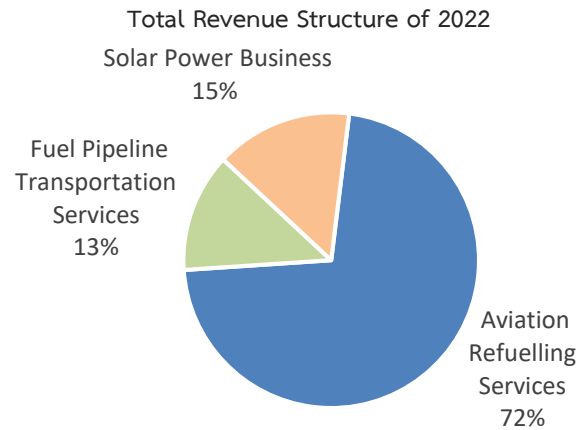
In 2022, the Group's service income amounted to 1,852.1 million baht, an increase of 37.5% from the previous year which was in line with the recovery in the amount of aviation fuel that the Group provides services. And the multi-product fuel volume of the NFPT project has grown in a better direction due to the opening of the Phi chit - Nakhon Lampang fuel pipeline project since the end of 2021. However, as a result of the transfer of asset management rights for the fuel pipeline project for the Bangkok-Bang Pa-in section, the Group will recognize revenue from this transaction amounting to 80 million baht in this year, instead of recognizing the revenue from FPT's pipeline transportation service income of Bangkok-Bang Pa-in section.

As for the sales revenue during the year 2022, totaling 10.6 million baht, it was revenue from the sale of aircraft refueling vehicles and related equipment of the subsidiary.

### 1.1.2 Revenue from Electricity sales

In 2022, the Group recognized revenue from electricity sales of 331.6 million baht, an increase of 22.7% from the previous year. The Group invested in the electricity generation and distribution business since March 2021, therefore, in the year of 2021, the revenue and cost of electricity sales were recognized for only 10 months, while this year, the Group recognizes revenues and costs of electricity generation and distribution for 12 months.

For the total revenue proportion separating by business structure consisted of Aviation refueling services revenue and Sales at 72%, Electricity sales at 15% and Fuel pipeline transportation services at 13% respectively.



#### 1.1.3 Dividend income

The Group received dividends from its investment in electricity generation and distribution business in

Japan amounting to 50.4 million baht, which is dividends from operations for the year 2020-2021, a total of two years.

#### 1.1.4 Others Income

Other income of the group amounted to 89.6 million baht, an increase of 91.1% which is most of these was from the gain according to accounting treatments relevant to the land lease which will be responsible by the grantee under the asset management right agreement (a one-time accounting transaction).

### 1.2 Expenses

#### 1.2.1 Cost of services and Cost of electricity sales

In 2022, the Group's cost of services and cost of sales amounted to 1,514.7 million baht, close to the previous year. Mainly due to a reduction in expenses and strictly enforce the company's cost-cutting measures to reduce the impact of COVID-19 on the group's performance. The reduced expenses were expenses related to salaries, wages, and other employee benefit expenses, expenses related to repair and maintenance, and the reduction of service costs from the transfer of asset management rights in the fuel pipeline system (Bangkok-Bang Pa-in section) to BFPL, which BFPL is responsible for expenses related to the transportation system and the fuel depot instead of FPT. Although, in this period, the Group had an increase in the airport concession fee from the operate aircraft refueling services in line with the increase in aviation services volume. While depreciation and amortization expenses of the Group increased, mainly from the NFPT project as well. For the electricity generation and distribution business in 2022, the cost of electricity sales amounted to 137.6 million baht.

Resulting in the Group's gross profit amounted to 542.0 million baht, with accounted for a gross profit margin of 24.7% improved greatly from the year 2021 at -0.8% significantly.



### 1.2.2 Administrative Expenses

In 2022, the Group had administrative expenses of 611.3 million baht, a decrease of 3.6% from the previous year. This was mainly the result of the unrealized foreign exchange loss of the subsidiary.

In 2022, the Group has operating profit before finance costs, taxes, depreciation, and amortization (EBITDA)<sup>1)</sup> of 974.2 million baht, an increase of 162.3% from the year 2021, representing an EBITDA margin of 41.7%.

### 1.2.3 Finances Cost

The financial cost of the Group in 2022 was amounted to 544.8 million baht, an increase of 28.1% due to the Group's increase in both short-term and long-term borrowing from financial institutions. Including interest on finance lease agreements that increase from the extension of the lease term of land.

### 1.3 Operating Results

In 2022, the Group had a net loss in shareholders' equity of 281.4 million baht, representing a loss per share of 0.44 baht per share, with a 64.1% improvement from the previous year performance with a loss of 784.8 million baht and a net loss margin of 17.2% as the Group recovered from the COVID-19 epidemic situation with a tendency to subside.

## 2. Report and Analysis of Financial Status

### 2.1 Assets

As of December 31, 2022, the Group's total assets amounted to 23,724.5 million baht, a decrease of 3.7% compared to December 31, 2021, consisting of the following key items:

2.1.1 The Group's cash and cash equivalents amounted to 522.7 million baht, which can be summarized in year of 2022 as follows:

- The Group's net cash from operating activities amounted to 566.0 million baht
- Net cash from investing activities amounted to 646.3 million baht and
- Net cash used in financing activities amounted to 1,251.8 million baht of which the Group repaid financial institution loans of 1,341.7 million baht

2.1.2 Other current financial assets amounted to 1,442.1 million baht, a decrease of 40.2% because the subsidiary repaid 500 million baht in loan to financial institutions

2.1.3 Lease receivables amounted to 1,412.8 million baht, an increase of 633.5% due to recognition of rights transfer agreements between FPT and BFPL

*Note 1) Operating profit before finance costs, taxes, depreciation, and amortization including dividend from electricity generation and distribution business*



2.1.4 Right-of-use assets amounted to 259.8 million baht, a decrease of 75.6% from the transfer of rights-of-use assets between FPT and BFPL to lease receivables as well

## 2.2 Liabilities

As of December 31, 2022, the Group had total liabilities of 17,772.8 million baht, decreasing by 2.7% from December 31, 2021. The interest bearing debts to total equity ratio was of 2.5:1 time. The liabilities comprised of major items which follows; -

2.2.1 Short-term loan from banks was of 300.0 million baht, a decrease of 57.1% from financial institutions loan repayment of 400.0 million baht

2.2.2 Long-term loan was of 11,952.4 million baht, decreasing by 1.5% from loan repayment (net) of 186.0 million baht

2.2.3 Lease liabilities amounted to 1,625.7 million baht, an increase of 31.3% due to the extension of the lease term and the increase in rental rates

2.2.4 Deferred income of 1,525.3 million baht, which is revenue arising from the granting of property management rights to the fuel pipeline project (Bangkok-Bang Pa-in section) of FPT

## 2.3 Shareholders' Equity

As of December 31, 2022, the Group has total shareholders' equity of 5,951.7 million baht, a decrease of 6.7% from December 31, 2021, which was Equity attributable to owners of the Company of 4,549.8 million baht, a decrease of 5.3% .



## **Business operations toward sustainability goals according to the “ESG” framework**

In 2022, according to the strategy toward sustainability goals, the company has integrated the Materiality issues to drive business covering all dimensions including Environmental, Social, and Governance (ESG), which are important factors that connect and support business growth and sustainability. With a commitment to delivering better value to the environment, community, society, and economy. Also preparing in order to cope with challenges and risks from various situations such as rapidly changing in all dimensions, adapting to fluctuations from the impact of climate change and the crisis caused by the COVID-19 pandemic that has an impact all over the world with operations that can reflect the results to create sustainable value for all stakeholders as follows:

### **Environment**

The company declares its commitment to tackling climate change by reducing the environmental impact caused by its operations and offsetting all greenhouse gas emissions from its operations to zero. The Company has consistently been certified as a Carbon Neutral Company along with setting a goal to reduce greenhouse gas emissions to zero by 2050 through the “ZERO” strategy which includes Z (Zero Emission): setting a goal to reduce greenhouse gas emissions by 20% by 2030 and reduce greenhouse gas emissions to zero or Net Zero by 2050, -E (Energy Transition): setting a goal to increase the proportion of electricity consumption from clean energy by installing the solar cells on the roof of the office building and supporting the use of electric cars within the organization, -R (Response to nature and low carbon society): The Group is committed to preserving and reducing the impact on the environment and community for long-term sustainability. Therefore, it has implemented projects related to sustainability operations including efficient use of resources, such as the Road to Zero Waste project and the eco-forest project called BAFS Arsa Term Pah Tem Suk, and -O (Opportunity for green investment): The Company has signed a Memorandum of Understanding on Bio Jet Fuel with Mitr Phol Biofuel and Bangchak Corporation Public Company Limited to study biofuels that are not only environmentally friendly but also meets International Civil Aviation Organization (ICAO) and International Aviation Association (IATA) standards to enhance the capability of providing sustainable aviation fuel services and reducing greenhouse gas emissions of the country and the aviation industry.

In this regard, the company has conducted a greenhouse gas emission accounting and the data on the amount of greenhouse gas emissions within the company has been certified by the Thailand Greenhouse Gas Management Organization (Public Organization) (TGO). And also conducting the greenhouse gas emissions per jet fuel service index (Carbon Intensity), which is a comparison of the amount of greenhouse gas emissions with the volume of fuel provided.



## **Social**

In addition to growing the business, the company also strives to be a part of the social community to create participation in communities around the Group's operating areas along with business operations. According to the group's strategic plan for the year 2022-2026 related to community engagement to create shared values, to continuously improve the quality of life by measuring the success of the 100% community participation plan. And also measure the level of community satisfaction for the Safe Community Project in Don Muang area, the Community Health Promotion Project in Suvarnabhumi Depot area, and the Organic Rice Field Conversion Project in Phichit Depot area which had satisfaction results at 91.16%, 87.51%, and 93.94% consecutively.

In addition to the projects implemented and satisfaction measurements in 2022, the Group also plans to implement projects in organic agriculture based on the circular economy namely The Farm Hug by BAFS Group Project. Moreover, the Eco-Forestation Project in the area of 50 rai of ATCE 1-2-3 Power Plant, Sri Maha Phot District Prachinburi Province is another project that supports the Sustainable Development Goals to create a better economy and environmental impact on the community.

## **Governance**

In compliance with good corporate governance principles, The Board of Directors has assigned the Nominating and Corporate Governance Committee Responsible for supervising and giving advice to the directors and executives of the company in performing their duties and responsibilities according to the good corporate governance policy. This year, the Company has reviewed the good corporate governance policy including business ethics and other policies and guidelines to ensure that the Company's operations are consistent with the CG CODE and are up-to-date. With the determination to prevent and resist all forms of corruption, the business ethics test of all executives and employees was conducted with 93.59% of the average score. In addition, the company's corporate governance level of listed companies for the year 2022 was "Excellent" assessed by the Thai Institute of Directors Association (IOD), and was certified as a member of the Private Sector Collective Action Coalition against Corruption of Thailand. against Corruption: CAC) from 2014 until the present.



With determination in 2022, the company has been announced in the list of sustainable stocks (THIS: Thailand Sustainability Investment) for the 8th consecutive year, reflecting that the company continues to generate steady growth. And also takes into account the risk management and readiness to cope with social and environmental changes to increase competitiveness and give importance to all stakeholders.

Please be informed accordingly.

Yours sincerely,

Signed

(M.L.Nathasit Diskul)

President