



Bangkok Aviation Fuel Services Public Company Limited

Management Discussion & Analysis

For the Quarter Ended September 30, 2023

Executive Summary

The tourism situation in Thailand is improving due to the return of foreign tourists and increased flight routes by various airlines. Collaboration across all sectors in Thailand to promote international tourism focuses on improving convenience and reducing travel constraints for foreign tourists. The cumulative number of foreign tourists from January to September 2023 was 20.0 million, representing a 3.5-fold increase from the same period last year, which had 5.7 million tourists. The top five nationalities visiting Thailand include Malaysia, China, South Korea, India, and Russia, comprising 46% of all international visitors. In the ninth month of this year, the number of Chinese tourists reached 2.5 million, reflecting an increase of over 17.0 times from the same period last year. However, it accounts for only 29% compared to the pre-COVID period. This is due to the sluggish Chinese economy.

However, in the next quarter, it is expected that tourist numbers will increase due to the exemption of passport stamp checks or providing visa fee waivers to foreign tourists in several countries, such as China, India, Kazakhstan, and others. Moreover, it is supported by the recovery of tourists who began to travel more with the start of the high season in the travel season. Several airlines have increased flight frequencies in the winter flight schedule, such as Thai Airways, Emirates, Etihad, and China Airlines. Nevertheless, the recovery of international and domestic tourism sectors is still impacted by the higher fuel prices and continuously increasing inflation due to global economic tensions, as well as the ongoing conflict in Israel.

For the Northern Fuel Pipeline Transportation Business which aligns with the national strategic plan and Fuel Management Plan, promoting private sector participation in its operations. The goal is to improve the efficiency of fuel transportation and fortify the country's energy security, thereby subsequently decrease road accidents caused by fuel transportation. Since the start of fuel transportation through the Northern Fuel Pipeline Project (NFPT) from Bangpa-In to Phichit in 2019 and from Kamphaeng Phet to Nakhon Lampang in 2021, the NFPT has significantly reduced greenhouse gas emissions by over 54,000 tons of carbon dioxide equivalent, roughly equivalent to planting around 5,684,200 trees. Moreover, it's a cost-effective method by using electricity in the transport system, compared to traditional methods involving fossil fuels such as trucks or trains. There's an opportunity to potentially equalize fuel prices at gas stations nationwide, promoting balanced costs compared to the past. The accumulated fuel demand in the Northern part of Thailand from January to September 2023 was 3,108.1 million liters, a 3% increase from the same period in the previous year, which recorded 3,020.6 million liters. The companies are currently in negotiation and preparation for a fuel pipeline construction project that will link the Saraburi-Ang Thong route (linked-line), connecting the Eastern part of Thailand through the Northern pipeline networks. This action will further solidify Thailand's energy infrastructure system concerning fuel transportation.

For the solar power production and distribution business has been impacted by the global economic slowdown triggered by the COVID-19 pandemic. Subsequently, after the situation eased, the global economy's recovery and the increased use of electric vehicles (EVs) have consistently driven up energy demand, including electricity. Currently, Thailand's cumulative electricity consumption from January to August 2023 stands at 136,808 million kilowatt-hours, showing a 3% increase from the previous year. Further, the peak electricity demand of the system has reached 34,827 megawatts, marking a 5% rise from the previous year.

To align with the company group's strategic plan for a sustainable long-term growth of its revenue base., BAFS group is seeking opportunities to invest or collaborate in renewable energy and environmental business, both domestically and internationally. In the third quarter of 2023, the company group established a new subsidiary named "BAFS X Mongolia LLC" in Mongolia, with 100% ownership. This venture primarily involves equity holdings in other companies, renewable energy, fuel storage and transportation, as well as import and export of goods and services. During the preliminary stage, the group plans to invest in the solar power generation and distribution business, which is expected to provide clear investment details for the project by 2024. Furthermore, our group has invested in Surat Eco Power Co., Ltd., holding a 30% share, to invest in a waste energy plant with a capacity of 9.9 megawatts, expected to begin operations in 2027.

Financial Highlights

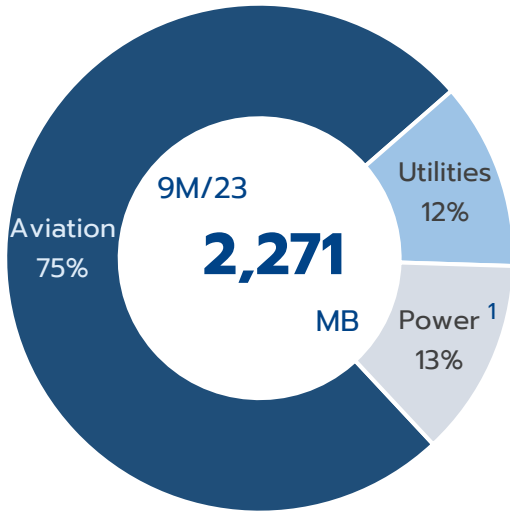
Unit : Million baht	3Q/22	2Q/23	3Q/23	Change		9M/22	9M/23	Change YoY
				QoQ	YoY			
Total Revenues ¹	583	743	734	(1%)	26%	1,644	2,271	38%
Total Expenses ²	523	619	594	(4%)	14%	1,625	1,831	13%
Operating Profit (Loss)	60	124	140	13%	>100%	19	440	>100%
Net Profit (Loss) to Equity holders	(43)	11	(3)	<(100%)	93%	(240)	60	>100%
Earnings per Share (Baht/Share)	(0.07)	0.02	(0.02)	<(100%)	71%	(0.38)	0.07	>100%
EBITDA ³	289	357	349	(2%)	21%	695	1,114	60%
EBITDA Margin (%)	50%	48%	48%			42%	49%	

¹ Total revenues excluded finance income

² Total expenses excluded finance cost

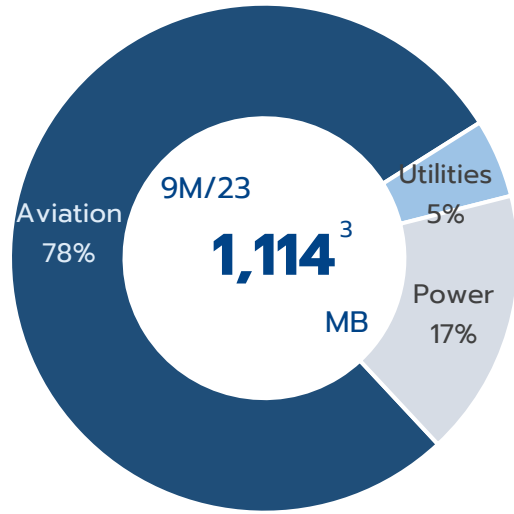
³ EBITDA = Operating profit (loss) + Depreciation and amortization + Gain (loss) on exchange rate

Total Revenue



¹ Revenue from the electricity generation and distribution business, including dividend income from solar power plants in Japan.

EBITDA²



² % of EBITDA calculated from amount before eliminations

³ EBITDA amount after eliminations

Total Performance 3Q/23 vs. 3Q/22

Bangkok Aviation Fuel Services Public Company Limited, and its subsidiaries ("BAFS GROUP"), recorded a **total revenue** of 733.8 million baht, marking a 26% increase from the same period last year. This growth is attributed to the recovery in the tourism sector, aligning with the overall economic recovery of the country. Notably, in this quarter, the **Aviation business** group's total revenue surged by 36%, driven by a 31% increase in aircraft refueling volumes. Similarly, the **Utilities business** exhibited a 13% rise, attributed to increased fuel transportation volume across all products within the NFPT project, marking a 66% increase due to more aggressive marketing efforts. However, the **Power business** saw a decrease of 4% due to the expiration of a government subsidy contract for additional power purchase costs (Adder) of one of its subsidiaries, which ended in June, 2023.

In the third quarter of 2023, the **EBITDA** totaled 349.1 million baht, reflecting a 21% increase compared to the same period in the previous year. The growth was chiefly driven by the **Aviation business**, signifying a general upsurge in gross profits, primarily due to increased aircraft refueling services volumes. Operational expenses increased by 14%, largely owing to the heightened expenses associated with the airport concession fee (ACF), a consequence of increased in refueling volume. And the consideration to end the "Leave Without Pay" scheme for employees. Further, during Q3/23, the group changed the estimated useful life of the fuel pipeline and related equipment from the original 40 years to 80 years from the date of acquisition as to align with the review by management and experts. Consequently, there was a decrease of 25.9 million baht in depreciation costs in this quarter. The net financial expenses increased by 15% due to the interest rate adjustment according to the overall market trend, leading to a **net loss** of 2.9 million baht for the equity holders of the company, reduced by 93% to 0.02 baht per share. The net loss margin was at 4%.

Total Performance 9M/23 vs. 9M/22

BAFS GROUP generated a **net profit** attributable to equity holders of the company amounting to 59.7 million baht, marking a 125% increase compared to the same period in the previous year, equating to a profit per share of 0.07 baht. The net profit margin stood at -1%, driven by increased revenue and EBITDA by 38% and 60% respectively. This surge primarily resulted from the recovery of the **Aviation business**, although overall operating expenses increased by 13%. This was predominantly due to the ACF costs and personnel expenses, although increasing in proportion to a lesser extent compared to revenue.

Key events in 3Q/23

- **Expansion of Investments**

- **Establishment of a New Subsidiary named BAFS X Mongolia LLC**

In August 2023, the group established a new subsidiary called BAFS X Mongolia LLC in Mongolia with a registered capital of 3.6 million Baht. The group holds 100% of the shares, engaging in various businesses, mainly deriving income from shareholding in other companies. These include alternative energy, fuel storage and transportation, and import and export of goods and services. In the initial phase, the group plans to invest in solar power production and distribution, expected to provide clear investment details for the project by 2024.

- **Investment in a New Joint Venture Company named Surat Eco Power Co., Ltd**

The group invested in Surat Eco Power Co., Ltd with a 30% shareholding. The investment is directed towards a waste-to-energy power plant with a production capacity of 9.9 megawatts. It is anticipated to commence operations in 2027.

- **Issuing and Offering of Perpetual Bond**

On July 7, 2023, the company issued the **Perpetual Bond**, subordinate debentures, which act similarly to equity and can be redeemed upon company cessation. Issuer are entitled to redeem debentures before maturity and can defer interest payments without any specific conditions at a price of 1,000 Baht per unit, totaling 1 million units and an aggregate amount of 1,000 million Baht, offered to the institutional investors at the following interest rates:

Year	Interest Rate
1 - 5	Fixed rate of 6.85% per annum
6 - 25	5-year government bonds yield + 4.75% per annum
26 - 50	5-year government bonds yield + 5.50% per annum
51 onwards	5-year government bonds yield + 6.50% per annum

- **Changing the estimated useful life of the fuel pipeline and related equipment**

The subsidiary company (FPT) revised the estimated useful life of the fuel pipeline system and related equipment from the original 40 years to 80 years, starting from the acquisition date. This adjustment was made to align with the reviewed service life based on management and expert advice, resulting in a decrease of 25.9 million Baht in depreciation value in 3Q/23 from the previous depreciation calculation guidelines.

Performance by Business Segment

Aviation Business

Description	3Q/22	2Q/23	3Q/23	Change		9M/22	9M/23	Change
				QoQ	YoY			YoY
Aviation Fuel Volume (Million litres)								
Don Mueang Airport	111	198	179	(10%)	61%	275	548	99%
Suvarnabhumi Airport	683	845	863	2%	26%	1,735	2,605	50%
Total	794	1,043	1,042	0%	31%	2,010	3,153	57%
Flights¹	45,824	59,732	60,508	1%	32%	116,596	179,967	54%
Revenues (Million baht)²	433	594	587	(1%)	36%	1,111	1,768	59%
Aviation EBITDA Margin (%)	46%	49%	51%			39%	50%	

¹ Total Flights was data of flights that serviced by BAFS only at BKK and DMK

² The revenue of the Aviation business segment consists of the revenue of BAFS, TARCO, and BAFS INTECH

Performance 3Q/23 vs. 3Q/22

- **Total revenue amounted to 587.2 million Baht, marking a 36% increase** primarily caused by the Aviation business. The service revenue reached 561.1 million Baht, indicating a 35% rise due to the increased volumes of aircraft refuelling and the number of flights serviced at Suvarnabhumi Airport (BKK) and Don Mueang Airport (DMK), showing growth of 31% and 32% respectively compared to the same period last year. These increments align with the recovery in the tourism sector, paralleling with the overall economic recovery of the country. Additionally, other revenues amounted to 25.8 million Baht, reflecting a 70% increase attributed to the rise in fuel storage services and rental income from the fuel receiving system thus in line with the increased in fuel volume.
- **EBITDA amounted to 296.6 million Baht, marking a 48% increase.** This upturn was primarily due to the previously mentioned revenue surge in the Aviation business. Simultaneously, operating expenses also rose, attributed to increase in ACF in line with increased revenue and escalating personnel expenses. The Aviation business has been consistently profitable since the third quarter of 2022 onwards. Consequently, the company considered discontinuing the policy of leaves without pay that was in place since August 2022. However, the increased expenses were proportionally less than the increased revenue, resulting in an EBITDA Margin of 51% in 3Q/23, up from 46% in 3Q/22.

Performance 9M/23 vs. 9M/22

- **Total revenue amounted to 1,767.5 million Baht, showing a 59% increase.** This growth was primarily also influenced by the Aviation business, which earned service revenue of 1,693.2 million Baht, reflecting a 62% surge. This rise corresponds to the recovery in aircraft fuel service volumes and the number of flights at Suvarnabhumi Airport (BKK) and Don Mueang Airport (DMK), growing by 57% and 54%, respectively, compared to the same period in the previous year. Within the ninth month, the recovery rate for aircraft fuel service volume reached 69% of the pre-COVID-19 outbreak levels.
- **EBITDA reached 889.7 million Baht, showing a substantial 108% increase.** This boost was primarily attributed to the Aviation business which previously mentioned revenue growth. Simultaneously, operational expenses also increased in line with the rise in revenue, such as ACF and personnel ect. However, the increased expenses were proportionately lower than the increased revenue, resulting in the EBITDA margin in 9M/23 reaching 50%, up from 39% in 9M/22.

Utilities Business

Description	3Q/22	2Q/23	3Q/23	Change		9M/22	9M/23	Change
				QoQ	YoY			YoY
Multi-products Fuel Volume of NFPT project ¹ (Million litres)	112	195	186	(5%)	66%	308	588	91%
Revenues (Million baht)	77	85	87	2%	13%	256	270	5%
Utilities EBITDA Margin (%)	42%	28%	24%			26%	23%	
Utilities EBITDA Margin exc. One-time items (%)	23%	28%	24%			17%	23%	

¹ FPT's multi-products fuel pipeline transportation volume for the North Fuel Pipeline Transportation (NFPT) project only

Performance 3Q/23 vs. 3Q/22

- **Total revenue amounted to 87.4 million Baht, showing a 13% increase.** This increase was revenue from the multi-products fuel transportation and fuel storage services totalled to 86.0 million Baht, increasing by 15%. This was aligned with the increased volume of multi-products fuel of the Northern Fuel Pipeline Transport (NFPT) project, which surged by 66%. The rise was a result of a more aggressive marketing strategy with FPT's fuel customer company.
- **EBITDA totalled 20.7 million Baht, reflecting a 36% decrease.** Although the Utilities business in this year experienced the previously mentioned revenue increase, however, in 2022, the Utilities business had a net of one-time non-operational item of 14.8 million Baht that did not result from regular operations. As a result, the EBITDA Margin in Q3/23 stood at 24%, declining from 42% in Q3/22. However, if excluding the aforementioned one-time items would result in the EBITDA Margin in Q3/22 being at 23% and the EBITDA amount in Q3/23 increasing by 18% compared to Q3/22.

Performance 9M/23 vs. 9M/22

- **Total revenue amounted to 270.1 million Baht, reflecting a 5% increase.** This increase was associated with the revenue generated from multi-products fuel transportation and fuel storage, totalling 265.5 million Baht, which grew by 26%, aligned with the increased volume of fuel transportation through the NFPT project, rising by 91%. Additionally, other income amounted to 4.6 million Baht, a 90% decrease. This was due to the recognition of accounting profit in 2022, which occurred one-time, amounting to 38.5 million Baht. This profit was attributed to the interpretation that the leaseholder would be responsible for lease payments according to the property management rights agreement.
- **The EBITDA totalled 61.7 million Baht, marking an 8% decrease.** Despite the Utilities business group experiencing the aforementioned increase in revenue, the 2022 financial year had a one-time incidence, leading to net income that did not stem from regular operations, amounting to 29.6 million Baht. Consequently, the EBITDA Margin for 9M/23 stood at 23%, down from 26% in 9M/22. However, if excluding the aforementioned one-time items would result in

the EBITDA Margin in 9M/22 being at 17% and the EBITDA amount in 9M/23 increasing by 66% compared to 9M/22.

Power Business

Description	3Q/22	2Q/23	3Q/23	Change		9M/22	9M/23	Change YoY
				QoQ	YoY			
Capacity Factor (%)	15%	16%	15%			16%	16%	
Energy Sold (GWh)								
Thailand	12	13	12	(8%)	-	39	38	(3%)
Japan	4	5	4	(20%)	-	12	12	-
Total	16	18	16	(11%)	-	51	50	(2%)
Revenues (Million baht)								
Sale of electricity and Other Income	77	86	74	(14%)	(4%)	255	275	8%
Dividend income from solar power plants in Japan	-	-	-	-	-	50	32	(36%)
Total	77	86	74	(14%)	(4%)	305	307	1%
Power EBITDA Margin (%)	80%	65%	50%			71%	62%	

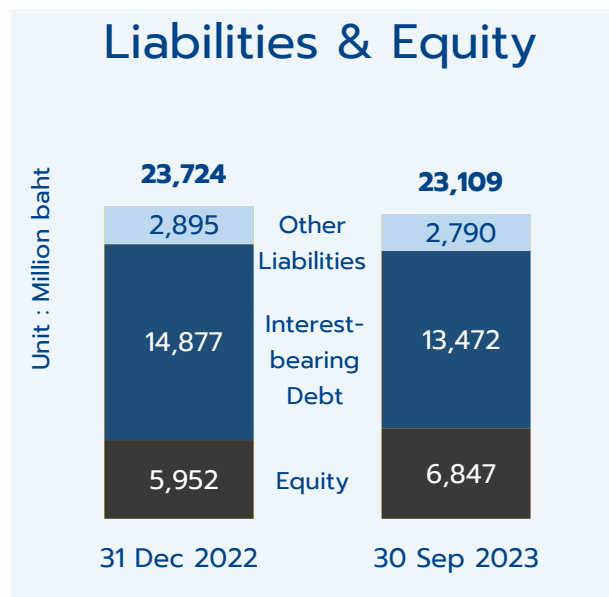
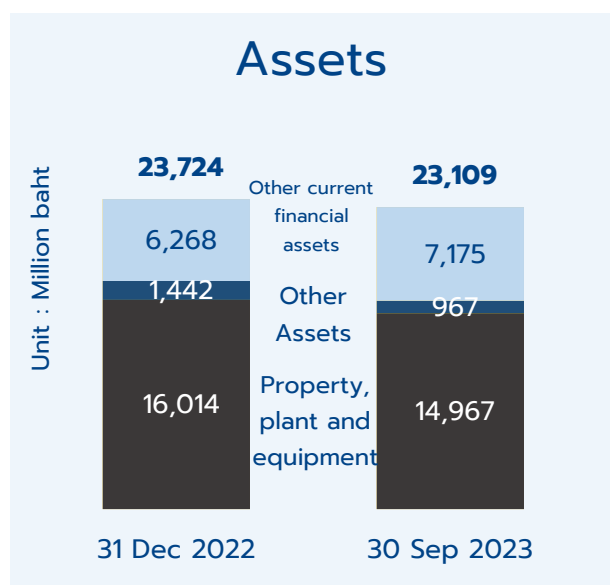
Performance 3Q/23 vs. 3Q/22

- **Electricity Sales and Other Income amounted to 74.3 million Baht, indicating a 4% decrease**, primarily due to the Power business experiencing a slight reduction in electricity sales. This was because of the subsidy agreement for additional purchasing price support (adder) of a subsidiary company ended in June 2023.
- **EBITDA totalled 37.3 million Baht, marking a 39% decrease**, attributable to the aforementioned decline in revenue in the Power business. Additionally, operating expenses increased notably, particularly personnel expenses and losses from currency exchange rate fluctuations converting investment value, resulting in the EBITDA Margin for 3Q/23 standing at 50%, down from 80% in 3Q/22.

Performance 9M/23 vs. 9M/22

- **Sales and Other Income totalled 274.7 million Baht, representing an 8% increase**, driven by the sale of Solar Rooftop to its affiliated companies, amounting to 21.5 million Baht. However, there was a slight decrease in revenue from electricity sales, aligned with similar levels of electricity production as before.
- **Dividend income from solar power plants in Japan was amounted to 31.6 million Baht, reflecting a 36% decrease**. This is due to the dividend received in 2022 stemming from investments in the electricity production and distribution business in Japan, based on operations in 2020 and 2021. Meanwhile, the dividend received in 2023 was based on the operations in 2022.
- **EBITDA amounted to 190.2 million Baht, marking a 13% decrease**. This decline was attributed to the Power business reduced dividend income from Japanese power plants, as mentioned above. Consequently, the EBITDA Margin for 9M/23 stood at 62%, down from 71% in 9M/22.

Financial Position



Assets

As of September 30, 2023, the Group's total assets amounted to 23,109.1 million baht, a decrease of 3% compared to December 31, 2022, consisting of the following key items:

- **Land, buildings, and equipment** totaling 14,966.7 million Baht decreased by 7%. This was due to the reclassification of project assets for the construction of the Midfield Satellite Building, known as SAT-1 terminal (SAT-1) amounting to 686.8 million Baht. The expenses under this agreement encompassed land, buildings, and equipment, along with a depreciation adjustment between periods of 514.1 million Baht, netting against building renovations and additional equipment purchases totaling 154.4 million Baht.
- **Other current financial assets** totaled 967.0 million Baht, declining by 33%. This decrease was due to withdrawing bank deposits and cashing in government bonds that were used as collateral for the subsidiary's borrowings, totaling 489.5 million Baht. These funds were utilized to repay inter-period loans and manage operational liquidity.
- **Cash and cash equivalents** totaling 854.0 million Baht increased by 63%. This increase mainly arose from cash generated by operating and investment activities, withdrawals from bank deposits, and government bonds collateralized for a sum. Additionally, it includes funding activities from issuing subordinated debentures similar to equity, amounting to 1,000 million Baht, netted against loan repayments, interest payments, and dividends.

Liabilities

As of September 30, 2023, the group of companies has a total debt of 16,262.5 million baht, which decreased by 9% compared to the previous period. The interest-bearing debt to equity ratio is 2.0 to 1. The group's debt can be categorized as follows:

- **Long-term borrowings from banks** amounted to 10,873.9 million Baht, decreasing by 9%. This reduction occurred due to the repayment of long-term borrowings totaling 1,080.9 million Baht within the period, without any additional borrowings.
- **Short-term borrowings from banks** amounted to 0 Baht, decreasing by 100% from the net repayment of short-term borrowings totaling 300.0 million Baht during the period.

Equity

On September 30, 2023, the group of companies had a total equity attributable to shareholders of 6,846.6 million Baht, a 15% increase from December 31, 2022. This rise was attributed to the issuance of the perpetual debenture (net after related expenses and taxes) worth 990.6 million Baht, after concluding the total loss of 17.3 million Baht and paying dividends to shareholders amounting to 78.3 million Baht. The equity attributable to the company's shareholders totaled 5,549.1 million Baht, marking a 22% increase.

Cash Flow Statement

	For the period ended Sep 30, 2023
	<i>Million baht</i>
Net cash flows from (used in) operating activities	886
Net cash flows from (used in) investing activities	427
Net cash flows from (used in) financing activities	(982)
Net increase (decrease) in cash and cash equivalents	331
Cash and cash equivalents at beginning of period	523
Cash and cash equivalents at end of period	854

- **Net cash flows from operating activities** 886.5 million Baht, resulting from increased revenues within the company group.
- **Net cash flows from investing activities** 426.7 million Baht. This primarily occurred due to the withdrawal of bank deposits and government bonds collateralized in the amount of 489.5 million baht.
- **Net cash flows used in financing activities** 981.9 million Baht. This was due to the company group's repayment of net borrowings, amounting to 1,380.9 million Baht, interest payments of 446.7 million Baht, dividend payments of 78.3 million Baht, and net cash received from the issuance of the perpetual debenture, totaling 988.2 million Baht.

Key Financial Ratios

	9M/22	9M/23
Profitability Ratios		
1. Gross profit margin (%)	22.2%	40.3%
2. EBITDA Margin (%)	42.3%	49.0%
3. Net profit margin (%)	(19.4%)	(0.8%)
	Dec 31, 22	Sep 30, 23
Liquidity Ratios		
4. Current ratio (times)	1.2	1.0
Profitability Ratios		
5. Return on equity (%)	(6.0%)	0.4%
Operating Efficiency Ratios		
6. Return on assets (%)	(1.2%)	0.1%
Financial Policy Ratios		
7. Interest bearing debt to equity (times)	2.5	2.0
8. Debt to equity (times)	2.7	2.1
9. Debt service coverage ratio (times)	0.6	0.7

Key Financial Ratios Calculations

- Gross profit margin = $\text{Gross profit (loss)} / \text{Service incomes and sales} \times 100$
- EBITDA Margin = $\text{EBITDA} / \text{Total revenues} \times 100$
- Net profit margin = $\text{Net profit (loss)} / \text{Total revenues} \times 100$
- Current ratio = $\text{Current assets} / \text{Current liabilities}$
- Return on equity = $\text{Net profit (loss) (annualized)} / \text{Average equity holders of the company} \times 100$
- Return on assets = $\text{Net profit (loss) (annualized)} / \text{Average total assets} \times 100$
- Interest bearing debt to equity = $\text{Interest bearing debt}^* / \text{Equity}$
 $^* \text{Interest bearing debt} = \text{Short-term loans} + \text{long-term loans} + \text{Lease liabilities} + \text{Debentures}$
- Debt to equity = $\text{Liabilities}^{**} / \text{Equity}$
 $^{**} \text{Liabilities} = \text{Total liabilities} - \text{Lease liabilities} - \text{Provision for land leased related to concession agreement}$
- Debt service coverage ratio = $\text{EBITDA} / (\text{Short-term loans} + \text{Current portion of long-term loans} + \text{Current portion of lease liabilities})$