



(Translation)

MD. 126 / 2020

August 13, 2020

Re: Management Discussion and Analysis
For the Operating Results ended June 30, 2020

To: President
The Stock Exchange of Thailand

Management Discussion and Analysis For the Operating Results ended June 30, 2020

1. Report and Analysis of Performance

From the current situation of the spread of COVID-19 that continues to expand continuously affecting business and the aviation industry causing disruption, this situation has a significant impact on the business activities of the group of companies in terms of service income. In April and May, the government announced the lockdown measure, so the country did not travel by both domestic and foreign countries. Although in June, there will be a relief to travel within the country but still the measure to restrict international flights. Leading to the number of the passenger at Suvarnabhumi Airport (BKK) and Don Mueang Airport (DMK) in 1H/2020 totaled 20.6 million, a decrease of 61.5%(y-o-y) compared to 1H/2019. Thus, the amount of aviation fuel services volume at BKK and DMK in Q2/2020 and 1H/2020 totaling up to 193 million liters and 1,526 million liters with a decrease of -86.7%(y-o-y) and -50.2%(y-o-y) respectively. While the total flights in Q2/2020 and 1H/2020 decreased by -87.0%(y-o-y) and -51.8%(y-o-y) to 9,672 flights and 74,285 flights respectively. For the total multi-products fuel transportation volume of Fuel Pipeline Transportation Co. Ltd. (FPT) was decreased by -43.9%(y-o-y) to 638 million liters and -25.9%(y-o-y) to 1,694 million liters.

	Q2/2020	Q2/2019	Q1/2020	Growth		1H/2020	1H/2019	Growth (y-o-y)
				(y-o-y)	(q-o-q)			
Aviation Refuelling Services Business :								
Aviation Fuel Volume (million litres)	193	1,451	1,333	(86.7%)	-85.5%	1,526	3,064	(50.2%)
Flights	9,672	74,601	64,613	(87.0%)	-85.0%	74,285	154,136	(51.8%)
Fuel Pipeline Transportation Business :								
Multi-products Fuel Volume (million litres)	638	1,137	1,056	(43.9%)	(39.6%)	1,694	2,287	(25.9%)

* 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 Q2/2020 was of Bt229.9 million decreased by Bt711.3 million or -75.6%(y-o-y) from Q2/2019 and the total revenue of 1H/2020 was of Bt1,097.2 million, a decrease of Bt869.4 million or -44.2% (y-o-y).

As a result, in Q2/ 2020, the Group had a loss on equity attributable to shareholders amounting to Bt-228.0 million, a decrease of Bt404.1 million or -229.5%(y-o-y), equivalent a loss per share of Bt-0.36. And in 1H/2020, the Group had a loss on equity attributable to shareholders amounting to Bt-73.5 million, a decrease of Bt597.5 million, or decreased by -114.0%(y-o-y), equivalent a loss per share of Bt-0.12.

Table summarized the operating results of the Group

(unit : Bt million)

	Q2/2020	Q2/2019	Q1/2020	Inc / (Dec)	Growth		1H/2020	1H/2019	Growth (y-o-y)
					(y-o-y)	(q-o-q)			
Services income	214.0	930.3	859.1	(716.3)	(77.0%)	(75.1%)	1,073.1	1,929.8	(44.4%)
Others income	15.9	10.9	8.2	5.0	45.9%	93.9%	24.1	36.9	(34.7%)
Total revenues	229.9	941.2	867.3	(711.3)	(75.6%)	(73.5%)	1,097.2	1,966.6	(44.2%)
Costs of service	343.3	486.2	424.5	(142.9)	(29.4%)	(19.1%)	767.7	873.9	(12.2%)
Gross Profit	(129.3)	444.1	434.6	(573.4)	(129.1%)	(129.8%)	305.4	1,055.9	0.0%
Gross Profit Margin	(60.4%)	47.7%	50.6%				28.5%	54.7%	
Administrative expenses	126.7	191.0	162.1	(64.3)	(33.7%)	(21.8%)	288.8	339.3	(14.9%)
Total expenses	464.5	677.2	592.6	(212.7)	(31.4%)	(21.6%)	1,057.0	1,212.2	(12.8%)
EBIT	(234.6)	264.0	274.7	(498.6)	(188.9%)	(185.4%)	40.2	753.4	(94.7%)
EBIT Margin	(102.0%)	28.0%	31.7%	(130.1%)			3.7%	38.3%	
Depreciation and amortization	194.0	151.0	201.6	43.0	28.5%	(3.8%)	395.6	290.0	36.4%
EBITDA	(40.6)	415.0	476.3	(455.6)	(109.8%)	(108.5%)	435.8	1,043.4	(58.2%)
EBITDA Margin	(17.7%)	44.1%	54.9%	(61.8%)			39.7%	53.1%	
Finance income	3.6	7.8	3.6	(4.2)	(53.8%)	0.0%	7.1	13.6	(47.8%)
Finance cost	(69.4)	(41.5)	(72.0)	(27.9)	67.2%	(3.6%)	(141.4)	(73.8)	91.6%
Income tax expenses	54.7	(48.3)	(53.0)	103.0	(213.3%)	(203.2%)	1.6	(142.8)	(101.1%)
Profit for the period	(245.9)	181.9	153.1	(427.8)	(235.2%)	(260.6%)	(92.7)	550.3	(116.8%)
Net Profit to Equity holders of the Company	(228.0)	176.1	154.5	(404.1)	(229.5%)	(247.6%)	(73.5)	524.0	(114.0%)
Net Profit Margin	(107.0%)	19.3%	17.7%	(126.3%)			(8.4%)	28.0%	
Earning per share (Bt)	(0.36)	0.28	0.24	(0.6)	(228.6%)	(250.0%)	(0.12)	0.82	(114.6%)

1.1 Revenue

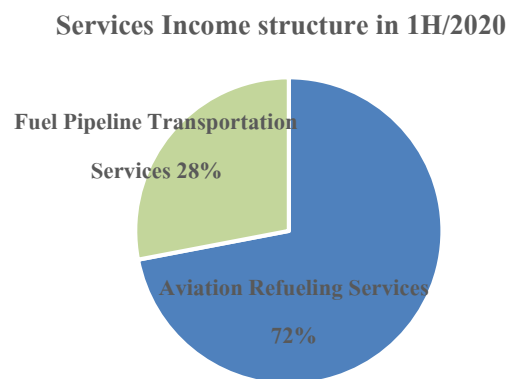


In Q2/2020 and 1H/2020, total revenues of the Group was of Bt229.9 million and Bt 1,097.2 million decreased by -75.6%(y-o-y) and -44.2%(y-o-y) which comprised of;-

1.1.1 Services Income

The services income in Q2/2020 and 1H/2020 was of Bt214.0 million and Bt1,073.1 million decreased by -77.0%(y-o-y) and -44.4%(y-o-y).

For the income proportion separating by business structure consisted of Aviation refueling services at 72% and Fuel pipeline transportation services at 28% respectively.



1.1.2 Others Income

Others income in Q2/2020 was of Bt15.9 million increased by 45.9%(y-o-y) and in 1H/2020 was of Bt24.1 million decreased by 34.7%(y-o-y).

1.2 Expenses

1.2.1 Cost of services

In Q2/2020, Cost of services was of Bt343.3 million, a decrease of Bt142.9 million, or -29.4%(y-o-y), mainly due to the strict cost reduction of the company according to cost reduction measures to reduce the impact of COVID-19 on the operating results. The reduced cost is the cost of direct labor, airport concession fees, expenses related to the recognition of increased past service costs in accordance with the Labor Protection Act, which in this year there is no such item, maintenance cost, and the rental fee has decreased significantly. Although there was a significant increase in depreciation from the NFPT project. In the Q2/2020, the Group has a gross operating profit of Bt-129.3 million. Represents a gross profit margin of -60.4%, down from the Q2/2019 with a gross profit margin of 47.7%.

While in the 1H/2020, the Group had service costs of Bt767.7 million, a decrease of Bt106.2 million or -12.1%(y-o-y). As a result, the group gross profit margin at 28.5%, a decrease from 54.7% of 1H/2019.



1.2.2 Administrative Expenses

In Q2/2020 and 1H/2020, the Group had administrative expenses of Bt126.7 million and Bt288.8 million, decreasing by -33.7%(y-o-y) and -14.9%(y-o-y) due to the reduced cost in personnel expenses.

As a result, in Q2/2020, the Group had an operating loss before finance costs and taxes (EBIT) of Bt-234.6 million, a decrease in profit of 498.6 million or -188.9%(y-o-y), representing an operating loss before finance costs and tax (EBIT Margin) at -102.0% and EBITDA of Bt-40.6 million, a decrease of -109.8%(y-o-y).

While in 1H/2020, the Group had operating profit before finance costs and taxes (EBIT) of Bt40.2 million, a decrease of Bt713.2 million, or -94.7%(y-o-y), representing operating profit before finance costs and tax (EBIT Margin) of 3.7%, compared with 38.3% in 1H/2019, with EBITDA of Bt435.8 million, a decrease of Bt607.6 million or -58.2%(y-o-y), representing an EBITDA margin of 39.7% compared to 53.1% of 1H/2019.

1.2.3 Finances Cost

The financial expenses for Q2/2020 has amounted to Bt69.4 million, an increase of Bt27.9 million or 67.2%(y-o-y) and in 1H/2020 amounted to Bt141.4 million, an increase of Bt67.6 million or 91.6%(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

In Q2/2020, the Group had a net loss in the equity of the Company of Bt228.0 million, a decrease in profit of Bt404.1 million or -229.5%(y-o-y), and earnings per share of Bt-0.36 per share with a Net Loss Margin of 107.0%, and in the 1H/2020, the Group had a net loss on equity of Bt73.5 million, a decrease of Bt597.5 million, or -114.0%(y-o-y) equivalent a loss per share of Bt-0.12 per share with a Net Loss Margin of 8.4%.

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 June 30, 2020, the Group had total assets at the amount of Bt19,664.6 million, increasing by Bt2,318.8 million or 13.4% from December 31, 2019. The important details of cash flow were as follows:

2.1.1 Cash and cash equivalent of Bt1,729.5 million which cash flow summarized for the period were below;-

- The Group's net cash from operation was of Bt380.2 million, decreasing by Bt240.0 million or -38.7%
- Net cash for investment activities was of Bt994.9 million, increasing by Bt180.9 million or 22.2% which most of the investments are related to the NFPT project.
- Net cash from financing activities was of Bt917.8 million, increased by Bt912.4 million due to 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 Bt250.4 million

2.1.2 Property, leasehold improvement and equipment as of June 30, 2020 was of Bt13,595.9 million, increasing by Bt898.9 million or 7.1%, most of which were increased assets from the NFPT project

2.1.3 Right of use assets was of Bt1,351.9 million, an increase of Bt1,324.2 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 June 30, 2020, the Group had total liabilities of Bt12,567.2 million, increasing by Bt3,085.2 million or 32.5% from December 31, 2019. The total liabilities to total equity ratio was of 1.77:1 time and the Interest bearing debts to total equity ratio was of 1.40:1 time. The liabilities comprised of major items which follow;-

2.2.1 Account payable and others account payable was of Bt227.2 million

2.2.2 Long term loan from banks, which are due within one year, was of B442.7 million which were belonged to BAFS at the amount of Bt321.4 million, TARCO at the amount of Bt82.5 million, FPT at the amount of Bt30.0 million and BAFS-Intech at the amount of Bt8.8 million respectively

2.2.3 Long-term loans from banks were Bt8,073.3 million, increasing by Bt892.9 million from December 31, 2019 or 12.4%. These comprise of;-



BAFS

- Long-term loans was of Bt1,607.1 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 Bt75.65 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, 2033 and 2032, respectively which is equivalent to loans net of the current portion in one year of Bt6,212.2 million
- Long-term loans was of Bt7.09 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 Bt110.0 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 June, 2022 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 Bt61.3 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 Bt1,383.8 million an increase of Bt1,368.8 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 Bt1,140.0 million according to Labor Protection Laws as TAS no.19 on employee benefits.



2.3 Shareholders' Equity

As at June 30, 2020, total shareholders' equity was of Bt7,097.4 million, decreased from December 31, 2019 by Bt766.5 million or 9.7% which Bt5,793.8 million was Equity attributable to owners of the Company, decreased by Bt723.7 million or 11.1%.

Please be informed accordingly.

Yours sincerely,

Signed

(Mr. Prakobkiat Ninnad)

President