



Management's Discussion and Analysis

For the period ended 30 September 2021

Bangkok Airways Public Company Limited and Its Subsidiaries



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Executive Summary

The global economy in the third quarter of 2021 showed a different recovery for each group of countries. Economic activities in major advanced economies (AEs) as the United States, European countries, Japan and the United Kingdom were expected to continue to recover despite increasing number of new cases from the Delta variant. This was partly due to high vaccination rates which allowed for more relaxation of containment measures. Meanwhile, Asian economies were hit harder from the Delta variant relative to AEs and thus needed to re-impose strict containment measures. As a result, private consumption slowed down and prolonged recovery for air travel.

The overall global aviation industry in nine-month period of 2021, Worldwide Revenue Passenger Kilometers (RPK) increased by 67.3 percent. Middle East region experienced the highest growth rate at 184.1 percent, followed by North America and Latin America respectively. Available Seat Kilometers (ASK) increased by 51.1 percent worldwide. Latin America shows the highest growth rate at 133.3 percent, followed by Middle East, North America respectively. Asia Pacific had the dropped both ASK and RPK rate at 16.0 percent and 3.4 percent respectively. Moreover, the overall passenger load factor (PLF) was 67.6 percent, increased 6.6 percentage from the same period of the previous year. (Source: International Air Transport Association)

For Thailand's tourism, foreign tourist figures increased after the opening of tourism sandbox scheme in July 2021, but overall tourism growth remained low as the outbreak situation both in Thailand and abroad remained uncertain. Many countries remain stringent international travel restrictions measures. As a consequence, for the nine-month period, the number international visitor arrivals was only 85,845 visitors or decreased by 99.0% compared to the previous year. Whereas the number of international visitor arrivals in the third quarter this year was 45,398 visitors or increase by 100.0% compared to the previous year. (Source: Ministry of tourism and sport)

For the third quarter of year 2021, the Company temporary suspended flight operation from mid of July 2021 as a result of COVID-19 outbreak, until the end of August 2021. The Company has started to resume flight operation in September 2021, starting with five domestic routes; Bangkok-Samui, Bangkok-Chiang Mai, Bangkok-Sukhothai, Bangkok-Lampang and Bangkok Phuket. As a consequence, number of passenger in the third quarter reduced by 85.9 percent comparing to the same period last year, with passenger load factor was at 35.4 percent.

For nine-month period of year 2021, the total revenue of the Company was 3,472.4 million baht, decreased by 57.5 percent from the same period last year. That was mainly resulted from a declining of



passenger revenue from airline business by 88.3 percent, airport business decreased by 85.0 percent. Also, the revenue from airport-related businesses dropped by 28.7 percent.

For this period, The Company reported net loss from termination of lease agreement amounted 5,437.7 million baht. As a result, net loss for the period was 8,441.7 million baht of which loss attributable to the equity holders of the Company was 8,408.5 million baht. Loss per share for the period was 4.08 baht. Nevertheless, lessening of net loss from termination of lease agreement, the loss from operation was 2,587.4 million baht, declining by 7.1 percent compared with the same period of last year.



Notable Events 3Q 2021

Airline Business

The Company temporarily suspended flight operations from 13 July 2021 to 31 August 2021 regarding to the outbreak of novel coronavirus (COVID-19), except flight services that support Thailand's reopening projects: Samui Plus and Phuket Sandbox model. Nonetheless, the Company resumed its flight operations on 1 September 2021 as shown in table below.

Route	Frequency per Week in 3Q 2021		
	1-12 July	13 July to 31 August	1-30 September
Bangkok-Samui (Normal Flights)	7	-	21
Bangkok-Phuket	2	-	5
Bangkok-Chiang Mai	2	-	5
Bangkok-Lampang	2	-	4*
Bangkok-Sukhothai	1	-	3*
Bangkok-Trat	1	-	-

*Remark: Bangkok-Lampang started to resume on 9 September 2021, and Bangkok-Sukhothai started to resume on 16 September 2021

Special flight operations to support Thailand's reopening projects: Samui Plus and Phuket Sandbox

Sealed Route	Started Date	Frequency per Week in 3Q 2021
Bangkok-Samui	15 July 2021	14
Samui-Phuket*	16 July 2021	5
Samui-Singapore	1 August 2021	3

*Remark: Samui-Phuket temporarily stopped operations during 3-24 August 2021 due to the Phuket provincial orders regarding COVID-19 control measures for domestic travel.

Passengers traveling on these special flights are required to follow guidelines issued by the Centre for COVID-19 Situation Administration (CCSA) which requires every passenger entering Thailand must possess the complete set of the relevant documents including Certificate of Entry (COE), Medical certificate with a laboratory result indicating that COVID-19 is not detected (performed by RT-PCR technique and issued no more than 72 hours before traveling), Vaccine Certificate or proof of vaccination. Additionally, all passengers must undergo required COVID-19 tests (RT-PCR method) during their stay in Thailand.

Termination of lease agreement with the Samui Airport Property Fund

The company paid 18,050.0 million baht for the termination of lease agreement with the Samui Airport property Fund. As a consequence, Samui Airport property Fund was terminated and delisted from the Stock Exchange of Thailand on 30 July, 2021.

Management's Discussion and Analysis

Bangkok Airways is a full serviced airline providing premium service to passengers. Company owns and operates 3 airports which are Samui Airport, Trat Airport and Sukhothai Airport. In addition to airline and airport businesses, it operates airport related businesses which include passenger and ramp services, catering services and international cargo.

Consolidated financial statement of the Company consists of Separate Financial Statement and Financial Statements of the 14 subsidiaries that include: 1) Bangkok Air Catering Company Limited 2) Worldwide Flight Services Bangkok Air Ground Handling Company Limited 3) Bangkok Airways Ground Service Company Limited 4) Bangkok Airways Holding Company Limited 5) SA Services Company Limited 6) BFS Cargo DMK Company Limited 7) BAC Gourmet House Company Limited 8) Bangkok Air Catering Phuket Company Limited 9) Gourmet Primo Company Limited 10) Bangkok Air Catering Samui Company Limited and 11) Bangkok Air Catering Chiang Mai Company Limited 12) More Than Free Company Limited 13) Bangkok Air Aviation Training Center Co., Ltd. 14) Bangkok Air Catering Don Mueang Co., Ltd

Airline Operating Data

	Unit	July-September		January-September	
		2021	2020	2021	2020
Scheduled passenger revenues ⁽¹⁾	Million Baht	55.9	406.4	543.4	4,927.5
Available Seat Kilometers (ASK)	Million Seat –Kilometers	41.4	159.6	291.6	1,695.7
Revenue Passenger Kilometers (RPK)	Million Passenger – Kilometers	14.7	109.6	160.9	1,057.9
Passenger Load Factor	Percentage	35.4	68.6	55.2	62.4
Number of scheduled passengers carried	Thousand	26.3	186.8	272.1	1,539.4
Number of flights flown	Flights	874	2,439	4,886	20,270
Total seat capacity	Thousand Seats	73.4	270.9	491.3	2,391.0
Aircraft utilization ⁽²⁾	Block Hour per Day per Aircraft	2.8	3.9	3.4	4.7
Number of aircraft at period end	Aircraft	38	39	38	39
Kilometers flown	Million Kilometers	0.5	1.4	2.9	13.5
Average Stage Length	Kilometers	558.3	586.5	591.1	687.2
Passenger Yield ⁽³⁾	Baht per Passenger – Kilometer	3.82	3.71	3.38	4.66
Revenue ASK (RASK)		6.01	3.85	4.59	3.76
Cost per ASK (CASK)	Baht per Available Seat -	33.15	10.75	14.36	5.30
Cost per ASK excluding fuel cost	Kilometer	32.58	10.20	13.86	4.58
RASK – CASK		(27.14)	(6.90)	(9.77)	(1.54)

Remarks

- (1) These figures are different from those included in Company's consolidated Financial Statements as they include revenues (before deducting discounts and commissions) from scheduled flights, net interline revenues from flights operated by other airlines and marketed by it on a code-share basis, revenues derived from non-codeshare interline sales by it of seats on other airlines' flights, fuel and insurance surcharge revenue. Exclude revenues from cargo services, charter services and other revenue.
- (2) Calculate from operating aircraft only
- (3) Scheduled passenger revenues including fuel surcharge and insurance surcharge, but excluding excess baggage divided by RPKs.

Operating performance summary for the period ended September 30, 2021

Unit: million baht

	July-September				January-September			
	2021	2020	Variance		2021	2020	Variance	
			Amount	%			Amount	%
Total revenue	672.3	900.1	(227.8)	(25.3)	3,472.4	8,164.3	(4,691.8)	(57.5)
Total expenses	2,112.8	2,416.2	(303.4)	(12.6)	6,083.2	12,631.8	(6,548.6)	(51.8)
Operating profit (loss) for the period ⁽¹⁾	(1,243.8)	(1,251.4)	7.6	0.6	(2,587.4)	(2,784.2)	196.7	7.1
Net profit (loss) for the period	(6,987.3)	(1,585.1)	(5,402.2)	(340.8)	(8,441.7)	(4,918.0)	(3,523.7)	(71.6)
Profit (loss) attributable to equity holders of the Company	(6,976.9)	(1,569.1)	(5,407.8)	(344.6)	(8,408.5)	(4,882.5)	(3,526.0)	(72.2)
EBIT ⁽²⁾	(1,135.3)	(1,145.7)	10.4	0.9	(2,744.3)	(2,756.8)	12.5	0.5
EBITDA ⁽²⁾	(568.4)	(422.8)	(145.5)	(34.4)	(973.4)	(570.8)	(402.5)	(70.5)
EBIT Ratio (%)	(195.7)	(127.2)	(68.4)		(115.7)	(35.4)	(80.3)	
EBITDA Ratio (%)	(98.0)	(47.0)	(51.0)		(41.0)	(7.3)	(33.7)	

Remarks

- (1) Excluding gain(loss) from exchange rate, gain(loss) from derivative transaction and net loss of the lease agreement termination on Samui Airport Property Fund
- (2) EBIT, EBIT margins, EBITDA, EBITDA margins are not standard measures, nor measurements of financial performance or liquidity, under TFRS, and should not be considered alternatives to net profit (loss) or any other performance measure or as an alternative to cash flow from operating activities. Since there are various calculation methods, its presentation may not be comparable to similarly titled measures used by other companies.

The total revenue of the Company for the third quarter of year 2021 was 672.3 million baht, decreased by 25.3 percent from the same period last year. Total expenses was 2,112.8 million baht or dropped by 12.6 percent from previous year. The earnings before interest and tax, depreciation, amortization (EBITDA) equaled to loss 568.4 million baht. The company reported net loss for the period at 6,987.3 million baht, further loss by 5,402.2 million baht which mainly contributed from net loss on lease agreement termination of Samui Airport Property Fund amounted 5,434.7 million baht during the period.

The total revenue of the Company for the nine-month period of year 2021 was 3,472.4 million baht, decreased by 57.5 percent. While the total expenses was 6,083.2 million baht, which dropped by 51.8 percent from the same period last year. The Company reported operating loss at 2,587.4 million baht and the loss before interest and tax, depreciation, amortization (EBITDA) was 973.4 million baht. Net loss for the period was 8,441.7 million baht, further loss by 3,523.7 million baht from the same period of last year.

Revenues

Total revenue for the third quarter of year 2021 was 672.3 million baht, decreased by 25.3 percent comparing to the same period last year. The downward was resulted from the third wave of the COVID-19 pandemic in Thailand started from mid of April 2021 and the government imposed travel restriction since then until August 2021. Consequently, the passenger revenue from airline business and the revenue from airport business decreased by 83.2 percent and 81.7 percent respectively. The number of passengers plunged by 85.9 percent as well as passenger load factor that reported at 35.4 percent, also decreased by 33.2 percentage points comparing to the same period last year. Conversely, the Company acquired sale and services revenue from airport-related operations businesses that increased by 15.8 percent from the same period last year, mainly from Bangkok Air Catering.

For nine-month period of year 2021, the total revenue of the Company was 3,472.4 million baht, decreased by 57.5 percent from the same period last year. That was mainly resulted from a declining of passenger revenue from airline business by 88.3 percent, together with airport business by 85.0 percent. It was reported the downward 75.9 percent and 82.8 percent reduction from last year for the number of flights and available seat kilometers respectively. The passenger load factor accounted for 55.2 percent and average fare was 1,997.0 baht per passenger, which fallen by 37.6 percent from the period of nine-months period last year.

The sale and services income from airport-related businesses decreased by 28.7 percent which considerably from the government's travel restriction orders due to COVID-19 situation. Nevertheless, the Company has dividend income amounted to 568.4 million baht and 529.4 million baht from derivatives transaction gain during the period.



Share of Profit from Investments in Associates

The Company reported share of profit from associated companies for the third quarter and nine-month period of year 2021 at 107.8 million baht and 413.4 million baht, mainly from the share of profit from WFS-PG Cargo Company which reported at 111.3 million baht for the third quarter of year 2021 and 342.8 million baht for nine-month period of year 2021.

Expenses

For the third quarter and nine-month period of year 2021, total expenses declared 2,112.8 million baht and 6,083.2 million baht respectively, which dropped by 12.6 percent and 51.8 percent from same period last year.

For the nine-month period of year 2021, the cost of sales and services reported at 4,381.8 million baht, dropped by 51.0 percent compared to the last year. The major factor of cost of sales and services was airline business that lower from the soften numbers of flight operation. The cost of sale and services mainly comprised of wages and salary, aircraft maintenance, and fuel accounted for 14.3 percent, 9.0 percent, and 2.4 percent of total expenses respectively.

For the nine-month period, total selling and distribution expenses was 187.4 million baht, dropped by 54.3 percent from the same period last year. The decreasing amount was mainly from the own usage of reservation system, advertising and expenses related to selling and marketing campaign.

The administrative expenses of the Company for the nine-month period of year 2021 was 957.2 million baht, decreasing by 39.2 percent compared to year 2020. The significant reduction of administrative expenses was from the lower of personnel cost as a result of voluntary resignation program. This period, the company reported loss from exchange rate amounted 552.7 million baht.

For nine-month period of year 2021, financial cost reported at 998.1 million baht, grew by 15.7 percent resulted from financial cost paid to the Samui Airport Property Fund, interest and fees paid to lessors and financial institutions.

Unit: million baht

	July-September				January-September			
	2021	2020	Variance		2021	2020	Variance	
			MB	%			MB	%
Interest expenses paid to the Samui Property Fund	87.2	105.3	18.1	(17.2)	603.3	525.4	77.8	14.8
Interest and Fee expenses ⁽¹⁾	210.7	102.1	108.6	106.4	394.8	337.3	57.5	17.1
Total	297.9	207.4	90.5	43.6	998.1	862.7	135.3	15.7

Remark: (1) Interest and fees including expenses related to financial institutions, lease liabilities and credit card fee

Assets

As of 30 September 2021, the Company and its subsidiaries have total assets amounted of 47,681.2 million baht, decreased by 2,920.3 million baht from 31 December 2020.

Unit: million baht

	As at September 30, 2021	As at December 31, 2020	Variance
<i>Current assets</i>			
Cash & cash equivalents	1,105.0	2,181.1	(1,076.1)
Trade and other receivables	240.1	400.7	(160.6)
Reimbursable maintenance expense	76.3	15.6	60.7
Other current assets	718.8	659.4	59.4
<i>Total current assets</i>	<i>2,140.2</i>	<i>3,256.8</i>	<i>(1,116.6)</i>
<i>Non-current assets</i>			
Investments in associates	2,304.1	4,881.2	(2,577.1)
Other non-current financial assets	25,700.6	23,424.1	2,276.5
Property, plant and equipment	9,203.3	9,776.8	(573.5)
Right-of-use assets	6,662.9	7,762.5	(1,099.6)
Deposits	474.6	529.0	(54.4)
Other non-current assets	1,195.4	971.1	224.3
<i>Total Non-current assets</i>	<i>45,541.0</i>	<i>47,344.7</i>	<i>(1,803.7)</i>
<i>Total assets</i>	<i>47,681.2</i>	<i>50,601.5</i>	<i>(2,920.3)</i>

Current assets

Total current assets of the Company as of 30 September 2021 was 2,140.2 million baht, decreased from 31 December 2020 by 1,116.6 million baht. This was mainly from a lower of Cash and cash equivalents by 1,076.1 million baht, mainly resulted from cash paid for operating activities, lease liabilities, and finance cost during the period.

Non-current assets

Total non-current assets of the Company were 45,541.0 million baht, decreased from the end of 2020 by 1,803.7 million baht. This was mainly resulted from dissolution of Samui Airport Property Fund by 2,577.1 million.. In addition, the total amount of Property, Plant and Equipment and Right-of-use assets declined by 1,673.1 million baht.

Nevertheless, that was offset by an increasing of other non-current financial assets by 2,276.5 million baht due to the mark to market of long-term investments in marketable securities during the period.

Liabilities

As of 30 September 2021, the Company and its subsidiaries have liabilities amounted of 34,626.0 million baht. An increase of 3,630.1 million baht from 31 December 2020 was as follows:

Unit: million baht

	As at September 30, 2021	As at December 31, 2020	Variance
<i>Current liabilities</i>			
Short-term loan	14,405.0	1,105.0	13,300.0
Trade and other payables	863.3	1,119.0	(255.7)
Current portion of long-term loans	304.8	916.9	(612.1)
Current portion of long-term loan from related party	1,000.0	0.0	1,000.0
Current portion of lease liabilities	1,604.4	4,240.7	(2,636.3)
Unearned revenue	274.2	571.6	(297.4)
Other current liabilities	1,669.7	2,724.2	(1,054.5)
<i>Total current liabilities</i>	<i>20,121.4</i>	<i>10,677.4</i>	<i>9,444.0</i>
<i>Non-Current liabilities</i>			
Long-term loans– net current of portion	4,932.3	2,046.4	2,885.9
Long-term loans- related party	-	1,000.0	(1,000.0)
Lease liabilities - net of current portion	4,353.3	2,359.1	1,994.2
Long-term loans from related party – net of current portion	-	9,623.0	(9,623.0)
Employee benefits	872.8	798.5	74.3
Deferred tax liabilities	4,221.8	3,955.6	266.2
Other non-current financial liabilities	111.9	522.3	(410.4)
Other non-current liabilities	12.5	13.6	(1.1)
<i>Total non-current liabilities</i>	<i>14,504.6</i>	<i>20,318.5</i>	<i>(5,813.9)</i>
<i>Total liabilities</i>	<i>34,626.0</i>	<i>30,995.9</i>	<i>3,630.1</i>

Current liabilities

Total current liabilities amounting to 20,121.4 million baht, increased from 31 December 2020 by 9,444.0 million baht mainly from Short-term loan from financial institution at 13,300 million baht for payment compensation to unitholders of Samui Airport Property Fund from termination of lease agreements and any related agreements.

Nevertheless, Current portion of long-term loans and Current portion of lease liabilities were totally decreased by 3,248.4 million baht during the period mainly from re-classification and repayment of liabilities related to aircraft.

Non-current liabilities

The total of non-current liabilities of the Company were 14,504.6 million baht, decreasing by 5,813.9 million baht from 31 December 2020, largely due to Long-term loans from related party – net of current portion amounting to 9,623.0 million baht. That was resulted from termination of lease agreements and any related agreements with Samui Airport Property Fund during the period.

Nevertheless, Long-term loans– net current of portion increased by 2,885.9 million baht from drew down of long-term loan from financial institution during the period.

Lease liabilities - net of current portion was increased by 1,994.2 million baht, mainly resulted from reclassification of long-term lease liabilities - net of current portion from current liabilities to non-current liabilities.

Shareholders' Equity

Unit: million baht

	As at September 30, 2021	As at December 31, 2020	Variance
Paid up capital	2,100.0	2,100.0	0.0
Premium on ordinary shares and capital reserve for share-based payment transactions	9,319.5	9,319.5	(0.0)
Treasury stocks	(491.6)	(491.6)	0.0
Other components of shareholders' equity	16,155.3	14,264.4	1,890.9
Retained earnings (loss)	(13,798.3)	(5,389.9)	(8,408.4)
Others ⁽¹⁾	(229.7)	(196.9)	(32.8)
<i>Total shareholders' equity</i>	<i>13,055.2</i>	<i>19,605.5</i>	<i>(6,550.3)</i>

Remark (1) Comprised of discount on changes in shareholding in subsidiaries and non-controlling interests of the subsidiaries

As of 30 September 2021, total shareholders of the Company and its subsidiaries was 13,055.2 million baht. The decreasing amount of 6,550.3 million baht was from retained loss from operation and termination of lease agreement with Samui Airport Property Fund during the period. The Company has retained loss at the amount of 13,798.3 million baht

Statement of Cash Flow

Unit: million baht

	As at 30 September	
	2021	2020
Net cash flows from operating activities	(2,033.1)	(3,867.2)
Net cash flows from investing activities	5,665.1	2,322.5
Net cash flows used in financing activities	(4,708.1)	(657.5)
<i>Cash and cash equivalents at end of period</i>	<i>1,105.0</i>	<i>3,070.9</i>

Cash flows from operating activities

As of 30 September 2021, the loss of the Company and its subsidiaries before changes in operating assets and liabilities is 1,279.9 million baht while the amount of net cash flows used in operating activities was 1,727.1 million baht.

Cash flows from investing activities

As of 30 September 2021, net cash flows from investing activities of the Company and its subsidiaries were 5,665.1 million baht which mainly from dividend received from investments in associates and equity instruments, together with cash received from capital distribution of investment in associate.

Cash flows from financing activities

As of 30 September 2021, the Company and its subsidiaries have cash flow used in financing activities at the amount of 4,708.1 million baht, mainly for payment of long-term lease agreement termination of Samui Airport Property Fund.

Summary Consolidated Financial and Ratio

		As at 30 September	
		2021	2020
Liquidity Ratio	Current Ratio (Time)	0.1	0.5
	Quick Ratio (Time)	1.3	3.0
	Collection Period (Day)	46.1	37.9
	Stock Turnover Period (Day)	28.2	14.9
	Payment Period (Day)	33.9	38.4
Profitability Ratio	Gross Profit Margin (%)	(166.4)	(35.2)
	Operating Profit Margin (%)	(166.9)	(41.7)
	EBITDA Margin (%)	(41.0)	(7.3)
	Net profit Margin (%)	(243.1)	(60.0)
	Return on Equity (%)	(68.9)	(26.9)
Efficiency Ratio	Return on Assets (%)	(22.9)	(11.5)
	Return on Fixed Assets (%)	(93.7)	(28.4)
	Asset Turnover (Time)	0.1	0.2
Leverage Ratio	Debt to Equity (Time)	2.7	1.8
	Interest Coverage Ratio (Time)	(1.0)	(0.7)

