



Management's Discussion and Analysis

For the period ended 30 September 2022

Bangkok Airways Public Company Limited and Its Subsidiaries



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Executive Summary

The aviation industry in all regions of the world has continued to recover, despite the global inflation crisis and the fear of an increasing recession with central banks around the world have raised policy interest rates rapidly. As a result, higher operating costs for tourism sectors. Overall, the aviation industry in quarter 3 showed the growth rate of Revenue Passenger Kilometers (RPK) of all regions in average at 73.9 percent, which airlines in the Middle East with have largest increase, averaging about 183.5 percent, followed by airlines in Europe and Africa respectively. While airlines in the Asia-Pacific region with an increase of approximately 26.0 percent. In terms of Available Seat Kilometers (ASK) in all regions worldwide increased by 46.3 percent, with European airlines having the highest growth rate at around 88.0 percent, followed by airlines in the Middle East and Latin America, respectively. For airlines in the Asia-Pacific region, there was a slight increase of about 13.8 percent. The overall passenger load factor (PLF) of all regions in the third quarter compared to the same period last year was 77.6 percent. (Source: International Air Transportation Association: IATA)

The tourism in Thailand of the third quarter of year 2022 has a significant growth compared to the previous year with a cumulative number of foreign tourists totaling 3,608,085 people, or a growth of 7,848 percent. This is a result of the easing of measures for travelers entering Thailand that has canceled the verification of various certification documents including the test results for the COVID-19 virus. Although overall tourism has grown but the situation of inflation has risen dramatically. As a result, the price of goods and services is higher and consumers have to bear more costs both in terms of daily spending and tourism, thus causing the recovery of tourism to slow down. (Source: Ministry of Tourism and Sport)

For the third quarter of year 2022, the Company has increased flight frequencies to match with higher travel demands such as Bangkok-Samui, Bangkok-Chiang-Mai, Bangkok- Phnom Penh and Samui-Singapore, resumed routes including Bangkok-Maldives, Bangkok-Siem-Reap, Bangkok – Yangon and Bangkok- Danang. Additionally, the Company also launched new routes from Bangkok to Had-Yai and Samui to Had-Yai since July 2022. Consequently, the number of flights and passengers for the third quarter of year 2022 increased by 910.4 percent and 2,950.8 percent respectively. For the nine-month period of year 2022, the Company carried 1.7 million passengers and 19,648 flights or increased by 528.1 percent and 302.1 percent respectively comparing to the last year. The overall load factor was 74.2 percent, growing by 19.1 percentage point from previous year.

For the nine-month period of year 2022, the Company reported loss from operation at 1,191.4 million baht, improved by 1,396.1 million baht or 54.0 percent from year 2021. The increment was from a rise of total revenue at 4,649.3 million baht, grew by 133.9 percent from last year. An increasing of total revenue was from

the growth of airline passenger revenue by 794.8 percent, airport business revenue by 622.9 percent and airport-related business revenue by 63.2 percent respectively. The total expenses increased by 60.3 percent or 3,667.6 million baht, mainly from the increasing amount of fuel and aircraft maintenance expenses. The Company reported net loss for the period at 2,274.5 million baht of which loss attributable to the equity holders of the Company was 2,260.4 million baht. Loss per share for the period was 1.08 baht.

Notable Events in 3Q 2022

- For the third-quarter of year 2022, the Company has operated 2 new routes and resumed the 5 routes as follows:

New Routes

- Bangkok-Had Yai 12 flights per week (July 2022)
- Samui- Had-Yai 3 flights per week (July 2022)

Resumed routes

- Samui-Chiang-Mai 9 Flights weekly (Jul 22)
- Bangkok- Maldives 4 Flights weekly (Jul 22)
- Bangkok – Siem Reap 9 Flights weekly (Aug 22)
- Bangkok – Yangon 7 Flights weekly (Aug 22)
- Bangkok- Danang 7 Flights weekly (Sep 22)

- The Company has been voted the winner of two prestigious awards; The World's Best Regional Airline and The Best Regional Airline in Asia from Skytrax. This is a remarkable achievement for the Company as it has now won these two titles for six consecutive years. In addition, the airline was also ranked 23rd in the Top 100 World's Best Airlines category.
- Bangkok REIT Management Company Limited, subsidiary of the Company, as the REIT manager of BA Airport Leasehold Real Estate Investment Trust (“BAREIT”) raised fund of 14,300 million baht and listed on The Stock Exchange of Thailand on September 14, 2022
- Samui Airport, first privately owned and managed by the Company received a Public Aerodrome Operating Certificate from the Civil Aviation Authority of Thailand (CAAT).
- Samui Airport and Trat Airport received two honorable Green Airport 2021 plaques (Silver and Bronze) from the Department of Environmental Quality Promotion. The Silver Award was presented to Samui Airport for its unique and environmental-friendly style and design that promotes energy conservation. The Bronze plaque was presented to Trat Airport for its excellence in resource management and efficient use of energy.

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 16 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 15) Bangkok REIT Management Co., Ltd 16) Bangkok Airport Management Co., Ltd

Airline Operating Data

	Unit	July-September		January-September	
		2022	2021	2022	2021
Number of scheduled passengers carried	Thousand	801.0	26.3	1,709.3	272.1
Number of flights flown	Flights	8,831	874	19,648	4,886
Revenue Passenger Kilometers (RPK)	Million Passenger – Kilometers	507.3	14.7	1,030.3	160.9
Available Seat Kilometers (ASK)	Million Seat – Kilometers	657.4	41.4	1,388.2	291.6
Passenger Load Factor	Percentage	77.2	35.4	74.2	55.2
Seats	Thousand	1,021.2	73.4	2,275.8	491.3
Aircraft utilization ⁽¹⁾	Hour per day per Aircraft	6.2	2.8	5.4	3.4
Average Stage Length	Kilometers	633.4	558.3	602.8	591.1
Number of aircraft at period end	Aircraft	35	38	35	38
Passenger Yield ⁽²⁾	Baht per Passenger – Kilometer	5.22	3.82	4.93	3.38
Revenue ASK (RASK)		4.57	6.01	4.29	4.59
Cost per ASK (CASK)	Baht per ASK	5.00	33.15	5.53	14.36
RASK – CASK		(0.43)	(27.14)	(1.24)	(9.77)



Remarks

- (1) Calculate from operating aircraft only
- (2) 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, 2022

Unit: million baht

	July-September				January-September			
	2022	2021	Variance		2022	2021	Variance	
			Amount	%			Amount	%
Total revenue	3,941.4	672.3	3,269.1	486.3	8,121.8	3,472.4	4,649.3	133.9
Total expenses	4,121.1	2,112.8	2,008.3	95.1	9,750.8	6,083.2	3,667.6	60.3
Operating profit (loss) for the period ⁽¹⁾	75.1	(1,243.8)	1,319.0	106.0	(1,191.4)	(2,587.4)	1,396.0	54.0
Net profit (loss) for the period	(396.0)	(6,987.3)	6,591.3	94.3	(2,274.5)	(8,441.7)	6,167.2	73.1
Profit (loss) attributable to equity holders of the Company	(392.9)	(6,976.9)	6,584.0	94.4	(2,260.4)	(8,408.5)	6,148.1	73.1
EBIT ⁽²⁾	(104.5)	(1,135.3)	1,031.0	90.8	(1,370.1)	(2,744.3)	1,374.2	50.1
EBITDA ⁽²⁾	502.6	(568.4)	1,070.9	188.4	486.2	(973.4)	1,459.5	149.9
EBIT Ratio (%)	(2.9)	(195.7)	192.8		(18.0)	(115.7)	97.7	
EBITDA Ratio (%)	13.8	(98.0)	111.8		6.4	(41.0)	47.4	

Remarks

- (1) Excluding gain(loss) from exchange rate, gain(loss) from derivative transaction
- (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 Company reported the earnings before interest and tax, depreciation, amortization (EBITDA) at 502.6 million baht, improved by 188.4 percent compared with year 2021.

The earnings before interest and tax, depreciation, amortization (EBITDA) equaled to 486.2 million baht, improved by 149.9 percent compared with last year.

The Company reported net loss and net loss attributable to the equity holders during the period at 2,274.5 million baht and 2,260.4 million baht respectively. Earnings per share was 1.08 baht.

Revenues

Total revenue for the third quarter of year 2022 was 3,941.4 million baht, increased by 486.3 percent comparing to the previous year. That was mainly from an increasing of passenger revenue from airline business by 3,969.2 percent or 2,677.3 million baht. The improvement resulted from a higher number of passengers. The Company carried 0.8 million passengers, increased by 2,950.8 percent compared with year 2021. The passenger load factor reported at 77.2 percent and the average fare of 3,304.1 baht per sector, improved by 55.1 percent compared to year 2021.

The sales and services revenue from airport-related business was 662.9 million baht, increased by 99.9 percent or 331.3 million baht compared to the same period last year. Majority of revenue from sales and services was from Worldwide Flight Services Bangkok Air Ground Handling and Bangkok Air Catering which reported at 360.4 million baht and 288.1 million baht respectively. For this quarter, the Company reported other revenues at 177.6 million baht, declined by 0.6 percent from a decreasing of breakage ticket revenue.

For the nine-month period of year 2022, total revenues were 8,121.8 million baht which accounted for passenger revenue from airline business 63.7 percent, revenue from airport-related business 20.9 percent and revenue from airport business 2.1 percent of total revenue respectively. Passenger revenue from airline business reported 5,173.8 million baht, increased 4,595.5 million baht, or grew by 794.8 percent compared with year 2021. The improvement was resulted from higher passenger travel into Thailand due to the cancellation of test and go registration since July 2022. The Company carried 1.7 million passengers and operated 19,648 flights. While available seat kilometers increased by 376.1 percent, resulting in the load factor reported at 74.2 percent. The average fare was 2,972.7 baht per sector, increased by 48.9 percent from last year.

The sales and services revenue from airport-related business was 1,696.4 million baht, increasing by 63.2 percent compared to the same period last year. An increasing revenue was mainly from Bangkok Air Catering with the higher revenue at 414.5 million baht, and the higher amount at 217.7 million baht from Worldwide Flight Services Bangkok Air Ground Handling from flight resumption of airlines during the period.

For the nine-month period of year 2022, the Company reported dividend from marketable securities amounted to 516.8 million baht, dropped by 9.1 percent compared with year 2021. The other revenues were 519.4 million baht, decreased by 28.9 percent which mainly due to the lower revenue from breakage ticket.

Share of Profit from Investments in Associates

The Company reported share of profit from associated companies for the third quarter of year 2022 at 123.1 million, grew by 14.2 percent compared with last year. That was mainly from share of profit from BA Airport Leasehold Real Estate Investment Trust (BAREIT).

For nine-month period of year 2022, the Company reported share of profit from associated companies at 330.6 million baht, decreased by 20.0 percent. A decreasing revenue was from termination of

lease agreement with the Samui Airport Property Fund and share of loss from U-Tapao International Aviation at 25.8 million baht.

Expenses

For the third quarter year 2022, total expenses were 4,121.1 million baht, increased by 95.1 percent from same period last year.

- Cost of sales and services was 3,306.7 million baht, grew by 136.2 percent compared to year 2021. An increasing amount was mainly from cost related to number of passenger and flight of airline business. That was mainly comprised of wages and salary 329.4 million baht, aircraft maintenance 606.4 million baht, and fuel 819.4 million baht. The amount accounted for 8.0 percent, 14.7 percent, and 19.9 percent of total expenses respectively.
- Total selling and distribution expenses was 226.1 million baht, grew by 226.9 percent from year 2021. The majority was from booking and reservation system which accounted for 56.6 percent of total selling and distribution expenses. An incremental amount was mainly from usage of reservation system as a consequence of a higher number of passengers during the period.
- The administrative expenses were 332.9 million baht, dropped by 5.9 percent compared to year 2021. The decrease amount was professional fee, rental expenses, and depreciation.

For the nine-month period of year 2022, total expenses were 9,750.8 million baht, increased by 60.3 percent from same period last year.

- Cost of sales and services were 7,818.5 million baht, climbing by 78.4 percent compared to the last year. The increasing amount was mainly from rising fuel expense at 1,380.9 million baht or increasing by 962.2 percent due to higher average fuel market price and consumption. When comparing with the previous year, aircraft maintenance expenses increased by an amount of 706.5 million baht or 128.5 percent, and passenger service expenses increased by 521.8 million baht or 451.9 percent.
- Total selling and distribution expenses was 544.1 million baht, increased by 356.7 million baht from year 2021. The increasing amount was mainly from increasing of 269.2 million baht from reservation usage.
- The administrative expenses were 948.2 million baht, increased by 0.9 percent compared to year 2021. The mainly decreasing amount was from professional fee and depreciation expenses.
- Financial cost reported at 956.9 million baht, declined by 4.1 percent from year 2021. That was mainly resulted from termination of the long-term lease agreement and lower financial service fee which totally amounted to 631.1 million baht.

Assets

As of 30 September 2022, the Company and its subsidiaries have total assets amounted of 62,179.5 million baht, increased by 13,240.5 million baht from 31 December 2021.

Unit: million baht

	As at 30 September 2022	As at 31 December 2021	Variance
Current assets			
Cash & cash equivalents	2,879.1	2,125.9	753.2
Trade and other receivables	769.6	372.6	397.0
Inventory	441.9	438.5	3.4
Other current financial assets	3,055.4	-	3,055.4
Other current assets	208.2	168.7	39.5
Total current assets	7,354.2	3,105.7	4,248.5
Non-current assets			
Investments in associates	4,877.2	2,226.3	2,650.9
Other non-current financial assets	33,174.0	25,965.0	7,209.0
Property, plant and equipment	8,395.2	8,927.2	(532.0)
Right-of-use assets	5,782.4	6,966.4	(1,184.0)
Deposits	630.8	491.5	139.3
Other non-current assets	1,965.6	1,256.9	708.7
Total Non-current assets	54,825.3	45,833.4	8,992.0
Total assets	62,179.5	48,939.1	13,240.5

Current assets

Total current assets of the Company as of 30 September 2022 was 7,354.2 million baht, increased from 31 December 2021 by 4,248.5 million baht. This was mainly from:

- An incremental of 3,055.4 million baht from cash deposit reported in other current financial assets
- An increasing of cash and cash equivalents by 753.2 million baht, mainly from cash received from long-term financial liabilities from related party, operating activities, dividend received from investment in associate and equity instruments. Nevertheless, the Company reported cash paid for lease liabilities, repayment of long-term loan, repayment of loan from related party and investment in associate during the period.

During the period, trade and other receivables increased by 397.0 million baht as a consequence of higher of advance booking during the period.

Non-current assets

Total non-current assets of the Company were 54,825.3 million baht, increased from year 2021 by 8,992.0 million baht. That was mainly from an increasing amount by 7,209.0 million baht from mark to market of long-term investments in marketable securities and investment in BA Airport Leasehold Real Estate Investment Trust amounted to 2,582.5 million baht or accounted for 25.0 percent of registered capital during the period.

Nevertheless, the amount of Property, Plant and Equipment and Right-of-use assets declined by 532.0 million baht and 1,184.0 million baht respectively from depreciation during the period.

Liabilities

As of 30 September 2022, the Company and its subsidiaries have liabilities amounted of 45,374.5 million baht, increased by 9,597.3 million baht from 31 December 2021 was as follows:

Unit: million baht

	As at 30 September 2022	As at 31 December 2021	Variance
<i>Current liabilities</i>			
Short-term loan	462.3	917.0	(454.7)
Trade and other payables	1,342.9	967.4	375.5
Current portion of long-term loans	510.2	15,617.0	(15,106.8)
Current portion of long-term loan from related party	-	1,000.0	(1,000.0)
Current portion of lease liabilities	1,789.4	3,229.5	(1,440.1)
Unearned revenue	1,354.2	375.8	978.4
Current portion of long-term financial liabilities from related party	74.0	-	74.0
Other current liabilities	2,146.9	1,696.8	450.1
<i>Total current liabilities</i>	7,679.8	23,803.5	(16,123.7)
<i>Non-Current liabilities</i>			
Long-term loans– net current of portion	14,077.4	4,540.1	9,537.3
Lease liabilities - net of current portion	2,670.8	2,128.6	542.2
Employee benefits	923.4	853.6	69.8
Deferred tax liabilities	5,646.2	4,311.0	1,335.2
Long-term financial liabilities from related party - net of current portion	14,301.0	-	14,301.0
Other non-current liabilities	75.9	140.4	(64.5)
<i>Total non-current liabilities</i>	37,694.7	11,973.7	25,721.0
<i>Total liabilities</i>	45,374.5	35,777.2	9,597.3

Current liabilities

Total current liabilities amounting to 7,679.8 million baht, decreased from 31 December 2021 by 16,123.7 million baht. That was resulted from reclassification of current portion of long-term loan and lease liabilities to net of current portion of long-term loan and lease liabilities in non-current liabilities. That was resulted from the Company received waiver letter from financial institutions due to non-compliance to financial conditions under aircraft financial lease agreement of 8-ATR72-600 and long-term loan agreement.

During the period, the Company repaid short-term loan and long-term loan from related party amounted to 454.7 million baht and 1,000.0 million baht respectively.

Non-current liabilities

The total of non-current liabilities of the Company were 37,694.7 million baht, increasing by 25,721.0 million baht from 31 December 2021. That was mainly resulted from:

- An increasing of 9,537.3 million baht from long-term loans– net current of portion resulted from a reclassification of some items in current portion of long-term loan to net of current portion of long-term loan in non-current liabilities.
- Long-term financial liabilities from related party - net of current portion increased by 14,301.0 million baht. That was resulted from the Company entered the transaction with BAREIT under long-term lease agreement for 25 years.
- Deferred tax liabilities increased by 1,335.2 million baht from the changes in market value of available for sale investment in securities during the period.

Shareholders' Equity

Unit: million baht

	As at 30 September 2022	As at 31 December 2021	Variance
Paid up capital	2,100.0	2,100.0	-
Premium on ordinary shares and capital reserve for share-based payment transactions	9,218.8	9,319.6	(100.8)
Treasury stocks	-	(464.9)	464.9
Other components of shareholders' equity	21,930.4	16,377.0	5,553.4
Retained earnings (loss)	(16,182.7)	(13,922.3)	(2,260.4)
Others ⁽¹⁾	(261.6)	(247.5)	(14.1)
Total shareholders' equity	16,805.0	13,161.9	3,643.1

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

As of 30 September 2022, total shareholders' equity of the Company and its subsidiaries was 16,805.0 million baht, increasing by 3,643.1 million baht. That was mainly due to the mark to market of long-term investments in marketable securities amounted to 5,553.4 million baht. Nevertheless, that was offset from further retained loss amounted to 2,260.4 million baht. The Company had lower premium on ordinary shares of 100.8 million baht due to sale of treasury stock during the period. Retained loss as at 30 September 2022 was 16,182.7 million baht.

Statement of Cash Flow

Unit: million baht

	As at 30 September	
	2022	2021
Net cash flows from (used in) operating activities	434.6	(2,033.1)
Net cash flows from (used in) investing activities	(5,047.2)	5,665.1
Net cash flows from (used in) financing activities	5,365.7	(4,708.1)
<i>Cash and cash equivalents at end of period</i>	<i>2,879.1</i>	<i>1,105.0</i>

Cash flows from operating activities

As of 31 September 2022, the Company and its subsidiaries shown gain from operating activities before changes in operating assets and liabilities at 178.4 million baht. The Company reported cash flows used in operating activities at 1,186.1 million baht while the amount of net cash flows from operating activities was 434.6 million baht.

Cash flows from investing activities

As of 30 September 2022, net cash flows used in investing activities of the Company and its subsidiaries was 5,047.2 million baht. The majority was from cash paid for investment in associates a fixed deposit totally amounted to 5,640.4 million baht during the period. In a meantime, the Company received dividend income from investment in associates and investment in equity instruments total amounted to 781.4 million baht.

Cash flows from financing activities

As of 30 September 2022, the Company and its subsidiaries had cash flow from financing activities at the amount of 5,365.7 million baht. That was mainly from cash received of 14,300 million baht from long-term financial liabilities from related party resulted from entering to long-term lease transaction with BAREIT. The company reported cash paid for long term loan, long term loan from related party, lease liabilities and finance cost with totally amounted of 8,902.9 million baht during the period.

Summary Consolidated Financial and Ratio

		As at 30 September	
		2022	2021
Liquidity Ratio	Current Ratio (Time)	1.0	0.1
	Quick Ratio (Time)	4.7	1.3
	Collection Period (Day)	20.6	46.1
	Stock Turnover Period (Day)	15.2	28.2
	Payment Period (Day)	33.5	33.9
Profitability Ratio	Gross Profit Margin (%)	(10.4)	(166.4)
	Operating Profit Margin (%)	(19.3)	(166.9)
	EBITDA Margin (%)	6.4	(41.0)
	Net profit Margin (%)	(28.0)	(243.1)
	Return on Equity (%)	(20.2)	(68.9)
Efficiency Ratio	Return on Assets (%)	(5.5)	(22.9)
	Return on Fixed Assets (%)	(6.4)	(93.7)
	Asset Turnover (Time)	0.2	0.1
Leverage Ratio	Debt to Equity (Time)	2.7	2.7
	Interest Coverage Ratio (Time)	0.5	(1.0)