



Management's Discussion and Analysis

For the period ending 31 December 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 been driven to a huge recovery by removing travel restrictions from many countries and the great travel demands of passengers. However, the re-opening of many countries in Asia – Pacific region has allowed passengers and airlines to return to travel rapidly, both in domestic and international travel. In addition, China's re-opening policy might have a positive effect on international travel in the future. In the overall global aviation industry in 2022, the growth in revenue passenger kilometers (RPK) across all regions was 64.4 percent compared to 2021. Airlines in the Middle East had the highest growth, with an average of 144.4 percent, followed by airlines in Europe and Africa, respectively. While the airlines in the Asia-Pacific region had a growth rate average of 34.0 percent. In terms of available seat kilometers, all regions grew by 39.8 percent in 2021. The airlines in the Middle East region had the highest growth rate at 67 percent, followed by airlines in Europe and Latin America, respectively. For the airlines in the Asia-Pacific region, the growth rate of available seat kilometers was 16.8 percent. Overall passenger load factors in all region was 78.7 percent which increased by 11.8 percent when compared to the same period last year. (Source: International Air Transportation Association: IATA)

Tourism in Thailand in Q4/2022 has a significant growth compared to the fourth quarter of 2021, with a cumulative number of foreign tourists totaling 5,464,991 people. This is the result that Thailand has fully opened the country to allow tourists to enter again in early July, causing surge number of foreign tourists to Thailand. (Source: Ministry of Tourism and Sport)

In the year 2022, the Company operated twenty-four routes, comprising seventeen domestic routes and seven international routes. The flight frequencies were gradually increased to match higher travel demands, such as Bangkok-Samui, Bangkok-Chiang-Mai, Bangkok- Phnom Penh, and Samui-Singapore. The international routes were significantly resumed since the third quarter of the year 2022, including Bangkok-Maldives, Bangkok-Siem-Reap, Bangkok – Yangon, and Bangkok- Danang. As a result, the overall capacity in the year 2022 was reported at 3.4 million seats, of which 40.4 percent recovered from the pre-COVID-19 level. For this year, the Company carried 2.7 million passengers and operated 29,892 flights, increased by 394.8 percent and 243.8 percent respectively compared with the year 2021. The overall load factor was 76.1 percent, growing by 17.5 percentage points from the previous year

In the year 2022, the Company reported a loss from operation of 889.3 million baht, improved by 1,643.2 million baht or 64.9 percent from the year 2021. The increment was from a rise in total revenue at 7,073.6 million baht, which grew by 124.8 percent from last year. An increase in total revenue was from the growth of airline passenger revenue by 609.8 percent, airport business revenue by 465.4 percent, and airport-related business revenue by 71.6 percent respectively. While the total expenses increased by 69.0 percent or



5,622.0 million baht, mainly increasing from fuel expenses, aircraft maintenance expenses, and passenger services. The Company reported net loss for the period at 2,125.9 million baht, of which the loss attributable to the equity holders of the Company was 2,110.2 million baht. Loss per share for the period was 1.01 baht.

Notable Events Year 2022

- The Company sold all the treasury stocks through the Stock Exchange of Thailand (SET), with a total amount of 40.0 million shares, or 1.9 percent of total shares. The total proceeds were 390.9 million baht.
- The Company signed a Memorandum of Understanding (MOU) on Academic Cooperation in Aircraft Maintenance Training with the Civil Aviation Training Center (CATC). The main objective is to jointly develop programs that train high-quality aircraft technician personnel who can meet the needs and requirements of the aircraft maintenance industry.
- 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, a subsidiary of the Company, as the REIT manager of BA Airport Leasehold Real Estate Investment Trust ("BAREIT"), raised a fund of 14,300 million baht and listed BAREIT on The Stock Exchange of Thailand on September 14, 2022
- Samui Airport, the 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. The company owns and operates three 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.

The 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, 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	January-December	
		2022	2021
Number of scheduled passengers carried	Thousand	2,653.6	536.3
Number of flights flown	Flights	29,892	8,694
Revenue Passenger Kilometers (RPK)	Million Passenger –Kilometers	1,645.9	313.8
Available Seat Kilometers (ASK)	Million Seat –Kilometers	2,163.7	535.3
Passenger Load Factor	Percentage	76.1	58.6
Seats	Thousand	3,453.0	908.9
Aircraft utilization ⁽¹⁾	Hour per day per Aircraft	5.6	3.8
Average Stage Length	Kilometers	620.3	585.1
Number of aircraft at period end	Aircraft	35 ⁽²⁾	37
Passenger Yield ⁽³⁾	Baht per Passenger – Kilometer	5.08	3.62
Revenue ASK (RASK)		4.54	3.93
Cost per ASK (CASK)	Baht per ASK	5.28	10.96
RASK – CASK		(0.74)	(7.03)

Remarks

(1) Calculate from operating aircraft only



- (2) Including aircraft waiting for return and sale according to the agreement year 2022
- (2) Scheduled passenger revenues, including fuel surcharge and insurance surcharge, but excluding excess baggage, divided by RPKs.

Operating performance summary for the period ended December 31, 2022

Unit: million baht

	January-December			
	2022	2021	Variance	
			Amount	%
Total revenue	12,742.1	5,668.5	7,073.6	124.8
Total expenses	13,767.1	8,145.1	5,622.0	69.0
Operating profit (loss) for the period ⁽¹⁾	(889.3)	(2,532.5)	1,643.2	64.9
Net profit (loss) for the period	(2,125.9)	(8,599.8)	6,473.9	75.3
Profit (loss) attributable to equity holders of the Company	(2,110.2)	(8,549.9)	6,439.7	75.3
EBIT ⁽²⁾	(911.2)	(3,636.6)	2,725.4	74.9
EBITDA ⁽²⁾	1,519.5	(1,294.4)	2,813.9	217.4
EBIT Ratio (%)	(7.5)	(101.5)	94.1	
EBITDA Ratio (%)	12.4	(36.1)	48.6	

Remarks

- (1) Excluding gain(loss) from exchange rate, gain(loss) from derivative transaction
- (2) EBIT, EBIT margins, EBITDA, and 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.

For the year 2022, the Company reported an operating loss of 889.3 million baht, which was better by 64.9 percent, and had earnings before interest and tax, depreciation, and amortization (EBITDA) 1,519.5 million baht, improved by 217.4 percent from the year 2021. The better performance was from increasing revenue by 7,073.6 million baht or 124.8 percent. While the total expenses increased by 5,622.0 million baht, or 69.0 percent, mainly from the cost of sales and services.

The Company reported a net loss and net loss attributable to the equity holders during the period at 2,125.9 million baht and 2,110.2 million baht, respectively. Earnings per share were 1.08 baht.

Revenues

Total revenues for the year 2022 were 12,742.1 million baht, which increased by 124.8 percent compared to the previous year. The revenue mainly derived from passenger revenue from the airline business,

airport-related businesses, and airport business, which accounted for 66.3 percent, 19.9 percent, and 1.9 percent of total revenue respectively.

The company reported passenger revenue from the airline business at 8,451.1 million baht, which grew by 609.8 percent from the year 2021. The better performance resulted from a higher number of passengers from the cancellation of the test and go registration policy in July 2022. The Company carried 2.7 million passengers, increased by 394.8 percent compared with the year 2021. While the passenger load factor was 76.1 percent, and the average fare of 3,150.8 baht per sector, improved by 48.7 percent compared to the year 2021.

The sales and services revenue from the airport-related business was 2,534.4 million baht, increased by 71.6 percent compared to the same period last year. The majority of revenue from sales and services was from Worldwide Flight Services Bangkok Air Ground Handling and Bangkok Air Catering, which reported at 1,425.0 million baht and 795.8 million baht respectively, from resumption flight operation of airline customers

The Company reported dividends received from marketable securities amounted to 516.8 million baht, decreased by 310.0 million baht, or dropped 37.5 percent compared with year 2021. The other revenues were 919.1 million baht, decreased by 42.4 percent or 676.3 million baht, which is mainly due to the lower revenue from breakage tickets and reversal of asset impairment during the period.

Share of Profit from Investments in Associates

The Company reported a share of profit from associated companies for the year 2022 at 489.1 million baht, increased by 7.9 percent from the year 2021. The share of profit was mainly from WFS-PG Cargo Company which reported 474.1 million baht, grew by 4.6 percent from a higher tariff adjustment during the period. The Company reported a share of profit from BA Airport Leasehold Real Estate Investment Trust (BAREIT) at 70.3 million baht and a share of loss from U-Tapao International Aviation at 55.3 million baht.

Expenses

Total expenses for the year 2022 were 13,767.1 million baht, an increased by 69.0 percent from the same period last year.

- Cost of sales and services was 11,523.6 million baht, which grew by 88.4 percent compared to the year 2021. The increasing amount was mainly from rising fuel expenses at 2,089.8 million baht or increasing by 652.2 percent due to higher consumption and average fuel market price. The cost of sales and services was mainly from the expenses of the airline business. That was mainly comprised of passenger services, salary and benefits, and aircraft maintenance, which accounted for 7.4 percent, 9.6 percent, and 14.2 percent of total expenses respectively.

- Total selling and distribution expenses were 797.7 million baht, which grew by 183.2 percent from the year 2021. The majority was from the booking and reservation expenses which accounted for 54.0 percent of total selling and distribution expenses. An incremental amount was mainly from usage of the reservation system as a consequence of a higher number of passengers during the period.
- The administrative expenses were 1,299.7 million baht, which increased by 2.4 percent compared to the year 2021. The decreased amount was system usage, rental expenses, and utilities.
- Financial cost reported at 1,489.5 million baht, increased by 17.8 percent from the year 2021. The major amount of financial costs were interest expenses paid to financial institutions.

On September 2022, the Company entered into a long-term lease agreement with the BA Airport Real Estate Investment Trust (BAREIT) for the land, structures, and components of certain parts of properties used in the operations of the Samui Airport for a period of 25 years with the value of 14,300 million baht.

Consequently, the transaction was classified as long-term financial liabilities in the consolidated financial statements and recognized financial cost over the lease term in a form that reflects the effective rate of return on the net financial liabilities under the lease agreement.

Assets

As of 31 December 2022, the Company and its subsidiaries have total assets that amounted to 62,245.5 million baht, which increased by 13,306.6 million baht from 31 December 2021.

Unit: million baht

	As of 31 December 2022	As of 31 December 2021	Variance
<i>Current assets</i>			
Cash & cash equivalents	3,591.7	2,125.9	1,465.8
Trade and other receivables	1,184.8	372.6	812.2
Inventory	464.6	438.5	26.1
Other current financial assets	3,055.5	-	3,055.5
Other current assets	311.6	168.7	142.9
<i>Total current assets</i>	8,608.2	3,105.7	5,502.5
<i>Non-current assets</i>			
Investments in associates	4,844.6	2,226.3	2,618.3
Other non-current financial assets	32,556.0	25,965.0	6,591.0
Property, plant, and equipment	8,269.8	8,927.2	(657.4)
Right-of-use assets	5,419.2	6,966.4	(1,547.2)

	As of 31 December 2022	As of 31 December 2021	Variance
Deposits	608.2	491.5	116.7
Other non-current assets	1,939.6	1,256.9	682.7
Total Non-current assets	53,637.4	45,833.3	7,804.1
Total assets	62,245.6	48,939.0	13,306.6

Current assets

The total current assets of the Company as of 31 December 2022 were 8,608.2 million baht, which increased from 31 December 2021 by 5,502.5 million baht. This was mainly from:

- An incremental of 3,055.5 million baht from cash deposits reported in other current financial assets
- An increase of cash and cash equivalents by 1,465.8 million baht, mainly from the cash received from long-term financial liabilities from related parties, operating activities, dividends received from investment in associate and equity instruments. However, the Company reported cash paid for lease liabilities, repayment of long-term loan, and repayment of loan from related party during the period.
- Trade and other receivables increased by 812.2 million baht as a consequence of higher advance booking during the period.

Non-current assets

The total non-current assets of the Company were 53,637.4 million baht, which increased from the year 2021 by 7,804.1 million baht. That was mainly from an increasing amount of 6,591.0 million baht from mark to market of long-term investments in marketable securities, and investment in associates amounted to 2,618.3 million baht from entering into BA Airport Leasehold Real Estate Investment Trust during the period.

Nevertheless, the Property, Plant and Equipment and Right-of-use assets were 8,269.8 million baht and 5,419.2 million baht respectively, declined by 657.4 million baht and 1,547.2 million baht respectively from depreciation during the period.

Liabilities

As of 31 December 2022, the Company and its subsidiaries have liabilities amounted to 45,482.0 million baht, increased by 9,704.8 million baht from 31 December 2021 as follows:

Unit: million baht

	As of 31 December 2022	As of 31 December 2021	Variance
Current liabilities			
Short-term loan	767.9	917.0	(149.1)
Trade and other payables	1,557.8	967.4	590.4

	As of 31 December 2022	As of 31 December 2021	Variance
Current portion of long-term loans	7,850.0	15,617.0	(8,037.0)
Current portion of long-term loan from related party	-	1,000.0	(1,000.0)
Current portion of lease liabilities	3,191.7	3,229.5	(37.8)
Unearned revenue	1,791.6	375.8	1,415.8
Current portion of long-term financial liabilities	92.5	-	92.5
Other current liabilities	2,245.1	1,696.8	548.3
<i>Total current liabilities</i>	<i>17,226.5</i>	<i>23,803.5</i>	<i>(6,577.0)</i>
<i>Non-Current liabilities</i>			
Long-term loans– net current of portion	6,763.3	4,540.1	2,223.2
Lease liabilities - net of current portion	530.0	2,128.6	(1,598.6)
Employee benefits	899.5	853.6	45.9
Deferred tax liabilities	5,650.9	4,311.0	1,339.9
Long-term financial liabilities - net of current portion	14,311.0	-	14,311.0
Other non-current liabilities	100.8	140.4	(39.6)
<i>Total non-current liabilities</i>	<i>28,255.5</i>	<i>11,973.7</i>	<i>16,281.8</i>
<i>Total liabilities</i>	<i>45,482.0</i>	<i>35,777.2</i>	<i>9,704.8</i>

Current liabilities

Total current liabilities were 17,226.5 million baht, decreased from 31 December 2021 by 6,577.0 million baht, which mainly resulted from:

- A decreasing amount of 8,037.0 million baht from repayment of long-term loans during the period.

Nevertheless, the Company has not received waiver letters from financial institutions due to non-compliance to financial covenants under the aircraft financial lease agreement of 9-ATR72-600 and long-term loan agreement. Consequently, the Company has to re-classified of long-term loan amounting to 7,298.0 million baht to be part of the current liability during the period.

- A repayment of short-term loan and long-term loan from related party amounted to 149.1 million baht and 1,000.0 million baht respectively.
- An increasing amount of unearned revenue by 1,415.8 million baht as a consequence of higher advance booking during the period

Non-current liabilities

The total non-current liabilities of the Company were 28,255.5 million baht, increasing by 16,281.8 million baht from 31 December 2021. That mainly resulted from the following:

- Long-term financial liabilities - net of the current portion increased by 14,311.0 million baht. That resulted from the Company entering transactions with BAREIT under long-term lease agreement for 25 years.
- Deferred tax liabilities increased by 1,339.9 million baht from the changes in the market value of the available-for-sale investment in securities during the period.
- Lease liabilities - net of the current portion decreased by 1,598.6 million baht due to repayment of lease liabilities related to aircraft during the period.

Shareholders' Equity

Unit: million baht

	As at 31 December 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	21,692.0	16,377.0	5,315.0
Retained earnings (loss)	(15,981.4)	(13,922.3)	(2,059.1)
Others ⁽¹⁾	(265.9)	(247.5)	(18.4)
Total shareholders' equity	16,763.5	13,161.9	3,601.6

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

As of 31 December 2022, the total shareholders' equity of the Company and its subsidiaries was 16,763.5 million baht, increasing by 3,601.6 million baht. That was mainly due to changes in the mark-to-market of long-term investments in marketable securities amounted to 5,315.0 million baht. The Company reported a retained loss in the amount of 15,981.4 million baht, a further loss from the year 2021 by 2,059.1 million baht

Statement of Cash Flow

Unit: million baht

	As at 31 December	
	2022	2021
Net cash flows from (used in) operating activities	1,568.3	(2,173.8)
Net cash flows from (used in) investing activities	(4,753.2)	6,025.9
Net cash flows from (used in) financing activities	4,650.6	(3,907.3)
<i>Cash and cash equivalents at end of the period</i>	<i>3,591.7</i>	<i>2,125.9</i>

Cash flows from operating activities

As of 31 December 2022, the Company and its subsidiaries showed a gain from operating activities before changes in operating assets and liabilities at 993.7 million baht. The Company reported cash flows from operating activities at 2,324.3 million baht. Nevertheless, there was corporate income tax paid amounted to 756.0 million baht, which mainly resulted from withholding tax paid from entering into BAREIT long-term lease transactions during the period. The net cash flow from operating activities as of 31 December 2022 was 1,568.3 million baht.

Cash flows from investing activities

As of 31 December 2022, net cash flows used in investing activities of the Company and its subsidiaries was 4,753.2 million baht. The majority was the change from cash paid for the investment in associates and fixed deposits during the period. The Company received dividend income from investment in associates and investment in equity instruments total amounted to 972.5 million baht.

Cash flows from financing activities

As of 31 December 2022, the Company and its subsidiaries had cash flow from financing activities at the amount of 4,650.6 million baht. That was mainly from the cash received of 14,300 million baht from long-term financial liabilities from related parties resulting from entering into 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 a totally amounted of 10,421.0 million baht during the period.

Summary Consolidated Financial and Ratio

		As at 30 December	
		2022	2021
Liquidity Ratio	Current Ratio (Time)	0.5	0.1
	Quick Ratio (Time)	2.1	1.2
	Collection Period (Day)	23.8	44.7
	Stock Turnover Period (Day)	14.1	26.9
	Payment Period (Day)	29.4	36.0
Profitability Ratio	Gross Profit Margin (%)	(1.9)	(125.1)
	Operating Profit Margin (%)	(8.1)	(133.9)
	EBITDA Margin (%)	12.4	(36.1)
	Net profit Margin (%)	(16.7)	(151.7)
	Return on Equity (%)	(14.2)	(52.5)
Efficiency Ratio	Return on Assets (%)	(3.8)	(17.3)
	Return on Fixed Assets (%)	3.5	(66.9)
	Asset Turnover (Time)	0.2	0.1
Leverage Ratio	Debt to Equity (Time)	2.7	2.7
	Interest Coverage Ratio (Time)	1.0	(1.0)

