

**MANAGEMENT
DISCUSSION AND ANALYSIS
(MD&A)
2Q2023**





สายการบินราคาประหยัด
ดีที่สุดในโลก

AIRASIA
14

ปีซ้อน

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ขอบคุณที่อยู่กับเราในทุกก้าวของความสำเร็จ ไม่ว่าจะเล็กหรือใหญ่
เพราะทุกสิ่งที่เราทำ ก็เพื่อทุกคนเสมอ

AirAsia

Executive Summary

Overall, the regional economies experienced a cautious recovery in 2Q2023, with China's growth playing a pivotal role. The economies of the markets served by Thai AirAsia - ASEAN, East Asia, and South Asia - continued to develop cautiously in 2Q2023, mainly relying on improvements in China's reopening last January. Despite the frail 0.8 percent QoQ growth in the quarter, the consensus maintained a forecast on China's full-year GDP growth of 5.5 - 6 percent, with expectations of improved retail sales and increased spending on domestic services. Except for India and Vietnam, which saw an uplift in domestic activities, 2023 GDP growth forecasts of other markets are expected to land below five percent, partly influenced by the diminishing boost from China's reopening and subdued goods trade from weak demand from major advanced economies.

In Thailand, the Bank of Thailand ("BOT") has maintained a GDP growth target of 3.6 percent for this year, underpinned by the prevailing robust uptick in tourism and private consumption. The core inflation is expected to decline further to 2.4 percent this year and in a targeted range of 2 percent next year. However, the private sector strongly urges the quick formation of a new government to enhance investor confidence and avoid the risk of the country's instability leading to downward growth revision.

Thai AirAsia's capacity and number of passengers recovered by 77 and 83 percent of pre-pandemic levels. In 2Q2023, Thailand welcomed a total of 6.4 million inbound tourists, with Malaysians, Chinese, and Indians accounting for 18, 14, and 7 percent, respectively. Combined with 1Q2023 figures, the total inbound tourists for the first half of 2023 reached 12.9

million, achieving 47 percent of the Tourism Authority of Thailand's ("TAT") full-year target range of 25-30 million.

During this quarter, Thai AirAsia transported 4.6 million passengers, a remarkable increase of 176 percent YoY and 1 percent QoQ, defying typical low seasonality experienced in regular second quarters. The split between domestic and international passengers was 61 percent versus 39 percent, while the overall load factor stood firmly at 89 percent. Amidst the ongoing limited seat supply in the market, the domestic competition continued to be rationalised, and Thai AirAsia's domestic market share remained robust at 37 percent. At the same time, the international front primarily focused on flight expansion to China. As a result, Thai AirAsia achieved a healthy average fare of Baht 1,755 per passenger, a growth of 10 percent QoQ.

By the end of the quarter, Thai AirAsia's flights to China reached 108 flights per week, carrying 323,400 passengers or 18 percent of the total international passengers. With these flights, Thai AirAsia became the airline with the highest number of seats flown between China and Thailand in 2Q2023. This also has led to Thai AirAsia's overall capacity and the number of passengers transported rebounding to 77 percent and 83 percent, respectively, of the pre-pandemic levels. Excluding the China flights, only flights to Macau and Myanmar still showed a passenger recovery rate below 50 percent of the pre-pandemic, primarily due to the prioritisation of fleet allocation to more resourceful and demanded destinations, and the availability of the services at the destination airports.

Asia Aviation Plc. ("AAV") reported a record EBITDA since the pandemic, but weakened Baht affected net profit. Supported by improved fare and passenger



numbers, AAV achieved a total revenue of Baht 10,398.8 million, increasing by 275 percent YoY and 6 percent QoQ. Ancillary income per passenger also rose to Baht 409, following the growth in international passengers. EBITDA reached a record of Baht 1,817.2 million since the pandemic and remained positive for the third consecutive quarter. This was benefited from a decline in the average jet fuel price to USD 95 per barrel, but was offset by higher user and airport charges and maintenance expenses. However, due to the weakening of the Thai Baht towards the end of the quarter, an FX loss, mostly unrealised, of Baht (1,390.6) million was incurred, resulting in AAV posting a net loss of Baht (1,012.5) million for the quarter.

Weighting toward a positive 2H2023 outlook with prudent fleet management. Thai AirAsia maintains its full-year passenger number guidance at 20 million after carrying 9.2 million in 1H2023. The TAT remains optimistic about welcoming more than 4 million Chinese inbounds this year and keeps its encouraging target of 5 million. In response to constrained aircraft availability and maintenance slots, Thai AirAsia has started to negotiate to re-lease one aircraft earlier pending redelivery, resulting in a total fleet of 54 aircraft, with 45 of them active by the end of 2Q2023.



Financial Performance Summary

Asia Aviation Public Company Limited (“the Company”) is the sole shareholder of Thai AirAsia Company Limited (“Thai AirAsia”), an airline operator of Thai AirAsia, which the Company holds 100 percent.

Asia Aviation’s financial performance for the three-month and the six-month ended 30 June 2022 and 2023 are summarised below:

Statement of Comprehensive Income

Asia Aviation Public Company Limited	Consolidated		Change	Consolidated		Change
Unit: Baht million	For the three-month			For the six-month		
	period			period		
	ended 30 June			ended 30 June		
	2023	2022		2023	2022	
Total revenues	10,398.8	2,773.8	+275%	19,641.5	4,627.8	+324%
Total expenses	11,160.7	7,794.8	+43%	19,416.6	12,373.6	+57%
Profit (loss) from operating activities	(761.9)	(5,021.0)	-85%	224.9	(7,745.8)	N.A.
Profit (loss) for the period	(1,012.5)	(4,723.6)	-79%	(653.1)	(7,278.5)	-91%
Equity holders of the Company	(1,012.5)	(4,723.6)	-79%	(653.1)	(7,094.2)	-91%
Non-controlling interests of the subsidiary	-	-	N.A.	-	(184.4)	N.A.
Total comprehensive income for the period	(1,012.5)	(4,723.6)	-79%	(653.1)	(7,167.6)	-91%
Equity holders of the Company	(1,012.5)	(4,723.6)	-79%	(653.1)	(7,035.6)	-91%
Non-controlling interests of the subsidiary	-	-	N.A.	-	(132.0)	N.A.
Basic/Diluted earnings (loss) per share (Baht)	(0.0832)	(0.4067)	-80%	(0.0537)	(0.6205)	-91%
EBITDA Reconciliation						
Profit (loss) from operating activities	(761.9)	(5,021.0)	-85%	224.9	(7,745.8)	N.A.
Gain (loss) on exchange rate	(1,390.6)*	(2,398.8)	-42%	(828.0)	(2,188.9)	-62%
Gain (loss) on derivatives	61.4	27.0	+128%	51.8	(32.0)	N.A.
Gain (loss) from disposal assets	1.6	-	N.A.	1.6	(40.9)	N.A.
Depreciation and amortisation	1,251.4	1,602.7	-22%	2,558.5	3,178.5	-20%
EBITDA	1,817.2*	(1,046.5)	N.A.	3,558.0	(2,305.5)	N.A.

*Reclassified. No impact to the net profit/(loss) previously reported

Revenue

Total revenues in 2Q2023 reached Baht 10,398.8 million, up 275 percent from the same quarter last year and 6 percent from the last quarter, thanks to the sustained domestic travel demand and the tourism momentum following China's reopening in the previous quarter. In the domestic market, Thai AirAsia retained a leading position with a market share of 37 percent after transporting 2.8 million domestic passengers with a 94 percent load factor. On the other hand, Thai AirAsia transported 1.8 million international passengers with an 83 percent load factor. China has been a key market in



the region, with Chinese domestic air travel already surpassing pre-pandemic levels, and the Chinese outbound momentum reaching half of the pre-pandemic capacity. During the quarter, Thai AirAsia carried 323,400 passengers on flights to/from China, or 18 percent of total international passengers. The number of flights per week grew to 108 flights, including reinstated flights from Don Mueang to Chengdu and Xi'an, as well as Chiang Mai to Beijing, Changsha, and Hangzhou. Similarly, Thai AirAsia has resumed over 90 percent of the weekly flights flown in 2019 to destinations within ASEAN and South Asia. Amidst these increased activities, Thai AirAsia's on-time performance ("OTP") decreased to 80 percent, with expectations of improvement in the second half of 2023.

- **Revenues from sales and services** were reported at Baht 10,036.5 million, up by 273 percent YoY and 10 percent QoQ, driven by increased passengers and a healthy average fare of Baht 1,755 per passenger, up 33 percent YoY and 10 percent QoQ. Consequently, the Revenue per Available Seat Kilometres (RASK) increased to Baht 1.69, surpassing the pre-pandemic RASK of Baht 1.49. Thai AirAsia used 45 operating aircraft in 2Q2023, compared to 25 aircraft in 2Q2022. The utilisation rate marked a record of 12.9 hours per aircraft per day.
 - **Ancillary income** was Baht 1,900.2 million, increasing by 296 percent YoY and 5 percent QoQ, driven by the fees from checked baggage with respect to the increased passenger volume, especially international passengers. Ancillary income accounted for 19 percent of revenues from sales and services in this quarter, while ancillary income per passenger hit a peak of Baht 409, up from Baht 285 in 2Q2022.
- **Other income** was Baht 362.3 million, increasing by 342 percent compared to the same period last year, primarily due to the expiration of unused travel credits incurred during the pandemic.

Cost and Expense

Total expenses were Baht 11,160.7 million, up 43 percent from the same period last year, driven by a 131 percent increase in the number of flights flown, partially offset by lower loss from FX.

- **Cost of sales and services** stood at Baht 9,038.3 million, up 81 percent over the same period last year.
 - **Fuel costs** were Baht 3,368.5 million, up 116 percent compared to the same period last year, due to YoY higher fuel consumption, while the average jet kerosene price decreased by 31 percent YoY to USD 95 per barrel. The Company does not currently hold any fuel hedging positions.
 - **Staff costs** were Baht 1,022.9 million, an increase of 87 percent over the same period last year due to an increase in the number of personnel corresponding to an increase in the number of operating aircraft.
 - **Maintenance and overhaul costs** were Baht 1,642.1 million, up 76 percent from the same period last year due to more aircraft check activities upon flight resumption in line with the aircraft utilisation and the number of flights.



- **Other costs of sales and services** amounted to Baht 3,004.8 million, an increase of 54 percent compared to the same period last year, primarily attributable to an increase in user and airport charges following the growth in passengers and the discontinuation of fee discounts from the Airports of Thailand (AOT) since the end of last quarter.
- **Selling and administration expenses (“SG&A”)** were Baht 652.3 million, up 80 percent YoY, primarily due to higher sales commission for sales made through AirAsia Com Travel. In 2Q2023, SG&A accounted for 6 percent of revenues from sales and services, down from 14 percent in 2Q2022, stabilising to pre-pandemic levels.
- **Other expenses** were Baht 1,470.1 million, down 40% from the same period last year due to a lower loss from exchange rates.

Overall, the Cost per Available Seat Kilometres (“CASK”) decreased substantially from Baht 3.19 in 2Q2022 to Baht 1.70 in 2Q2023. CASK ex-fuel was Baht 1.14, a significant decrease from Baht 2.33 in 2Q2022, as ASK grew by 228 percent YoY to reach 5,940 million seats-km in this quarter.

Profit and Loss

Due to the improvement in operating performance, the Company's EBITDA for 2Q2023 was Baht 1,817.2 million, turning from a loss of Baht (1,046.5) million in 2Q2022. Finance costs were Baht 549.1 million, flattish compared to last year. With an income tax revenue of Baht 289.0 million, the Company reported a net loss of Baht (1,012.5) million, compared to a net loss of Baht (4,723.6) million in 2Q2022.

Key Operating Statistics

Thai AirAsia Company Limited	2Q2023	2Q2022	Change	1H2023	1H2022	Change
Passenger Carried (Million)	4.64	1.68	+176%	9.22	3.14	+194%
Capacity (Million seats)	5.19	2.24	+132%	10.17	4.23	+141%
Load Factor (%)	89	75	+14 ppts	91	74	+17 ppts
Revenue Passenger Kilometres (Million seats-km)	5,148	1,363	+278%	9,565	2,375	+303%
Available Seat Kilometres (Million seats-km)	5,940	1,811	+228%	10,835	3,198	+239%
Average Fare (Baht)	1,755	1,317	+33%	1,673	1,179	+42%
Revenue per Available Seat Kilometres (Baht)	1.69	1.49	+14%	1.76	1.40	+26%
Cost per Available Seat Kilometres (Baht)	1.70	3.19	-47%	1.76	3.40	-48%
Cost per Available Seat Kilometres (ex-fuel)(Baht)	1.14	2.33	-52%	1.16	2.64	-56%



A snapshot of Asia Aviation's financial performance for the six-month ended on 30 June 2022 and 2023 is summarised below:

In 1H2023, the unfolding pent-up demand for travel was clearly evident, particularly after the reopening of China. Additionally, on the 5th of May, the World Health Organisation declared an end to COVID-19 as a public health emergency, marking a significant milestone towards returning to normalcy. During this period, Thai AirAsia transported a total of 9.2 million passengers, with 6.0 million domestic passengers and 3.2 million international passengers, resulting in a robust overall load factor of 91 percent. The capacity and passenger recovery reached 77 percent and 81 percent, respectively, of the same period in 2019. By the end of 1H2023, Thai AirAsia was operating 45 aircraft out of a fleet of 54 aircraft and further increased the utilisation rate of each aircraft to reach an unprecedented level of 12.4 hours per aircraft per day (12.9 hours in 2Q2023), with an on-time performance ("OTP") of 84 percent.

In 1H2023, the healthy average fare of Baht 1,673 continued to support improvements in RASK, which grew 17 percent from 1H2019 to Baht 1.76 underpinned by a rationalised industry landscape post the pandemic. On the other hand, CASK and CASK ex-fuel declined to Baht 1.76 and Baht 1.16, respectively, remaining a gap of approximately 15 percent higher than those in 1H2019.

In summary, AAV recorded a total revenue of Baht 19,641.5 million in 1H2023, a significant increase of 324 percent YoY. The company's EBITDA reached Baht 3,558.0 million, highly improving from Baht (2,305.5) million in 1H2022, thanks to more active operating aircraft and lower jet fuel prices compared to the previous year. However, due to the impact of the weakened Baht, an FX loss of Baht (828.0) million resulted in AAV recording a net loss for the equity holders of Baht (653.1) million, still a significant improvement from a net loss of Baht (7,094.2) million in the same period last year.

Statement of Financial Position

Asia Aviation Public Company Limited	Consolidated		
Unit: Baht million	As at 30 June 2023	As at 31 December 2022	Change
Total assets	66,074.0	64,685.5	+2%
Total current assets	7,446.2	5,236.3	+42%
Total non-current assets	58,627.8	59,449.2	-1%
Total liabilities	58,772.7	56,731.1	+4%
Total current liabilities	23,588.6	21,893.1	+8%
Total non-current liabilities	35,184.2	34,838.0	+1%
Total shareholders' equity	7,301.3	7,954.4	-8%



Assets

As of 30 June 2023, the Company had Baht 66,074.0 million of **total assets**, increasing by 2 percent from the end of 2022 mainly from higher cash and cash equivalents and amounts due from related parties.

- **Current assets** were Baht 7,446.2 million, increasing by 42 percent compared to the end of 2022. Cash and cash equivalents stood at Baht 1,272.3 million, rising by 59 percent, mainly from the improved cash flow from operations. Amounts due from related parties rose by 52 percent to Baht 3,858.2 million, mainly from sales received by other companies under AirAsia Group on behalf of the Company.
- **Non-current assets** were Baht 58,627.8 million, slightly declining by 1 percent mainly due to the depreciation of right-of-use assets during the period.

Liabilities

As of 30 June 2023, the Company reported **total liabilities** of Baht 58,772.7 million, increasing by 4 percent from the end of 2022 mainly from higher accrued expenses and unearned income. Excluding lease liabilities, the Company had interest-bearing debt of Baht 7,303.2 million.

- **Current liabilities** were Baht 23,588.6 million, increasing by 8 percent. Accrued expenses rose by 36 percent to Baht 5,644.7 million due to higher operating costs, e.g, fuel and aircraft maintenance reserve, while unearned income increased by 11 percent to Baht 5,261.4 million following higher ticket sale volume.
- **Non-current liabilities** were Baht 35,184.2 million, increasing by 1 percent from higher liabilities under lease agreements.

Equity

As of 30 June 2023, the Company had Baht 7,301.3 million of **total shareholders' equity**, decreasing by 8 percent from the end of 2022 mainly due to the loss for the period.

Cash Flow Statement

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the six-month period ended 30 June	
	2023	2022
Net cash generated from (used in) operating activities	3,940.0	(2,504.9)
Net cash generated from (used in) investing activities	(529.5)	(226.9)
Net cash generated from (used in) financing activities	(2,947.9)	(1,303.9)
Net increase (decrease) in cash and cash equivalents	462.6	(4,035.6)
Unrealised exchange loss on cash and cash equivalents	12.0	1.6
Cash and cash equivalents at the beginning of the period	797.8	5,359.6
Cash and cash equivalents at the end of the period	1,272.3	1,325.6



In 1H2023, the Company generated a **net cash inflow from operating activities** amounting to Baht 3,940.0 million, a sum more than sufficient to cover other cash outflows. **Net cash used in investing activities** was Baht (529.5) million, mainly from the payments for aircraft maintenance reserves. **Net cash used in financing activities** totalled Baht (2,947.9) million, mainly from the Baht 2,703.8 million net payments for liabilities under lease agreements. The interest-bearing debt stood at Baht 7,303.2 million, unchanged from the end of 2022, as the due debts were fully rolled over with the Baht 1,500 million debenture newly issued in April 2023. In summary, the Company had Baht 462.6 million net increase in cash and cash equivalents and had a **cash balance** of Baht 1,272.3 million at the end of the period.

Key Financial Ratio

Asia Aviation Public Company Limited	2Q2023	2Q2022	1H2023	1H2022
Current Ratio (excluding lease liabilities)	0.4x	0.4x	0.4x	0.4x
EBITDA Margin	18%	(39%)	19%	(51%)
Net Profit Margin	(10%)	(175%)	(3%)	(163%)
Return on Assets	(2%)	(7%)	(1%)	(11%)
Return on Equity	(13%)	(48%)	(8%)	(87%)
Net Interest-Bearing Debt-to-Equity Ratio (excluding lease liabilities)	1.0x	0.8x	1.0x	0.8x
Interest Coverage Ratio (excluding interest due to TFRS16)	14.5x	(8.8x)	16.5x	(8.7x)



Business Outlook

The Company anticipates that the strong momentum of the tourism industry will continue in 2H2023. The region served by Thai AirAsia has demonstrated stronger resilience against economic downturns compared to Western developed markets. The Tourism Authority of Thailand has also revealed that July's inbound arrivals to Thailand reached a yearly high of 2.4 million, driven primarily by increased visits from Chinese and South Korean tourists. Improvements in VISA and passport issuance procedures in China also support the positive tourism outlook. On the other hand, domestic tourism is anticipated to maintain its momentum, reflected from Thai AirAsia's domestic forward bookings for 3Q2023 already exceeding 60 percent by the time of this release.

Thai AirAsia aims to carry 20 million passengers in 2023, compared to its peak of 22.2 million in 2019. Domestic passengers are projected to fully recover to 2019 levels, at approximately 13 million people, while international passengers are expected to almost quadruple from 2 million in 2022 to 7 million this year, driven by the demand for travelling in ASEAN, a healthy recovery in South Asia, and the resumption of flights to and from China. Thai AirAsia intends to continue leading the domestic market with the most extensive route network and affordable fares while placing more focus on the international market. With the reopening of China, Thai AirAsia plans to resume as many flights to China as were flown in 2019. New international routes will continue to be explored in 2H2023, including potential flights from Don Mueang to Manila (Philippines), Colombo (Sri Lanka), Ahmedabad (India) and Chiang Mai to Macau. This is supported by the current fleet size of 54 aircraft and additional aircraft from the reallocation within AirAsia Group.

With a positive outlook for the top-line, the Company aims to achieve profitability this year driven by lower operating costs

per unit from enhanced aircraft utilisation rate at 12.5 hours/aircraft/day and a stronger load factor of 87 percent. Since July 2023, the Excise Department reinstated the rate of domestic jet fuel excise tax of Baht 4.726 per litre from the previous rate of Baht 0.2 per litre during the pandemic. This rate will be in effect until a revisit by the next cabinet. Given the current market structure, domestic fares are expected to increase in 3Q2023 to accommodate such tax rises. In addition, several uncontrollable downside risks remain to exist, including the prolonged conflict between Russia and Ukraine, which may exert pressure on fuel prices to remain elevated or decline at a slow pace. As a result, the Company is cautiously monitoring the opportunity of hedging the fuel price when the reward-to-risk ratio is justified, while continuing to partially hedge foreign currency exposure and attempt to naturally hedge cash inflows and outflows.

In summary, 2023 is expected to mark a return to normalcy as the COVID-19 pandemic is gradually relegated to the past. To capitalise on this trend, Thai AirAsia will maintain its commitment to high service standards reflected in our exceptional OTP and strive to enhance business sustainability through closer collaboration with regulatory bodies and improved communication with passengers. As a participant in CORSIA, Thai AirAsia must monitor and report carbon emissions required by CAAT, including participating in carbon offsetting programs. According to the current flight plans, the carbon credit purchases for 2023, if any, should be immaterial. Despite that, the Company will continue to actively implement the Green Operation program, including enhancing flight efficiency and exploring the potential use of sustainable aviation fuel (SAF) in the medium term to mitigate our carbon footprint.



Glossary

Load factor: Represents the number of passengers carried as a proportion to capacity, which is the number of seats available for passengers

Available seat kilometres (ASK): which is the total number of seats available on all flights multiplied by the number of kilometres these seats were flown

Revenue passenger kilometres (RPK): Revenue passenger kilometres, which is the number of paying passengers carried on all flights multiplied by the number of kilometres those seats were flown

Average fare: Calculated as Thai AirAsia's total passenger revenues and fuel surcharge divided by total number of passengers carried

Revenue per ASK (RASK): Calculated as Thai AirAsia's revenues divided by ASK

Cost per ASK (CASK): Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses divided by ASK

Cost per ASK (CASK ex-fuel): Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses less fuel costs divided by ASK

Average stage length (kilometres): Represents the average number of kilometres flown per flight

Aircraft utilisation: Represents the average block hours per day per aircraft during the relevant period. Lock hours are calculated by measuring the duration

between the time of departure of an aircraft and the time of arrival at its destination.

Debt to Equity ratio (D/E): Calculated as Thai AirAsia's total interest-bearing debt divided by total equity

Net Gearing ratio: Calculated as Thai AirAsia's total interest-bearing debt less (cash and cash equivalents + short-term investment + deposit) divided by total equity

Gross profit margin: Calculated as revenues from sales and services less cost of sales and service divided by revenues from sales and services.

The earnings before interest and tax, depreciation, and amortisation (EBITDA) margin: Calculated as total income (excluding dividend income, gain on sale of investments, gain on sale of assets, finance income, gain on exchange rate, and gain on derivative) less total expenses plus depreciation and amortisation expenses divided by revenues from sales and services

Net profit margin: Calculated as profit for the period divided by revenues from sales and services

Return on assets: Calculated as profit for the period divided by average of total assets

Return on equity: Calculated as profit for the period divided by average of shareholder's equity

