



Management's Discussion and Analysis

For the period ending 30 June 2023

Bangkok Airways Public Company Limited and Its Subsidiaries



Bangkok Airways Public Company Limited and its Subsidiaries

Management's Discussion and Analysis for the period ended 30 June 2023

Executive Summary

In the overall global aviation industry in the first half of 2023, the growth in Revenue Passenger Kilometers (RPK) across all regions was 47.2 percent compared to the same period in 2022. Airlines of the Asia-Pacific region had the highest growth driven by the re-opening of China with an average of 125.6 percent, followed by airlines in Africa and the Middle East at 59.1 and 45.4 percent, respectively.

Regarding Available Seat Kilometers (ASK), all regions grew 36.1 percent compared with the first half of 2022. The airlines in the Asia-Pacific had the greatest growth rate at 88.4 percent, followed by airlines in Africa and the Middle East at 49.8 and 29.8 percent, respectively. The overall passenger load factor in all regions was 80.9 percent, which slightly decreased by 1.1 percent compared to last year. (Source: International Air Transportation Association: IATA)

Tourism in Thailand in the first half of 2023 has a significant growth compared to 2022, with a cumulative number of foreign tourists totaling 12,914,691 people, or a growth of 521.0 percent. The proportion of visitors from the ASEAN countries and East Asia has increased significantly to 70.0 percent of the total foreign visitors in the second quarter of 2023. (Source: Ministry of Tourism and Sport)

For the second quarter of 2023, the Company adjusted routes to match travel demand. The destinations served passengers connected with codeshare and interline partners, such as Bangkok- Samui, Bangkok-Phuket, Bangkok- Chiang Mai, Samui-Singapore, and Bangkok- Phnom Penh, including temporarily suspended two international routes: Bangkok to Maldives and Bangkok to Danang. For this period, the Company carried 0.9 million passengers with a 75.2 percent load factor, which dropped by 11.8 percentage points compared to 2022

For the six-month period of 2023, the Company carried 2.0 million passengers, climbed by 123.1 percent compared with 2022. Most passengers contributed from point-of-sale via website and direct connect, which accounted for 47.7 percent, followed by Europe, which represented 18.0 percent of total passengers. The overall load factor was 81.4 percent, growing by 9.8 percentage points from 2022. The average fare per sector was 3,643 baht.

The Company reported a profit from operation for the second quarter of 2023 at 791.5 million baht, an increase of 1,231.5 million baht or 279.9 percent from 2022. The increment was from the growth of passenger revenue from airline business and airport-related business. The total expenses were 4,175.6 million baht, increased by 31.3 percent, mainly from fuel expenses, aircraft maintenance expenses, and passenger services. The Company reported a net profit for the period of 666.7 million baht.

The Company reported operating profit for the six-month period of 2023 at 2,022.4 million baht, an increase of 3,288.9 million baht or 259.7 percent. The profit before income tax revenue and net income were



1,303.6 million baht and 1,546.2 million baht, respectively. The Company reported profit attributable to the equity holders of the Company was 1,544.8 million baht. Profit per share for the period was 0.74 baht.

Notable Events in 2Q 2023

- For the second quarter of 2023, Two Airbus A320s were redelivered upon end of operating lease contracts, and one ATR72-600 was sold. As of 30 June 2023, the Company had 27 aircraft, as shown in the table below;

Fleet Type	As of 30 June 2023	As of 31 December 2022
Airbus A320	3	8
Airbus A319	13	13
ATR 72-500	1	1
ATR 72-600	10	13
Total	27	35

- 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 seven consecutive years. In addition, the airline was also ranked 29th in the Top 100 World's Best Airlines category.
- As of 30 June 2023, Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) gained ten additional airlines compared with 31 December 2022. The total number of its customers was 84 airlines for ground service equipment
- For the second quarter of 2023, WFS-PG Cargo Company Limited (BFS Cargo) had six additional airlines, causing its customers for international cargo terminal services as of 30 June 2023 to be 77 airlines.



Management's Discussion and Analysis

Bangkok Airways is a full-service airline providing premium service to passengers. The company owns and operates three airports: 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	April-June		January-June	
		2023	2022	2023	2022
Number of scheduled passengers carried	Thousand	913.0	535.1	2,026.3	908.3
Number of flights flown	Flights	10,822	5,780	21,946	10,817
Revenue Passenger Kilometers (RPK)	Million Passenger – Kilometers	559.8	309.2	1,265.8	523.0
Available Seat Kilometers (ASK)	Million Seat –Kilometers	744.3	393.9	1,555.4	730.8
Passenger Load Factor	Percentage	75.2	78.5	81.4	71.6
Seats	Thousand	1,206.4	678.8	2,463.4	1,254.6
Aircraft utilization ⁽¹⁾	Hour per day per Aircraft	8.8	5.4	8.5	5.0
Number of aircraft at period end	Aircraft	613.2	577.9	624.7	575.8
Average Stage Length	Kilometers	27	37	27	37
Passenger Yield ⁽²⁾	Baht per Passenger – Kilometer	5.76	4.89	5.83	4.66
Revenue ASK (RASK)		5.00	4.54	5.44	4.03
Cost per ASK (CASK)	Baht per ASK	4.67	6.12	4.71	6.00
RASK – CASK		0.33	(1.59)	0.73	(1.97)



Remarks

- (1) Calculated 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 June 30, 2023

Unit: million baht

	April-June				January-June			
	2023	2022	Variance		2023	2022	Variance	
			Amount	%			Amount	%
Total revenue	4,964.5	2,520.3	2,444.2	97.0	10,704.8	4,181.2	6,523.7	156.0
Total expenses	4,175.6	3,180.2	995.4	31.3	8,641.5	5,630.5	3,011.0	53.5
Operating profit (loss) for the period ⁽¹⁾	791.5	(439.9)	1,231.4	279.9	2,022.4	(1,266.5)	3,288.9	259.7
Net profit (loss) for the period	666.7	(853.0)	1,519.8	178.2	1,546.2	(1,878.5)	3,424.8	182.3
Profit (loss) attributable to equity holders of the Company	669.7	(847.5)	1,517.2	179.0	1,544.8	(1,867.5)	3,412.3	182.7
EBIT ⁽²⁾	651.6	(543.0)	1,194.7	220.0	2,004.6	(1,265.7)	3,270.4	258.4
EBITDA ⁽²⁾	1,089.8	78.6	1,011.2	1,286.8	2,936.5	(16.4)	2,952.9	17,975.9
EBIT Ratio (%)	14.0	(23.5)	37.5		19.4	(31.9)	51.2	
EBITDA Ratio (%)	23.4	3.4	20.0		28.4	(0.4)	28.8	

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 second quarter of 2023, the Company reported an operating profit of 791.5 million baht, which was better by 279.9 percent. The better performance was from increasing revenue by 2,444.2 million baht or 97.0 percent. While the total expenses increased by 995.4 million baht, or 31.3 percent, mainly from the cost of sales and services.

The Company had earnings before interest and tax, depreciation, and amortization (EBITDA) of 1,089.8 million baht, improved by 1,286.8 percent from the same period of 2022. For this period, the Company reported income tax revenue and net income amounted to 229.6 million baht and 666.7 million baht, respectively.

Total revenue for the six-month period of 2023 was 10,704.8 million baht, which grew by 156.0 percent. While total expenses were 8,641.5 million baht, an increase of 53.5 percent or 3,011.0 million baht. The earnings before interest, tax, depreciation, and amortization (EBITDA) equaled 2,936.5 million baht.

The Company reported a net income and net income attributable to the equity holders during the period at 1,546.2 million baht and 1,544.8 million baht, respectively. The profit per share was 0.74 baht.

Revenues

For the second quarter of 2023

Total revenues were 4,964.5 million baht, which increased by 97.0 percent compared to the previous year. The revenue mainly derived from passenger revenue from the airline business, airport-related business, and airport businesses, accounting for 65.8 percent, 19.6 percent, and 2.1 percent of total revenue, respectively. The significant increase was from passenger revenue, which grew by 108.7 percent or 1,701.5 million baht from a higher number of passengers and average fare. For the second quarter of 2023, the Company carried 0.9 million passengers, increased by 70.6 percent compared with the year 2022 or 70.6 percent of pre-COVID-19 passengers. The passenger load factor was reported at 75.2 percent, and the average fare of 3,531 baht per sector improved by 24.9 percent compared to 2022.

The sales and services revenue from the airport-related business was 973.4 million baht, which increased by 83.8 percent compared to last year. Most of the revenue was from Worldwide Flight Services, which amounted to 570.6 million baht, which grew by 90.6 percent from a higher number of operated flights. The Company had other revenues of 297.9 million baht, which increased by 87.0 percent, mainly from an increase in rental and services, breakage tickets, ticket fees, and excess baggage. The Company reported dividends received from BDMS amounted to 310.0 million.

For the six-month period of 2023

Total revenues were 10,704.8 million baht, which grew by 156.0 percent compared to the year 2022. An incremental revenue was mainly from airline and airport-related business. For the six-month period of 2023, the Company carried 2.0 million passengers and operated 21,946 flights. The average load factor was reported at 81.4 percent. The average fare was 3,643 baht per sector, which climbed by 35.9 percent from last year.

The sales and services revenue from airport-related business was 1,983.6 million baht, increasing by 91.9 percent compared to last year. An increasing revenue was mainly from Bangkok Air Catering, with a higher revenue of 310.8 million baht and a higher amount of 520.9 million baht from Worldwide Flight Services Bangkok Air Ground Handling.

For this period, the Company reported other revenues of 723.9 million baht. An increasing amount of 381.3 million baht was mainly from the outstanding amount claimed from the maintenance reserve fund, rental and services, excess baggage ticket fees, and breakage tickets.

Share of Profit from Investments in Associates

The Company reported a share of profit from associated companies for the second quarter of 2023 at 170.1 million baht, an increase of 64.2 percent from the same period in 2022. The share of profit was mainly



from WFS-PG Cargo Company, which reported 128.7 million baht, which increased by 13.3 percent from a higher tariff adjustment. The Company reported a share of profit from BA Airport Leasehold Real Estate Investment Trust (BAREIT) at 52.6 million baht and a share of loss from U-Tapao International Aviation at 11.1 million baht.

For six months of 2023, the Company had a share of profit from associated companies of 292.3 million baht, mainly from WFS-PG Cargo Company and BA Airport Leasehold Real Estate Investment Trust (BAREIT), which amounted to 243.8 million baht and 36.9 million baht respectively. The Company reported a share of loss from U-Tapao International Aviation at 27.6 million baht.

Expenses

For the second quarter of 2023, total expenses were 4,175.6 million baht, an increase of 31.3 percent from last year.

- Cost of sales and services was 3,490.0 million baht, which grew by 41.3 percent compared to the same period in 2022. Cost of sales and services were mainly from costs related to flight operation from the airline business, such as fuel expenses, aircraft maintenance, salary and benefits, and passenger services, which accounted for 15.5 percent, 13.5 percent, 10.8 percent, and 9.3 percent of total expenses, respectively.
- Total selling and distribution expenses were 247.9 million baht, which grew 38.1 percent. The majority was from the booking and reservation expenses, which amounted to 136.2 million baht or climbed by 34.6 percent from the higher number of passengers.
- The administrative expenses were 434.3 million baht, which increased by 40.7 percent compared to 2022. The increased amount was mainly from employee-related expenses.
- Financial cost reported at 545.9 million baht, increased by 82.4 percent from 2022. The significant financial costs were interest expenses paid to BA Airport Leasehold Real Estate Investment Trust (BAREIT) and financial institutions, which accounted for 52.1 percent and 40.9 percent of financial costs, respectively.

For the six-month period of 2023, total expenses were 8,641.5 million baht, increased by 53.5 percent from last year.

- Cost of sales and services was 7,306.4 million baht, climbing by 61.9 percent compared to the last year. The increase was mainly from rising fuel expense at 760.0 million baht or grew by 107.8 percent due to higher average fuel market price and consumption. An increase in aircraft maintenance expenses by 624.1 million baht or 96.0 percent, partially due to expenses related to aircraft redelivery conditions, and passenger service expenses increased by 476.4 million baht or 141.3 percent.

- Total selling and distribution expenses were 531.2 million baht, an increase of 213.2 million baht from the year 2022. The increasing amount was mainly from using the reservation system, advertising, and expenses related to selling and marketing campaigns.
- The administrative expenses were 802.9 million baht, which increased by 30.4 percent, mainly from an employee-related expense.
- Financial cost reported at 1,088.5 million baht, climbed by 86.3 percent from 2022. A significant amount was interest expenses paid to BA Airport Leasehold Real Estate Investment Trust (BAREIT), and financial institutions amounted to 566.0 million baht and 443.0 million baht, respectively.

Assets

As of 30 June 2023, the Company and its subsidiaries have total assets of 59,901.0 million baht, which decreased by 2,344.6 million baht from 31 December 2022.

Unit: million baht

	As of 30 June 2023	As of 31 December 2022	Variance
<i>Current assets</i>			
Cash and cash equivalents	8,373.6	3,591.7	4,781.9
Trade and other receivables	1,037.9	1,184.8	(146.9)
Inventory	470.7	464.6	6.1
Other current financial assets	1,007.2	3,055.5	(2,048.3)
Other current assets	249.8	311.6	(61.8)
<i>Total current assets</i>	<i>11,139.0</i>	<i>8,608.2</i>	<i>2,530.8</i>
<i>Non-current assets</i>			
Investments in associates	4,810.3	4,844.6	(34.3)
Other non-current financial assets	29,895.5	32,556.0	(2,660.6)
Property, plant, and equipment	7,152.7	8,269.8	(1,117.1)
Right-of-use assets	4,725.2	5,419.2	(694.0)
Deposits	530.2	608.2	(78.0)
Other non-current assets	1,648.1	1,939.6	(291.5)
<i>Total Non-current assets</i>	<i>48,761.9</i>	<i>53,637.4</i>	<i>(4,875.5)</i>
<i>Total assets</i>	<i>59,901.0</i>	<i>62,245.6</i>	<i>(2,344.6)</i>

Current assets

The Company's total current assets as of 30 June 2023 were 11,139.0 million baht, which increased from 31 December 2022 by 2,530.8 million baht. This was mainly from:



- An incremental of cash and cash equivalents by 4,781.9 million baht, mainly from the cash received from operating activities, cash received from the sale of assets and market securities, and cash deposits. However, the Company reported cash paid for lease liabilities, repayment of a long-term loan and short-term loan, and cash paid for financial costs with a total amount of 4,194.8 million baht.
- A decrease of other current financial assets amounted to 2,048.3 million baht due to a reclassification of cash deposits from other current financial assets at the end of 2022 to cash and cash equivalents during the period.

Non-current assets

The total non-current assets of the Company were 48,761.9 million baht, which decreased from the end of 2022 by 4,875.5 million baht. That was mainly from:

- Other non-current financial assets dropped by 2,660.6 million baht, which mainly resulted from the selling of marketable securities and mark-to-market of long-term investments of marketable securities during the period
- A decrease of 1,117.1 million baht from Property, Plant, and Equipment resulted from 3-ATR 72-600 sales and depreciation.

Liabilities

As of 30 June 2023, the Company and its subsidiaries have liabilities amounted to 42,726.8 million baht, decreased by 2,755.2 million baht from 31 December 2022 as follows:

Unit: million baht

	As of 30 June 2023	As of 31 December 2022	Variance
<i>Current liabilities</i>			
Short-term loan	332.0	767.9	(435.9)
Trade and other payables	1,259.8	1,557.8	(298.0)
Current portion of long-term loans	608.3	7,580.0	(6,971.7)
Current portion of lease liabilities	995.3	3,191.7	(2,196.4)
Unearned revenue	2,176.7	1,791.6	385.1
Current portion of long-term financial liabilities	92.5	92.5	0.0
Other current liabilities	2,184.8	2,245.1	(60.3)
Total current liabilities	7,649.4	17,226.5	(9,577.1)
<i>Non-Current liabilities</i>			
Long-term loans– net current of the	12,495.8	6,763.3	5,732.5

	As of 30 June 2023	As of 31 December 2022	Variance
portion			
Lease liabilities - net of the current portion	2,153.5	530.0	1,623.6
Employee benefits	966.7	899.5	67.2
Deferred tax liabilities	5,057.2	5,650.9	(593.6)
Long-term financial liabilities - net of the current portion	14,322.0	14,311.0	11.0
Other non-current liabilities	82.1	100.8	(18.7)
Total non-current liabilities	35,077.4	28,255.5	6,822.0
Total liabilities	42,726.8	45,482.0	(2,755.2)

Current liabilities

Total current liabilities were 7,649.4 million baht, decreased from 31 December 2022 by 9,577.1 million baht, which mainly resulted from:

- A decreasing amount of 6,971.7 million baht of the current portion of long-term loans. That was derived from the repayment of long-term loans and receiving waiver letters from financial institutions. Consequently, the Company re-classified the current portion of the long-term loan amounting to 7,298.0 million baht as non-current liabilities.
- A decrease in short-term loan from repayment amounted to 435.9 million baht during the period.
- The current portion of lease liabilities dropped by 2,196.4 million baht from reclassifying the current portion of lease liabilities to be non-current liabilities and repayment of lease liability of 1-ATR aircraft.

Non-current liabilities

The total non-current liabilities of the Company were 35,077.4 million baht, increased by 6,822.0 million baht from 31 December 2022. That mainly resulted from the following;

- An increase in net of the current portion of the long-term loan amounted to 5,732.5 million baht, mainly from the reclassification of the current portion of the long-term loan to the net of the current portion of the long-term loan in non-current liabilities. Nevertheless, the Company drew down a long-term loan by 500.0 million baht during the period.
- Lease liabilities - net of the current portion increased by 1,623.6 million baht due to the re-classified current portion of lease liabilities to non-current liabilities and repayment of lease liabilities during the period.

- Deferred tax liabilities decreased by 593.6 million baht due to the changes of the mark-to-market of marketable securities during the period

Shareholders' Equity

Unit: million baht

	As at 30 June 2023	As at 31 December 2022	Variance
Paid up capital	2,100.0	2,100.0	0.0
Premium on ordinary shares and capital reserve for share-based payment transactions	9,218.8	9,218.8	0.0
Other components of shareholders' equity	19,601.8	21,692.0	(2,090.2)
Retained earnings (loss)	(13,479.8)	(15,981.4)	2,501.5
Others ⁽¹⁾	(266.6)	(265.9)	(0.8)
Total shareholders' equity	17,174.2	16,763.5	410.6

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

As of 30 June 2023, the total shareholders' equity of the Company and its subsidiaries was 17,174.2 million baht, increasing by 410.6 million baht. That was mainly due to improved retained loss by 2,501.5 million baht. However, other components of shareholders' equity dropped by 2,090.2 million baht, resulting from mark-to-market long-term investments in marketable securities during the period.

The Company reported retained loss as of 30 June 2023 at 13,479.8 million baht.

Statement of Cash Flow

Unit: million baht

	As at 30 June	
	2023	2022
Net cash flows from (used in) operating activities	3,225.7	371.4
Net cash flows from (used in) investing activities	5,253.2	279.3
Net cash flows from (used in) financing activities	(3,697.1)	(1,031.3)
Cash and cash equivalents at the end of the period	8,373.6	1,745.3

Cash flows from operating activities

The Company and its subsidiaries showed a gain from operating activities before changes in operating assets and liabilities at 2,802.9 million baht. The Company reported cash flows from operating activities at 3,056.9 million baht. The Company reported net cash flow from operating activities as of 30 June 2023 at 3,225.7 million baht.

Cash flows from investing activities

As of 30 June 2023, net cash flows from investing activities of the Company and its subsidiaries was 5,253.2 million baht. The majority were cash deposits, cash from sales of 3-ATR72-600 aircraft, and cash from selling marketable securities during the period.

Cash flows from financing activities

As of 30 June 2023, the Company and its subsidiaries had cash flow used in financing activities was 3,697.1 million baht, mainly for the payment of long-term and short-term loans, lease liabilities, and finance cost with a total amount of 4,194.8 million baht. Nevertheless, the Company received cash from drew down of loan-term loans 500.0 million baht.



Summary Consolidated Financial and Ratio

		As at 30 June	
		2023	2022
Liquidity Ratio	Current Ratio (Time)	1.5	0.3
	Collection Period (Day)	20.7	22.7
	Stock Turnover Period (Day)	11.2	17.4
	Payment Period (Day)	31.3	26.1
Profitability Ratio	EBITDA Margin (%)	28.4	(0.4)
	Net profit Margin (%)	14.4	(44.9)
	Return on Equity (%)	20.1	(28.1)
Leverage Ratio	Debt to Equity (Time)	2.5	2.7
	Interest Coverage Ratio (Time)	2.7	(0.03)

