

Date 25 September 2023

Subject Discussion and Analysis of the Company's Performance from the Financial Reporting for the Year Ended 31 December 2022

To President of the Stock Exchange of Thailand

Smart Aviation Solutions Public Company Limited (the "Company" or "SAV") would like to submit the Year Ended 31 December 2022

Revenue from service

Revenue Structure

The Company's revenue is divided into 3 main types as follows:

1. Landing & Take-off - Domestic: is the revenue from air traffic control services that the Company collects from airlines that take-off and landing at Cambodia airports where such airlines have flight routes only in Cambodia. The proportion of this type of revenue for the fiscal year ending 31 December 2022 is 0.92% of operating income.

2. Landing & Take-off - International: is the revenue from air traffic control services that the Company collects from airlines that have take-off and landing flights at Cambodia airports where such airlines have flight routes between Cambodia and other countries. The proportion of this type of revenue for the fiscal year ending 31 December 2022 is 25.77% of operating income.

3. Overflight: is revenue from air traffic control services that the Company collects from airlines that fly through Cambodia's airspace (Phnom Penh FIR) from one airport outside Cambodia to another airport outside Cambodia, which did not land in the Cambodia airport. The proportion of this type of revenue for the fiscal year ending 31 December 2022 is 73.31% of operating income.

Company's revenue structure for the year ending 31 December 2021 and 2022 can be classified by type as follows.

Business types	For the Years Ended On 31 December			
	2021		2022	
	MTHB	%	MTHB	%
Landing and Take-off - Domestic	4.96	1.09	10.04	0.92
Landing and Take-off - International	99.97	21.93	279.87	25.77
Overflight	350.84	76.98	796.29	73.31
Total	455.77	100.00	1,086.21	100.00

Remark: Revenue from services according to this table does not include income under concession contracts. In 2022, regarding to the interpretation of Thai Financial Reporting Standards No. 12: Service Concession Agreements (TFRIC 12), which was recorded equal to the cost of CATS developing additional equipment and systems to comply with the Concession contract agreement.

Revenue from services in 2021 and 2022 were equal to 455.77 million baht and 1,086.21 million baht, respectively.

Revenue from services in 2022 increased by 630.44 million baht or 138.32% from the previous year. This was mainly due to an increased level of service as the pandemic situation eases. At the same time, The Cambodian government has announced the cancellation of all travel restrictions to Cambodia during the COVID-19 situation, resulting in a significant increase of international flights.

Service Cost

Service costs mainly arise from the revenue sharing to the State Secretariat of Civil Aviation of Cambodia (“SSCA”) under the service concession agreement. This also includes the salaries of air traffic control staff, depreciations and replacement costs for assets used for air traffic control. The share of revenue for each type of flight is as follows:

Flight type	Revenue sharing to SSCA
Landing and Take-off – Domestic and International	The revenue sharing rate is 50% for the service revenue.
Overflight	<ul style="list-style-type: none"> - The revenue sharing rate is 30% of base year service revenue. (According to the contract, the base year is 2017), which in 2017, the income was 931.96 million baht. - Additional service income from the base year will be calculated as revenue sharing at the rate of 40%.

Details of service costs can be classified as follows:

Consolidated statement of income	For the Years Ended On 31 December			
	2021		2022	
	MTHB	%	MTHB	%
Service cost sharing to SSCA				
Landing and Take-off - Domestic	2.48	0.78	5.02	0.74
Landing and Take-off - International	49.99	15.74	139.94	20.63
Overflight	105.25	33.14	238.89	35.22
Total service cost sharing to SSCA	157.72	49.65	383.85	56.59
Employee expenses	71.79	22.60	80.12	11.65
Depreciation	63.14	19.88	61.60	8.96
Cost under concession contract ^{/1}	-	-	131.40	19.10
Other costs ^{/2}	24.98	7.87	30.87	4.49
Total service cost	317.63	100.00	687.83	100.00

Remark: /1 In 2022, service costs were recorded under the concession contract, regarding to the interpretation of Thai Financial Reporting Standards No. 12: Service Concession Agreements (TFRIC 12), which was recorded equal to the cost of CATS developing additional equipment and systems to comply with the Concession contract agreement.
/2 Other costs include the cost of information technology security services (ICSS) and the cost of equipment related to air traffic services.

Consolidated statement of income	For the Years Ended On 31 December	
	2021	2022
	MTHB	MTHB
Total service cost	(317.63)	(687.83)
Total revenue	459.04	1,220.07
Proportion to revenue	69.19%	56.38%

Service costs in 2021 and 2022 were equal to 317.63 million baht and 687.83 million baht, respectively.

Service costs in 2022 increased by 370.20 million baht or 116.55% from the year 2021, mainly due to the revenue sharing to SSCA according to the service concession agreement, which when the number of flights increased as the pandemic situation eases, resulting in increased service revenue. As so the shared service costs increase in line with revenue. In addition, there was also a replacement cost for intangible assets that the Company has additionally invested in following the extension of the concession contract in the past.

Gross profit

Gross profit in 2021 and 2022 are equal to 138.14 million baht and 529.78 million baht, respectively, representing a gross profit margin of 30.31% and 43.51%, respectively.

The gross profit margin in 2022 increased from 2021. This was mainly due to an increased level of service as the pandemic situation eases. At the same time, The Cambodian government has announced the cancellation of all travel restrictions to Cambodia during the COVID-19 situation, resulting in a significant increase of revenue from service along with an increase in the number of flights. While some fixed costs involved, such as air traffic controllers' salaries and asset depreciation, remained constant.

Gain from exchange rate

Gain from exchange rate come from the company has the USD currency as the main currency used in operations (Functional Currency). Since the Company has loans from related company in THB currency. Therefore, during the periods when THB depreciate against USD, the Company will have a gain from exchange rate. However, gain from foreign exchange is shown net with loss from foreign exchange. Which is in the period 2021 to 2022, the company had a greater portion of loss from foreign exchange rate, so the total net amount was shown on the loss from exchange rate side.

Other revenue

Consolidated statement of income	For the Years Ended On 31 December			
	2021		2022	
	MTHB	%	MTHB	%
Service Revenues	1.90	58.18	2.35	16.68
Revenue from changes in estimates according to the concession contract	-	-	-	-
Others ^{/1}	1.37	41.82	0.11	0.81
Total other revenue	3.27	100.00	2.46	100.00

Remark: /1 Others are the transaction of adjustment to the estimated expenses which are actually occurred.

In 2021 and 2022, other revenue mainly came from service revenue, which was a share of VHF Data Link services provided by third-party companies that install ground-to-aircraft communications equipment in CATS areas. Both types of such revenue decreased in 2021 and increase in 2022., which was consistent with the economic situation in each period.

Financial income

Financial income in 2021 and 2022 were equal to 3.50 million baht and 9.33 million baht, respectively.

Financial income in 2022 increased by 5.83 million baht or 166.32% from the 2021 period, mainly due to CATS having excess liquidity from past operations. As a result, bank deposits increased. Including an increase in short-term loans to SMART, which CATS provided loans to use as a working capital in the Group. The loan began in August 2019.

Service expense

Service expenses in 2021 and 2022 were equal to 9.01 million baht and 9.65 million baht, respectively.

Most of the service costs arise from insurance costs for equipment and tools used in air traffic management and flight damage insurance.

Administrative expenses

Most of the company's administrative expenses arise from employee expenses, depreciations and amortizations, management fees, professional service fees and insurance premiums, etc. Administrative expenses can be classified as following:

Transactions	For the Years Ended On 31 December			
	2021		2022	
	MTHB	%	MTHB	%
Employee expenses	114.80	61.49	134.25	59.14
Depreciation and Amortization	6.93	3.71	6.83	3.01
Management fee	16.12	8.63	17.67	7.78
Commission	0.16	0.09	0.64	0.28
Rental fee	1.64	0.88	1.53	0.67
Utility costs	7.71	4.13	9.69	4.27
Office equipment expenses	2.66	1.43	2.85	1.26
travelling expenses	4.60	2.46	7.77	3.42
Professional service fees	17.82	9.54	20.03	8.82
Insurance premium	9.17	4.91	9.29	4.09
Recreational expenses and donations	0.53	0.28	8.93	3.94
Other tax expenses	0.40	0.21	1.78	0.78

Transactions	For the Years Ended On 31 December			
	2021		2022	
	MTHB	%	MTHB	%
Other administrative expenses	4.17	2.23	5.74	2.53
Total administrative expenses	186.71	100.00	227.01	100.00

Transactions	For the Years Ended On 31 December	
	2021	2022
	MTHB	MTHB
Total administrative expenses	(186.71)	(227.01)
Total revenue	459.04	1,220.07
Proportion to revenue	40.67%	18.61%

Administrative expenses in 2021 and 2022 were equal to 186.71 million baht and 227.01 million baht, respectively.

Administrative expenses in 2022 increased by 40.30 million baht or 21.58% from the fiscal year 2021, mainly due to the increase in staff expenses – such as more employee hires and performance bonuses associated, and there was also an impact from the difference in translation of financial statements from the depreciation of the THB in 2022.

Loss from exchange rate

Loss from exchange rate came from the company having the USD currency as the main currency used in operations (Functional Currency). Since the Company has loans from related company in the THB currency. Therefore, during periods when the THB appreciate against the USD, the Company will have a loss from exchange rate.

Other expense

Other expenses of the Company mainly came from withholding tax amortization because the Company receives dividends from CATS, which the withholding tax rate in Cambodia is equal to 14.00%. However, since Thailand and Cambodia have a Double Tax Agreement (DTA) which requires withholding tax to be deducted at a rate equal to 10.00% for the dividend amount and every other items. Other expenses in the years 2021 and 2022 are equal to 6.67 million baht and 7.34 million baht, respectively.

Other expenses in the fiscal year 2022 increased by 0.67 million baht or 10.05% from the fiscal year 2021, mainly due to the impact from the difference in translation of financial statements.

Financial cost

Financial costs in 2021 and 2022 are equal to 31.40 million baht and 55.71 million baht, respectively.

Financial costs in the fiscal year 2022 increased by 24.32 million baht or 77.46% from the fiscal year 2021, mainly due to an increasing in short-term loans from SUT, which the company borrowed for the purpose of using as working capital in the Group and to repay loans from financial institutions. The loan begun from April 2022. In addition, the interest rate will increase during 2022 as well.

Income tax expenses

According to Cambodian tax law, Profit Tax Return is divided into 2 types: 1.) Monthly payment is for Prepayment of Profit Tax at the rate of 1% of total business income plus all types of taxes except VAT and 2.) Annual tax payment, according to the form specified by the administrative tax collection department. The advance profit tax can be deducted to pay only the difference in cases where the annual profit tax is greater than the combined advance profit tax for all 12 months. Minimum tax is a tax payable by taxpayers under the self-assessment system at the rate of 1% of the business's total annual income plus all taxes, excluding VAT, paid along with the tax payment of annual profit tax. However, if the profit tax is higher than the minimum tax. The regulator requires the Company to pay only profit tax but if the profit tax is lower than the minimum tax, the Company must pay the minimum tax instead.

Income tax expenses in the years 2021 and 2022 were equal to (20.35) million baht and 53.56 million baht, respectively, representing an effective tax payment rate of (21.49%) and 21.17% of profit before income tax expenses, respectively.

Income tax expenses in 2022 increased by 73.95 million baht, or 363.38%, from the fiscal year 2021, mainly due to an increase in the operating results of the Company.

Net Profit

Net profit in the years 2021 and 2022 were equal to (74.35) million baht and 199.55 million baht, respectively, representing a net profit margin of (16.20%) and 16.36% of total revenue, respectively.

Total assets

Total assets as at year-ends 2021 and 2022 were 1,596.57 million baht and 2,249.31 million baht respectively. Major assets comprised intangible assets which consisted of the value of the service concession made with SSCA, a short-term loan to related parties, including cash and cash equivalents.

Total assets as at year-end 2022 increased from year-end 2021 by 652.74 million baht, equivalent to 40.88%. Such an increase was mainly due to an increase in intangible assets consisting of the value of service concessions made with SSCA and including cash and cash equivalents which increased in proportion to revenue from services. Furthermore, bank deposits with pledged obligations - which CATS has used as a reserve in the debt service reserve account to secure loan agreements from financial institutions - were increased in accordance with the loan agreement conditions. In addition, there was an increase in long-term loans to related parties as the Company provided additional short-term loans to SMART.

Total liabilities

Total liabilities as at year-ends 2021 and 2022 were 1,453.72 million baht and 1,910.17 million baht respectively. Major liabilities in 2021 comprised long-term loan from financial institution. And most of the liabilities in 2022 consisted of long-term loans from financial institutions and short-term loans from the parent company.

Total liabilities as at year-end 2022 increased from year-end 2021 by 456.45 million baht, or equivalent to 31.40%. Such change was caused mainly by an increase in short-term loans from Smart U-Trans Co., Ltd. ("SUT") and long-term provisions under service concessions as the Company has invested in the developing additional equipment and systems in accordance with the extension of the concession period.

Total equities

Total equities as at year-ends 2021 and 2022 were 142.84 million baht and 339.14 million baht, respectively.

Total equities as of year-end 2022 increased from year-end 2021 by 196.29 million baht, or equivalent to 137.42%, mainly due to the net profit for the year in the amount of 199.55 million baht.

Business Performance

Consolidated statement of comprehensive income (MTHB)	For the Years Ended On 31 December		Change	
	2021	2022	MTHB	%
Service revenue	455.77	1,217.61	761.84	167.15
Gain from exchange rate	-	-	-	-
Other revenue	3.27	2.46	(0.81)	(24.66)
Total revenue	459.04	1,220.07	761.03	165.79
Service cost	(317.63)	(687.83)	370.20	116.55
Service expense	(9.01)	(9.65)	0.64	7.08
Administrative expense	(186.71)	(227.01)	40.30	21.58
Loss from exchange rate	(0.69)	(0.32)	(0.37)	(54.13)
Other expense	(6.67)	(7.34)	0.67	10.05
Total expense	(520.71)	(932.15)	411.44	79.01
Operating profit	(61.68)	287.92	349.60	566.83
Financial income	3.50	9.33	5.83	166.32
Financial cost	(31.40)	(55.71)	24.32	77.46
Reversal (loss) of impairment loss on financial assets	(5.13)	11.61	16.74	326.43
Operating profit before tax	(94.70)	253.15	347.84	367.33
Tax expense	20.35	(53.60)	(73.95)	(363.38)
Net income	(74.35)	199.55	273.89	368.41

Financial Position

Consolidated Financial Statements (MTHB)	For the Years Ended 31 December 2021	For the Years Ended 31 December 2022	Change	
			MTHB	%
Total assets	1,596.57	2,249.31	652.74	40.88
Total liabilities	1,453.72	1,910.17	456.45	31.40
Total equities	142.84	339.14	196.29	137.42

Please be informed accordingly,

Sincerely yours,



Miss Sucharee Assanasuwan

Chief Financial Officer