

**MANAGEMENT
DISCUSSION AND ANALYSIS
(MD&A)
3Q2023**





สายการบินราคาประหยัด
ดีที่สุดในโลก

AIRASIA
14

ปีซ้อน

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ขอบคุณที่อยู่กับเราในทุกก้าวของความสำเร็จ ไม่ว่าจะเล็กหรือใหญ่
เพราะทุกสิ่งที่เราทำ ก็เพื่อทุกคนเสมอ

AirAsia

Executive Summary

Thailand's tourism industry remained resilient in 3Q2023, welcoming another seven million foreign arrivals

According to the Tourism Authority of Thailand ("TAT"), the tourism industry in Thailand demonstrated resilience in the third quarter of 2023 ("3Q2023"), welcoming a total of seven million foreign arrivals, reaching 73 percent of the level seen in 3Q2019. Compared to 6.5 million in the previous two quarters, this brought the total for the first nine months ("9M2023") to 20 million. The top three inbound nationalities in 3Q2023 were Malaysians, Chinese, and Koreans, with respective arrivals of 1.20 million, 1.05 million, and 0.43 million. Additionally, domestic tourism remained robust during this quarter and exceeded the figures from 3Q2019 by 8 percent.

China, a pivotal tourism market for Thailand, recorded a GDP growth in 3Q2023 of 4.9 percent year-on-year ("YoY") and 1.3 percent quarter-on-quarter ("QoQ"), stronger than seen in the last quarter. Chinese travellers remained to show a preference for domestic travel over international trips, with a rebound rate of approximately 110 percent compared to 3Q2019, as opposed to 60 percent for international travel¹. Nevertheless, the flow of Chinese tourists to Thailand continued to grow, with a 13 percent QoQ increase and an average daily inbound rate of 11,400 people in the third quarter.

Thai AirAsia maintained competitiveness in the domestic market while strategically allocating its fleet to international markets

In 3Q2023, Thai AirAsia ("TAA") flew 5.08 million seats, a recovery of 78 percent compared to 3Q2019. The number of passengers transported increased 65 percent YoY to 4.56 million passengers, a recovery of 86 percent compared to 3Q2019 with a competitive 90 percent load factor. By the end of the quarter, TAA operated 46 aircraft, adding 11 more aircraft compared to the previous year and one additional aircraft from the previous quarter, out of a total fleet of 54 aircraft.

In the domestic market, TAA achieved an all-time high passenger market share of 38 percent, up from 34 percent at the beginning of the year. This reflects the strong brand preference of TAA's passengers and its increased seat capacity compared to its peers. During the quarter, TAA reduced domestic available seat kilometres ("ASK") by 4 percent QoQ to capitalise on emerging opportunities in international markets. Despite this reduction, the robust domestic travel demand continued to result in a strong load factor of 93 percent.

The focus for international markets in the quarter was on restoring lagging seat capacities to East Asia, reintroducing routes to South Asia, and maintaining competitiveness in ASEAN. With improved airport resources, TAA increased seat capacity to Hong Kong and Macau by 23 percent QoQ, enabling 34 and 17

¹ OAG

weekly flights, respectively. Additionally, the number of flight frequencies to China was optimised, ending the quarter at 71 flights per week. Passengers travelling to/from China continued to increase by 8 percent QoQ, reaching 349,000 passengers in the third quarter and a load factor of 87 percent. The resumption of flights to Colombo (Sri Lanka) since July, currently at four flights per week, was also well received by passengers.

The bottom line of the Company was impacted by surging fuel costs and a weakened Baht

Asia Aviation Plc. (“AAV”) reported total revenue of Baht 9,898.7 million in 3Q2023, increasing by 102 percent YoY but decreasing by 5 percent QoQ. The average fare remained at a stable level of Baht 1,720 for this quarter, increasing by 22 percent YoY but dropping 2 percent QoQ. The total fuel costs experienced a significant increase of 61 percent YoY and 19 percent QoQ, primarily due to the rising jet fuel prices throughout the quarter and the reintroduction of domestic excise fuel tax since July, from Baht 0.2 per litre to Baht 5.2 per litre. With other costs well controlled,

AAV reported an EBITDA of Baht 389.1 million, compared to a loss of Baht (601.3) million in 3Q2022. AAV recorded an FX loss, mostly unrealised, of Baht (813.5) million. As a result, AAV reported a net loss of Baht (1,694.7) million for this quarter, improved from a loss of Baht (4,050.2) million in 3Q2022.

Capture high seasonality demand in 4Q2023 amid potential fluctuation in fuel prices

The TAT and other institutions forecast that 8-10 million foreign tourists would visit Thailand in 4Q2023. This will support TAA in achieving its full-year target of 20 million passengers while also reactivating as many inactive aircraft into its operational fleet. The government's effective handling of the previous incident in central Bangkok and the implementation of VISA-free measures for Chinese, Kazakh, Indian, and Taiwanese travellers, are expected to strengthen inbound demand in 4Q2023 and early 2024. This should facilitate fare increases in the short-term, coupled with the potential fuel price fluctuations from the unresolved Middle East conflict.



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 nine-month ended 30 September 2022 and 2023 are summarised below:

Statement of Comprehensive Income

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change	Consolidated		Change
	For the			For the		
	three-month period			nine-month period		
	ended 30 September			ended 30 September		
	2023	2022		2023	2022	
Total revenues	9,898.7	4,892.3	+102%	29,540.2	9,503.9	+211%
Total expenses	11,433.3	9,903.0	+15%	30,849.9	22,260.3	+39%
Profit (loss) from operating activities	(1,534.6)	(5,010.7)	+69%	(1,309.7)	(12,756.4)	+90%
Profit (loss) for the period	(1,694.7)	(4,050.2)	+58%	(2,347.8)	(11,328.8)	+79%
Equity holders of the Company	(1,694.7)	(4,050.2)	+58%	(2,347.8)	(11,144.4)	+79%
Non-controlling interests of the subsidiary	-	-	N.A.	-	(184.4)	+100%
Total comprehensive income for the period	(1,694.7)	(4,050.2)	+58%	(2,347.8)	(11,217.9)	+79%
Equity holders of the Company	(1,694.7)	(4,050.2)	+58%	(2,347.8)	(11,085.8)	+79%
Non-controlling interests of the subsidiary	-	-	N.A.	-	(132.0)	+100%
Basic/Diluted earnings (loss) per share (Baht)	(0.1393)	(0.3451)	+60%	(0.1930)	(0.9661)	+80%
EBITDA Reconciliation						
Profit (loss) from operating activities	(1,534.6)	(5,010.7)	+69%	(1,309.7)	(12,756.4)	+90%
Gain (loss) on exchange rate	(813.5)	(2,885.1)	+72%	(1,641.5)	(5,073.9)	+68%
Gain (loss) on derivatives	17.6	14.6	+21%	69.4	(17.5)	N.A.
Gain (loss) from disposal assets	0.1	1.7	-92%	-	(39.1)	+100%
Depreciation and amortisation	1,128.0	1,540.8	-27%	3,686.5	4,719.2	-22%
EBITDA	389.1	(601.1)	N.A.	3,948.9	(2,906.8)	N.A.

Revenue

In 3Q2023, the Company achieved **total revenues** of Baht 9,898.7 million, representing a remarkable 102 percent increase when compared to the corresponding quarter of the previous year, attributable to a substantial increase both in the number of passengers and fares. The total capacity rose to 5.08 million, while the overall load factor remained consistently high at 90 percent. Thai AirAsia has demonstrated a continuous recovery in domestic capacity, reaching 89 percent of pre-COVID levels. This performance has firmly established the airline's leadership position in the domestic market, resulting in a record-breaking market share of 38 percent. Conversely, international capacity has rebounded by



83 percent, primarily driven by the reinstatement of flights to East Asia, especially in China. Overall, this has led to a considerable increase in total Available Seat Kilometres (ASK), totalling 5,921 million seat-kilometres, marking a growth of 107 percent compared to the same period in the previous year. However, the increased flight activities and continued high demand for air travel did lead to a drop in the airline's on-time performance ("OTP") to 83 percent. It is anticipated that this metric will recover as the operating fleet expands.

- **Revenues from sales and services** totalled Baht 9,662.2 million, up 101 percent from the same period last year, thanks to 4.56 million passengers and an average fare of Baht 1,720, increasing by 65 percent and 22 percent from the same period last year, respectively. Thai AirAsia utilised 46 operating aircraft out of a total fleet of 54 during the quarter, achieving a utilisation rate of 12.8 hours per aircraft per day. As a result, the Revenue per Available Seat Kilometres (RASK) was Baht 1.63 in 3Q2023, a significant increase from Baht 1.39 in 3Q2019.
 - **Ancillary income** was Baht 1,838.8 million, up 93 percent from the same period last year, primarily due to fees from checked baggage, seat selection, and other service fees associated with the resumption of international flights. Ancillary income accounted for 19 percent of revenues from sales and services, returning to pre-pandemic levels. As a result, ancillary income per passenger has increased to Baht 404, up from Baht 347 in 3Q2022.
- **Other income** was Baht 236.5 million, up 192 percent from the same quarter last year, attributable mainly to the expiration of unused travel credits incurred during the pandemic.

Cost and Expense

Total expenses in 3Q2023 totalled Baht 11,433.3 million, up 15 percent from the same period last year, mostly due to an increase in cost of sales and services, somewhat offset by lower FX losses.

- **Cost of sales and services** amounted to Baht 9,635.4 million, a 46 percent increase over the same period last year.
 - **Fuel costs** were Baht 4,009.9 million, up 61 percent from the same period last year, due to higher fuel consumption from longer international distances flown. On the other hand, the average jet kerosene price fell by 29 percent year on year to USD 102 per barrel. The Company does not currently hold any fuel hedging position.
 - **Staff costs** were Baht 1,068.9 million, a 50 percent increase over the same period last year due to an increase in personnel corresponding to an increase in flights and operating hours.
 - **Maintenance and overhaul costs** were Baht 1,713.6 million, up 48 percent from the same period last year, owing to more aircraft check activities following flight resumption in tandem with a rise in aircraft utilisation and flight frequency.
 - **Other costs of sales and services** amounted to Baht 2,843.1 million, a 26 percent increase over the same period last year, primarily due to an increase in guest services, ramp and airport operations in response to an improvement in actual flights flown, particularly the reinstatement of more international



flights. Furthermore, the expiration of Airport of Thailand's discount scheme at the end of March 2023 led to an increase in rents, parking fees, and landing charges.

- **Selling and administration expenses ("SG&A")** were Baht 905.3 million, up 120 percent from the same period last year, mainly attributable to higher sale commissions for transactions made through AirAsia Com Travel. Similar to 3Q2022, SG&A constituted 9 percent of revenues from sales and services in 3Q2023.
- **Other expenses** were Baht 892.6 million, a 69 percent decrease from the same period last year due to decreased exchange rate losses.

Overall, the Cost per Available Seat Kilometres ("CASK") has dropped significantly, from Baht 2.62 in 3Q2022 to Baht 1.85 in 3Q2023. CASK ex-fuel was Baht 1.17, a substantial fall from Baht 1.75 in 3Q2022, thanks to effective cost management and an expansion in ASK.

Profit and Loss

Compared to the same period last year, the Company managed to achieve an EBITDA of Baht 389.1 million during 3Q2023, marking a remarkable shift from the previous year's negative EBITDA of Baht (601.3) million in the same period, thanks to a substantial improvement in operational performance. Furthermore, finance costs were Baht 596.4 million, a slight decrease of 5 percent. Combined with an income tax revenue of Baht 429.0 million, the Company reported a net loss of Baht (1,694.7) million, a significant improvement from the net loss of Baht (4,050.2) million reported in 3Q2022.

Key Operating Statistics

Thai AirAsia Company Limited	3Q2023	3Q2022	Change	9M2023	9M2022	Change
Passenger Carried (Million)	4.56	2.75	+65%	13.78	5.89	+134%
<i>Domestic</i>	2.71	2.05	+32%	8.72	5.00	+74%
<i>International</i>	1.85	0.70	+165%	5.06	0.89	+472%
Capacity (Million seats)	5.08	3.16	+61%	15.25	7.38	+107%
<i>Domestic</i>	2.92	2.31	+26%	9.30	6.26	+48%
<i>International</i>	2.16	0.85	+155%	5.95	1.12	+432%
Load Factor (%)	90	87	+3 ppts	90	80	+10 ppts
Revenue Passenger Kilometres (Million seats-km)	5,219	2,478	+111%	14,785	4,854	+205%
Available Seat Kilometres (Million seats-km)	5,921	2,863	+107%	16,756	6,062	+176%
Average Fare (Baht)	1,720	1,404	+22%	1,688	1,284	+31%
Revenue per Available Seat Kilometres (Baht)	1.63	1.68	-3%	1.72	1.53	+12%
Cost per Available Seat Kilometres (Baht)	1.85	2.62	-29%	1.79	3.03	-41%
Cost per Available Seat Kilometres (ex-fuel)(Baht)	1.17	1.75	-33%	1.16	2.22	-48%



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

Throughout 9M2023, the sustained pent-up demand for travel continued to be prominent, particularly in the wake of China's reopening. In 9M2023, the number of inbound tourist arrivals reached 20.0 million, representing a recovery of 68 percent compared to the 29.5 million arrivals in 9M2019 and a remarkable increase of 255 percent compared to 9M2022. Thai AirAsia accommodated a total of 13.8 million passengers, comprising 8.7 million domestic passengers and 5.1 million international passengers, contributing to an outstanding overall load factor of 90 percent. Seat capacity and passenger recovery reached 77 percent and 82 percent, respectively, when compared to the corresponding period in 2019. By the end of 9M2023, Thai AirAsia was operating 46 aircraft from its fleet of 54, further optimising the utilisation rate of each aircraft to 12.5 hours per aircraft per day (12.8 hours in 3Q2023). Notably, the airline maintained an on-time performance ("OTP") of 83 percent.

In 9M2023, the Company maintained a strong average fare of Baht 1,688, contributing to an increase in RASK, which rose by 17 percent from 9M2019, reaching Baht 1.72. This growth was attributed to a more rationalised industry landscape following the pandemic, increased demand for air travel, and limited seat supply. Furthermore, CASK and CASK ex-fuel both decreased to Baht 1.79 and Baht 1.16, respectively, or 16 percent higher than in 9M2019.

In summary, the Company achieved total sales of Baht 29,540.2 million during 9M2023, representing a 211 percent increase compared to the same period last year. The Company's EBITDA for 9M2023 reached Baht 3,948.9 million, a substantial improvement from Baht (2,906.8) million in the previous year, driven by a more active fleet and reduced jet fuel prices. However, the depreciation of the Baht currency resulted in a foreign exchange loss of Baht (1,641.5) million, leading the Company to report a net loss of Baht (2,347.8) million, substantially improved from the net loss of Baht (11,328.8) million in the same period last year.



Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		
	As of 30 September 2023	As of 31 December 2022	Change
Total assets	67,740.4	64,685.5	+5%
Total current assets	9,511.4	5,236.3	+82%
Total non-current assets	58,229.0	59,449.2	-2%
Total liabilities	62,133.8	56,731.1	+10%
Total current liabilities	25,830.3	21,893.1	+18%
Total non-current liabilities	36,303.5	34,838.0	+4%
Total shareholders' equity	5,606.6	7,954.4	-30%

Assets

As of 30 September 2023, the Company had Baht 67,740.4 million of **total assets**, increasing by 5 percent from the end of 2022 mainly from an increase in amounts due from related parties and prepaid expenses.

- **Current assets** were Baht 9,511.4 million, increasing by 82 percent compared to the end of 2022. The Company had cash and cash equivalents of Baht 997.0 million, increased by 25 percent, mainly from the improved cash flow from operations. Amounts due from related parties rose by 122 percent to Baht 5,644.2 million, mainly from sales received by other companies under AirAsia Group on behalf of the Company. Prepaid expenses rose by 184 percent to Baht 1,283.7 million, mainly due to expenses related to fuel and aircraft maintenance.
- **Non-current assets** were Baht 58,229.0 million, decreased by 2 percent compared to the end of 2022, mainly due to the depreciation of right-of-use assets during the period, offset by an increase in deferred tax assets from higher loss carryforward.

Liabilities

As of 30 September 2023, the Company had Baht 62,133.8 million of **total liabilities**, increasing by 10 percent from the end of 2022 mainly from higher accrued expenses, unearned income, and a net increase in interest-bearing debt. Excluding lease liabilities, the Company had interest-bearing debt of Baht 8,628.4 million.

- **Current liabilities** were Baht 25,830.3 million, increasing by 18 percent. Accrued expenses rose by 53 percent to Baht 6,324.7 million due to higher expenses in aircraft maintenance and fuel. Unearned income increased by 29 percent to Baht 6,152.2 million following higher ticket sale volume.
- **Non-current liabilities** were Baht 36,303.5 million, increasing by 4 percent, mainly from Baht 1,200.0 million debenture issuance in the last September.



Equity

As of 30 September 2023, the Company had Baht 5,606.6 million of **total shareholders' equity**, decreasing by 30 percent from the end of 2022 mainly due to the loss for the period.

Cash Flow Statement

Asia Aviation Public Company Limited	Consolidated	
Unit: Baht million	For the nine-month period ended 30 September	
	2023	2022
Net cash generated from (used in) operating activities	4,379.9	(1,319.4)
Net cash generated from (used in) investing activities	(691.3)	(240.7)
Net cash generated from (used in) financing activities	(3,503.5)	(2,351.9)
Net increase (decrease) in cash and cash equivalents	185.0	(3,912.0)
Unrealised exchange loss on cash and cash equivalents	14.2	8.7
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	997.0	1,456.3

In 9M2023, the Company generated a **net cash inflow from operating activities** of Baht 4,379.9 million from improved operations. **Net cash used in investing activities** amounted to Baht (691.3) million, mainly due to payments for aircraft maintenance reserves. **Net cash used in financing activities** amounted to Baht (3,503.5) million, primarily due to cash paid for aircraft lease agreements. The Company had a net financing from loans and debentures of Baht 396 million and Baht 934 million, respectively. In summary, the Company had Baht 185.0 million **net increase in cash and cash equivalents** and Baht 997.0 million balance at the end of the period.

Key Financial Ratio

Asia Aviation Public Company Limited	3Q2023	3Q2022	9M2023	9M2022
Current Ratio (excluding lease liabilities)	0.5x	0.3x	0.5x	0.3x
EBITDA Margin	4%	(12%)	14%	(31%)
Net Profit Margin	(18%)	(84%)	(8%)	(122%)
Return on Assets	(3%)	(6%)	(3%)	(17%)
Return on Equity	(33%)	(67%)	(42%)	(189%)
Net Interest-Bearing Debt-to-Equity Ratio (excluding lease liabilities)	1.5x	1.6x	1.5x	1.6x
Interest Coverage Ratio (excluding interest due to TFRS16)	2.2x	(4.0x)	10.1x	(7.0x)



Business Outlook

The Company anticipates that the strong momentum of the tourism industry will continue in 4Q2023. The current forecast from the TAT and other institutions maintains an expectation of 28-30 million foreign visitors arriving in Thailand in 2023, which implies 8-10 million foreign tourists in 4Q2023. On the other hand, domestic tourism is anticipated to maintain its momentum, reflected from Thai AirAsia's domestic forward bookings for 4Q2023 already exceeding 65 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.

In 4Q2023, TAA plans to add 20 percent more seat capacity QoQ to domestic markets to serve the demand during the festive year-end. For international markets, the focus towards East Asia will continue with more flights flown to Hong Kong and Macau, while an intention to resume all flights earlier flown to China in 2019 is optimised and postponed to early 2024. Moreover, as the sentiment in South Asia remains strong, TAA will introduce a new route to Guwahati and resume flights to Gaya. The Company also sees an opportunity in ASEAN such as the market in Laos which has shown decent yield.

Strive to further reduce 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 5.2 per litre from the previous rate of Baht 0.2 per litre during the pandemic. The government is now

considering to lower the rate to support domestic tourism. Given the current market sentiment, domestic fares are expected to increase in 4Q2023. In addition, several uncontrollable downside risks remain, including the prolonged conflicts in Asia and Middle East, 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

