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26 February 2024

RE: Management Discussion and Analysis for the 6 months period ended 30 June 2023

To: President,
The Stock Exchange of Thailand

1.Executive Summary

As the COVID-19 situation continues to improve and passenger numbers steadily rise from 1.8 million in the first half of 2022 to 2.7 million in the same period of the following year, our business has seen significant revenue growth from progressive passenger transportation. Meanwhile, our diligent cost control measures have led to decreasing costs. While remaining under the rehabilitation plan, the management has rigorously enforced its implementation.

To strengthen sustainable operations and improve competitiveness in the aviation market, the company persists in enhancing and implementing various projects, which are outlined as follows:

Increasing revenue

1. Adjusting fares in line with market forces to increase passenger volume and total revenue.
2. Increase business channels as revenue generating channels, such as cargo etc.

Expense Management

1. Adjust work process and restructure of organization size to suit the current situation of the Company and streamline to increase work efficiencies.
2. Aircraft rental cost management, which is one of the main costs of operating the business. By trying to provide more aircraft with rental conditions suitable for operating hours, as well as improving aircraft plans to suit the route and current situation to help increase revenue, reduce costs, and increase management efficiency. In particular, maintenance cost is one of the main costs of the aviation business.
3. Reducing fuel costs by increasing the competitiveness of oil carrier auctions by increasing the number of efficient oil carriers.
4. Aircraft maintenance cost management by increasing efficiency in long-term aircraft maintenance planning and preventive maintenance.
5. Increasing service standards to expand our customer base to be comprehensive and in line with the current situation, as well as driving promotions. Promote and introduce new services to boost sales and create awareness.

Financial Liquidity Management

1. Negotiations with trade creditors, business partners, financial institutions, lenders to negotiate trade terms, or terms of contracts, such as credit terms or commercial loans from financial institutions, including expediting the collection of outstanding debts.
2. Budget management by controlling the use of budget in accordance with the specified work plan.

Service Development

1. Enhancing service in all aspects to build confidence and satisfaction with the Company's services, such as flexibility in booking air tickets. Updates to Flight Change Conditions.

The Company and its subsidiaries posted a net loss for the first half of 2023 of 388.24 million baht. The net loss for the first half of 2022 was 3,225.25 million baht or decreasing 2,837 million baht (-88%). The net loss attributable to the parent company was 388.24 million baht. The loss per share was 0.10 baht while the previous year was 0.86 baht per share.

The Company and its subsidiaries reported total revenue of 4,515.88 million baht, higher than the previous year of Baht 2,017.60 million baht or 80.76%, mainly due to an increase in passenger transportation revenue of Baht 1,856.48 million (82.56%). Increase in revenue from other services 146.15 million baht (59.58%). This year marks the airline's recovery from the COVID-19 pandemic and the number of passengers continues to increase. The company recognized 10.10 million baht, other revenue from subsidies for implementing measures to mitigate the effects of airlines from the COVID-19 situation from the Department of Airports. Total expenses 4,904.12 million baht decrease from the previous year by 819.41 million baht (14.3%). As a result, the company reduced significant net loss compared with the previous year.

The Company and its subsidiaries recorded an increase in passenger production (ASK) of 32.2%, an increase in passenger traffic (RPK) of 56.15%, an average (cabin factor) of 87.21%, higher than the previous year average of 73.66%, and a total of 2.7 million passengers transported. This was an increase of 49.44% from the previous year.

2.Management Discussion and Analysis for the first six months of year 2023

Passenger statistics and key business ratios

| | Unit | 6 mos. | 6 mos. | change | |
|--|------------------------|--------|--------|--------|----------|
| | | Y2022 | Y2023 | Amount | Percent |
| Number of aircraft at the end of the period | | | | | |
| - Boeing 737-800 New Generation | Aircraft | 14 | 14 | - | - |
| - Q400 NextGen | Aircraft | 3 | 0 | (3) | (100.00) |
| - Number of aircraft | Aircraft | 17 | 14 | (3) | (17.65) |
| Available Seat Kilometers: ASK | Mil. Seat-Km | 1,435 | 1,897 | 462 | 32.20 |
| Revenue Passenger Kilometers: RPK | Mil. Seat-Km | 1,033 | 1,613 | 580 | 56.15 |
| No. of sectors | Flights | 14,215 | 17,251 | 3,036 | 21.36 |
| Cabin factor | % | 73.66 | 87.21 | 13.55 | 18.40 |
| Passenger Carried | Million | 1.8 | 2.7 | 0.89 | 49.44 |
| Passenger Yield | baht/Seat-Km. | 2.18 | 2.54 | 0.37 | 16.91 |
| Revenue per Available Seat Kilometers: RASK | baht/Seat-Km. | 1.53 | 2.11 | 0.59 | 38.56 |
| Cost per Available Seat Kilometers: CASK | baht/Seat-Km. | 3.99 | 2.59 | (1.40) | (35.18) |
| Average Aircraft Utilization Hours | Operating Hours/Day | 6.02 | 7.83 | 1.81 | 30.07 |

The Company's Performance

Revenue for the first half (Jan-Jun) 2022 and 2023

| Unit: million baht | 2022 | | 2023 | | Change | |
|---------------------------------|-----------------|------------------------------|-----------------|------------------------------|-----------------|--------------|
| | Amount | Percent (%) to total revenue | Amount | Percent (%) to total revenue | Amount | Percent (%) |
| Passenger Revenue | 2,248.59 | 90.01 | 4,105.07 | 90.90 | 1,856.48 | 82.56 |
| Service Revenue | 235.19 | 9.41 | 375.34 | 8.31 | 140.15 | 59.59 |
| Revenue from debt restructuring | 0.38 | 0.02 | - | - | (0.38) | (100.00) |
| Other income | 14.12 | 0.57 | 35.47 | 0.79 | 21.35 | 151.24 |
| Total revenue | 2,498.28 | 100.00 | 4,515.88 | 100.00 | 2,017.60 | 80.76 |

Revenue Information

The Company had total revenue of 4,515.88 million baht or an increase of 80.76% from the previous year, divided into fare revenue 4,105.07 million baht accounting for 90.90% of total revenue. Revenue from services 375.34 million baht accounting for 8.31% of total revenue, other income of 35.47 million baht accounting for 0.79% of total revenue. Revenue per passenger production (RASK) is 2.11 baht/seat-km. This was an increase of 38.56% compared to the same period last year and passenger capacity (ASK) was increased to 1,897 million seats-km. (32.20%)

Passenger revenue: For the first half of year 2023, fare revenue amounted to 4,105.07 million baht, or an increase of 82.56% from the previous year, due to the decline in the spread of the epidemic and with the marketing promotion activities of domestic tourism. This has resulted in an increase in the rate of travel resulting in the ratio of passenger loads (Cabin Factor) increasing from 73.66% to 87.21% or 18.40% increase. Frights increased from 14,215 flights to 17,251 flights or 21.36%. In addition, the aircraft utilization rate increased from 6.02 operating hours per day to 7.83 operating hours per day compared to the same period last year, or an increase of 30.07%.

Service Revenue: For first half of year 2023, service revenue amounted 375.34 million baht, or an increase of 59.59% from the previous year, which increased in proportion to the significant increase in fare revenue based on the number of passengers and flights, especially from bags load, food and beverages, etc.

Others Revenue: For the first half of year 2023, other revenue amounted to Baht 35.47 million, or an increase of 151.24% from the previous year, due to recognized 10.10 million baht, other revenue from

subsidies for implementing measures to mitigate the effects of airlines from the COVID-19 situation from the Department of Airports

Expenses for the 6 months period ended June 2022 and 2023

| Unit: million baht | 2022 | | 2023 | | Change | |
|--|-----------------|------------------------------------|-----------------|------------------------------------|-----------------|----------------|
| | Amount | Percent (%) to total expense | Amount | Percent (%) to total expense | Amount | Percent (%) |
| Cost of passenger and services | 4,037.36 | 70.54 | 3,939.72 | 80.33 | (97.64) | (2.42) |
| Selling expenses | 16.37 | 0.29 | 31.50 | 0.64 | 15.13 | 92.43 |
| Administrative expenses | 157.30 | 2.75 | 133.56 | 2.72 | (23.74) | (15.09) |
| Financial Costs | 430.37 | 7.52 | 563.97 | 11.50 | 133.60 | 31.04 |
| Impairment loss on right-of-use assets | | | | | | |
| Expected credit losses | (23.25) | (0.41) | (0.60) | (0.01) | 22.65 | (97.42) |
| Loss on exchange rate | 1,105.38 | 19.31 | 235.97 | 4.81 | (869.41) | (78.65) |
| Total Expenses | 5,723.53 | 100.00 | 4,904.12 | 100.00 | (819.41) | (14.32) |

Information: Cost & Expenses

The Company's total expenses amounted to 4,904.12 million baht, or a decrease of 14.32% from the previous year, divided into fares and services cost 3,939.72 million baht, accounting for 80.33% of total expenses and selling expenses 31.50 million baht or 0.64% of total expenses. Administrative expenses 133.56 million baht accounting for 2.72% of total expenses and financial costs 563.97 million baht accounting for 11.50% of total expenditure. Expected credit loss of (0.60) million baht (reversal). (0.01)% of total expenses. The Company's cost per passenger volume decreased from 3.99 to 2.59 baht/seat-km, a decrease of 35.18% percent.

Transportation and service costs: For the first half of year 2023, the cost of fares and services was 3,939.72 million baht accounting for 80.33% of total expenditure and decreasing from previous year by 2.42%.

Selling and administrative expenses: For the first half of the year 2023, selling and administrative expenses amounted to 165.06 million baht, or a decrease of 4.96% from the previous year.

Financial costs: For the first half of the year 2023, financial costs amounted to 563.97 million baht, or an increase of 31.04% from the previous year due to interest rate recorded from lease of aircrafts.

Expected credit losses: For the first half of year 2023, expected credit losses (reversal) of (0.60) million baht. This was mainly due to the reversal of allowances for doubtful accounts set too high.

Profit (Loss) for the 6 months (Jan-Jun) 2022 and 2023

| Unit: Million baht | 2022 | | 2023 | | Change | |
|---|------------|--------------------|----------|--------------------|----------|-----------|
| | Amount | % to Total Revenue | Amount | % to Total Revenue | Amount | Percent % |
| Loss for the period | (3,225.25) | (129.10) | (388.24) | (8.60) | 2,837.01 | 87.96 |
| Total Comprehensive Loss for the period | (3,225.25) | (129.10) | (388.24) | (8.60) | 2,837.01 | 87.96 |
| Loss: Equity holders of the company | (3,225.21) | (129.10) | (388.24) | (8.60) | 2,836.97 | 87.96 |
| Basic loss per share for the periods | (0.86) | | (0.10) | | 0.76 | 88.37 |

The Company had a total comprehensive loss of Baht 388.24 million, loss decreased Baht 2,837.01 million compared to the previous year. The losses attributable to shareholders of the parent company Baht 388.24 million, decreased of Baht 2,836.97 million compared to the previous year. This is mainly due to the company's higher revenue and better cost control.

3. Financial Statement Position (Consolidated)

| Unit: Million baht | Consolidated Financial Statement | | | |
|---------------------------------------|----------------------------------|-------------------|----------|-------------|
| | As at 31 Dec 2022 | As at 30 Jun 2023 | Change | Percent (%) |
| Total Assets | 12,353.39 | 13,505.25 | 1,151.86 | 9.32 |
| Total Liabilities | 24,379.85 | 25,919.94 | 1,540.09 | 6.32 |
| Total Ownership of the parent company | (11,024.74) | (11,412.98) | (388.24) | (3.52) |
| Non-Controlling Interests | (1,001.71) | (1,001.71) | - | - |
| Total Shareholders' Equity | (12,206.45) | (12,414.69) | (208.24) | (1.71) |

Assets

As of 30 June 2023, the Company and its subsidiaries had total assets of 13,505.25 million baht, or an increase of 9.32% from 31 December 2022. Divided into current assets 1,620.25 million baht and non-current assets 11,885.01 million baht accounting for 12% and 88% of total assets, respectively.

Total Current Assets: As of 30 June 2023, the Company and its subsidiaries had total current assets of 1,620.25 million baht, or an increase of 39.51% from 31 December 2022, due to increasing in cash and cash equivalent by 449.63 million baht or 67.21%.

Total Non-Current Assets: As of 30 June 2023, the Company and its subsidiaries had total non-current assets of baht 11,885.01 million or an increase of 6.19% from 31 December 2022, mainly due to an increase in aircraft maintenance provision of 11.95% more than the previous year.

Liabilities and Shareholder's Equities

Liabilities: As of 30 June 2023, the Company and its subsidiaries had total liabilities of baht 25,919.94 million, or an increase of 6.32% from 31 December 2022. Net increase 1,232.58 million baht or an increase of 15.21% mainly due to aircraft maintenance liability.

Shareholder's equities: As of 30 June 2023, the Company and its subsidiaries had negative shareholders' equity of baht 12,414.69 million, increasing by 1.71% from 31 December 2022. The company total ownership of the parent company had negative of baht 11,412.98 million. The Company's non-controlling interests had a negative of baht 1,001.71 million. This was due to the operating loss because of the recovery of the aviation industry from the COVID-19.

Cash Flow Statement (Consolidated) for the period 6 months (Jan-Jun) 2022 and 2023

| Unit: Million baht | Consolidate Financial Statement | | | |
|--|---------------------------------|---------------------------|----------|----------------|
| | 6 mos. Jan-Jun 2022 | 6 mos. Jan-Jun 2023 | Change | Percent (%) |
| Net cash provided by (used in) operating activities | (175.60) | 1,227.39 | 1,403.00 | 798.95 |
| Net cash provided by (used in) investing activities | 249.62 | (13.84) | (263.46) | (105.54) |
| Net cash provided by (used in) financing activities | (257.67) | (757.88) | (500.21) | (194.12) |
| Effect from foreign exchange rate in cash and cash equivalents | 1.00 | (6.05) | (7.05) | (703.18) |
| Net increase (decrease) in cash and cash equivalents | (182.65) | 449.63 | 632.28 | 346.17 |
| Cash and cash equivalents as of 1 January | 1,009.17 | 669.01 | (340.17) | (33.71) |
| Cash and cash equivalents as of 31 December | 826.52 | 1,118.63 | 292.11 | 35.34 |

For the first half of year 2023, the Company and its subsidiaries had net cash flow from operating activities of baht 1,277.39 million. increase from spending of (175.60) million baht or 798.95% compared to the previous year. The main items affecting cash flow are trade and other payables, debt estimates, and cash for aircraft maintenance.

Cash flow from investment activities amounted to 13.84 million baht compared with Cash flow from investment activities from the previous year of Baht 249.62 million for 6 months in 2022.

Cash flow from financing activities amounted to (757.88) million baht. Cash inflows increased by Baht 500.21 million or 194.2% mainly from cash payments under lease agreements.

In addition, the Company and its subsidiaries were affected by foreign exchange rates, both cash and cash equivalents, amounting to (6.05) million baht. However, as of 30 June 2023, the Company had a net increase in cash and cash equivalents of Baht 292.11 million.

Commitments and Contingent Liabilities (Future)

As of 30 June 2023, the company has liabilities that may arise from contingencies that are not shown in the financial statement. From letter of guarantee issued by domestic and foreign banks and obligations for the procurement of aircraft that must be paid in the future (details as per Note 24 in the financial statement)

4. Summary of key financial ratios

| Financial ratio | unit | consolidated | |
|--|-------|--------------|--------|
| | | 2022 | 2023 |
| Liquidity ratio | | | |
| Average debt collection period | Day | 8.51 | 14.87 |
| The ratio shows profitability. | | | |
| Operating margin | % | (94.65) | 3.89 |
| Net Revenue Margin | % | (129.10) | (8.60) |
| Return on equity | % | (76.84) | (9.25) |
| The ratio shows operational efficiency. | | | |
| Return on assets | % | (26.11) | (2.87) |
| Fixed asset rate of return | % | (28.82) | (3.27) |
| Monetary Policy Analysis Ratio | | | |
| Debt to equity ratio | Times | 2.03 | 2.09 |
| Obligation Settlement Ratio | Times | (0.15) | 3.21 |
| Dividend payout ratio | % | 00 | 00 |
| Basic loss per share | Bath | (0.86) | (0.10) |
| Diluted loss per share | Bath | (0.86) | (0.10) |

Definition and formula for calculating financial ratios

The average collection period is $360/\text{accounts receivable turnover}$.

Operating margin before fuel cost is $(\text{operating revenue} + \text{fuel cost})/\text{total revenue}$.

Net profit margin is net profit and loss/total revenue.

Return on equity is net profit and loss/average shareholders' equity.

Return on assets is net profit and loss/average equity.

The rate of return on fixed assets is (net Profit and Loss + Depreciation)/equipment net average.

Debt to equity ratio is total liabilities/total shareholders' equity.

The obligation repayment ratio is (Operating Profit + Aircrafts Lease for Operating)/Aircrafts Lease for Operating.

The dividend payout ratio is the dividend paid/net profit and loss.

Basic loss per share is net loss/weighted average number of ordinary shares.

Diluted loss per share is net loss/weighted average number of ordinary shares (diluted).

5. Related Party Transactions

| Related persons and related parties | Type o Transaction | Amount (Million Baht) | | Remark: Transaction occurred in the normal course of business based on the basis determined by the company |
|---|---|---|--|---|
| | | 2023 | 2022 | |
| <p>Thai Airways International PCL</p> <p><u>Nature of Business</u> Full-Service Airline Operator</p> <p><u>Relationship</u> Thai Airways International PCL is a shareholder of the Company, as of 30 June 2023, holding 8.91% of the share</p> | <p>1.Expenses</p> <p><u>Repair and Maintenance</u> The Company has paid Thai Airways to maintain aircraft leased from Thai Airways and those rented from others.</p> <p>- Aircraft repair and maintenance services</p> <p><u>Ground service fee and meals for passengers, pilots and crew.</u> Ground service fees in stations where the company’s regular ground service contract operators are insufficient.</p> <p>- Ground Service</p> <p>- Meals for passenger / Flight Crew / Cabin Crew</p> <p>- Passenger Transportation</p> | <p>20.82</p> <p>n/a</p> <p>n/a</p> <p>n/a</p> | <p>12.8</p> <p>n/a</p> <p>n/a</p> <p>n/a</p> | <p>For maintenance Thai Airways is one of the few operators in Thailand that has a license to maintain aircrafts. Therefore, the Company and its subsidiaries are still using the maintenance services, parts and equipment rental provided by Thai Airways. The maintenance costs etc. are also in line with the market price.</p> |

| Related persons and related parties | Type o Transaction | Amount (Million Baht) | | Remark: Transaction occurred in the normal course of business based on the basis determined by the company |
|-------------------------------------|---|--------------------------|----------------|--|
| | | 2023 | 2022 | |
| | <u>Other Expenses</u> The company has other cost paid to Thai Airway such as Training, Insurance. - Other expenses | n/a | n/a | |
| | 2. Revenue <u>Passenger Revenue</u> The company having service for Thai Airway passengers as Code Share Agreement and Passenger Transfer Agreement - Revenue from airfare - Revenue from service | n/a n/a | n/a 0.6 | |
| | 3.Trade Creditors | 34.00 | 34.26 | |

| Related persons and related parties | Type o Transaction | Amount (Million Baht) | | Remark: Transaction occurred in the normal course of business based on the basis determined by the company |
|---|---|--------------------------|-------------------------|--|
| | | 2023 | 2022 | |
| <p>Don Muang International Airport Hotel Company Limited ("Airport Hotel")</p> <p><u>Nature of Business</u></p> <p>Airport Hotel operates Amari Don Muang Airport Hotel, which is located near Don Muang Airport.</p> <p><u>Relationship</u></p> <p>Thai Airways, who is a shareholder of the Company and holds a controlling stake in Airport Hotel, holds 40.0% of the shares in Airport Hotel.</p> | <p>1. Company expenses</p> <p>1.1 Accommodation Cost</p> <p>The company uses accommodation from Airport Hotel for upcountry station employees who come to work and train at Bangkok Station.</p> <p>- Accommodation and catering expenses</p> <p>2. Trade Creditors</p> | <p>0.14</p> <p>n/a</p> | <p>0.58</p> <p>0.05</p> | <p>The company chose to use the rooms and banquet facilities from the airport hotel to provide accommodation for employees from provincial stations who come to work and train at Don Muang International Airport. There is a direct access to the company's terminal building and offices, which will facilitate and save travel costs for the company's employees. The service fee is according to the market price.</p> |

| Related persons and related parties | Type o Transaction | Amount (Million Baht) | | Remark: Transaction occurred in the normal course of business based on the basis determined by the company |
|---|--|--------------------------|------------------------|---|
| | | 2023 | 2022 | |
| <p>Thai Flight Training Company Limited ("Thai Flight Training")</p> <p><u>Nature of Business</u> Thai Flight Training provides training services for aviation personnel.</p> <p><u>Relationship</u> Thai Airways, who is a shareholder of the Company, holds 49.0% shares in Thai Flight Training.</p> | <p>1. Fee - Training fee</p> <p>2. Trade creditors</p> | <p>1.22</p> <p>n/a</p> | <p>2.46</p> <p>n/a</p> | <p>Such transactions are necessary to conduct the business of the Company. If the Company operates by ourselves, will result in higher costs.</p> |

| Related persons and related parties | Type o Transaction | Amount (Million Baht) | | Remark: Transaction occurred in the normal course of business based on the basis determined by the company |
|--|--|--|--|--|
| | | 2023 | 2022 | |
| <p>Thai Smile Airways Company Limited ("Thai Smile")</p> <p><u>Nature of Business</u> Thai Airways Group low-cost airline that offers new options to customers who want to fly short distances.</p> <p><u>Relationship</u> Thai Airways, who is a shareholder of the Company and is the controlling authority in Thai Smile by holding 100 percent of shares in Thai Smile.</p> | <p>1. Company expenses</p> <p>1.1 Ticket Cost The Company provides air transportation services for the airline's passengers in accordance with the Passenger Transfer Agreement.</p> <p>- Ticket fare</p> <p>2. Company Revenue</p> <p>2.1 Ticket fare The Company provides air transportation services to passengers of Thai Smile Airways Limited according to the Passenger Transfer Agreement.</p> <p>- Fare revenue - Revenue from services</p> <p>3. Trade Creditors</p> <p>4. Trade Debts</p> | <p>n/a</p> <p>0.004 n/a</p> <p>0.023</p> <p>0.21</p> | <p>n/a</p> <p>0.050 n/a</p> <p>0.026</p> <p>0.17</p> | <p>The company has entered into a passenger transfer agreement with Thai Smile to transfer passengers between them in case of flight cancellation or delay at a pre-agreed price.</p> <p>The Company has entered into a Passenger Transfer Agreement with Thai Smile to transfer passengers between them in the event of flight cancellation or delay at a pre-agreed price.</p> |

| Related persons and related parties | Type o Transaction | Amount (Million Baht) | | Remark: Transaction occurred in the normal course of business based on the basis determined by the company |
|---|---|-------------------------------|-------------------------------|--|
| | | 2023 | 2022 | |
| <p>Aira Advisory Company Limited ("AIRA Advisory")</p> <p><u>Nature of Business</u></p> <p>Aira Advisory operates a financial management consulting business.</p> <p><u>Relationship</u></p> <p>The Company's shareholders hold shares in the AIRA Group.</p> | <p>1. Company expenses</p> <p>- Financial Advisory Service Fee</p> <p>2. Other creditors</p> | <p>1.40</p> <p>1.02</p> | <p>0.08</p> <p>1.02</p> | <p>The Company uses AIRA Advisory as a financial consultant and develops the financial system to be more efficient.</p> <p>The service fee is according to the market price.</p> |
| <p>Major Shareholder - Mrs. Hatairatn Jurangkool ("Mrs. Hatairatn Jurangkool")</p> <p><u>Nature of Business</u></p> <p>Mrs. Hatairatn Jurangkool is the major shareholder of the Company.</p> <p><u>Relationship</u></p> <p>Mrs. Hatairatn Jurangkool is a shareholder of the Company as of 30 June 2023. Holding 26.38%</p> | <p>1. Company expenses</p> <p>- Interest expense</p> <p>2. Short-term loans from shareholders</p> | <p>112.18</p> <p>3,046.86</p> | <p>102.65</p> <p>3,046.86</p> | <p>The Company borrowed money from Mrs. Hatairatn Jurangkool for operating expenses at an interest rate in line with the market rate.</p> |