

Date 25 September 2023

Subject Discussion and Analysis of the Company's Performance from the Interim Financial Reporting for the Six-Month Period Ended 30 June 2023

To President of the Stock Exchange of Thailand

Smart Aviation Solutions Public Company Limited (the "Company" or "SAV") would like to submit the Six-Month Period Ended 30 June 2023.

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 six-month period of 2023 is 0.86% 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 six-month period of 2023 is 32.47% 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 six-month period of 2023 is 66.67% of operating income.

Company's revenue structure for the 6-month period ending 30 June 2022 and 2023 can be classified by type as follows.

Business types	For the 6-Month Period Ending On			
	30 June 2022		30 June 2023	
	MTHB	%	MTHB	%
Landing and Take-off - Domestic	3.90	0.97	6.09	0.86
Landing and Take-off - International	93.30	23.07	230.31	32.47
Overflight	307.30	75.97	472.82	66.67
Total	404.50	100.00	709.23	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 for the six-month periods of 2022 and 2023 were equal to 404.50 million baht and 709.23 million baht, respectively.

Revenue from services for the six-month period of 2023 increased by 304.72 million baht or 75.33% from the six-month period of 2022. This was mainly due to an increase in service revenue following the increase in the number of flights in all categories.

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	- 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.

Flight type	Revenue sharing to SSCA
	- 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 6-Month Period Ending On			
	30 June 2022		30 June 2023	
	MTHB	%	MTHB	%
Service cost sharing to SSCA				
Landing and Take-off - Domestic	1.95	0.55	3.04	0.90
Landing and Take-off - International	46.65	13.19	115.16	33.88
Overflight	92.19	26.07	143.87	42.32
Total service cost sharing to SSCA	140.79	39.81	262.07	77.10
Employee expenses	36.60	10.35	39.95	11.75
Depreciation	35.98	10.17	24.18	7.11
Cost under concession contract ^{/1}	131.40	37.15	-	-
Other costs ^{/2}	8.88	2.51	13.72	4.04
Total service cost	353.65	100.00	339.92	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 6-Month Period Ending On	
	30 June 2022	30 June 2023
	MTHB	MTHB
Total service cost	(353.65)	(339.92)
Total revenue	538.97	710.42
Proportion to revenue	65.62%	47.85%

Service costs for the six-month periods of 2022 and 2023 were equal to 353.65 million baht and 339.92 million baht, respectively.

Service costs in the six-month period of 2023 decreased by 13.73 million baht or 3.88% from the six-month period of 2022, since 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, but in 2023, there is no such transaction.

Gross profit

Gross profit for the six-month periods of 2022 and 2023 is equal to 182.25 million baht and 369.31 million baht, respectively. The gross profit margin for the six-month periods of 2022 and 2023 is equal to 34.01% and 52.07%, respectively.

The gross profit margin for the six-month period of 2023 increased from the six-month period of 2022. This was mainly due to an increased level of service as the pandemic situation eases. At the same time, the 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 periods when the 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 six-month period of 2023, the company had a greater 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 6-Month Period Ending On			
	30 June 2022		30 June 2023	
	MTHB	%	MTHB	%
Service Revenues	0.86	88.31	1.19	99.98
Revenue from changes in estimates according to the concession contract	-	-	-	-
Others ¹	0.11	11.69	0.00	0.02
Total other revenue	0.97	100.00	1.19	100.00

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

For the six-month period of 2023, other revenue mainly came from service revenue, which were a share of VHF Data Link services provided by third-party companies that install ground-to-aircraft communications equipment in CATS areas. Such income will increase in the six-month period of 2023, which is consistent with the economic situation in each period.

Financial income

Financial income for the six-month period of 2022 and 2023 were equal to 1.85 million baht and 11.09 million baht, respectively.

Financial income in the six-month period of 2023 increased by 9.24 million baht or 499.73% from the six-month period of 2022, mainly due to interest income from short-term loan with financial institutions.

Service expense

Service expenses for the six-month periods of 2022 and 2023 were equal to 4.60 million baht and 4.97 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 according to the following types:

Transactions	For the 6-Month Period Ending On			
	30 June 2022		30 June 2023	
	MTHB	%	MTHB	%
Employee expenses	58.78	59.88	68.51	54.57
Depreciation and Amortization	3.33	3.39	8.06	6.42
Management fee	8.51	8.66	8.62	6.87
Commission	0.28	0.29	0.78	0.62
Rental fee	0.75	0.76	0.75	0.60
Utility costs	4.75	4.84	5.08	4.05

Transactions	For the 6-Month Period Ending On			
	30 June 2022		30 June 2023	
	MTHB	%	MTHB	%
Office equipment expenses	0.95	0.96	2.91	2.32
travelling expenses	3.32	3.38	6.59	5.25
Professional service fees	9.13	9.30	14.41	11.47
Insurance premium	4.60	4.69	3.09	2.46
Recreational expenses and donations	0.89	0.91	1.00	0.80
Other tax expenses	0.20	0.21	0.58	0.46
Other administrative expenses	2.68	5.18	5.18	4.12
Total administrative expenses	98.16	100.00	125.56	100.00

Transactions	For the 6-Month Period Ending On	
	30 June 2022	30 June 2023
	MTHB	MTHB
Total administrative expenses	(98.16)	(125.56)
Total revenue	538.97	710.42
Proportion to revenue	18.21%	17.67%

Administrative expenses for the six-month periods of 2022 and 2023 were equal to 98.16 million baht and 125.56 million baht, respectively.

Administrative expenses in the six-month period of 2023 increased by 27.40 million baht or 27.91% from the six-month period of 2022, mainly due to the increase in line with the growth of service income and an increase in staff expenses – such as more employee hires and performance bonuses associated – and, finally, the increase in depreciation of the office equipment and supplies.

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% of the dividend amount and every other items. Other expenses in the six-month periods of 2022 and 2023 are equal to 11.30 million baht and 51.09 million baht, respectively.

Other expenses in the six-month period of 2023 increased by 39.79 million baht, or 352.03%, mainly due to the amortization of withholding tax according to in the six-month period of 2023, the company received dividends from CATS amount of 474.88 million baht, which results in withholding tax of 47.49 million baht.

Financial cost

Financial costs for the six-month periods of 2022 and 2023 were equal to 19.26 million baht and 45.07 million baht, respectively.

Financial costs in the six-month period of 2023 increased by 25.80 million baht or 133.93% from the six-month period of 2022, mainly due to the increase in interest rates on loans from financial institutions.

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 for the six-month periods of 2022 and 2023 are equal to 15.38 million baht and 38.90 million baht, respectively, representing an effective tax rate of 25.02% and 25.44% of profit before income tax expenses, respectively.

Income tax expenses in the six-month period of 2023 increased by 23.52 million baht or 152.90% from the six-month period of 2022, mainly due to an increase in the operating results of the Company.

Net Profit

For the 6-month period that ended on the 30 June 2022 and 2023, the Group's net profit amounted to 46.09 million baht and 114.00 million baht, which is equivalent to the net profit margin of 8.64% and 16.05% respectively.

Total assets

Total assets as at year-end 2022 and 30 June 2023 were 2,249.31 million baht and 1,991.61 million baht. Major assets comprised intangible assets which consisted of the value of the service concession made with SSCA and cash and cash equivalents.

Total assets as of 30 Jun 2023 decreased from the end of the year 2022 by 257.70 million baht or equal to 11.46%. This is mainly due to the reduction of short-term loans to other related parties, as the loan amount 376.73 million baht has been paid off. At the same time, intangible assets increased by 133.48 million baht, and comprises the value of service concessions made with SSCA.

Total liabilities

Total liabilities as at year-end 2022 and 30 June 2023 were 1,910.17 million baht and 1,524.24 million baht. Major liabilities in the 6-month period of 2023 consists of long-term loan from financial institution.

Total liabilities as of the 30 June 2023 decreased from the end of the year 2022 by 385.93 million baht or 20.20%, mainly due to their payments towards the long-term loan from financial institution.

Total equities

Total equities as at year-end 2022 and 30 June 2023 were 339.14 million baht and 467.37 million baht. Total equities as of 30 June 2023 increased from the end of the year 2022 by 128.23 million or 37.81%, mainly due to the net profit of 114.00 million baht.

Interim Dividend

The Board of Directors' Meeting No. 6/2023 held on September 4, 2023, resolved to approve in principle the interim of dividend payment for the first six months of 2023 operating results plus unappropriated retained earnings of the Company. The Company considered that such profit can be used to pay the interim dividends to all shareholders of the Company, including those who subscribe for existing and newly issued ordinary shares including the investors who buy shares after the 1st trading day, who are

shareholders on the Record Date (RD) for determining the names of persons entitled to receive interim dividends.

However, the payment of such interim dividends must be in accordance with the following conditions:

- 1) The Company can complete the Initial Public Offering (IPO) and,
- 2) The Company's ordinary shares has been registered as a listed security on the Stock Exchange of Thailand and,
- 3) The Company has Board of Director Meeting to consider and approve interim dividend payment again.

However, the Board of Directors will hold a meeting to approve the interim dividend payment at the rate of 0.75 baht per share and determine the date for specifying the names of persons entitled to receive the interim dividend again after the existing and newly issued ordinary shares of The Company was listed on the Stock Exchange of Thailand. The Company expects that the Board of Directors' Meeting to consider and approve the interim dividend payment will occur within 30 days from the 1st trading day and the Company will pay the interim dividend within one month from the date the Board of Directors resolved to approve the interim dividend payment as required by law.

However, after paying such dividends, the relevant financial ratios for the six-month period ending June 30, 2023, of the consolidated financial statements will change as follows.

Financial positions and key ratios	For the 6-month Period Ending On 30 June 2023	Post IPO and Interim dividend payment
Cash and cash equivalent and Restricted bank deposit ^{/1}	630.57 MTHB	363.13 MTHB
Total asset	1,991.61 MTHB	1,724.17 MTHB
Total liability	1,524.24 MTHB	520.80 MTHB
Total equity	467.37 MTHB	1,203.37 MTHB
Liquidity ratio	0.70 times	1.07 times
Debt to Equity Ratio	3.26 times	0.43 times
Return on Equity (ROE)	80.37%	38.16%
Return on Asset (ROA)	13.89%	14.93%

Remark:/1 Cash and cash equivalent post IPO and interim dividend payment calculated from cash and cash equivalent for the six-month period ended June 30, 2023, plus Restricted bank deposit, and

plus the amount received from the net offering of ordinary shares after repayment of loans from financial institutions and deducted with dividend payments (344.23 million baht + 286.35 million baht (64 million shares x 19.00 baht per share) – (Loans from financial institutions of 1,003.44 million baht) – (Dividend paid 480.00 million baht) = 363.13 million baht).

Business Performance

Consolidated statement of comprehensive income (MTHB)	For the 6-Month Period Ending On 30 June		Change	
	2022	2023	MTHB	%
Service revenue	535.90	709.23	173.32	32.34
Gain from exchange rate	2.10	-	(2.10)	(100.00)
Other revenue	0.97	1.19	0.22	22.61
Total revenue	538.97	710.42	171.45	31.81
Service cost	(353.65)	(339.92)	(13.73)	(3.88)
Service expense	(4.60)	(4.79)	0.19	4.11
Administrative expense	(98.16)	(125.56)	27.40	27.91
Loss from exchange rate	-	(3.25)	3.25	100.00
Other expense	(11.30)	(51.09)	39.79	352.03
Total expense	(467.72)	(524.61)	56.89	12.16
Operating profit	71.25	185.81	114.56	160.78
Financial income	1.85	11.09	9.24	499.73
Financial cost	(19.26)	(45.07)	25.80	133.93
Reversal (loss) of impairment loss on financial assets	7.64	1.07	(6.57)	(86.04)
Operating profit before tax	61.47	152.90	91.43	148.73
Tax expense	(15.38)	(38.90)	23.52	152.90
Net income	46.09	114.00	67.91	147.33

Financial Position

Consolidated Financial Statements (MTHB)	For the Years Ended 31 December 2022	For the Six-Month Periods Ended 2023	Change	
			MTHB	%
Total assets	2,249.31	1,991.61	(257.70)	(11.46)
Total liabilities	1,910.17	1,524.24	(385.93)	(20.20)
Total equities	339.14	467.37	128.23	37.81

Please be informed accordingly,

Sincerely yours,



Miss Sucharee Assanasuwan

Chief Financial Officer