



Management's Discussion and Analysis

For the period ended 30 September 2018

Bangkok Airways Public Company Limited and Its Subsidiaries



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Management's Discussion and Analysis for the third quarter of 2018 ended 30 September 2018

Executive Summary

Thai economy in the third quarter of 2018 had a positive trend in line with the expansion of world economy. The continuous growth from export sector and the implementation of advanced technology in private sector contribute a high demand of skilled workers and lead to an increase in household income and consumer purchasing power (Source: Bank of Thailand). Meanwhile, a rise in average oil price in the third quarter of 2018 was noticeable at 46.9 percent, compared to the same period last year (Source: Bloomberg). In addition, Thai Baht was weakened by 1.6 percent in the third quarter, slightly better than other currencies in the same region, due to capital outflow from emerging countries, including Thailand, to developed nations such as United states, (Source: SCB Economic Intelligence center).

In the first 9 months 2018, the overall global aviation industry continued to grow in terms of passenger traffic and travel demand. However, the growth had declined from the same period last year. The main reason is airlines were impacted by natural disasters in Sep-2018, including typhoon "Jebi" in Japan and hurricane "Florence" in the US (Source: International Air Transport Association: IATA). A statistic from IATA revealed an increase in revenue passenger kilometers (RPK) at 6.7 percent, down from 7.7 percent in the same period last year. Asia-Pacific have the highest passenger volume growth at 9.2 percent, followed by Europe and Latin America, 6.2 and 6.1 percent respectively. In terms of seat supply, worldwide capacity growth or available seat kilometers (ASK) of the first 9 months 2018 rose 6.0 percent on an average. Asia-Pacific still ranked as the top with 8.2 percentage growth, followed by 6.3 percentage in Latin America, and 5.0 percentage in Europe.

Thailand tourism industry in third quarter of 2018, the number of international tourist arrivals increased by 3.2 percent from the same period last year. Tourists from South Asia had the highest growth rate at 7.1 percent followed by Africa at 5.8 percent while North Asia and European market dropped by 2.5 percent, and 1.4 percent respectively. Chinese tourist arrivals, accounting for 27.0 percent of all international arrivals, had indicated a negatively impact on North Asia market due to the boat accident in Phuket in July. As a result, Chinese tourists shifted to other leisure and beach destinations such as Japan,



South Korea, Vietnam, Philippines, and Indonesia (Source: Business Outlook Report, Bank of Thailand). As for European market, the main contributors, including the UK, Russia, and France, was reported a decrease in number of visitors by 3.4%, 7.2% and 2.9 % respectively.

For nine-month period of year 2018, the number of passengers of Bangkok Airways slightly increased by 0.9 percent compared with the same period last year with mainly increased from international point of sale countries by 10.0 percent from Europe and Asia region (excluding Thailand). In Asia, North Asia region mainly contributed the highest growth rate of number of passenger at 20.0 percent. While, number of passenger contributed from e-commerce channel decreased 16.0 percent.

In the third quarter of 2018, the Company has total revenue of 7,066.5 million baht, increased by 2.8 percent from the same period last year. The major revenue was contributed from airport-related businesses and other related business and unallocated revenue which increased by 4.0 percent and 24.8 percent respectively. The unallocated revenue was mainly consisting of dividend received from investment in BDMS during the period. Nevertheless, the operating revenue of airline business increased only by 0.4 percent unexpectedly which was result from domestic routes except routes in-out Samui. The average passenger load factor was 66.1 percent, decreased from 69.4 percent. Passenger yield per RPK was 4.65 baht, strengthen from the third quarter of 2017 by 7.2 percent.

For the nine-month period, the Company has total revenue of 21,067.3 million baht, higher by 4.0 percent which was due to 24.8 percent growth in unallocated revenue, 6.2 percentage growth in airport-related business operated by our subsidiaries, 4.8 percentage growth in airport business and 1.6 percentage growth in airline business. However, during the period, the Company has implemented cost reduction plans including flight management strategy. That was a result of improving of passenger load factor from 67.8 percent to 68.8 percent. Passenger yield was 4.55 baht per RPK, increased by 0.9 percent from the same period of 2017.

The Company reported net profit before income tax amounting to 885.7 million baht for the nine-month period of 2018. After deducting tax, net profit would be 676.9 million baht which was attributable to equity holders of the Company at the amount of 663.8 million baht or 98.1 percent of net income. Earnings per share equaled to 0.32 baht



Notable Events

Notable Events in the third quarter of 2018

1. The Company has revised flight frequencies due to passenger seasonal demand as follows;
 - Bangkok – Mandalay from 7 flights per week to 11 flights per week (July 2018)
 - Chiang Mai– Mandalay from 7 flights per week to 4 flights per week (July 2018)
 - Samui – Guangzhou from 4 flights per week to 1 flight per week (July 2018)
 - Samui – Chongqing from 3 flights per week to 1 flight per week (September 2018)

2. As of 30 September 2018, the Company has 39 aircraft consists of;

Fleet Type	As of 30 September 2018	As of 30 September 2017
Airbus A 320	9	9
Airbus A 319	15	14
ATR 72-500	6	6
ATR 72-600	9	9
Total	39	38

One Additional Airbus A 319 with number of seat configuration of 144 seats under operating lease was delivered in July 2018

3. In August 2018, the Company's Board of Directors approved Share Repurchase Program for financial management purpose. The maximum amount of share repurchase is not exceeding 500.0 Million Baht

4. In September 2018, the Company approved to establish of a new subsidiary in order to operate aviation training business, with registered capital of 10.0 Million Baht. Bangkok Airways Holding Company Limited holding 100.0 percent of all the shares of this new subsidiary.



Management's Discussion and Analysis

Bangkok Airways is a full serviced airline providing premium service to passengers. Company owns and operates 3 airports which are 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 warehouse where it serves self and other airlines.

Consolidated financial statement of the Company consists of Separate Financial Statement and Financial Statements of the 12 subsidiaries that include: 1) Bangkok Air Catering Company Limited (BAC) 2) Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) 3) Bangkok Airways Ground Service Company Limited (PGGS) 4) Bangkok Airways Holding Company Limited (PGH) 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 and 11) Bangkok Air Catering Chiang Mai Company Limited 12) More Than Free Company Limited

Airline Operating Data

	Unit	July-September		January-September	
		2018	2017	2018	2017
Scheduled passenger revenues ⁽¹⁾	Million Baht	5,205.7	5,182.3	15,718.1	15,580.7
Domestic		3,350.2	3,363.8	10,001.3	9,721.6
International		1,855.5	1,818.5	5,716.8	5,859.1
Available Seat Kilometers (ASK)	Million Seat -	1,695.1	1,723.3	5,018.0	5,087.8
Domestic	Kilometers	918.4	922.2	2,665.8	2,707.9
International		776.7	801.1	2,352.2	2,379.9
Revenue Passenger Kilometers (RPK)	Million Seat -	1,120.5	1,195.5	3,450.9	3,452.9
Domestic	Kilometers	634.9	699.4	1,942.7	1,983.9
International		485.6	496.1	1,508.2	1,469.0
Passenger Load Factor	Percentage	66.1	69.4	68.8	67.9
Domestic		69.1	75.8	72.9	73.3
International		62.5	61.9	64.1	61.7

	Unit	July-September		January-September	
		2018	2017	2018	2017
Number of scheduled passengers carried	Thousand	1,460.0	1,526.5	4,483.4	4,444.9
Domestic	Passengers	1,028.9	1,119.4	3,150.4	3,197.5
International		431.1	407.1	1,333.0	1,247.4
Number of flight flown	Flights	18,174	18,252	53,522	53,756
Domestic		12,020	12,502	35,493	36,632
International		6,154	5,750	18,029	17,124
Total seat capacity	Thousand Seats	2,200.8	2,184.6	6,462.3	6,492.7
Domestic		1,464.2	1,489.5	4,271.4	4,365.5
International		736.7	695.1	2,190.9	2,127.2
Aircraft utilization	Block Hour	8.8	8.6	8.8	9.2
Airbus A320	per Day	10.0	10.0	10.0	10.4
Airbus A319	per Aircraft	9.1	9.0	9.4	10.0
ATR 72-500 & ATR 72-600		7.3	6.7	7.0	7.3
Number of aircraft at period end	Aircraft	39	38	39	38
Airbus A320		9	9	9	9
Airbus A319		15	14	15	14
ATR 72-500		6	6	6	6
ATR 72-600		9	9	9	9
Kilometers flown	Million Kilometers	13.2	13.4	39.1	39.4
Average Stage Length	Kilometers	767.5	783.1	769.7	776.8
Passenger Yield ⁽²⁾	Baht per Passenger - Kilometers	4.65	4.33	4.55	4.51

	Unit	July-September		January-September	
		2018	2017	2018	2017
Revenue ASK (RASK)		3.49	3.35	3.50	3.34
Cost per ASK (CASK)	Baht per Available	3.46	3.51	3.38	3.40
Cost per ASK excluding fuel cost	Seat - Kilometers	2.69	2.91	2.67	2.77
RASK – CASK		0.03	(0.16)	0.12	(0.06)

Remark

(1) These figures are different from those included in Company's consolidated Financial Statements as they include revenues (before deducting discounts and commissions) from scheduled flights, net interline revenues from flights operated by other airlines and marketed by it on a code-share basis, revenues derived from non-codeshare interline sales by it of seats on other airlines' flights, fuel and insurance surcharge revenue. Exclude revenues from cargo services, charter services and other revenue.

(2) Scheduled passenger revenues including fuel surcharge and insurance surcharge, but excluding excess baggage divided by RPKs.

Operating performance summary for the period ended September 30, 2018

Unit: million baht

	July-September				January-September			
	2018	2017	Variance		2018	2017	Variance	
			Amount	%			Amount	%
Net profit (loss) for the period	39.6	(142.2)	181.8	127.9	676.9	(97.8)	774.7	792.2
Plus:								
Finance Cost	475.5	473.8	1.7	0.3	1,407.5	1,366.6	40.9	3.0
Income tax expenses	34.5	(44.3)	78.8	177.8	208.7	154.6	54.2	35.1
Less:								
Dividend income	160.0	157.8	2.2	1.4	418.6	389.6	29.0	7.4
Interest received	31.5	26.2	5.4	20.5	91.2	87.3	3.9	4.5
Gain (Loss) on foreign exchange	(60.2)	(69.6)	9.4	13.6	111.9	65.3	46.7	71.5



	July-September				January-September			
	2018	2017	Variance		2018	2017	Variance	
			Amount	%			Amount	%
Non-operating revenues ⁽¹⁾	0.8	(0.4)	1.2	278.6	3.3	(0.1)	3.4	5,568.9
EBIT ⁽²⁾	417.5	173.4	244.2	140.8	1,668.2	881.3	786.9	89.3
Plus:								
Depreciation and amortization	350.6	322.6	28.1	8.7	1,028.0	921.5	106.5	11.6
EBITDA ⁽²⁾	768.2	495.9	272.2	54.9	2,696.2	1,802.8	893.4	49.6
Plus:								
Operating lease expenses	404.5	561.5	(156.9)	(27.9)	1,168.5	1,656.6	(488.0)	(29.5)
EBITDAR ⁽²⁾	1,172.7	1,057.4	115.3	10.9	3,864.7	3,459.4	405.3	11.7
Total revenue	7,006.3 ⁽³⁾	6,801.2 ⁽³⁾	205.1	3.0	21,067.3	20,252.4	815.0	4.0
Operating revenue ⁽⁴⁾	6,874.3	6,687.3	187.0	2.8	20,442.3	19,710.3	732.0	3.7
Profit attributable to equity holders of the Company	36.3	(157.3)	193.6	123.1	663.8	(142.5)	806.3	565.8
EBIT Ratio (%)	6.1	2.6	3.5		8.2	4.5	3.7	
EBITDA Ratio (%)	11.2	7.4	3.8		13.2	9.1	4.1	
EBITDAR Ratio (%)	17.1	15.8	1.3		18.9	17.6	1.3	

Remark

- (1) Comprises of gain on sale of investments, sale of investment in subsidiaries and sale of assets.
- (2) EBIT, EBIT margins, EBITDA, EBITDA margins, EBITDAR or EBITDAR 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.
- (3) Deduct loss on foreign exchange
- (4) Comprises of total revenue net dividend income, gain on foreign exchange, interest income and non-operating revenues.

Operating Profit and Net Income

The operating revenue of the Company for the third quarter of 2017 and 2018 were 6,687.3 million baht and 6,874.3 million baht respectively, increased by 2.8 percent while total expenses decreased from 6,797.7 million baht to 6,687.6 million baht or around 1.6 percent.

The earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were derived from total income (excluding dividend income, gain on sale of investments, gain on sale of assets, interest income and gain on foreign exchange) less total expenses plus depreciation and amortization expenses, and aircraft rental, equaled to 1,057.4 million baht and 1,172.7 million baht or 15.8 percent and 17.1 percent of total operating revenue for the third quarter of 2017 and 2018 respectively.

The operating revenue of the Company for the nine-month period of 2017 and 2018 were 19,710.3 million baht and 20,442.3 million baht respectively, increased by 3.7 percent while total expenses declined by 0.3 percent from 19,433.9 million baht to 19,370.8 million baht.

The earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were derived from total income (excluding dividend income, gain on sale of investments, gain on sale of assets, interest income and gain on foreign exchange) less total expenses plus depreciation and amortization expenses, and aircraft rental, equaled to 3,459.4 million baht and 3,864.7 million baht or 17.6 percent and 18.9 percent of total operating revenue for the nine-month period of 2017 and 2018 respectively.

For the nine-month period of 2018, net profit of the Company was 676.9 million baht, an increase of 774.7 million baht from the same period of last year in which the amount attributable to equity holders of the Company was 663.8 million baht or 98.1 percent of net profit.



Revenue

Consolidated revenue of the Company, excluding the inter-segment revenue, is divided into 4 segments as follows:

Unit: million baht

	July-September						January-September					
	2018	%	2017	%	Variance		2018	%	2017	%	Variance	
					Amount	%					Amount	%
1.Airlines	5,207.9	73.7	5,188.9	75.5	19.0	0.4	15,739.2	74.7	15,484.3	76.5	254.9	1.6
2.Airports	165.7	2.3	165.3	2.4	0.4	0.2	492.6	2.3	469.9	2.3	22.7	4.8
3.Airport-related services	1,001.9	14.2	963.1	14.0	38.8	4.0	3,022.6	14.4	2,845.0	14.0	177.6	6.2
4.Unallocated revenue	691.0	9.8	553.5	8.1	137.5	24.8	1,812.9	8.6	1,453.2	7.2	359.7	24.8
Total Revenue	7,066.5	100.0	6,870.8	100.0	195.7	2.8	21,067.3	100.0	20,252.4	100.0	814.9	4.0

Revenue from Airline Operations

For the third quarter of 2017 and 2018, total revenue from airline business which was the Company's primary source of income, was accounted for 75.5 percent and 73.7 percent of total revenue.

For the nine-month period of 2017 and 2018, revenue from airline business was accounted for 76.5 percent and 74.7 percent of total revenue.

Revenue from airline business consists of earnings from scheduled passenger flights and chartered flights and cargo services with details as follows:



	July-September				January-September			
	2018	2017	Variance		2018	2017	Variance	
			Amount	%			Amount	%
Net Scheduled Passenger Revenue	4,959.3	4,973.0	(13.7)	(0.3)	15,123.7	14,943.6	180.1	1.2
Charter flights and charter services revenue	187.5	147.5	40.0	27.1	451.0	358.6	92.4	25.8
Total passenger revenue	5,146.8	5,120.5	26.3	0.5	15,574.7	15,302.2	272.5	1.8
Cargo revenue	61.1	68.4	(7.3)	(10.7)	164.5	182.1	(17.6)	(9.7)
Total revenue from airline business	5,207.9	5,188.9	19.0	0.4	15,739.2	15,484.3	254.9	1.6

Revenue from scheduled flights of both domestic and international services for the third quarter of 2017 and 2018 was 4,973.0 million baht and 4,959.3 million baht respectively, lower from the third quarter of 2017 by 0.3 percent.

For the nine-month period, revenue from scheduled flights of both domestic and international services increased from 14,943.6 million baht to 15,123.7 million baht, or grew by 1.2 percent compared with the same period last year. The slightly increase of scheduled passenger revenue resulted from slightly growth of passenger. For nine-month period of this year, number of passenger increased by 0.9 percent while number of passenger for third quarter year 2018 dropped by 4.4 percent.

Revenue from charter flights and charter services for nine-month period of year 2018 was 451.0 million baht, rose by 25.8 percent. The significant growth was due to launching scheduled charter services from Samui to Chengdu, Samui to Chongqing and Samui to Guangzhou.

Revenue from Airport Operations

Revenue from airport operations for the third quarter of 2017 and 2018 were 165.3 million baht and 165.7 million baht respectively. This was accounted for 2.4 percent and 2.3 percent of total revenue. For the nine-month period of 2018, revenue from airport operations was 492.6 million baht or increased by 4.8 percent.

Revenue from Airport-Related Operations

Operating financial performance of the Company's subsidiaries and associated companies in airport-related operations was illustrated below:

Unit: million baht

	July-September		January-September	
	2018	2017	2018	2017
Catering services (BAC):				
Revenue ⁽¹⁾	304.3	391.6	951.9	1,186.4
EBITDA	53.1	104.0	208.3	309.5
Net income	25.8	66.7	118.8	199.5
Number of meals produced and uplifted (million)	1.8	2.6	6.0	7.9
Ground Services (BFS Ground):				
Revenue ⁽¹⁾	653.8	614.5	1,996.2	1,854.4
EBITDA	120.0	96.0	360.4	340.4
Net income	72.5	51.1	221.2	198.6
Number of flights handled (flight)	18,345	17,097	54,738	50,990
International cargo terminal services data (BFS Cargo):				
Revenue ⁽¹⁾	508.9	480.2	1,517.1	1,396.9
EBITDA	261.8	230.4	769.3	660.7
Net income	190.7	161.8	563.8	461.5

	July-September		January-September	
	2018	2017	2018	2017
Tonnage handled (Ton)	107,094	103,630	315,915	293,214
Cargo capacity (Ton per year)	450,000	450,000	450,000	450,000
Utilization (%)	95.2	92.1	93.6	86.9

Remark

(1) Revenues from subsidiaries and associated companies exclude revenues earned from transactions with the Company

Revenue from airport-related operations from services provided to other airlines only comprises of:

Unit: million baht

	July-September				January-September			
	2018	2017	Variance		2018	2017	Variance	
			Amount	%			Amount	%
Bangkok Air Catering Company Limited (BAC)	263.2	275.1	(11.9)	(4.3)	793.7	821.6	(27.9)	(3.4)
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	514.3	518.9	(4.6)	(0.9)	1,573.4	1,556.1	17.3	1.1
Bangkok Airways Ground Service Company Limited (PGGS)	94.3	98.8	(4.5)	(4.6)	289.6	278.2	11.4	4.1
Other revenue ⁽¹⁾	130.1	70.3	59.8	85.1	365.9	189.1	176.8	93.5
Total revenue from airport-related operations	1,001.9	963.1	38.8	4.0	3,022.6	2,845.0	177.6	6.2

Remark: (1) Other revenue includes revenue from BAC Gourmet House Company Limited, the subsidiary of BAC which main activity is to provide food services in business district and major tourist attractions in Bangkok and Gourmet Primo Company Limited, a subsidiary of Bangkok Airways Holding Company Limited

Bangkok Air Catering Company Limited (BAC)

The operating performance of BAC in the third quarter and the nine-month period of 2017 and 2018 decreased by 4.3 percent and 3.4 percent respectively, showing the revenue at the amount of 263.2 million baht and 793.7 million baht respectively. The decreasing revenue mainly due to loss of one major airline customer at the beginning of the year. In addition, the transfer of kosher box business to Bangkok Air Catering Phuket Company Limited, a subsidiary of BAC. Average meal produced for the third quarter and nine-month period of year 2018 drop by 28.7 percent and 23.7 percent respectively.

Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)

The operating performance of BFS Ground in the third quarter of year 2018 was 514.3 million baht, drop by 0.9 percent compared with the same period last year.

For nine-month period of year 2018, the performance amounted to 1,573.4 million baht, improved by 1.1 percent. The better performance of BFS Ground was derived from increasing number of flights by 7.3 percent. In addition with, an increase of airline customers from 74 to 76 compared to the same period of last year.

Bangkok Airways Ground Service Company Limited (PGGS)

The operating performance of PGGS in the third quarter was 94.3 million baht, dropped by 4.6 percent compared with the same period last year. A decreasing revenue resulted from termination of Thai Airways 's flights operation at Samui Airport. For nine-month period, revenue from PGGS grew by 4.1 percent or amounted to 289.6 million baht. The increasing revenue was mostly from other services.

Unallocated Revenues

The Company has other revenues that are not related to the airline operations, airport operations and airport-related operations with details as follows:

Unit: million baht

	July-September				January-September			
	2018	2017	Variance		2018	2017	Variance	
			Amount	%			Amount	%
Gain on foreign exchanges	-	-	-	-	111.9	65.3	46.6	71.4
Dividend received	160.0	157.8	2.2	1.4	418.6	389.6	29.0	7.4
Other revenues	531.0	395.7	135.3	34.2	1,282.4	998.3	284.1	28.5
Total unallocated revenues	691.0	553.5	137.5	24.8	1,812.9	1,453.2	359.7	24.8

Total unallocated revenues of the Company for the third quarter of 2017 and 2018 increased from 553.5 million baht to 691.0 million baht or by 24.8 percent. For the nine-month period, unallocated revenues increased from 1,453.2 million baht to 1,812.9 million baht or by 24.8 percent.

Main contributions from unallocated revenues were dividend income from BDMS and BAFS, together with gain on foreign exchanges and other revenues which usually consists of passenger ticket charges, excess baggage charges, breakage revenues on ticket expiry and rental income. For the third quarter of year 2018, other revenues were mainly derived from cash received from outstanding amount claimed from maintenance reserve fund, breakage revenues and flyer bonus revenue.

Share of Profit from Investments in Associates

The Company has share of profit from associated companies decreased from 604.9 million baht to 596.7 million baht for the nine-month period or drop by 1.4 percent. That was due to a lower profit contributed to shareholders of Samui Property Fund (SPF). However, this was offset by a better performance of WFS-PG Cargo Company Limited during this period.

Unit: million baht

	July-September				January-September			
	2018	2017	Variance		2018	2017	Variance	
			Amount	%			Amount	%
WFS-PG Cargo Company Limited	93.4	84.5	8.9	10.5	271.9	240.1	31.8	13.2
Samui Property Fund (SPF)	77.3	129.7	(52.4)	(40.4)	324.8	364.8	(40.0)	(11.0)
Share of Profit from Investments in Associates	170.7	214.2	(43.5)	(20.3)	596.7	604.9	(8.2)	(1.4)

Expenses

Expenses consist of costs of sales and services, selling expenses and administrative expenses with details as follows:

Unit: million baht

	July-September						January-September					
	2018	%	2017	%	Variance		2018	%	2017	%	Variance	
					Amount	%					Amount	%
Cost of sales and services	5,612.6	83.9	5,633.1	82.9	(20.5)	(0.4)	16,374.9	84.5	16,501.3	84.9	(126.4)	(0.8)
Selling expenses	532.4	8.0	608.7	9.0	(76.3)	(12.5)	1,530.1	7.9	1,559.2	8.0	(29.1)	(1.9)
Administrative expenses	478.7	7.2	485.2	7.1	(6.5)	(1.3)	1,459.2	7.5	1,370.7	7.1	88.5	6.5
Loss on exchange rate	60.2	0.9	69.6	1.0	(9.4)	(13.5)	-	-	-	-	-	-
Other expenses	3.7	0.0	1.1	0.0	2.6	236.4	6.6	0.0	2.8	0.0	3.8	135.7
Total Expenses	6,687.6	100.0	6,797.7	100.0	(110.1)	(1.6)	19,370.8	100.0	19,434.0	100.0	(63.2)	(0.3)



Costs of Sales and Services

Costs of sales and services principally consist of fuel costs, cost of passenger services, personnel expenses, aircraft repair and maintenance costs, and aircraft rentals. For the third quarter and the nine-month period of 2018, costs of sales and services were accounted for 83.9 percent and 84.5 percent of total expenses respectively.

Fuel Costs: fuel costs for the nine-month period of 2017 and 2018 were 3,182.6 million baht and 3,527.9 million, increased by 10.9 percent. That was accounted for 16.4 percent and 18.2 percent of total expenses respectively. The rising amount was mostly due to higher average market fuel price and additional excise tax for domestic flights.

As of 30 September 2018, The Company still has an obligation from fuel price hedging until September 2019 amounting to 780,000 barrels of jet fuel whereby jet fuel prices are between USD 81 per barrel and USD 100 per barrel

Cost of Passenger Services: cost of passenger service decreased by 10.4 percent, from 2,632.4 million baht to 2,358.8 million baht for the nine-month period. The decreasing amount resulted from flight management strategy which adjusted number of flight based on travel demand.

Aircraft Repair and Maintenance Costs: aircraft repair and maintenance costs were higher from 2,373.7 million baht to 2,605.5 million baht for the nine-month period comparing to the previous year. These costs mainly incurred for repairing and maintaining the aging aircraft.

Personnel Expenses: the expense rose from 2,468.2 million baht to 2,492.6 million baht for the nine-month period. This was derived from a growing number of employees and annual increase of salary and wages.

Aircraft Rental Costs: the aircraft rental costs decreased from 1,656.6 million baht to 1,168.5 million baht for the nine-month period comparing to year 2017 or decreased by 29.5 percent. That was due to the return of aircraft under wet lease arrangements, together with the fluctuation of foreign exchange rate.

Selling Expenses

For the third quarter and the nine-month period of 2018, selling expenses were accounted for 8.0 percent and 7.9 percent of total expenses respectively. A significant increase in selling expenses during this period was advertising and sale promotion.



Administrative Expenses

The administrative expenses of the Company for the third quarter and the nine-month period of 2018 were accounted for 7.2 percent and 7.5 percent of total expenses respectively. The increasing administrative expenses mostly consist of depreciation and IT services.

Finance Costs

Finance costs consist of lease payments under the sub-lease agreement from the Samui Property Fund (SPF) for Samui Airport which include the rental portion of the sub-lease agreement and the variable portion based on the number of departing/arriving passengers from and to Samui Airport. However, in 2013, the Company had revised its accounting policy regarding the recognition of long term loans from the related parties, in another word, the sub-lease agreement from SPF. The revised policy stipulated that the Company has to provide estimated fixed rental costs and variable service costs that may occur throughout the sub-lease period in order to calculate the effective interest rate. Such calculation resulted in a higher book value of the long term loans.

In addition, finance costs also include interest expenses paid to financial institutions and lessors under finance lease agreement.

Unit: million baht

	July-September				January-September			
	2018	2017	Variance		2018	2017	Variance	
			Amount	%			Amount	%
Interest expenses paid to the Samui Property Fund	377.6	388.1	(10.5)	(2.7)	1,124.6	1,122.9	1.7	0.2
Interest and Fee expenses ⁽¹⁾	97.9	85.7	12.2	14.2	282.9	243.7	39.2	16.1
Total	475.5	473.8	1.7	0.4	1,407.5	1,366.6	40.9	3.0

Remark : ⁽¹⁾ Interest costs and fees due to financial institutions, finance lease fees under conditional sale agreement and credit card fee

Total interest paid to SPF for the nine-month period increased from 1,122.9 million baht to 1,124.6 million baht or growth by 0.2 percent from last year.



The interest and fee expenses increased from 243.7 million baht to 282.9 million baht mainly due to the increasing of interest paid to financial institutions of additional loan from bank.

Assets

As of 30 September 2018, the Company and its subsidiaries have total assets amounted of 61,922.3 million baht, increased by 3,980.7 million baht from:

Unit: million baht

	As at September 30, 2018	As at December 31, 2017	Variance
Current assets			
Cash and cash equivalents and Current investments	7,886.5	9,995.9	(2,109.4)
Trade and other receivables	1,537.1	1,854.0	(316.9)
Reimbursable maintenance expense	825.4	1,552.2	(726.8)
Total current assets	11,367.4	14,380.6	(3,013.2)
Non-current assets			
Investments in associates	3,306.1	3,240.0	66.1
Other long-term investments	30,965.0	24,028.8	6,936.2
Property, plant and equipment	14,254.0	14,502.9	(248.9)
Deposits	977.2	713.2	264.0
Total Non-current assets	50,554.9	43,561.0	6,993.9
Total assets	61,922.3	57,941.6	3,980.7

Current assets

Total current assets of the Company as of 30 September 2018 is 11,367.4 million baht, decreased from 31 December 2017 by 3,013.2 million baht. This was mainly due to:

- **Cash and cash equivalents and Current investments** lower by 2,109.4 million baht, mainly from the acquisition of other long-term investments, interest paid and dividend payment to shareholders. This was offset by dividend received from investment in associates and other investments during the period.

- **Reimbursable maintenance expense** decreased by 726.8 million baht mostly due to cash received from outstanding amount claimed from maintenance reserve fund.

Non-current assets

Total non-current assets of the Company is 50,554.9 million baht, increased from the end of 2017 by 6,993.9 million baht, mainly due to:

- **Investment in associates** rose by 66.1 million baht largely due to increasing of profit sharing from associates during nine-month the period of year 2018.
- **Other long-term investments** increased by 6,936.3 million baht due to acquisition of long-term investments and the mark to market of long-term investments in marketable securities
- **Property, plant and equipment** decreased by 248.9 million baht. Besides, there was an acquisition of property, plant and equipment, largely from land and aircraft spare parts.
- **Deposit** rose by 264.0 million baht mostly are deposit of aircraft.

Liabilities

As of 30 September 2018, the Company and its subsidiaries have liabilities amounting of 29,831.4 million baht. An increase of 275.4 million baht from 31 December 2017 was as follows:

Unit: million baht

	As at September 30,2018	As at December 31, 2017	Variance
Current liabilities			
Trade and other payables	2,846.0	2,815.7	30.7
Current portion of long-term loans, Liabilities arising from financial lease of aircrafts and Finance lease liabilities	580.3	539.5	40.8
Income tax payable	10.1	213.9	(193.8)
Unearned income	2,195.0	2,625.7	(430.7)
Other current liabilities	2,059.3	2,077.0	(17.7)
Total current liabilities	7,751.2	8,315.4	(564.2)

	As at September 30,2018	As at December 31, 2017	Variance
Non-Current liabilities			
Long-term loans , Liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion	4,512.2	4,650.6	(138.4)
Long-term loans from related party – net of current portion	11,307.5	11,365.3	(57.8)
Deferred tax liabilities	5,512.6	4,576.0	936.6
Total non-current liabilities	22,080.1	21,240.6	839.5
Total liabilities	29,831.4	29,556.0	275.4

Current liabilities

Total current liabilities amounting to 7,751.2 million baht, decreased from 31 December 2017 by 564.2 million baht, mainly due to:

- **Income tax payable** amounting to 10.1 million baht, decreased by 193.8 million baht. The decreased amount was resulted of the tax amount of year 2017 and year 2018 paid to Revenue Department.
- **Unearned income** amounting to 2,195.0 million baht, lower by 430.7 million baht as a consequence of lower advanced bookings after peak travel season.

Non-current liabilities

Total non-current liabilities of the Company is 22,080.1 million baht, rose by 839.5 million baht from 31 December 2017, largely derived from:

- **Deferred tax liabilities** rose by 936.6 million baht due to changes in market value of the available for sale investment in securities.

Shareholders' Equity

Unit: million baht

	As at September 30,2018	As at December 31, 2017	Variance
Paid up capital	2,100.0	2,100.0	-
Premium on ordinary shares and capital reserve for share-based payment transactions	9,319.5	9,319.5	-
Treasury stocks	(58.3)	-	n.a.
Other components of shareholders' equity	20,180.7	16,445.4	3,735.4
Retained earnings	482.0	448.2	33.8
Total shareholders' equity	32,090.9	28,385.6	3,705.3

As of 30 September 2018, total shareholders' of the Company and its subsidiaries is 32,090.9 million baht, an increase of 3,705.3 million baht from the changes in the market value of the available-for-sale investment in securities. The Company has retained earnings at the amount of 482.0 million baht, increased by 33.8 million baht.

Statement of Cash Flow

Unit: million baht

As at 30 September	January – September	
	2018	2017
Net cash inflow from operating activities	1,975.6	888.9
Net cash inflow from investing activities	1,260.7	2,254.0
Net cash used in financing activities	(2,284.6)	(2,398.1)
Cash and cash equivalents at end of the period	4,496.5	3,796.2

Cash flows from operating activities

As of 30 September 2018, the profit of the Company and its subsidiaries before changes in operating assets and liabilities is 2,248.4 million baht while the amount of net cash flows from operating activities is 1,975.6 million baht. The increasing amount was mainly due to cash received from outstanding amount claimed from maintenance reserve fund. That was offset with a decrease of unearned income and tax paid to revenue department during the period.

Cash flows from investing activities

As of 30 September 2018, cash flows from investing activities of the Company and its subsidiaries are 1,260.7 million baht which mainly resulted from acquisition of other long-term investments in BAFS and acquisition of property, plant and equipment. However, this was partially offset by dividend received from SPF and BDMS.

Cash flows from financing activities

As of 30 September 2018, the Company and its subsidiaries have cash flows used in financing activities at the amount of 2,284.6 million baht, mainly from interest expense, repayment of long term loans, repayment of liabilities under finance lease payable and dividend payment to shareholders amounting to 2,531.2 million baht.



Summary Consolidated Financial and Ratio

		As at 30 September	
		2018	2017
Liquidity Ratio	Current Ratio (Time)	1.5	1.7
	Quick Ratio (Time)	4.7	4.1
	Collection Period (Day)	22.5	23.6
	Stock Turnover Period (Day)	8.3	6.8
	Payment Period (Day)	33.9	33.3
Profitability Ratio	Gross Profit Margin (%)	15.0	12.2
	Operating Profit Margin (%)	8.7	4.7
	EBITDAR Margin (%)	18.9	17.6
	Net profit Margin (%)	3.2	(0.5)
	Return on Equity (%)	3.0	(0.4)
Efficiency Ratio	Return on Assets (%)	1.5	(0.2)
	Return on Fixed Assets (%)	15.8	8.0
	Asset Turnover (Time)	0.5	0.5
Leverage Ratio	Debt to Equity (Time)	0.9	1.0
	Interest Coverage Ratio (Time)	1.9	1.3

Glossary

- Passenger or Cabin load factor : Number of passenger carried as a proportion to capacity, which is the number of seats available for passengers
- Available Seat-Kilometer (ASK) : The number of seats available for passengers multiplied by the number of kilometers that are flown
- Revenue Passenger-Kilometer (RPK) : The number of revenue passengers multiplied by the number of kilometers that are flown
- Revenue per ASK (RASK) : Income of sale and services of the Company (meaning total revenues from the standalone financial statements net gain on sales of investment, reversal of allowance for diminution in value of investments in subsidiary, dividend income and the compensation from the cancellation of the agreement) divided by ASK.
- Cost per ASK (CASK) : The sum of operating cost, sale expenses, service expenses and the remuneration of the executives of the Company (excluding financial cost) (meaning total expenses from the standalone financial statements net loss on sales of investment, and loss on sales of leasehold right) divided by ASK.
- CASK – Fuel : The sum of operating cost, sale expenses, service expenses and the remuneration of the executives of the Company (excluding financial cost and fuel cost) (meaning total expenses from the standalone financial statements net loss on sales of investment, loss on sales of leasehold right and fuel expense) divided by ASK.

