



Management's Discussion and Analysis

For the period ended 31 December 2018

Bangkok Airways Public Company Limited and Its Subsidiaries



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Executive Summary

The Thai economy in the last quarter in 2018 continued to grow even though there was a slowdown in the last month of December 2018 due to decelerating of exporting sector and the world economy, compared with the previous quarter. The revenues from agricultural industry sector and tourism industry sector were main drivers, to support the overall Thai economy. Moreover, the inflation rate increased 0.8 percent while the unemployment rate remained under 1.0 percent in the fourth quarter of 2018 (Source: Fiscal policy office). Furthermore, the estimated GDP (Gross Domestic Product) for the whole year 2018 grow at 4.2 percent, compared to 3.9 percent in 2017 (Source: The board of investment of Thailand).

The overall global aviation industry in 2018, passenger traffic increased by 6.5 percent in revenue passenger kilometers (RPK) where Asia-Pacific region had the highest growth at 8.6 percent, followed by Europe, and Latin America, accounting for 6.6 and 6.2 percent respectively. In addition, worldwide capacity growth, or available seat kilometers (ASK), increased 6.1 percent on the average. Asia Pacific region remains at 7.9 percent, followed by Latin America, and Europe with 6.6, and 5.8 percent respectively. In conclusion, even though the growth of overall RPK decreased, compared to last year, it was in the positive relationship with the growth of overall ASK, which led to the improvement of the overall average passenger load factor in 2018 (Source: International Air Transport Association).

Thailand tourism industry in fourth quarter of 2018 grew at 4.9 percent. Tourist arrival from Southeast Asia region had the highest growth at 20.4 percent, followed by South Asia, and Africa at 14.2, and 7.4 percent respectively. In addition, European tourist arrival to Thailand increased 1.0 percent in which Russian, British, and German were recorded as top 3 by nationalities.

Furthermore, the overall Thailand tourism industry in 2018 increased at 8.1 percent. Tourists from Southeast Asia region still had the highest grow at 12.5 percent, followed by South Asia, and East Asia at 12.0 and 8.7 percent respectively. Nevertheless, the boat accident in Phuket in July 2018 had affected the number of Chinese tourists to Thailand. The number of Chinese tourist's arrival to Thailand from July-November 2018 declined at 12.0 percent, but the situation started to improve in December. As a result, the



overall Chinese arrival to Thailand increased at 2.8 percent in December 2018 (Source: Ministry of Tourism and Sports).

In year 2018, CLMV routes were more focused according to passenger travel demand especially in Vietnam, Laos and Myanmar. The Company increased flight frequencies in Bangkok- Vientiane route to 14 flights per week, Bangkok-Mandalay route to 11 flights per week and Bangkok- Phu Quoc route to 7 flights per week, together with the launch of new route from Chiang Mai-Hanoi since March 2018. However, an impact of China's economic sluggish together with the boat accident in Phuket, the Company has to decrease its flight Samui to Chongqing from 3 flights per week to 1 flight per week, together with suspended flight from Samui to Guangzhou started from October 2018.

The number of passengers slightly increased by 0.1 percent for year 2018, mainly resulted from the growth from point-of sale in International sector which increased by 15.0 percent comparing with last year.

The Company has total revenue of 27,943.6 million baht, decreased by 1.9 percent from the year. A decrease was mainly from unallocated revenues which dropped by 774.0 million baht or 21.7 percent from year 2017. The revenue from airline business slightly declined by 0.1 percent from highly intense competition which caused the average fare drop by 0.1 percent. However, the revenue from airport-related services increased by 6.1 percent from a rising number of flights landed at Suvarnabhumi airport, together with new airline customers derived during the period. Besides, the increasing of revenue was also contributed from Gourmet Primo Company Limited and More Than Free Company Limited, wholly owned subsidiaries of Bangkok Airways Holding Company Limited.

The Company reported profit before income tax amounting to 356.8 million baht, decreased from the same period last year by 961.6 million baht or 72.9 percent. After corporate income tax, net profit was 263.7 million baht of which gain attributable to equity holders of the Company at the amount of 249.3 million baht. Earnings per share equaled to 0.12 baht.

Notable Events

Airline Business

- The Company has revised flight frequencies due to passenger seasonal demand and has increased flight frequencies, operated new routes and suspended the underperformed route as follows;

Add Flight Frequencies

- Bangkok-Vientiane from 7 flights per week to 14 flights per week (March 2018)
- Bangkok-Mandalay from 7 flights per week to 11 flights per week (July 2018)
- Bangkok-Phu Quoc from 4 flights per week to 7 flights per week (October 2018)

Decrease Flight Frequencies

- Chiang Mai-Mandalay from 7 flights per week to 4 flights per week (July 2018)
- Samui-Chongqing from 3 flights per week to 1 flight per week (September 2018)

New Route

- Chiang Mai-Hanoi 7 flights per week (March 2018)

Suspended Route

- Samui-Guangzhou 7 flights per week (October 2018)

- As of 31st December 2018, the Company has 40 aircraft as shown in table below;

Fleet Type	As of 31 st December 2018	As of 31 st December 2017
Airbus A320	9	9
Airbus A319	15	14
ATR 72-500	5	6
ATR 72-600	11	9
Total	40	38

One additional Airbus A319 under operating lease agreement was delivered in July 2018 and two additional ATR72-600 were delivered in December 2018. While the Company disposed one ATR72-500 in December 2018.

3. The Company has total 27 Codeshare airline partners. In 2018, the Company signed Codeshare agreement with 4 airlines as follows:

3.1 Al Et Israel Airlines (February 2018)

3.2 Oman Air (April 2018)

3.3 Laos Airlines (May 2018)

3.4 Philippines Airlines (October 2018)

4. The Company announced a new collaboration effort with Expedia group, the world's leading online travel company, to add a new distribution channel and incorporate marketing campaigns globally. This will enhance ticket sales through sale channels of Expedia and its subsidiaries especially in North America, Europe and Australasia, which are the Company's key target market. (February 2018)

5. The company announced a partnership campaigns with German Football Club "Borussia Dortmund". With Borussia Dortmund's strong global brand presence, it will strengthen the Company's brand image as well as make the airline better known across Asia and Europe. In addition, this cooperation will be part of the Company's CSR project to enhance football skill for the youths in Thailand. (March 2018)

6. The Company has been developing innovative systems and new technology to make passengers' flying experience more convenient. By introducing 5 channels for online payment during the quarter in order to facilitate passengers which are Line Pay, WeChat, AliPay, Union Pay and an installment payment plan for certain credit card providers. (August 2018)

7. The Company announced the implementation of new passenger service system with "Amadeus Altea Suit" which will improve its competitiveness in the fast moving aviation industry. (October 2018)

8. The Company has been certified by the International Air Transport Association's Operational Safety Audit (IOSA) for the 6th time. The renewal certificate is valid until November 2020. (November 2018)



Airport Related Business and Investment

9. Bangkok Airways Holding Company Limited invested 100.0 percent in More Than Free Company Limited. The objective is to invest in duty free business.(April 2018)
10. The Company bought 60 million shares of Bangkok Aviation Fuel Service Public (BAFS) amounted by 2,267 million baht. Total share of BAFS held by the Company accounted for 9.5 percent. (May 2018)
11. 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.(August 2018)
12. The Company approved to establish of wholly owned subsidiary to operate aviation training business named Bangkok Air Aviation Training Center, with registered capital of 10.0 Million Baht. Bangkok Airways Holding Company Limited holds 100.0 percent of shares.(September 2018)
13. Bangkok Air Catering Company Limited (BAC) has moved Kosher meal box production to Phuket operated by Bangkok Air Catering Phuket Company Limited in order to fulfill demand for special meal at Phuket hub.
14. As of 31 December 2018, Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) had 6 additional airlines while one airline had stopped its flight operation to Thailand. As a results, total number of its customers increased to 79 airlines for ground service equipment.
15. As of 31 December 2018, WFS-PG Cargo Company Limited (BFS Cargo) had 69 airline customers for international cargo terminal services.



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 13 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 13) Bangkok Air Aviation Training Center Co., Ltd.

Airline Operating Data

	Unit	January-December	
		2018	2017
Scheduled passenger revenues ⁽¹⁾	Million Baht	20,515.9	20,501.8
Domestic		12,844.0	12,725.6
International		7,671.9	7,776.2
Available Seat Kilometers (ASK)	Million Seat -	6,655.6	6,741.8
Domestic	Kilometers	3,545.6	3,573.7
International		3,110.0	3,168.1
Revenue Passenger Kilometers (RPK)	Million Passenger -	4,565.5	4,616.7
Domestic	Kilometers	2,566.6	2,650.6
International		1,998.9	1,966.1
Passenger Load Factor	Percentage	68.6	68.5
Domestic		72.4	74.2
International		64.3	62.1

	Unit	January-December	
		2018	2017
Number of scheduled passengers carried	Thousand	5,952.6	5,944.5
Domestic	Passengers	4,141.6	4,254.8
International		1,811.0	1,689.7
Number of flight flown	Flights	71,379	70,985
Domestic		47,313	48,153
International		24,066	22,832
Total seat capacity	Thousand Seats	8,626.6	8,590.5
Domestic		5,684.6	5,751.2
International		2,942.0	2,839.3
Aircraft utilization	Block Hour	8.8	9.4
Airbus A320	per Day	10.0	10.4
Airbus A319	per Aircraft	9.2	10.2
ATR 72-500 & ATR 72-600		7.2	7.4
Number of aircraft at period end	Aircraft	40	38
Airbus A320		9	9
Airbus A319		15	14
ATR 72-500		5	6
ATR 72-600		11	9
Kilometers flown	Million Kilometers	51.8	52.2
Average Stage Length	Kilometers	767.0	776.6
Passenger Yield ⁽²⁾	Baht per Passenger - Kilometers	4.49	4.44
Revenue ASK (RASK)		3.45	3.34
Cost per ASK (CASK)	Baht per Available	3.49	3.43
Cost per ASK excluding fuel cost	Seat - Kilometers	2.75	2.80
RASK – CASK		(0.04)	(0.09)

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 31st December 2018 consisting of Separate Financial Statement and Financial Statements of the 13 subsidiaries

Unit: million baht

	January-December			
	2018	2017	Variance	
			Amount	%
Net profit (loss) for the period	263.7	846.4	(582.6)	(68.8)
Plus:				
Finance Cost	1,874.1	1,839.6	34.5	1.9
Income tax expenses	93.1	472.0	(378.9)	(80.3)
Less:				
Dividend income	418.6	389.6	29.0	7.4
Interest received	114.0	116.8	(2.8)	(2.4)
Gain on exchange rate	164.7	55.7	109.0	195.8
Non-operating revenues ⁽¹⁾	435.7	1,731.9	(1,296.1)	(74.8)
EBIT ⁽²⁾	1,097.8	864.0	233.8	27.1
Plus:				
Depreciation and amortization	1,380.2	1,266.6	113.6	9.0
EBITDA ⁽²⁾	2,478.0	2,130.6	347.4	16.3

	January-December			
	2018	2017	Variance	
			Amount	%
Plus:				
Operating lease expenses	1,563.2	2,152.5	(589.3)	(27.4)
EBITDAR ⁽²⁾	4,041.2	4,283.2	(241.9)	(5.7)
Total revenue	27,943.6	28,493.3	(549.7)	(1.9)
Operating revenue ⁽³⁾	26,810.5	26,199.4	611.1	2.3
Profit attributable to equity holders of the Company	249.3	787.9	(538.6)	(68.4)
EBIT Ratio (%)	4.1	3.3	0.8	
EBITDA Ratio (%)	9.2	8.1	1.1	
EBITDAR Ratio (%)	15.1	16.3	(1.2)	

Remarks

- (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) 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 year 2017 and year 2018 were 26,199.4 million baht and 26,810.5 million baht respectively, increased by 2.3 percent while total operating expenses increased from 26,151.2 million baht to 26,515.3 million baht or around 1.4 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 exchange rate) less total expenses plus depreciation and amortization expenses, and

aircraft rental, equaled to 4,283.2 million baht and 4,041.2 million baht or 16.3 percent and 15.1 percent of total operating revenue for year 2017 and 2018 respectively.

For year 2018, the Company had profit before income tax expenses at the amount of 356.8 million baht and reported net profit at the amount of 263.7 million baht, dropped from the same period last year by 582.6 million baht or 68.8 percent. The gain attributable to equity holders of the Company was 249.3 million baht.

Revenue

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

Unit: million baht

	January-December					
	2018	%	2017	%	Variance	
					Amount	%
1.Airlines	20,475.4	73.3	20,490.5	71.9	(15.1)	(0.1)
2.Airports	598.1	2.1	593.2	2.1	4.9	0.8
3.Airport-related services	4,082.3	14.6	3,847.8	13.5	234.5	6.1
4.Unallocated revenue	2,787.8	10.0	3,561.8	12.5	(774.0)	(21.7)
<i>Total Revenue</i>	<i>27,943.6</i>	<i>100.0</i>	<i>28,493.3</i>	<i>100.0</i>	<i>(549.7)</i>	<i>(1.9)</i>

Revenue from Airline Operations

In year 2018, total revenue mainly derived from airline business which was accounted for 73.3 percent of total revenue. Revenue from airlines consists of earnings from scheduled flights, chartered flights and cargo with details as follows:

	January-December			
	2017	2016	Variance	
			Amount	%
Net scheduled passenger revenue	19,708.8	19,757.1	(48.3)	(0.2)
Charter flights and charter services revenue	550.1	491.8	58.3	11.9
Total passenger revenue	20,258.9	20,248.9	10.0	0.1
Cargo revenue	216.5	241.6	(25.1)	(10.4)
<i>Total revenue from airline business</i>	20,475.4	20,490.5	(15.1)	(0.1)

In year 2018, revenue from scheduled flights was 19,708.8 million baht, dropped by 0.2 percent from the same period last year, mainly due to a decrease of revenue from international flight services which dropped by 95.6 million baht or 1.4 percent compared with last year. The declining of scheduled revenue was mainly from the lower average fare of international flights which dropped by 8.0 percent and lower passenger growth of domestic flights which dropped by 2.7 percent from the same period last year.

Revenue from charter flights and charter services increased from 491.8 million baht to 550.1 million baht, higher from year 2017 by 11.9 percent. The growth was mainly contributed from launching scheduled charter services from Samui to Chengdu, Samui to Chongqing and Samui to Guangzhou.

Revenue from Airport Operations

In year 2018, revenue from airport operations was accounted for 2.1 percent of total revenue. Majority of the airport revenue was derived from growing number of flights landed and the passengers services charged to outbound passengers at Samui Airport. Year 2018, revenue from airport operations was 598.1 million baht or increased by 0.8 percent from year 2017

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

	January-December	
	2018	2017
Catering services (BAC):		
Revenue ⁽¹⁾	1,263.8	1,550.7
EBITDA	270.5	396.0
Net income	154.2	95.3
Number of meals produced and uplifted (million meals)	7.9	10.2
Ground Services (BFS Ground):		
Revenue ⁽¹⁾	2,733.8	2,537.2
EBITDA	531.6	404.4
Net income	334.9	254.3
Number of flights handled (flight)	74,725	68,356
International cargo terminal services data (BFS Cargo):		
Revenue ⁽¹⁾	2,048.7	1,937.4
EBITDA	1,063.7	924.6
Net income	779.1	688.1
Tonnage	425,790	402,297
Cargo capacity (ton per year)	450,000	450,000
Utilization (%)	94.6	89.4

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 comprises of:

Unit: million baht

	January-December			
	2018	2017	Variance	
			Amount	%
Bangkok Air Catering Company Limited (BAC)	1,048.8	1,094.5	(45.7)	(4.2)
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	2,167.6	2,111.6	56.0	2.7
Bangkok Airways Ground Service Company Limited (PGGS)	367.1	383.0	(15.9)	(4.2)
Other revenue ⁽¹⁾	498.8	258.7	240.1	92.8
Total revenue from airport-related operations	4,082.3	3,847.8	234.5	6.1

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, Gourmet Primo Company Limited and More Than Free Company Limited, a subsidiary of Bangkok Airways Holding Company Limited

Bangkok Air Catering Company Limited (BAC)

In year 2018, the operating performance of BAC was 1,048.8 million baht, decreased by 4.2 percent. The decreasing revenue mainly due to loss of one major airline customer at the beginning of the year. In addition, BAC has transferred lounge catering business to Gourmet Primo Company Limited and kosher box operation to Bangkok Air Catering Phuket Company Limited. Consequently, the average meal produced drop by 23.1 percent compared with last year.

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

The operating performance of BFS Ground for services provided to other airlines in year 2017 and year 2018 reported at the amount of 2,111.6 million baht and 2,167.6 million baht respectively, rose by 2.7 percent from the same period last year.

The better performance of BFS Ground was derived from increasing number of flights by 9.3 percent with additional of five new airline customers. As of 31 December 2018, BFS Ground has 79 airline customers.

Bangkok Airways Ground Service Company Limited (PGGS)

The total revenue of PGGS in year 2018 reported at the amount of 367.1 million baht, lower by 4.2 percent. This was resulted from 15.1 percent decreasing in number of flights from the same period last year.

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

	January-December			
	2018	2017	Variance	
			Amount	%
Gain on foreign exchanges	164.7	55.7	109.0	195.8
Dividend income	418.6	389.6	29.0	7.4
Gain on sales of investments	384.8	1,738.2	(1,353.4)	(77.9)
Other revenues	1,819.7	1,378.3	441.4	32.0
<i>Total unallocated revenues</i>	2,787.8	3,561.8	(774.0)	(21.7)

Total unallocated revenues of the Company for year 2017 and year 2018 decreased from 3,561.8 million baht to 2,787.8 million baht respectively or dropped by 21.7 percent. A largely decrease was mainly from gain on sales of investments in marketable securities which dropped by 1,353.4 million baht or 77.9 percent. However, the Company has gained on foreign exchanges and received other revenues higher than the same period last year by 195.8 percent and 32.0 percent respectively. The other revenues mainly contribute from passenger ticket charges, excess baggage charges, breakage revenues on ticket expiry which aligned with growing number of passengers, in addition with rental income and interest earnings.

Share of Profit from Investments in Associates

The Company reported share of profit from associated companies for year 2018 at 802.5 million baht, decreased by 1.6 percent compared with the same period last year. That was due to a lower profit contributed to shareholders of Samui Property Fund (SPF) and a decrease in percentage of ownership in SPF from 33.0 in year 2017 to 30.0 percent in year 2018. However, this was offset by a better performance of WFS-PG Cargo Company Limited during this period.

Unit: million baht

	January-December			
	2018	2017	Variance	
			Amount	%
WFS-PG Cargo Company Limited	381.8	339.6	42.2	12.4
Samui Property Fund	420.7	476.3	(55.6)	(11.7)
<i>Share of Profit from Investments in Associates</i>	802.5	815.9	(13.4)	(1.6)

Expenses

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

Unit: million baht

	January-December					
	2018	%	2017	%	Variance	
					Amount	%
Cost of sales and services	22,339.5	84.3	22,092.1	84.5	247.4	1.1
Selling expenses	2,099.2	7.9	2,082.2	8.0	17.0	0.8
Administrative expenses	2,074.7	7.8	1,969.6	7.5	105.1	5.3
Other expenses	1.9	0.0	7.3	0.0	(5.4)	(74.0)
<i>Total Expenses</i>	26,515.3	100.0	26,151.2	100.0	364.1	1.4

Costs of Sales and Services

Costs of sales and services principally consist of fuel costs, aircraft repair and maintenance costs, personnel expenses, cost of passenger service and aircraft rentals. For year 2017 and year 2018, costs of sales and services were accounted for 84.5 percent and 84.3 percent of total operating expenses.

Fuel Costs: fuel costs are variable based on number of block hours. For year 2017 and year 2018, fuel costs were 4,264.7 million baht and 4,934.9 million baht which were accounted for 16.3 percent and 18.6 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 31 December 2018, The Company still has an obligation from fuel price hedging until December 2019 amounting to 1,020,000 barrels of jet fuel whereby jet fuel prices are between USD 74 per barrel and USD 100 per barrel

Aircraft Repair and Maintenance Costs: aircraft repair and maintenance costs were higher from 3,251.2 million baht to 3,536.2 million baht for year 2018 comparing to the previous year. These costs mainly incurred for repairing and maintaining the aging aircraft together with additional of maintenance reserve fund for ATR72-600 which is attached to the aircraft lease agreement.

Personnel Expenses: the expenses were increasing from 3,356.1 million baht to 3,444.8 million baht which was mainly from higher rate of flight pay which were adjusted since the beginning of this year.

Cost of Passenger Services: cost of passenger services reported at 3,151.4 million baht or dropped by 8.6 percent comparing to year 2017. The decreasing amount resulted from flight management strategy which adjusted number of flight based on travel demand.

Aircraft Rental Costs: the aircraft rental costs reported at 1,563.2 million baht or decreased by 27.4 percent compared with the same period last year. That was due to the return of aircraft under wet lease arrangements, together with the fluctuation of foreign exchange rate.

Selling Expenses

For year 2017 and year 2018, selling expenses were accounted for 8.0 percent and 7.9 percent of total expenses respectively. The selling expenses mainly comprised of advertising and sale promotion and reservation expenses. The significant increase in selling expenses were mainly due to usage of reservation

system, expenses associated with reservation system and other supporting selling systems. The higher system usage costs were along with rising number of passengers.

Administrative Expenses

The administrative expenses of the Company for year 2017 and year 2018 were accounted for 7.5 percent and 7.8 percent of total expenses respectively. The increasing administrative expenses mostly consist of depreciation, IT services and other administrative expenses which including sale promotion for Frequent Flyer Program (FFP), Corporate Social Responsibility program (CSR) and doubtful debt.

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

	January-December			
	2018	2017	Variance	
			Amount	%
Financial cost paid to the Samui Property Fund (SPF)	1,467.6	1,503.5	(35.9)	(2.4)
Interest and Fee expenses ⁽¹⁾	406.5	336.1	70.4	20.9
Total	1,874.1	1,839.6	34.5	1.9

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

Financial cost paid to the Samui Property Fund (SPF) for year 2018 amounted to 1,467.6 million baht, decreased by 2.4 percent compared with the same period last year. The decreasing amount was due to cancellation of Thai Airways' flight landed into Samui Airport since the beginning of September 2018.

The interest costs and fee expenses increased from 336.1 million baht to 406.5 million baht which mainly due to additional interest paid under long term loan agreements for ATR72-600 incurred during the period.

Assets

As of 31 December 2018, the Company and its subsidiaries have total assets amounted of 62,067.0 million baht, increased by 4,125.4 million baht.

Unit: million baht

	As at December 31, 2018	As at December 31, 2017	Variance
<i>Current assets</i>			
Cash & cash equivalents and current investments	7,647.7	9,995.9	(2,348.2)
Trade and other receivables	1,713.4	1,854.0	(140.6)
Reimbursable maintenance expense	1,050.3	1,552.2	(501.9)
Total current assets	11,429.8	14,380.6	(2,950.8)
<i>Non-current assets</i>			
Investments in associates	2,902.1	3,240.0	(337.9)
Other long-term investments	30,270.0	24,028.8	6,241.2
Property, plant and equipment	15,520.2	14,502.9	1,017.3
Total Non-current assets	50,637.2	43,561.0	7,076.2
Total assets	62,067.0	57,941.6	4,125.4

Current assets

Total current assets of the Company as of 31 December 2018 was 11,429.8 million baht, decreased from 31 December 2017 by 2,950.8 million baht. This was mainly due to:

- *Cash and cash equivalents* lower by 2,348.2 million baht, mainly from the acquisition of other long-term investments, property and plant & equipment including two ATR72-600, interest paid and dividend payment to shareholders. This was offset by dividend received from investment in associates and long-term investments together with cash received from operation activities, long-term loans from financial institution and selling of investments during the period.
- *Reimbursable maintenance expense* decreased by 501.9 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 50,637.2 million baht, increased from the end of 2017 by 7,076.2 million baht. This was resulted from:

- *Other long-term investments* increased by 6,241.2 million baht from the investment in common shares of Bangkok Aviation Fuel Service Public Company Limited (BAFS) and the mark-to-market of other long-term investments.
- *Property, Plant and Equipment* increased by 1,017.3 million baht, mainly from the purchase of two ATR72-600 during the fourth quarter of year 2018.

Liabilities

As of 31 December 2018, the Company and its subsidiaries have liabilities amounting of 31,288.9 million baht. An increase of 1,732.9 million baht from 31 December 2017 was as follows:



	As at December 31, 2018	As at December 31, 2017	Variance
<i>Current liabilities</i>			
Trade and other payables	2,883.3	2,815.7	67.6
Current portion of long-term loans, Liabilities arising from financial lease of aircrafts and Finance lease liabilities	691.3	539.5	151.8
Income tax payable	13.1	213.9	(200.8)
Unearned revenue	2,531.0	2,625.7	(94.7)
Other current liabilities	2,152.1	2,077.0	75.1
Total current liabilities	8,340.2	8,315.4	24.8
<i>Non-Current liabilities</i>			
Long-term loans , Liabilities arising from financial lease of aircraft and Finance lease liabilities – net of current portion	5,502.9	4,650.6	852.3
Long-term loans from related party – net of current portion	11,331.0	11,365.3	(34.3)
Deferred tax liabilities	5,330.3	4,576.0	754.3
Total non-current liabilities	22,948.7	21,240.6	1,708.1
Total liabilities	31,288.9	29,556.0	1,732.9

Current liabilities

Total current liabilities amounting to 8,340.2 million baht, increased from 31 December 2017 by 24.8 million baht, the changes was mainly due to:

- *Current portion of long-term loans, Liabilities arising from financial lease of aircrafts and finance lease liabilities* amounting to 691.3 million baht, increased by 151.8 million baht. This was mainly derived from an increase of current portion of long term loan resulted from entering into new long-term loan agreement for the purpose of the delivery of two ATR72-600.
- *Income tax payable* amounting to 13.1 million baht, decreased by 200.8 million baht. A decreasing amount resulted from tax amount of year 2017 paid to Revenue department.
- *Unearned revenue* decreased by 94.7 baht from 31 December 2017 as a consequence of lower advanced bookings compared with same period last year.
- *Other current liabilities* amounting to 2,152.1million baht, rose by 75.1 million baht. This was mainly derived from additional maintenance reserve fund (MRF) for the ATR72-600.

Non-current liabilities

Total non-current liabilities of the Company is 22,948.7million baht, rose by 1,708.1 million baht from 31 December 2017, largely derived from:

- The purchase of two ATR72-600s under long-term loans agreement caused *liabilities arising from long-term loans-net of current portion* increased by 1,276.9 million baht.
- *Deferred tax liabilities* increased by 754.3 million baht due to an acquisition of ATR 72-600 under finance lease liabilities together with changes in market value of the available-for-sale investment in securities.

Shareholders' Equity

Unit: million baht

	As at December 31, 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	(366.8)	-	n.a.
Other components of shareholders' equity	19,836.7	16,656.5	3,180.2
Retained earnings	32.6	448.2	(415.6)
<i>Total shareholders' equity</i>	30,778.1	28,385.6	2,392.5

As of 31 December 2018, total shareholders' of the Company and its subsidiaries is 30,778.1 million baht. The incremental of 2,392.5 million baht mainly derived from the changes in the market value of the available-for-sale investment in securities which rose by 3,180.2 million baht. The Company has retained gain at the amount of 32.6 million baht, declined by 415.6 million baht.

Statement of Cash Flow

Unit: million baht

	January – December	
	2018	2017
Net cash flows from (used in) operating activities	1,901.9	762.1
Net cash flows from investing activities	817.2	2,690.3
Net cash flows used in financing activities	(1,916.2)	(2,958.8)
<i>Cash and cash equivalents at end of the year</i>	4,347.7	3,544.9

Cash flows from operating activities

As of 31 December 2018, the profit of the Company and its subsidiaries before changes in operating assets and liabilities is 1,914.8 million baht while the amount of net cash flows from (used in) operating activities is 1,901.9 million baht. This change was mainly from cash received from maintenance reserve fund claimed back from lessors. However, this was partially offset by tax paid during the period.

Cash flows from investing activities

As of 31 December 2018, net cash flows from investing activities of the Company and its subsidiaries is 817.2 million baht which resulted from dividend received from investment in associates and other long-term investments amounted to 1,288.9 million baht, together with cash received from sales of long-term investments and investment in associates amounted to 785.8 million baht. However, this was offset by cash outflows used for acquisition of property, plant and equipment and long-term investments in BAFS

Cash flows from financing activities

As of 31 December 2018, the Company and its subsidiaries have cash outflows from financing activities at the amount of 1,916.2 million baht, mainly from interest expense, dividend payment to shareholders, repayment of liabilities under finance lease payable, purchase of treasury stocks and repayment of long term loans amounting to 3,480.4 million baht.

Summary Consolidated Financial and Ratio

		As at 31 December	
		2018	2017
Liquidity Ratio	Current Ratio (Time)	1.4	1.7
	Quick Ratio (Time)	4.3	3.5
	Collection Period (Day)	24.4	25.6
	Stock Turnover Period (Day)	8.2	6.9
	Payment Period (Day)	34.2	34.3
Profitability Ratio	Gross Profit Margin (%)	11.2	11.4
	Operating Profit Margin (%)	4.4	3.5
	EBITDAR Margin (%)	15.1	16.3
	Net profit Margin (%)	0.9	3.0
	Return on Equity (%)	0.9	2.8
Efficiency Ratio	Return on Assets (%)	0.4	1.4
	Return on Fixed Assets (%)	11.0	15.5
	Asset Turnover (Time)	0.5	0.5
Leverage Ratio	Debt to Equity (Time)	1.0	1.0
	Interest Coverage Ratio (Time)	1.3	1.2

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.