



## **Management's Discussion and Analysis**

For the three-month period ended 31 March 2018

Bangkok Airways Public Company Limited and Its Subsidiaries

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## Management's Discussion and Analysis for the First Quarter of year 2018 ended 31 March 2018

### Executive Summary

Thai economy in the first quarter of 2018 continued to grow from the previous quarter, corresponding with the world economy. The expanding of the exporting industry, tourism industry, and government investment are main supports. The inflation rate in the first quarter of 2018 increased parallel with the domestic oil price at 0.42 percent in February and 0.79 percent in March. Moreover, there is an improvement of the unemployment rate, compared from the previous quarter. In addition, in term of the currency, Thai Baht and other currencies get stronger again US Dollar. However, due to the capital, and investment start to flow back to USA, US Dollar start to get stronger in the long term (Source: The bank of Thailand).

The overall global aviation industry in the first quarter of 2018, a growth in passenger traffic was supported by 7.2 percent increase in revenue passenger kilometers (RPK) where Asia-Pacific had the highest growth at 9 percent, following by Europe and Latin America, accounting for 7.7 percent and 7.3 percent respectively. Furthermore, worldwide capacity growth or available seat kilometers (ASK) rose 6 percent on the average. Asia-Pacific still ranked as the top with 8.1 percent, following by 6.0 percent growth in Latin America, and 5.4 percent growth in Europe. The improvement of the world economy, lower ticket fare, and the increasing of the number of passenger demand are main factors, helping to stimulate the air traffic demand ( Source: International Air Transport Association).

For the Thailand tourism industry in the first quarter of 2018, the number of international tourist arrivals to Thailand increased by 15.4 percent from the same period last year. Tourists from East Asia ( including Southeast Asia) had the highest growth of 18.5 percent, followed by tourists from South Asia, and Europe with 16.1 percent and 12.2 percent respectively. Tourists from China, and Hong Kong had the major growth in Asia at 30.2 percent, and 31.2 percent. In addition, tourists from Russia had the highest growth in Europe at 26.6 percent, followed by Austria, Germany, and Spain at 20.8 percent, 13.2 percent, and 12.9 percent respectively (Source: Ministry of Tourism and Sports).

The Company has increased flight frequencies in Bangkok-Phu Quoc route to 5 flights weekly, Bangkok-Vientiane route to 14 flights weekly. Additionally, new route service has been started from Chiang Mai – Hanoi with seven flights per week starting from March 2018. For the first quarter of year 2018, the number of passengers rose by 8.4 percent. According to point-of-sale of the Company, the increasing percent proportion of international passenger was from 52.0 percent to 56.0 percent as a result from entering into agreement with more code share partners. The market with the largest incremental number of passengers was from point-of-



sale in Europe, Asia and North America respectively. Therefore, passenger revenue from out of Thailand increased by the following point-of-sales; Europe at 28.0 percent, Asia excluding Thailand at 23.0 percent, Thailand at 21.0 percent of total passenger revenues. In terms of point-of-sales by country, China contributed the highest proportion of passenger revenue followed by Germany, France and United States respectively.

In the first quarter of year 2018, the Company reported total revenue amounting to 7,830.7 million baht, increased by 4.8 percent from the same period last year. An increase in total revenue was mainly due to airline, airport-related services and other related business and airport which rose by 4.9 percent, 6.1 percent and 17.1 percent respectively. The performance of airline and airport businesses were improved as a result of 8.4 percent growth in number of passengers in which its passenger load factor was at 76.4 percent. Despite the revenue growth, the passenger yield dropped from 4.91 baht per passenger-kilometers to 4.79 baht per passenger-kilometers or by 2.3 percent as a consequence of intense competition within the industry.

Regarding the airport-related businesses, the performance of BAC slightly decreased due to the loss of one airline customer at the beginning of the year. In part of BFS Ground, the revenue grew by 1.3 percent from growing number of flights at Suvarnabhumi airport and additional airline customers. This was also in line with the performance of BFS Cargo which also improved from prior year as a result of greater amount of tonnage carried which grew by 9.6 percent compared same period with last year.

Net profit was reported at 719.3.0 million baht, increased from the first quarter of year 2017 by 154.3 million baht or 27.3 percent of which profit attributable to the equity holder of the Company was 710.5 million baht. Earnings per share for this quarter was 0.34 baht.

## **Notable Events**

Notable events in the first quarter of 2018

1. The Company has routes network movement as follows:

### **Adding Frequency**

- Bangkok – Phu Quoc from 4 flights per week to 5 flights per week (February 2018)
- Bangkok – Vientiane from 7 flights per week to 14 flights per week (March 2018)

### **New Route**

- Chiang Mai – Hanoi 7 flights per week (March 2018)
2. The Company has signed the contract for the purchase of 4 additional ATR 72-600s at the Singapore Airshow. Deliveries of these 4 additional aircrafts will be in October 2018 to March 2019.

Currently, the Company operates a fleet of 15 ATR72 aircraft; 6 ATR72-500s and 9 ATR72-600s.

3. In February 2018, the Company has announced a new codeshare partnership with EL AL Israel Airlines to strengthen the airlines route network and be another important milestones and significant development in the continued growth of the Company. As a result, the Company has total 24 codeshare airline partners.
4. The Company has announced a new collaboration effort with Expedia group, the world’s largest online travel company, to add a new distribution channel and incorporate a marketing campaign globally. The Company can enhance ticket sales through various sales channels of Expedia and its subsidiaries especially in North America, Europe and Australasia, which are the Company’s key target customers by making reservations for all Bangkok Airways’ flights via various Expedia channels.
5. In March 2018, the company announced a partnership deal 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 which are main customer bases. In addition, this cooperation will be part of the Company’s CSR project to enhance football skill for youths in Thailand.

6. In the first quarter of year 2018, Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) had 4 additional airlines compared with the same period last year causing total number of its customers to be from 71 airlines to 75 airlines for ground service equipment.

## 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 11 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

## Airline Operating Data

	Unit	January-March	
		2018	2017
Schedule passenger revenues <sup>(1)</sup>	Million Baht	6,311.0	6,041.8
Domestic		4,164.6	3,755.9
International		2,146.4	2,285.9
Available Seat Kilometers (ASK)	Million Seat - Kilometers	1,722.4	1,727.8
Domestic		930.4	929.0
International		792.0	798.8
Revenue Passenger Kilometers (RPK)	Million Seat - Kilometers	1,316.5	1,231.5
Domestic		781.9	716.6
International		534.6	514.9
Passenger Load Factor	Percentage	76.4	71.3
Domestic		84.0	77.1
International		67.5	64.5
Number of passengers carried	Thousand Passengers	1,758.9	1,623.2
Domestic		1,269.2	1,161.3
International		489.6	461.9

	Unit	January-March		
		2018	2017	
Number of flight flown	Flights	18,479	18,310	
Domestic		12,660	12,662	
International		5,819	5,648	
Total seat capacity	Thousand Seats	2,244.4	2,243.7	
Domestic		1,504.5	1,499.1	
International		739.9	744.6	
Aircraft utilization	Block Hour	9.1	9.6	
Airbus A320		per Day	10.3	10.4
Airbus A319		per Aircraft	9.7	10.6
ATR 72-500 & ATR 72-600		7.3	7.9	
Number of aircraft at end of period	Aircraft	38	34	
Airbus A320		9	9	
Airbus A319		14	12	
ATR 72-500		6	6	
ATR 72-600		9	7	
Average Stage Length	Kilometers	748.5	758.7	
Kilometers flown	Million Kilometers	13.3	13.3	
Passenger Yield <sup>(2)</sup>	Baht per Passenger - Kilometers	4.79	4.91	
Revenue ASK (RASK)		3.95	3.74	
Cost per ASK (CASK)	Baht per Available	3.30	3.36	
Cost per ASK excluding fuel cost	Seat - Kilometers	2.70	2.70	
RASK – CASK		0.65	0.38	

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 three-month period ended March 31, 2018

Consolidated financial statement for the three-month period ended March 31, 2018 comprises Bangkok Airways' financial statement and eleven subsidiaries as follows:

Unit: million baht

	January-March			
	2018	2017	Variance	
			Amount	%
Net profit (loss) for the period	719.3	565.0	154.3	27.3
Plus:				
Finance Cost	471.2	449.8	21.4	4.8
Income tax expenses	180.3	159.7	20.6	12.9
Less:				
Interest received	27.2	33.7	(6.5)	(19.4)
Gain on foreign exchange	-	35.4	(35.4)	(100.0)
Non-operating revenues <sup>(1)</sup>	(1.5)	0.3	(1.8)	(584.3)
<b>EBIT <sup>(2)</sup></b>	<b>1,345.2</b>	<b>1,105.1</b>	<b>240.0</b>	<b>21.7</b>
Plus:				
Depreciation and amortization	335.1	289.7	45.4	15.7
<b>EBITDA <sup>(2)</sup></b>	<b>1,680.3</b>	<b>1,394.8</b>	<b>285.5</b>	<b>20.5</b>
Plus:				
Operating lease expenses	398.6	596.5	(197.9)	(33.2)
<b>EBITDAR <sup>(2)</sup></b>	<b>2,078.9</b>	<b>1,991.3</b>	<b>87.6</b>	<b>4.4</b>
Total revenue	7,830.7	7,469.0	361.7	4.8
Operating revenue <sup>(3)</sup>	7,805.0	7,399.5	405.5	5.5

	January-March			
	2018	2017	Variance	
			Amount	%
Profit attributable to equity holders of the Company	710.5	548.4	162.1	29.6
<b>EBIT Ratio (%)</b>	<b>17.2</b>	<b>14.9</b>	<b>2.3</b>	
<b>EBIDA Ratio (%)</b>	<b>21.5</b>	<b>18.9</b>	<b>2.7</b>	
<b>EBITDAR Ratio (%)</b>	<b>26.6</b>	<b>26.9</b>	<b>(0.3)</b>	

Remark

- (1) Comprises of gain on sale of investments, sale of investment in subsidiaries and sale of assets.
- (2) EBIT, EBIT margins, EBIDA, EBIDA 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 gain on foreign exchange, interest income and non-operating revenues.

### Operating profit and net income

The operating revenue of the Company for the first quarter of year 2017 and year 2018 were 7,399.5 million baht and 7,805.0 million baht respectively, increased by 5.5 percent. An increasing mainly contributed from airline business by 4.9 percent growth and 6.1percent growth in airport-related business operated by its subsidiaries. Total expenses increased from 6,492.1 million baht to 6,679.2 million baht or around 2.9 percent growth.

The earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were derived from total income (excluding dividend income, interest income, gain on foreign exchange and non-operating revenues) less total expenses plus depreciation and amortization expenses, and aircraft rental, equaled to 1,991.3 million baht and 2,078.9 million baht or 26.9 percent and 26.6 percent of total operating revenue for the first quarter of year 2017 and year 2018 respectively.

For the first quarter of year 2018, net profit of the Company was 719.3 million baht, an increase of 154.3 million baht or 27.3 percent from the same period last year in which the amount attributable to equity holders of the Company was 710.5 million baht or 98.8 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

	January-March					
	2018	%	2017	%	Variance	
					Amount	%
Airlines	6,272.2	80.1	5,981.8	80.1	290.4	4.9
Airports	182.9	2.3	156.2	2.1	26.7	17.1
Airport-related services and other related business	1,043.2	13.3	983.3	13.2	59.9	6.1
Unallocated revenue	332.4	4.3	347.7	4.6	(15.3)	(4.4)
<b>Total Revenue</b>	<b>7,830.7</b>	<b>100.0</b>	<b>7,469.0</b>	<b>100.0</b>	<b>361.7</b>	<b>4.8</b>

### Revenue from Airline Operations

In the first quarter of year 2018, revenue from airline business was accounted for 80.1 percent of total revenue. Revenue from airlines consists of earnings from scheduled flights, chartered flights and cargo with details as follows:

Unit: million baht

	January-March			
	2018	2017	Variance	
			Amount	%
Net scheduled passenger revenue	6,095.0	5,813.8	281.2	4.8
Charter flights and charter services revenue	127.0	109.3	17.7	16.2
<b>Total passenger revenue</b>	<b>6,222.0</b>	<b>5,923.1</b>	<b>298.9</b>	<b>5.1</b>
Cargo revenue	50.2	58.7	(8.5)	(14.5)
<b>Total revenue from airline business</b>	<b>6,272.2</b>	<b>5,981.8</b>	<b>290.4</b>	<b>4.9</b>

Revenue from the scheduled services of both domestic and international flights in the first quarter of year 2018 reported at the amount of 6,095.0 million baht, rose by 4.8 percent, comparing to the first quarter of year 2017. The increasing amount was due to a growth of 8.4 percent in number of passengers mainly from adding flight frequencies in routes that have high demand and launching new routes. Charter flights and charter services revenue was reported at the amount of 127.0 million baht, grew by 16.2 percent mainly from flight service from Samui to Chengdu and Samui to Chongqing

Despite, the growth in the number of passengers this quarter, the weaker performance was a consequence of highly intense competition which caused the average fare to drop by 3.6 percent and passenger yield per RPK to decrease by 2.3 percent compared with the same period last year.

### **Revenue from Airport Operations**

In the first quarter of year 2018, revenue from airport operations was accounted for 2.3 percent of total operating revenue of the Company. Majority of the airport revenue was derived from passengers services charged to outbound passengers at Samui Airport. Revenue from airport operations was 182.9 million baht or increased by 17.1 percent from same period last year as a result of 9.7 percent increase in number of outbound international passengers of all airlines at Samui airport.

### ***Revenue from Airport-Related Operations and Other Related Business***

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

Unit: million baht

	January-March	
	2018	2017
<b><i>Catering services (BAC):</i></b>		
Revenue <sup>(1)</sup>	363.1	442.8
EBITDA	111.1	133.5
Net income	74.1	91.3
Number of meals produced and uplifted (million meals)	2.5	3.0
<b><i>Ground Services (BFS Ground):</i></b>		
Revenue <sup>(1)</sup>	683.2	647.7
EBITDA	138.7	147.3
Net income	84.9	95.3
Number of flights handled (flight)	18,579	17,460
<b><i>International cargo terminal services (BFS Cargo):</i></b>		
Revenue <sup>(1)</sup>	493.1	452.9
EBITDA	249.5	207.7
Net income	176.1	143.9
Tonnage	102,239	93,324
Cargo capacity (ton per year)	450,000	450,000
Utilization (%)	90.9	83.0

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

Revenue from airport-Related Operations and Other Related Business from services provided to other airlines mainly comprises of:

Unit: million baht

	January-March			
	2018	2017	Variance	
			Amount	%
Bangkok Air Catering Company Limited (BAC)	302.0	306.3	(4.3)	(1.4)
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	540.7	534.0	6.7	1.3
Bangkok Airways Ground Service Company Limited (PGGS)	92.0	85.4	6.6	7.7
Other revenue <sup>(1)</sup>	108.5	57.7	50.8	88.0
<b>Total revenue from airport-related operations</b>	<b>1,043.2</b>	<b>983.4</b>	<b>59.8</b>	<b>6.1</b>

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)***

For the first quarter of year 2018, the operating performance of BAC dropped by 1.4 percent, showing the revenue at the amount of 302.0 million baht. The decreasing revenue mainly due to loss of one airline customer at the beginning of the year. As a result, average meal production per day decreased by 17.0 percent, compared to the same period of year 2017.

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

The operating performance of BFS Ground for the first quarter of year 2018 was 540.7 million baht, increased by 1.3 percent. This was due to an engagement with 4 new airline customers that caused number of flights to ascend by 1,119 flights or 6.4 percent comparing to the first quarter last year.

### ***Bangkok Airways Ground Service Company Limited (PGGS)***

The operating performance of PGGS for the first quarter of 2017 and 2018 reported at 85.4 million baht and 92.0 million baht respectively. Despite, the growth of revenue, the number of handling flights decreased by 4.0 percent since the suspension of Thai Airways 's flights landed in to Samui Airport. Nevertheless, this quarter, PGGS has served charter services customer and has other revenue from services which grew revenue by 7.7 percent

### **Unallocated Revenues**

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-March			
	2018	2017	Variance	
			Amount	%
Gain on foreign exchanges	-	35.4	(35.4)	(100.0)
Interest received	27.2	33.7	(6.5)	(19.3)
Other revenues	305.2	278.6	26.6	9.5
<b><i>Total unallocated revenues</i></b>	<b>332.4</b>	<b>347.7</b>	<b>(15.3)</b>	<b>(4.4)</b>

In the first quarter of year 2018, total unallocated revenues decreased from 347.7 million baht to 332.4 million baht or drop by 4.4 percent. This was mainly due to declining amount of gain on foreign exchanges.

Major components of other revenues are passenger ticket charges, excess baggage charges, breakage revenues on ticket expiry and etc. However, an increase in other revenues was highly derived from excess baggage charges.

### **Share of Profit from Investments in Associates**

The Company has share of profit from associated companies, increasing from 197.7 million baht to 219.4 million baht for the first quarter of year 2018. Mainly, the rising amount was due to better performance of BFS Cargo and Samui Airport Property Fund.

Unit: million baht

	January-March			
	2018	2017	Variance	
			Amount	%
WFS-PG Cargo Company Limited	86.3	74.2	12.1	16.3
Samui Property Fund	133.1	123.6	9.5	7.7
<b>Share of Profit from Investments in Associates</b>	<b>219.4</b>	<b>197.7</b>	<b>21.7</b>	<b>11.0</b>

### **Expenses**

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

Unit: million baht

	January-March					
	2018	%	2017	%	Variance	
					Amount	%
Cost of sales and services	5,641.4	84.5	5,576.7	85.9	64.7	1.2
Selling expenses	489.7	7.3	500.1	7.7	(10.4)	(2.1)
Administrative expenses	434.5	6.5	415.1	6.4	19.4	4.7
Loss on foreign exchange	111.4	1.7	0.0	0.0	111.4	100.0
Other expenses	2.2	0.0	0.2	0.0	2.0	1,000.0
<b>Total Expenses</b>	<b>6,679.2</b>	<b>100.0</b>	<b>6,492.1</b>	<b>100.0</b>	<b>187.1</b>	<b>2.9</b>

### **Costs of Sales and Services**

Major costs of sales and services consist of fuel costs, aircraft repair and maintenance costs, cost of passenger services, personnel expenses and aircraft rentals

For the first quarter of year 2017 and year 2018, costs of sales and services were accounted for 85.9 percent and 84.5 percent of total expenses respectively.

**Fuel Costs:** fuel costs rose from 1,133.5 million baht to 1,158.2 million baht for the first quarter of year 2018 comparing to last year. It was accounted for 20.3 percent and 20.5 percent of total cost of sales and services. The increasing amount was mostly due to higher average market fuel price

As at 31 March 2018, the Company has entered into a forward purchase contracts (fuel hedging) and has an obligation from fuel price hedging until September 2018 amounting to 360,000 barrels

*Aircraft Repair and Maintenance Costs:* aircraft repair and maintenance costs were higher from 728.1 million baht to 1,027.5 million baht in this quarter compared to previous year. These costs were higher during the period from the additional costs incurred for repairing and maintaining the aging aircraft.

*Cost of Passenger Services:* in the first quarter of year 2018, cost of passenger services was lower from 927.4 million baht to 832.8 million baht. The decreasing amount derived from cost related to ground and passenger services.

*Personnel Expenses:* personnel expenses consist of salaries, wages and benefits. For the first quarter of year 2018, the expense was increasing from 807.7 million baht to 816.6 million baht which was derived from a growing number of employees, together with annual salary increase.

*Aircraft Rental Costs:* aircraft rental costs decreased from 596.5 million baht in the first quarter of year 2017 to 398.6 million baht in year 2018 due to the return of aircraft under wet lease arrangements.

### **Selling Expenses**

For the first quarter of year 2017 and year 2018, selling expenses were accounted for 7.7 percent and 7.3 percent of total expenses respectively. The decrease in selling expenses was mainly due to expenses associated with reservation system and other supporting selling systems.

### **Administrative Expenses**

The administrative expenses of the Company for the first quarter of year 2017 and year 2018 were accounted for 6.4 percent and 6.5 percent of total expenses. The increasing administrative expenses mostly consist of depreciation utilities and other administration expense.

### **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 passengers from and the arriving flights to Samui Airport. However, in 2013, Company has revised its accounting policy in recording long term loans from the related parties in relation to the sub-lease agreement from SPF. The new policy stipulated that Company provides estimated fixed rental costs and variable service costs that may occur throughout the sub-lease period in calculating 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-March			
	2018	2017	Variance	
			Amount	%
Interest expenses paid to the Samui Property Fund	375.0	367.3	7.7	2.1
Interest and Fee expenses <sup>(1)</sup>	96.2	82.5	13.7	16.6
<b>Total</b>	<b>471.2</b>	<b>449.8</b>	<b>21.4</b>	<b>4.8</b>

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

Total interest paid to SPF for the period amounted to 375.0 million baht increased by 2.1 percent from the same last year. The increasing amount derives from departing passengers and number of flights out from Samui airport. For the first quarter of year 2018, the number of departing passenger and flight in-out Samui grew by 9.7 percent and 0.9 respectively compared with last year.

Interests and fees paid to financial institutions and liabilities under finance lease rose from 82.5 million baht to 96.5 million baht mostly due to interest paid under finance lease agreement of ATR72-600



## **Assets**

As of 31 March 2018, the Company and its subsidiaries have total assets of 61,107.6 million baht, increased by 3,166.0 million baht from:

Unit: million baht

	As at March 31, 2018	As at December 31, 2017	Variance
<b><i>Current assets</i></b>			
Cash & cash equivalents and current investments	11,104.0	9,995.9	1,108.1
Trade and other receivables	1,720.1	1,854.0	(133.9)
Reimbursable maintenance expense	901.2	1,552.2	(651.0)
<b><i>Total current assets</i></b>	<b><i>14,771.4</i></b>	<b><i>14,380.6</i></b>	<b><i>390.8</i></b>
<b><i>Non-current assets</i></b>			
Investments in associates	3,270.2	3,240.0	30.2
Other long-term investments	26,947.4	24,028.8	2,918.6
Property, plant and equipment	14,350.6	14,502.9	(152.3)
<b><i>Total Non-current assets</i></b>	<b><i>46,336.2</i></b>	<b><i>43,561.0</i></b>	<b><i>2,775.2</i></b>
<b><i>Total assets</i></b>	<b><i>61,107.6</i></b>	<b><i>57,941.6</i></b>	<b><i>3,166.0</i></b>

### **Current Assets**

Total current assets of the Company as of 31 March 2018 was 14,771.4 million baht, increased from 31 December 2017 by 390.8 million baht. This was mainly due to:

- *Cash & cash equivalents and current investments* increased by 1,108.1 million baht which was derived from cash inflows from operation and the sales of investment in marketable securities during the fourth quarter of year 2017
- Reimbursable maintenance expense lower by 651.0 million baht mostly due to cash received from outstanding amount to be claimed from maintenance reserve fund

### **Non-current Assets**

Total non-current assets of the Company is 46,336.2million baht, increased from the end of year 2017 by 2,775.2 million baht. This was mainly due to:

- *Other long-term investments* increased by 2,918.6 million baht due to the mark to market of long-term investments in marketable securities.
- *Property, plant and equipment* decreased by 152.3 million baht. Nevertheless, there was a purchase of land and aircraft equipment during the period, mostly for business expansion by the Company.

## **Liabilities**

As at 31 March 2018, the Company and its subsidiaries have liabilities amounted of 29,667.8 million baht. A increase of 111.8 million baht from 31 December 2017 was as follows:

Unit: million baht

	As at March 31, 2018	As at December 31, 2017	Variance
<b><i>Current liabilities</i></b>			
Trade and other payables	2,643.8	2,815.7	(171.9)
Current portion long-term loans and liabilities arising from finance lease of aircrafts	611.6	539.5	72.1
Unearned income	2,213.6	2,625.7	(412.1)
Other current liabilities	2,111.7	2,077.0	34.7
<b><i>Total current liabilities</i></b>	<b><i>7,974.0</i></b>	<b><i>8,315.4</i></b>	<b><i>(341.4)</i></b>
<b><i>Non-Current liabilities</i></b>			
Long-term loans, liabilities arising from finance lease of aircrafts and Finance lease liabilities – net of current portion	4,482.6	4,650.6	(168.0)
Long-term lease liabilities from related party – net of current portion	11,322.3	11,365.3	(43.0)
Deferred tax liabilities	5,202.0	4,576.0	626.0
<b><i>Total non-current liabilities</i></b>	<b><i>21,693.8</i></b>	<b><i>21,240.6</i></b>	<b><i>453.2</i></b>
<b><i>Total liabilities</i></b>	<b><i>29,667.8</i></b>	<b><i>29,556.0</i></b>	<b><i>111.8</i></b>

## **Current Liabilities**

Total current liabilities amounting to 7,974.0 million baht decreased from 31 December 2017 by 341.4 million baht, mainly due to:

- *Current portion long-term loans and liabilities arising from finance lease of aircrafts* amounting to 611.6 million baht, increased by 72.1 million baht mainly derived from entering into long term loan agreement of its subsidiaries.
- *Unearned income* lower by 412.1 million baht as a consequence of lower advanced bookings after peak travel season.

### **Non-current Liabilities**

Total non-current liabilities of the Company is 21,693.8 million baht, increasing by 453.2 million baht, mainly from:

- Long-term loans, liabilities arising from finance lease of aircrafts and Finance lease liabilities – net of current portion decreased by 168.0 million baht mainly resulted from repayment of loan arising from finance lease of aircrafts.
- *Deferred tax liabilities* increased by 626.0 million baht due to mark to market of the available for sale investment in securities.

### **Shareholders' Equity**

Unit: million baht

	As at March 31, 2018	As at December 31, 2017	Variance
Paid up capital	2,100.0	2,100.0	(0.0)
Premium on ordinary shares and capital reserve for share-based payment transactions	9,319.5	9,319.5	(0.0)
Other components of shareholders' equity	18,780.3	16,445.4	2,334.9
Retained earnings	1,158.7	448.2	710.5
<b>Total shareholders' equity</b>	<b>31,439.8</b>	<b>28,385.6</b>	<b>3,054.2</b>

As of 31 March 2018, total shareholders' equity of the Company and its subsidiaries is 31,439.8 million baht, an increase of 3,054.2 million baht. The movement between two periods included the changes in the market value of the available for sale investment in securities and an increase in retained earnings. The Company has retained gain at the amount of 1,158.7 million baht, increased by 710.5 million baht from the same period last year.

## **Statement of Cash Flow**

Unit: million baht

	January-March	
	2018	2017
Net cash flows from operating activities	1,359.0	701.5
Net cash flows from investing activities	178.2	976.5
Net cash flows used in financing activities	(382.2)	(327.5)
<b><i>Cash and cash equivalents at end of the period</i></b>	<b><i>4,700.0</i></b>	<b><i>4,401.8</i></b>

### **Cash flows from Operating Activities**

As of 31 March 2018, the profit of the Company and its subsidiaries before changes in operating assets and liabilities was 1,459.0 million baht while the amount of net cash flows from operating activities was 1,359.0 million baht. The change was mainly due to outstanding amount of prepaid maintenance reserve fund awaiting for a reimbursement, and unearned income during the period.

### **Cash flows from Investing Activities**

As of 31 March 2018, cash flows from investing activities of the Company and its subsidiaries was 178.2 million, lower by 798.3 million baht which mostly derived from a decrease in short-term investments

### **Cash flows from financing activities**

As of 31 March 2018, the Company and its subsidiaries have cash flows used in financing activities at the amount of 382.2 million baht, mostly for payment under finance lease and interest paid amounting to 568.2 million baht.

## Summary Consolidated Financial and Ratio

		January-March	
		2018	2017
Liquidity Ratio	Current Ratio (Time)	1.9	2.0
	Quick Ratio (Time)	4.1	4.7
	Collection Period (Day)	20.4	21.4
	Stock Turnover Period (Day)	7.8	6.2
	Payment Period (Day)	33.6	33.8
Profitability Ratio	Gross Profit Margin (%)	24.8	21.7
	Operating Profit Margin (%)	17.9	15.5
	EBITDAR Margin (%)	26.6	26.9
	Net profit Margin (%)	9.2	7.6
	Return on Equity (%)	9.6	7.2
Efficiency Ratio	Return on Assets (%)	4.8	3.8
	Return on Fixed Assets (%)	29.2	26.7
	Asset Turnover (Time)	0.5	0.5
Leverage Ratio	Debt to Equity (Time)	0.9	0.9
	Interest Coverage Ratio (Time)	3.6	3.1

## **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.