



## Management's Discussion and Analysis

For the period ended 30 June 2018

Bangkok Airways Public Company Limited and Its Subsidiaries

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Management's Discussion and Analysis for the second quarter of 2018 ended 30 June 2018

### Executive Summary

According to Bank of Thailand statement, it is estimated that Thai economy will grow faster than the same period last year, reflecting in a higher GDP. Export and tourism sector are the main factors that support Thai economy in the second quarter. In addition, the employment rate was improved mainly from business expansion from both government and private sector. Nevertheless, national income increased in line with a rise in cost of living and fuel price (Source: Bank of Thailand).

The overall global aviation industry in first half of 2018, a growth in passenger traffic was supported by 7.0 percent increase in revenue passenger kilometers (RPK) where Asia-Pacific had the highest growth at 9.7 percent, followed by Latin America and Europe, accounting for 6.7 and 6.3 percent respectively. Furthermore, worldwide capacity growth, or available seat kilometers (ASK), rose 6.1 percent on average. Asia-Pacific still ranked as the top with 8.8 percent, following by 6.2 percent growth in Latin America, and 5.0 percent growth in Europe. (Source: International Air Transport Association).

In terms of the Thailand tourism industry in the second quarter of 2018, the number of international tourist arrival to Thailand increased by 9.1 percent, compared to the same period last year. A launch of "Go Local" campaign to promote emerging secondary destinations across Thailand by the government is one of factors that support a growth of tourists from both tour group and independent travelers. According to statistic, visitors from Southeast Asia, combining with East Asia, reveals the highest growth of 12.8 percent year-on-year. However, a decline in Chinese tourist arrival is forecasted due to Phuket ferry accident in July (Source: Bank of Thailand). Moreover, South Asia incurs the second highest growth in terms of tourist arrival, followed by Africa, accounting for 11.2 and 7.1 percentage growth respectively.



In contrast, there is a declining trend for tourist arrival from Europe, dropped by 1.9 percent, mainly from a drop in tourists from Russia (16.2% drop) and Germany (11.9% drop) (Source: Ministry of tourism and sports). One of the reason is the effect of FIFA world cup 2018 event hosted in Russia, especially during a month of June, corresponding with an increase in visitors in Russia by 17 percent in this period (Source: Russian news agency).

The number of passengers of Bangkok Airways decreased by 2.0 percent for the second quarter of 2018 with mainly reduction from e-commerce channel of sale by 22.0 percent. The decrease of e-commerce was caused by the changing of air ticket booking behavior. Meanwhile, number of passenger from the point-of-sale in Europe and China achieved the growth rate by 11.0 percent and 54.0 percent respectively.

During this quarter, Bangkok Airways has entered into codeshare agreement with two airlines: Oman Airline and Laos Airlines. The new partnership would seamlessly enable passengers of both airlines to connect with world-class tourist destinations in Thailand such as Samui, Phuket, Krabi, Chiang Mai, Chiang Rai and Lampang. Additionally, this can be expanding services to connect Bangkok with well-known cities in Laos. As a result, the Company has total Codeshare partners of 26 airlines which contributed revenue from Codeshare and Interline sales channel by 23.0 percent of total passenger revenue.

In the second quarter, total revenue of the Company was 6,341.6 million baht, increased by 6.0 percent from the same period last year. This main contribution was revenue from airport-related businesses and other related business and unallocated revenue which increased by 8.7 percent and 54.8 percent respectively. For airline business, revenue was slightly declined by 1.3 percent from highly intense competition causing average fare to drop by 1.2 percent. Passenger yield per RPK was 4.14 baht, weakened from the second quarter of 2017 by 2.4 percent.

For the six-month period, the Company has total revenue amounting to 14,061.0 million baht, increased by 4.5 percent which was due to 2.3 percentage growth in airline business, 7.3 percentage growth in both airport business and airport-related businesses, excluding cargo services. The significant increased amount derived from airport related businesses which contribute from rising number of flights landed at Suvarnabhumi airport, together with new airline customers they engaged during the period. Besides, the increasing of revenue was from dividend received and gain on exchange rate.

Net profit was shown at the amount of 637.3million baht for the first half of this year, increased from the same period last year by 592.9 million baht of which profit attributable to the equity holder of the Company was 627.5 million baht. Earnings per share for the six-month period of 2018 was 0.30 baht.



## Notable Events

Notable events in the second quarter of 2018

1. The Company increased frequency on route:
  - Bangkok – Mandalay from 7 flights per week to 11 flights per week (started in July 2018)
2. The Company has 26 codeshare partners in total in which the Company has entered into codeshare agreement with Oman Air and Laos Airline during the quarter.

Under the agreement with Oman Air, Bangkok Airways plays as operating airline, serving 8 routes on domestic. This includes roundtrip routes on Bangkok-Chiang Rai, Bangkok-Chiang Mai, Bangkok-Phuket, Bangkok-Krabi, Bangkok-Lampang, Bangkok-Trat, Bangkok-Sukhothai and Bangkok-Samui.

With the agreement with Laos Airlines, passenger will have choices of 16 weekly flights from/to Bangkok to the Laotian cities of Vientiane, Luang Prabang and Pakse and 2 weekly flights from/to Chiang Mai to Luang Prabang.

3. The Company has been developing innovative systems and new technology to make passengers' flying experience more convenient. By introducing 5 new 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.
4. In the second quarter, 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.
5. The Company invested in Bangkok Aviation Fuel Service Public Company (BAFS) by 60 million shares amounting to Baht 2,267 million or 9.47 percent. As a result, the Company holds 9.5 percent. This is considered as a long term investment of the Company.



6. Bangkok Airways Holding Company Limited, the subsidiary of the Company, invested 99.9 percent in More Than Free Company Limited. The objective is to invest in airline and airport related business and provide duty free goods and 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 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	April-June		January-June	
		2018	2017	2018	2017
Scheduled passenger revenues <sup>(1)</sup>	Million Baht	4,201.4	4,356.6	10,512.4	10,398.4
Domestic		2,486.6	2,601.9	6,651.2	6,357.8
International		1,714.9	1,754.7	3,861.3	4,040.6
Available Seat Kilometers (ASK)	Million Seat -	1,600.5	1,636.6	3,322.8	3,364.4
Domestic	Kilometers	817.0	856.6	1,747.3	1,785.6
International		783.5	780.0	1,575.5	1,578.8
Revenue Passenger Kilometers (RPK)	Million Seat -	1,013.9	1,025.9	2,330.4	2,257.4
Domestic	Kilometers	525.9	567.9	1,307.8	1,284.5
International		488.0	458.0	1,022.6	972.9
Passenger Load Factor	Percentage	63.4	62.7	70.1	67.1
Domestic		64.4	66.3	74.8	71.9
International		62.3	58.7	64.9	61.6
Number of passengers carried	Thousand	1,264.5	1,295.2	3,023.4	2,918.4
Domestic	Passengers	852.3	916.7	2,121.5	2,078.0
International		412.3	378.5	901.9	840.4
Number of flight flown	Flights	16,869	17,194	35,348	35,504
Domestic		10,813	11,468	23,473	24,130
International		6,056	5,726	11,875	11,374
Total seat capacity	Thousand Seats	2,017.1	2,064.5	4,261.5	4,308.2
Domestic		1,302.8	1,376.9	2,807.3	2,876.0
International		714.3	687.6	1,454.2	1,432.2
Aircraft utilization	Block Hour	8.4	9.5	8.8	9.6
Airbus A320	per Day	9.7	10.7	10.0	10.6
Airbus A319	per Aircraft	9.2	10.4	9.5	10.5
ATR 72-500 & ATR 72-600		6.5	7.4	6.9	7.6

	Unit	April-June		January-June	
		2018	2017	2018	2017
Number of aircraft at period/year end	Aircraft	38	36	38	36
Airbus A320		9	9	9	9
Airbus A319		14	12	14	12
ATR 72-500		6	6	6	6
ATR 72-600		9	9	9	9
Kilometers flown	Million Kilometers	12.6	12.7	25.9	26.0
Average Stage Length	Kilometers	801.8	792.1	770.8	773.5
Passenger Yield <sup>(2)</sup>	Baht per Passenger - Kilometers	4.14	4.25	4.51	4.61
Revenue ASK (RASK)		3.02	2.92	3.50	3.34
Cost per ASK (CASK)	Baht per Available	3.34	3.36	3.35	3.36
Cost per ASK excluding fuel cost	Seat - Kilometers	2.67	2.75	2.68	2.72
RASK – CASK		(0.32)	(0.44)	0.15	(0.02)

Remarks

(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 excluding fuel surcharge, insurance surcharge and excess baggage divided by RPKs.



Operating performance summary for the period ended June 30, 2018

Unit: million baht

	April-June				January-June			
	2018	2017	Variance		2018	2017	Variance	
			MB	%			MB	%
Net profit (loss) for the period	(82.0)	(520.6)	438.6	84.3	637.3	44.4	592.9	1,335.7
Plus:								
Finance Cost	460.8	443.0	17.9	4.0	932.1	892.8	39.3	4.4
Income tax expenses	(6.1)	39.2	(45.3)	(115.5)	174.2	198.9	(24.7)	(12.4)
Less:								
Dividend income	258.6	231.8	26.8	11.6	258.6	231.8	26.8	11.6
Interest received	32.5	27.4	5.1	18.6	59.6	61.1	(1.5)	(2.4)
Gain on foreign exchange	283.5	99.5	184.0	184.8	172.1	134.9	37.2	27.6
Non-operating revenues <sup>(1)</sup>	4.1	0.1	4.0	7,192.9	2.6	0.4	2.2	595.9
EBIT <sup>(2)</sup>	(205.9)	(397.2)	191.3	48.2	1,250.7	707.9	542.7	76.7
Plus:								
Depreciation and amortization	342.2	309.3	33.0	10.7	677.4	599.0	78.4	13.1
EBITDA <sup>(2)</sup>	136.4	(87.9)	224.3	255.1	1,928.0	1,306.9	621.1	47.5
Plus:								
Operating lease expenses	365.4	498.6	(133.2)	(26.7)	764.0	1,095.1	(331.1)	(30.2)
EBITDAR <sup>(2)</sup>	501.8	410.7	91.1	22.2	2,692.0	2,402.0	290.0	12.1
Total revenue	6,341.7	5,982.2	359.5	6.0	14,061.0	13,451.2	609.8	4.5



	April-June				January-June			
	2018	2017	Variance		2018	2017	Variance	
			MB	%			MB	%
Operating revenue <sup>(3)</sup>	5,763.0	5,623.5	139.6	2.5	13,568.1	13,023.0	545.0	4.2
Profit attributable to equity holders of the Company	(82.9)	(533.6)	450.7	84.5	627.5	14.8	612.7	4,139.9
EBIT Ratio (%)	(3.6)	(7.1)	3.5		9.2	5.4	3.8	
EBIDA Ratio (%)	2.4	(1.6)	3.9		14.2	10.0	4.2	
EBITDAR Ratio (%)	8.7	7.3	1.4		19.8	18.4	1.4	

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 received and non-operating revenues.

Operating Profit and Net Income

The operating revenue of the Company for the second quarter of 2017 and 2018 were 5,623.5 million baht and 5,763.0 million baht respectively, increased by 2.5 percent while total expenses decreased from 6,213.7 million baht to 6,175.5 million baht or 0.6 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 410.7 million baht and 501.8 million baht or 7.3 percent and 8.7 percent of total operating revenue for the second quarter respectively.

The operating revenue of the Company for the six-month period of 2017 and 2018 were 13,023.0 million baht and 13,568.1 million baht respectively, slightly increased by 4.2 percent while total expenses escalated by 0.3 percent from 12,705.9 million baht to 12,743.3 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 2,402.0 million baht and 2,692.0 million baht or 18.4 percent and 19.8 percent of total operating revenue for the six-month period of 2017 and 2018 respectively.

For the six-month period of 2018, net profit of the Company was 637.3 million baht, an increase of 592.9 million baht from the same period of last year in which the amount attributable to equity holders of the Company was 627.5 million baht or 98.5 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

	April-June						January-June					
	2018	%	2017	%	Variance		2018	%	2017	%	Variance	
					Amount	%					Amount	%
1.Airlines	4,291.1	67.2	4,313.6	72.1	(54.5)	(1.3)	10,531.4	74.9	10,295.4	76.5	236.0	2.3
2.Airports	144.0	2.3	148.4	2.5	(4.4)	(3.0)	327.0	2.3	304.6	2.3	22.4	7.3
3.Airport-related services	977.5	15.4	899.5	15.0	78.0	8.7	2,020.6	14.4	1,882.8	14.0	137.8	7.3
4.Unallocated revenue	961.1	15.1	620.7	10.4	340.4	54.8	1,182.0	8.4	968.4	7.2	213.6	22.1
<b>Total Revenue</b>	<b>6,341.7</b>	<b>100.0</b>	<b>5,982.2</b>	<b>100.0</b>	<b>359.5</b>	<b>6.0</b>	<b>14,061.0</b>	<b>100.0</b>	<b>13,451.2</b>	<b>100.0</b>	<b>609.8</b>	<b>4.5</b>

### Revenue from Airline Operations

For the second quarter of 2017 and 2018, total revenue from airline business was the Company's primary source of income, was accounted for 72.1 percent and 67.2 percent of total revenue.

For the six-month period of 2017 and 2018, the revenue from airline business still be the majority source of income which was accounted for 76.5 percent and 74.9 percent of total revenue respectively.

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

Unit: million baht

	April-June				January-June			
	2018	2017	Variance		2018	2017	Variance	
			MB	%			MB	%
Net Scheduled Passenger Revenue	4,069.5	4,156.8	(87.3)	(2.1)	10,164.5	9,970.6	193.9	1.9
Charter flights and charter services revenue	136.4	101.8	34.6	34.0	263.5	211.1	52.4	24.8
<b>Total passenger revenue</b>	<b>4,205.9</b>	<b>4,258.6</b>	<b>(52.7)</b>	<b>(1.2)</b>	<b>10,428.0</b>	<b>10,181.7</b>	<b>246.3</b>	<b>2.4</b>
Cargo revenue	53.2	55.0	(1.8)	(3.3)	103.4	113.7	(10.3)	(9.1)
<b>Total revenue from airline business</b>	<b>4,259.1</b>	<b>4,313.6</b>	<b>(54.5)</b>	<b>(1.3)</b>	<b>10,531.4</b>	<b>10,295.4</b>	<b>236.0</b>	<b>2.3</b>

Revenue from scheduled flights of both domestic and international services for the second quarter of 2017 and 2018 declined from 4,156.8 million baht to 4,069.5 million baht respectively, lower by 2.1 percent from the same period last year.

For the six-month period, revenue from scheduled flights increased from 9,970.6 million baht to 10,164.5 million baht, higher from the first six-month of 2017 by 1.9 percent. The slightly increase of scheduled passenger revenue caused the average fare to drop by 2.4 percent and passenger yield per RPK to decrease by 2.1 percent. However, for six-month period of this year, number of passenger increased by 3.6 percent which was result from adding flight frequencies in high demand routes at the beginning of this year, together with launching new routes.

Revenue from charter flights and charter services for six-month period of year 2018 was 263.5 million baht, rose by 24.8 percent. The significant growth was due to launching scheduled charter services from Samui to Chengdu and Samui to Chongqing.

### Revenue from Airport Operations

Revenue from airport operations for the second quarter of 2017 and 2018 was 148.4 million baht and 144.0 million respectively, lower by 3.0 percent. This was accounted for 2.5 percent and 2.3 percent of total revenue respectively. For the six-month period year 2018, revenue from airport operations reported at 327.0 million baht or increased by 7.3 percent.

### 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

	April-June		January-June	
	2018	2017	2018	2017
<b>Catering services (BAC):</b>				
Revenue <sup>(1)</sup>	284.6	352.0	647.7	794.8
EBITDA	44.2	72.0	155.3	205.5
Net income	19.0	41.6	93.1	132.9
Number of meals produced and uplifted (million)	1.7	2.3	4.2	5.3
<b>Ground Services (BFS Ground):</b>				
Revenue <sup>(1)</sup>	659.1	592.3	1,342.4	1,240.0
EBITDA	101.7	97.0	240.5	244.3
Net income	63.9	52.3	148.7	147.6
Number of flights handled	17,814	16,433	36,393	33,893

	April-June		January-June	
	2018	2017	2018	2017
<i>International cargo terminal services data (BFS Cargo):</i>				
Revenue <sup>(1)</sup>	515.0	463.7	1,008.1	916.6
EBITDA	258.0	222.6	507.5	430.3
Net income	197.0	155.8	373.1	229.7
Tonnage	106,582	96,260	208,821	189,584
Cargo capacity (Ton per year)	450,000	450,000	450,000	450,000
Utilization (%)	94.7	85.6	92.8	84.3

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 comprise of:

Unit: million baht

	April-June				January-June			
	2018	2017	Variance		2018	2017	Variance	
			MB	%			MB	%
Bangkok Air Catering Company Limited (BAC)	228.5	241.3	(12.8)	(5.3)	530.5	547.6	(17.1)	(3.1)
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	518.4	503.2	15.2	3.0	1,059.1	1,037.2	21.9	2.1
Bangkok Airways Ground Service Company Limited (PGGS)	103.3	94.0	9.3	9.9	195.3	179.4	15.9	8.9

	April-June				January-June			
	2018	2017	Variance		2018	2017	Variance	
			MB	%			MB	%
Other revenue <sup>(1)</sup>	127.3	61.0	66.3	108.7	235.7	118.6	117.1	98.7
<i>Total revenue from airport-related operations and other related business</i>	977.5	899.5	78.0	8.7	2,020.6	1,882.8	137.8	7.3

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 revenue of BAC in the second quarter and the six-month period of year 2018 decreased by 5.3 percent and 3.1 percent, showing the revenue at the amount of 228.5 million baht and 530.5 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 second quarter and six-month period of year 2018 drop by 26.1 percent and 20.1 percent respectively.

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

The operating revenue of BFS Ground in the second quarter and six-month period of year 2018 was 518.4 million baht and 1,059.1 million baht respectively, rose by 3.0 percent and 2.1 percent from the same period last year.

The better performance of BFS Ground was derived from increasing number of flights by 8.4 percent and 7.4 percent for the second quarter and the first six-month of year 2018. In addition with, the number of airline customers increased from 72 to 75, comparing to the same period of last year.

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

The operating revenue of PGGS in the second quarter and the six-month period of year 2018 reported at 103.3 million baht and 195.3 million baht, increased by 9.9 percent and 8.9 percent compared with the same period last year respectively

The increasing revenue was due to the increment of number of flights landed at Samui airport by 1.9 percent as a result of resume of Thai Airways ' s flights, together with an increase of other revenue during six-month period of year 2018.

### 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

	April-June				January-June			
	2018	2017	Variance		2018	2017	Variance	
			MB	%			MB	%
Gain on foreign exchanges	283.5	99.5	184.0	184.9	172.1	134.9	37.2	27.6
Dividend received	258.6	231.8	26.8	11.6	258.6	231.8	26.8	11.6
Other revenues	419.0	289.4	129.6	44.8	751.3	601.7	149.6	24.9
<b>Total unallocated revenues</b>	<b>961.1</b>	<b>620.7</b>	<b>340.4</b>	<b>54.8</b>	<b>1,182.0</b>	<b>968.4</b>	<b>213.6</b>	<b>22.1</b>

Total unallocated revenues of the Company for the second quarter of 2017 and 2018 largely increased from 620.6 million baht to 961.1 million baht, and 968.4 million baht to 1,182.0 million baht for the six-month period. The main contributions from unallocated revenues were dividend income from BDMS, gain on foreign exchanges and other revenues.

Major components of other revenues are passenger ticket charges, excess baggage charges, breakage revenues on ticket expiry, rental and etc. However, for second quarter of year 2018, an increase in other revenues was largely derived from rental and breakage revenues on ticket expiry.



### Share of Profit from Investments in Associates

The Company has share of profit from associated companies increased from 390.8 million baht to 425.9 million baht for the six-month period. The increasing amount was due to better performance of BFS Cargo and Samui Airport Property Fund.

Unit: million baht

	April-June				January-June			
	2018	2017	Variance		2018	2017	Variance	
			MB	%			MB	%
WFS-PG Cargo Company Limited	92.2	81.5	10.7	13.1	178.4	155.7	22.7	14.6
Samui Property Fund (SPF)	114.4	111.5	2.9	2.6	247.5	235.1	12.4	5.3
<b>Share of Profit from Investments in Associates</b>	<b>206.6</b>	<b>193.0</b>	<b>13.6</b>	<b>7.0</b>	<b>425.9</b>	<b>390.8</b>	<b>35.1</b>	<b>9.0</b>

### Expenses

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

Unit: million baht

	April-June						January-June					
	2018	%	2017	%	Variance		2018	%	2017	%	Variance	
					MB	%					MB	%
Cost of sales and services	5,120.9	82.9	5,291.4	85.2	(170.5)	(3.2)	10,762.3	84.5	10,868.2	85.5	(105.9)	(1.0)
Selling expenses	508.1	8.2	450.4	7.2	57.7	12.8	997.7	7.8	950.5	7.5	47.2	5.0
Administrative expenses	545.9	8.8	470.4	7.5	75.5	16.0	980.5	7.7	885.5	7.0	95.0	10.7

	April-June						January-June					
	2018	%	2017	%	Variance		2018	%	2017	%	Variance	
					MB	%					MB	%
Other expenses	0.6	0.1	1.5	0.1	(0.9)	(60.0)	2.8	0.0	1.7	0.0	1.1	64.7
<b>Total Expenses</b>	<b>6,175.5</b>	<b>100.0</b>	<b>6,213.7</b>	<b>100.0</b>	<b>(38.2)</b>	<b>(0.6)</b>	<b>12,743.3</b>	<b>100.0</b>	<b>12,705.9</b>	<b>100.0</b>	<b>37.4</b>	<b>0.3</b>

### Costs of Sales and Services

Costs of sales and services principally consist of fuel costs, aircraft repair and maintenance costs, cost of passenger services, personnel expenses and aircraft rentals. For the second quarter and the six-month period of year 2018, costs of sales and services were accounted for 82.9 percent and 84.5 percent of total expenses respectively.

Fuel Costs: fuel costs are variable based on number of block hours. For the six-month period, fuel costs escalated from 2,140.1 million baht in 2017 to 2,221.2 million baht in 2018 which were accounted for 16.8 percent and 17.4 percent of total expenses. The increasing amount was mostly due to higher average market fuel price.

As of 30 June 2018, The Company still has an obligation from fuel price hedging until September 2018 amounting to 1,080,000 barrels of jet fuel whereby jet fuel prices are between USD 59 per barrel and USD 100 per barrel.

Aircraft Repair and Maintenance Costs: aircraft repair and maintenance costs were higher from 1,495.0 million baht to 1,784.9 million baht for the six-month period compared to previous year. These costs were higher from the additional costs incurred for repairing and maintaining the aging aircraft.

Cost of Passenger Services: for the six-month period of year 2018, cost of passenger services was lower from 1,745.5 million baht to 1,571.0 million baht. The decreasing amount resulted from flight management strategy which adjusted number of flight based on travel demand.

Personnel Expenses: the expense increased from 1,630.1 million baht to 1,641.6 million baht for the six-month period. This was derived from a growing number of employees, together with annual salary increase.

*Aircraft Rental Costs:* the aircraft rental costs decreased from 1,095.1 million baht to 764.0 million baht for the six-month period comparing to last year due to the return of aircraft under wet lease arrangements, together with the fluctuation of foreign exchange rate. However, this was offset by the delivery of two additional aircraft under operating lease during the period.

#### *Selling Expenses*

For the second quarter and the six-month period of 2018, selling expenses were accounted for 8.2 percent and 7.8 percent of total expenses respectively. The majority amount was expenses associated with Global Distribution System (GDS) and other booking systems that incurred higher system usage costs along with rising number of passengers.

#### *Administrative Expenses*

The administrative expenses of the Company for the second quarter and the six-month period of 2018 were accounted for 8.8 percent and 7.7 percent of total expenses respectively. The rising administrative expenses mostly consist of professional fees and IT services expenses.

#### *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.

	April-June				January-June			
	2018	2017	Variance		2018	2017	Variance	
			MB	%			MB	%
Interest expenses paid to the Samui Property Fund	372.1	367.5	4.6	1.3	747.1	734.9	12.2	1.7
Interest and Fee expenses <sup>(1)</sup>	88.7	75.4	13.3	17.6	185.0	158.0	27.0	17.1
<b>Total</b>	<b>460.8</b>	<b>443.0</b>	<b>17.8</b>	<b>4.0</b>	<b>932.1</b>	<b>892.8</b>	<b>39.3</b>	<b>4.4</b>

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

Total interest paid to SPF for the six-month period increased from 734.9 million baht to 747.1 million baht or growth by 1.7 percent from last year. This is calculated from departing passengers and number of flights in-out at Samui airport.

Interests and fees paid to financial institutions and lessors under finance lease agreement rose from 158.0 million baht to 185.0 million baht or increased by 17.1 percent. That was mainly due to the increasing of interest paid to financial institutions of additional loan from bank, together with the delivery of two ATR72-600s under finance lease agreement during second quarter of year 2017

## Assets

As of 30 June 2018, the Company and its subsidiaries have total assets amounting to 61,310.4 million baht, increasing by 3,368.8 million baht from:

Unit: million baht

	As at June 30, 2018	As at December 31, 2017	Variance
<b><i>Current assets</i></b>			
Cash and cash equivalents	8,153.4	9,995.9	(1,842.5)
Trade and other receivables	1,422.4	1,854.0	(431.6)
Reimbursable maintenance expense	593.7	1,552.2	(958.5)
<b><i>Total current assets</i></b>	<b><i>11,376.0</i></b>	<b><i>14,380.6</i></b>	<b><i>(3,004.6)</i></b>
<b><i>Non-current assets</i></b>			
Investments in associates	3,245.3	3,240.0	5.3
Other long-term investments	30,421.0	24,028.8	6,392.2
Property, plant and equipment	14,263.1	14,502.9	(239.8)
Deposits	947.9	713.2	234.7
<b><i>Total Non-current assets</i></b>	<b><i>49,934.3</i></b>	<b><i>43,561.0</i></b>	<b><i>6,373.3</i></b>
<b><i>Total assets</i></b>	<b><i>61,310.4</i></b>	<b><i>57,941.6</i></b>	<b><i>3,368.8</i></b>

### Current assets

Total current assets of the Company as of 30 June 2018 is 11,376.0 million baht, decreased from 31 December 2017 by 3,004.6 million baht. This was mainly due to:

- Cash and cash equivalents* lower by 1,842.5 million baht, mainly from the acquisition of other long-term investments, interest paid and dividend payment to shareholders.
- Reimbursable maintenance expense* decreased by 958.5 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 are 49,934.3 million baht, increased from the end of 2017 by 6,373.3 million baht, mainly due to:

- Other long-term investments* increased by 6,392.2 million baht due to acquisition of long-term investments and the mark to market of long-term investments in marketable securities
- Deposit* rose by 234.7 million baht mostly are deposit of aircraft.

### Liabilities

As of 30 June 2018, the Company and its subsidiaries have liabilities amounting of 29,627.6 million baht. A decrease of 71.6 million baht from 31 December 2017 was as follows:

Unit: million baht

As at	June 30,2018	December 31, 2017	Variance
<b><i>Current liabilities</i></b>			
Trade and other payables	2,431.2	2,815.7	(384.5)
Current portion of long-term loans, Liabilities arising from financial lease of aircrafts and Finance lease liabilities	588.3	539.5	48.8
Unearned income	2,408.9	2,625.7	(216.8)
Other current liabilities	1,846.5	2,077.0	(230.5)
<b><i>Total current liabilities</i></b>	<b><i>7,496.3</i></b>	<b><i>8,315.4</i></b>	<b><i>(819.1)</i></b>
<b><i>Non-Current liabilities</i></b>			
Long-term loans , Liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion	4,687.5	4,650.6	36.9
Long-term loans from related party – net of current portion	11,332.9	11,365.3	(32.4)
Deferred tax liabilities	5,388.3	4,576.0	812.3
<b><i>Total non-current liabilities</i></b>	<b><i>22,131.3</i></b>	<b><i>21,240.6</i></b>	<b><i>890.7</i></b>
<b><i>Total liabilities</i></b>	<b><i>29,627.6</i></b>	<b><i>29,556.0</i></b>	<b><i>71.6</i></b>

### Current liabilities

Total current liabilities amounted 7,496.3 million baht, decreased from 31 December 2017 by 819.1 million baht, mainly due to decreasing of trade and other payables, unearned income and other current liabilities

- Unearned income* lower by 216.8 million baht as a consequence of lower advanced bookings after peak travel season.
- Other current liabilities* amounting to 1,846.5 million baht, lower by 230.5 million baht. This was mostly due to corporate tax paid to Revenue Department during period and lower liabilities arisen from entering into derivative transaction.

### Non-current liabilities

Total non-current liabilities of the Company is 22,131.3 million baht, rose by 890.7 million baht from 31 December 2017, largely derived from:

- Long-term loans, Liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion* increased by 36.9 million baht, the increasing portion mostly from long term loans-net of current portion which resulted from additional loan from bank.
- Deferred tax liabilities* rose by 812.3 million baht due to changes in market value of the available for sale investment in securities.

## Shareholders' Equity

Unit: million baht

As at	June 30,2018	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	-
Other components of shareholders' equity	19,744.8	16,445.4	3,299.4
Retained (losses) earnings	445.7	448.2	(2.5)
<b><i>Total shareholders' equity</i></b>	<b><i>31,682.8</i></b>	<b><i>28,385.6</i></b>	<b><i>3,297.2</i></b>

As of 30 June 2018, total shareholders' of the Company and its subsidiaries is 31,682.8 million baht, an increase of 3,297.2 million baht from the changes in the market value of the available-for-sale investment in securities. The Company has retained gain at the amount of 445.7 million baht, declined by 2.5 million baht.

## Statement of Cash Flow

Unit: million baht

	January – June	
	2018	2017
Net cash flow from operating activities	1,607.6	752.4
Net cash flow (used in) from investing activities	391.1	2,244.0
Net cash flow used in financing activities	(1,590.1)	(2,099.5)
<b><i>Cash and cash equivalents at end of the period</i></b>	<b><i>3,953.4</i></b>	<b><i>3,948.2</i></b>



### Cash flows from operating activities

As of 30 June 2018, the profit of the Company and its subsidiaries from operating activities before changes in operating assets and liabilities is 1,701.9 million baht while the net cash inflows from operating activities is 1,607.6 million baht. The changes 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 30 June 2018, cash inflows from investing activities of the Company and its subsidiaries is 391.1 million baht, lower by 1,852.9 million baht which mainly resulted from acquisition of other long-term investments. However, this was partially offset by dividend received from SPF and BDMS.

### Cash flows from financing activities

As of 30 June 2018, the Company and its subsidiaries have cash flows used in financing activities at the amount of 1,590.1 million baht, mostly for payment under finance lease, interest expense and dividend paid to shareholders which all amounting to 1,816.9 million baht during the period.

## Summary Consolidated Financial and Ratio

		As at 30 June	
		2018	2017
Liquidity Ratio	Current Ratio (Time)	1.5	1.8
	Quick Ratio (Time)	4.7	4.3
	Collection Period (Day)	21.6	22.8
	Stock Turnover Period (Day)	8.5	6.6
	Payment Period (Day)	32.8	30.9
Profitability Ratio	Gross Profit Margin (%)	16.4	12.9
	Operating Profit Margin (%)	9.7	5.7
	EBITDAR Margin (%)	19.8	18.4
	Net profit Margin (%)	4.5	0.3
	Return on Equity (%)	4.2	0.3
Efficiency Ratio	Return on Assets (%)	2.1	0.2
	Return on Fixed Assets (%)	18.3	9.5
	Asset Turnover (Time)	0.5	0.5
Leverage Ratio	Debt to Equity (Time)	0.9	1.0
	Interest Coverage Ratio (Time)	2.1	1.5

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.