



Management's Discussion and Analysis

For the period ended 30 September 2019

Bangkok Airways Public Company Limited and Its Subsidiaries

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Executive Summary

Thai economy in the third quarter of 2019 was still in downturn mainly from the shrink of export and import sectors which were negatively impacted by an economic slowdown of the trading partner countries with a significant drop in domestic consumption from private sector. However, expenses from the government sector, and tourism industry sector continued to increase, partly benefited from the return of Chinese tourists, and a decline of the inflation in line with the world oil price (Source: The Bank of Thailand).

The overall global aviation industry in the first 9 months of 2019, a growth in passenger traffic globally was supported by 4.5 percent increase in Revenue Passenger Kilometers (RPK) which was lower than the same period last year. (6.7 percent growth in January-September 2018) where Europe had the highest growth at 5.1 percent, followed by Asia Pacific and Latin America which accounted for 5.0 percent and 4.7 percent respectively while the Middle east had the lowest growth at 1.7 percent. For the supply side, worldwide capacity growth or Available Seat Kilometers (ASK) rose 3.9 percent which was also lower than the previous year. (6.0 percent growth in January-September 2018) Asia Pacific ranked as the top with 5.1 percent growth, followed by 4.8 percent growth in Europe, and 4.1 percent growth in Africa. The Middle East also ranked as the lowest growth region at 0.7 percent. In addition, the overall Passenger Load Factor (PLF) in the first 9 months in 2019 was 82.9 percent, increased 0.4 percentage point from the same period last year. However, Asia Pacific is the only region which had a decline in overall PLF at 0.1 percentage point to 81.9 percent. (Source: International Air Transport Association)

For Thailand tourism industry in the third quarter of 2019, the number of international tourist arrivals to Thailand increased by 7.0 percent from the same period last year. Tourists from South Asia had the highest growth of 23.0 percent, followed by tourists from East Asia at 13.5 percent which was supported mainly by 17.3 percent growth of Chinese tourists. However, tourists from South East Asia faced a declining growth at 2.6 percent, dropped from 16.1 percent growth in the third quarter of 2018 while Europe, which is another top source market, suffered a decrease at 2.2 percent. (Source: Tourism Authority of Thailand)



The number of passenger of Bangkok Airways for nine-month period of year 2019 decreased by 1.7 percent from the same period last year with mainly decreased from point-of-sale in Thailand and E-commerce channel. The international point-of-sale represented the largest proportion in term of number passenger which mainly from Europe and Asia region (excluding Thailand). Southeast Asia region contributed the highest growth rate at 23.0 percent, followed by the passenger from North America region at 10.0 percent and South Asia region at 3.0 percent.

In the third quarter of 2019, The Company reported net profit at 65.9 million baht, higher than the same period last year by 66.3 percent. The better performance was mainly due to an increase of revenue from airport related businesses and unallocated revenues, together with a lower of major expenses of airline business which related to number of flight and passenger.

For the nine-month period of 2019, the Company has total revenue of 20,540.2 million baht, decreased by 2.5 percent. A decreasing revenue was from airline and airport businesses which dropped by 6.9 percent and 9.7 percent respectively. While revenue from airport related business and unallocated revenue grew by 6.7 percent and 22.1 percent from last year. The Company reported net loss of 121.3 million baht, decreased from the same period last year by 798.3 million baht of which loss attributable to the equity holders of the Company was 131.5 million baht. Loss per share for the nine-month period of 2019 was 0.06 baht.

Notable Events

Notable Events in the third quarter of 2019

Airline Business

- As of 30 September 2019, the Company had 40 aircraft as shown in table below;

Fleet Type	As of 30 September 2019	As of 30 September 2018
Airbus A320	9	9
Airbus A319	16	15
ATR 72-500	2	6
ATR 72-600	13	9
Total	40	39

One Airbus A319 under operating lease were delivered in January 2019. Four ATR72-600 under commercial loan agreement were delivered from December 2018 until April 2019 while four ATR72-500 were disposed since December 2018 till April 2019.

- In July 2019, the Company underwent new Passenger Service System (PSS) migration. Comprising of Reservation & Ticketing and Departure Control System, the following functions will be improved in order enhance passenger services to be efficient and accommodate airline passengers; payment channel, online check-in, mobile application, repayment service and reservation vis website and call center.
- In August 2019, the Company and Turkish Airlines announced a new codeshare partnership. This will provide the passengers with convenient travel connections to destinations in Thailand and other cities in Southeast Asia including CLMV countries (Cambodia, Laos, Myanmar, Vietnam). In the third quarter, the Company has total 27 Codeshare partners.
- The Company has introduced a new passenger lounges at Phuket International Airport, offering comfort and convenient for Bangkok Airways' domestic departure passengers.
- The Company received Smart Travel Asia Awards as "Top 10 Best Cabin Service Worldwide" in Best in Travel Poll 2019. Best in Travel Poll 2019 is conducted by SmartTravelAsia.com, a leading travel website in Asia.



6. The Company has been named 2020 Five Star Major Airline by APEX (the Airline Passenger Experience Association), a non-profit membership trade association dedicated to improving the entire airline passenger experience. The APEX Official Airline Ratings™ is based on neutral, third-party passenger feedback and insights gathered through the APEX partnership with Triplt®, the world's highest-rated, travel-organizing app.

Airport Related Business and Investment

7. As of 30 September 2019, Bangkok Air Catering Company Limited (BAC) had 2 additional airline customers, causing total number of its customers to be from 19 to 21 airline customers when comparing with the same period last year.
8. As of 30 September 2019, Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) had 8 additional airline customers, causing total number of its customers to be from 76 to 84 airline customers for ground service equipment when comparing with the same period last year.
9. As of 30 September 2019, WFS-PG Cargo Company Limited (BFS Cargo) had 6 additional airline customers, causing total number of its customers to be from 68 to 74 airline customers for international cargo terminal services when comparing with the same period last year.
10. In September 2019, Airport of Thailand Public Company Limited (AOT) reversed of accrued concession fee to Bangkok Air Catering Company Limited (BAC) and Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) total 140 Million Baht. In accordance with aiding measurement the operators in Suvarnabhumi Airport when affected by political crisis in 2010 causing the airport closed, AOT made the exception of minimum payment and adjusted to percent of revenue sharing payment during that time. Moreover, AOT reduced minimum payment for BAC since January 2011.



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 14 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. 14) Bangkok Air Catering Don Mueang Co., Ltd

Airline Operating Data

	Unit	July-September		January-September	
		2019	2018	2019	2018
Scheduled passenger revenues ⁽¹⁾	Million Baht	4,531.4	5,205.7	14,658.8	15,718.1
Domestic		2,886.9	3,350.2	9,228.8	10,001.3
International		1,644.5	1,855.5	5,430.0	5,716.8
Available Seat Kilometers (ASK)	Million Seat -	1,621.9	1,695.1	4,893.2	5,018.0
Domestic	Kilometers	831.6	918.4	2,536.7	2,665.8
International		790.3	776.7	2,356.4	2,352.2
Revenue Passenger Kilometers (RPK)	Million	1,051.8	1,120.5	3,344.8	3,450.9
Domestic	Passenger -	589.9	634.9	1,872.5	1,942.7
International	Kilometers	461.9	485.6	1,472.3	1,508.2

	Unit	July-September		January-September	
		2019	2018	2019	2018
Passenger Load Factor	Percentage	64.8	66.1	68.4	68.8
Domestic		70.9	69.1	73.8	72.9
International		58.4	62.5	62.5	64.1
Number of scheduled passengers carried	Thousand	1,386.8	1,460.0	4,405.3	4,483.4
Domestic	Passengers	951.8	1,028.9	3,025.6	3,150.4
International		435.0	431.1	1,379.7	1,333.0
Number of flight flown	Flights	17,642	18,174	53,321	53,522
Domestic		11,149	12,020	34,293	35,493
International		6,493	6,154	19,028	18,029
Total seat capacity	Thousand Seats	2,120.3	2,200.8	6,434.9	6,462.3
Domestic		1,342.6	1,464.2	4,103.8	4,271.4
International		777.8	736.7	2,331.1	2,190.9
Aircraft utilization	Block Hour	8.2	8.8	8.5	8.8
Airbus A320	per Day	9.0	10.0	9.4	10.0
Airbus A319	per Aircraft	8.5	9.1	8.6	9.4
ATR 72-500 & ATR 72-600		7.2	7.3	7.5	7.0
Number of aircraft at period end	Aircraft	40	39	40	39
Airbus A320		9	9	9	9
Airbus A319		16	15	16	15
ATR 72-500		2	6	2	6
ATR 72-600		13	9	13	9
Kilometers flown	Million Kilometers	12.7	13.2	38.2	39.1
Average Stage Length	Kilometers	758.4	767.5	759.3	769.7

	Unit	July-September		January-September	
		2019	2018	2019	2018
Passenger Yield ⁽²⁾	Baht per Passenger - Kilometers	4.31	4.65	4.38	4.55
Revenue ASK (RASK)	Baht per Available Seat - Kilometers	3.18	3.49	3.40	3.50
Cost per ASK (CASK)		3.40	3.46	3.52	3.38
Cost per ASK excluding fuel cost		2.71	2.69	2.79	2.67
RASK – CASK		(0.22)	0.03	(0.12)	0.12

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

Operating performance summary for the period ended September 30, 2019

Unit: million baht

	July-September				January-September			
	2019	2018	Variance		2019	2018	Variance	
			Amount	%			Amount	%
Net profit (loss) for the period	65.9	39.6	26.3	66.3	(121.3)	676.9	(798.3)	(117.9)
Plus:								
Finance Cost	448.1	475.5	(27.3)	(5.8)	1,329.6	1,407.5	(78.0)	(5.5)
Income tax expenses	(24.1)	34.5	(58.6)	(169.7)	(3.6)	208.7	(212.3)	(101.7)
Less:								
Dividend income	294.8	160.0	134.8	84.3	577.3	418.6	158.8	37.9
Interest received	28.5	31.5	(3.0)	(9.6)	77.8	91.2	(13.4)	(14.7)

	July-September				January-September			
	2019	2018	Variance		2019	2018	Variance	
			Amount	%			Amount	%
Gain on foreign exchange	24.4	-	24.4	n.a.	-	111.9	(111.9)	(100.0)
Non-operating revenues ⁽¹⁾	1.8	0.8	1.1	138.3	182.7	3.3	179.4	5,377.3
EBIT ⁽²⁾	140.5	357.4	(216.9)	(60.7)	366.9	1,668.2	(1,301.3)	(78.0)
Plus:								
Depreciation and amortization	362.8	350.6	12.1	3.5	1,064.6	1,028.0	36.6	3.6
EBITDA ⁽²⁾	527.6	708.0	(180.4)	(25.5)	1,431.5	2,696.2	(1,264.7)	(46.9)
Plus:								
Operating lease expenses	384.2	404.5	(20.4)	(5.0)	1,178.5	1,168.5	9.9	0.8
EBITDAR ⁽²⁾	911.8	1,112.5	(200.8)	(18.0)	2,610.0	3,864.7	(1,254.8)	(32.5)
Total revenue	6,698.9	7,066.5 ⁽³⁾	(367.7)	(5.2)	20,540.2 ⁽³⁾	21,067.3	(527.2)	(2.5)
Operating revenue ⁽⁴⁾	6,349.3	6,874.3	(524.9)	(7.6)	19,702.4	20,442.3	(739.9)	(3.6)
Profit (loss) attributable to equity holders of the Company	58.0	36.3	21.7	59.9	(131.5)	663.8	(795.4)	(119.8)
EBIT Ratio (%)	2.2	5.2	(3.0)		1.9	8.2	(6.3)	
EBITDA Ratio (%)	8.3	10.3	(2.0)		7.3	13.2	(6.0)	
EBITDAR Ratio (%)	14.4	16.2	(1.8)		13.2	18.9	(5.6)	

- Remarks**
- (1) Comprises of gain on sale of investments, sale of investment in subsidiaries, gain on sale of leasehold right 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) Excluding loss on foreign exchange
 - (4) Comprises of total revenue net dividend income, gain on foreign exchange, interest income and non-operating revenues.

Operating Profit and Net Income

The operating revenue of the Company for the third quarter of 2018 and 2019 were 6,874.3 million baht and 6,349.3 million baht respectively, decreased by 7.6 percent while total expenses decreased from 6,687.6 million baht to 6,455.8 million baht or around 3.5 percent.

The earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were derived from total income (excluding dividend income, gain on foreign exchange, interest income and non-operating revenues) less total expenses plus depreciation and amortization expenses, and aircraft rental, equaled to 911.8 million baht which decreased by 200.8 million baht or 18.0 percent compared with last year.

The operating revenue of the Company for the nine-month period of 2018 and 2019 were 20,442.3 million baht and 19,702.4 million baht respectively, decreased by 3.6 percent while total expenses rose by 3.0 percent from 19,370.8 million baht to 19,957.5 million baht.

The earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were derived from total income (excluding dividend income, gain on foreign exchange, interest income and non-operating revenues) less total expenses plus depreciation and amortization expenses, and aircraft rental, equaled to 3,864.7 million baht and 2,610.0 million baht or 18.9 percent and 13.2 percent of total operating revenue for the nine-month period of 2018 and 2019 respectively.

For the nine-month period of 2019, net loss of the Company was 121.3 million baht, decreased 798.3 million baht or 117.9 percent from the same period of last year. The net loss amount attributable to equity holders of the Company was 131.5 million baht.



Revenue

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

Unit: million baht

	July-September						January-September					
	2019	%	2018	%	Variance		2019	%	2018	%	Variance	
					Amount	%					Amount	%
1.Airlines	4,552.6	68.2	5,207.9	73.7	(655.3)	(12.6)	14,658.2	71.3	15,739.2	74.7	(1,081.0)	(6.9)
2.Airports	148.4	2.2	165.7	2.3	(17.3)	(10.5)	444.7	2.2	492.6	2.3	(47.9)	(9.7)
3.Airport-related services	1,086.7	16.3	1,001.9	14.2	84.8	8.5	3,224.2	15.7	3,022.6	14.4	201.6	6.7
4.Unallocated revenue	911.2	13.6	691.0	9.8	220.2	31.9	2,213.1	10.8	1,812.9	8.6	400.2	22.1
Total Revenue	6,698.9	100.0	7,066.5	100.0	(367.6)	(5.2)	20,540.2	100.0	21,067.3	100.0	(527.1)	(2.5)

Revenue from Airline Operations

For the third quarter of 2018 and 2019, total revenue from airline business which was the Company's primary source of income, was accounted for 73.7 percent and 68.2 percent of total revenue.

For the nine-month period of 2018 and 2019, revenue from airline business was accounted for 74.7 percent and 71.3 percent of total revenue.

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

	July-September				January-September			
	2019	2018	Variance		2019	2018	Variance	
			Amount	%			Amount	%
Net Scheduled Passenger Revenue	4,408.1	4,959.3	(551.2)	(11.1)	14,220.6	15,123.7	(903.1)	(6.0)
Charter flights and charter services revenue	90.0	187.5	(97.5)	(52.0)	285.1	451.0	(165.9)	(36.8)
Total passenger revenue	4,498.1	5,146.8	(648.7)	(12.6)	14,505.7	15,574.7	(1,069.0)	(6.9)
Cargo revenue	54.5	61.1	(6.6)	(10.8)	152.5	164.5	(12.0)	(7.3)
<i>Total revenue from airline business</i>	<i>4,552.6</i>	<i>5,207.9</i>	<i>(655.3)</i>	<i>(12.6)</i>	<i>14,658.2</i>	<i>15,739.2</i>	<i>(1,081.0)</i>	<i>(6.9)</i>

Revenue from scheduled flights for the third quarter of 2018 and 2019 shown at 4,959.3 million baht and 4,408.1 million baht respectively, lower by 11.1 percent from the same period last year.

For the nine-month period of 2019, revenue from scheduled flights decreased from 15,123.7 million baht to 14,220.6 million baht, lower from the nine-month of 2018 by 6.0 percent. The declining of scheduled passenger revenue was resulted from lower number of passenger that dropped by 1.7 percent. Especially number of passenger in domestic routes lowered by 4.0 percent.

In addition, high competition and appreciation of Thai Baht caused drop of average fare by 5.1 percent along with passenger yield per RPK that decreased by 3.8 percent comparing with the same period last year.

Revenue from charter flights and charter services for nine-month period of year 2019 was 285.1 million baht, dropped by 36.8 percent compared with last year. This was mainly due to decreasing frequencies of charter services from Samui to Chongqing and suspending flights service from Samui to Guangzhou since September 2018 and October 2018 respectively.

Revenue from Airport Operations

Revenue from airport operations for the third quarter of 2018 and 2019 were 165.7 million baht and 148.4 million baht respectively. This was accounted for 2.3 percent and 2.2 percent of total revenue. For the nine-month period of 2019, revenue from airport operations was 444.7 million baht or decreased by 9.7 percent.

Revenue from Airport-Related Operations

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

Unit: million baht

	July-September		January-September	
	2019	2018	2019	2018
Catering services (BAC):				
Revenue ⁽¹⁾	325.2	304.3	892.6	951.9
EBITDA ⁽²⁾	93.3	53.1	159.9	208.3
Net income	57.6	25.8	74.9	118.8
Number of meals produced and uplifted (million)	1.7	1.8	5.5	6.0
Ground Services (BFS Ground):				
Revenue ⁽¹⁾	811.2	653.8	2,274.9	1,996.2
EBITDA ⁽²⁾	206.5	120.0	474.8	360.4
Net income	137.3	72.5	292.9	221.2
Number of flights handled (flight)	19,774	18,345	59,149	54,738
International cargo terminal services data (BFS Cargo):				
Revenue ⁽¹⁾	637.7	508.9	1,620.2	1,517.1
EBITDA ⁽²⁾	402.7	261.8	898.1	769.3
Net income	302.3	190.7	659.0	563.8
Tonnage handled (Ton)	100,166	107,094	300,370	315,915

	July-September		January-September	
	2019	2018	2019	2018
Cargo capacity (Ton per year)	523,000	450,000	523,000	450,000
Utilization (%)	76.6	95.2	76.6	93.6

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

(2) Including Reversal of accrued concession fee from Airports of Thailand Public Company Limited (AOT)

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

Unit: million baht

	July-September				January-September			
	2019	2018	Variance		2019	2018	Variance	
			Amount	%			Amount	%
Bangkok Air Catering Company Limited (BAC)	252.0	263.2	(11.2)	(4.3)	756.9	793.7	(36.8)	(4.6)
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	594.9	514.3	80.6	15.7	1,765.7	1,573.4	192.3	12.2
Bangkok Airways Ground Service Company Limited (PGGS)	85.6	94.3	(8.7)	(9.2)	259.9	289.6	(29.7)	(10.3)
Other revenue ⁽¹⁾	154.2	130.1	24.1	18.5	441.7	365.9	75.8	20.7
Total revenue from airport-related operations	1,086.7	1,001.9	84.8	8.5	3,224.2	3,022.6	201.6	6.7

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 revenue of BAC in the third quarter and nine-month period of 2019 reported at the amount of 252.0 million baht and 756.9 million baht, decreased by 4.3 percent and 4.6 percent respectively from the same period last year. The decreasing amount resulted from the down gauge the aircraft size as well as number of flight reduction of major airline customers.

BAC has transferred kosher box business to Bangkok Air Catering Phuket Company Limited, a subsidiary of BAC since second quarter of 2018. Consequently, average meal produced for nine-month period of year 2019 dropped by 9.0 percent compared with last year.

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

The operating performance of BFS Ground in the third quarter and nine-month period of year 2019 reported at 594.9 million baht and 1,765.7 million baht, increased by 15.7 percent and 12.2 percent respectively from the same period last year.

The better performance of BFS Ground was derived from increasing number of flights by 7.8 percent and 8.1 percent for third quarter and nine-month period of year 2019. In addition, the number of airline customers increased from 76 to 84 compared to the same period of last year.

Bangkok Airways Ground Service Company Limited (PGGS)

The operating revenue of PGGS in the third quarter and the nine-month period of year 2019 reported at 85.6 million baht and 259.9 million baht, decreased by 9.2 percent and 10.3 percent compared with the same period last year respectively.

The declining revenue was due to the lower number of flights since the suspension of Thai Airways' flights to Samui Airport. For nine-month period of year 2019, the number of handling flights dropped by 24.0 percent 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

	July-September				January-September			
	2019	2018	Variance		2019	2018	Variance	
			Amount	%			Amount	%
Gain on foreign exchanges	24.4	-	24.4	n.a.	-	111.9	(111.9)	(100.0)
Reversal of accrued concession fee	140.0	-	140.0	n.a.	140.0	-	140.0	n.a.
Dividend received	294.8	160.0	134.8	84.3	577.3	418.6	158.7	37.9
Other revenues	452.0	531.0	(79.0)	(14.9)	1,495.8	1,282.4	213.4	16.6
Total unallocated revenues	911.2	691.0	220.2	31.9	2,213.1	1,812.9	400.2	22.1

Total unallocated revenues of the Company for the third quarter of 2018 and 2019 increased from 691.0 million baht to 911.2 million baht or rose by 31.9 percent. For the nine-month period, unallocated revenues increased from 1,812.9 million baht to 2,213.1 million baht or increased by 22.1 percent.

Main contributions from unallocated revenues for nine-month period of 2019 were dividend income from BDMS and BAFS, reversal of accrued concession fee from Airports of Thailand Public Company Limited (AOT) and other revenues.

Major components of other revenues are passenger ticket charges, excess baggage charges, breakage revenues on ticket expiry, gain on sale of assets, revenue from concession and rental. However, for third quarter of year 2019, an increase in other revenues was largely derived from cash received from gain on sale of assets, concession and rental.

Share of Profit from Investments in Associates

For the nine-month period of 2019, the Company has share of profit from associated companies increased from 596.7 million baht to 622.0 million baht or rose by 4.2 percent. That was due to a better performance of WFS-PG Cargo Company Limited during this period.

Unit: million baht

	July-September				January-September			
	2019	2018	Variance		2019	2018	Variance	
			Amount	%			Amount	%
WFS-PG Cargo Company Limited	148.1	93.4	54.7	58.6	322.8	271.9	50.9	18.7
Samui Property Fund (SPF)	98.8	77.3	21.5	27.8	299.2	324.8	(25.6)	(7.9)
Share of Profit from Investments in Associates	246.9	170.7	76.2	44.6	622.0	596.7	25.3	4.3

Expenses

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

Unit: million baht

	July-September						January-September					
	2019	%	2018	%	Variance		2019	%	2018	%	Variance	
					Amount	%					Amount	%
Cost of sales and services	5,497.0	85.1	5,612.6	83.9	(115.6)	(2.1)	16,858.1	84.5	16,374.9	84.5	483.2	3.0
Selling expenses	449.4	7.0	532.4	8.0	(83.0)	(15.6)	1,459.6	7.3	1,530.1	7.9	(70.5)	(4.6)
Administrative expenses	509.1	7.9	478.7	7.2	30.4	6.4	1,620.7	8.1	1,459.2	7.6	161.5	11.1
Loss on exchange rate	-	0.0	60.2	0.9	(60.2)	(100.0)	16.7	0.1	-	-	16.7	n.a.

	July-September						January-September					
	2019	%	2018	%	Variance		2019	%	2018	%	Variance	
					Amount	%					Amount	%
Other expenses	0.3	0.0	3.7	0.0	(3.4)	(91.9)	2.4	0.0	6.6	0.0	(4.2)	(63.6)
Total Expenses	6,455.8	100.0	6,687.6	100.0	(231.8)	(3.5)	19,957.5	100.0	19,370.8	100.0	586.7	3.0

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 services, and aircraft rentals. For the third quarter and the nine-month period of 2019, costs of sales and services were accounted for 85.1 percent and 84.5 percent of total expenses respectively.

Fuel Costs: fuel costs for the nine-month period of 2018 and 2019 were 3,527.9 million baht and 3,580.7 million, increased by 1.5 percent. That was accounted for 18.2 percent and 17.9 percent of total expenses respectively. The rising amount was mostly due to higher average market fuel price.

As of 30 September 2019, The Company still has an obligation from fuel price hedging until September 2020 of total 780,000 barrels of jet fuel whereby jet fuel prices are between USD 71.5 per barrel and USD 99.0 per barrel

Aircraft Repair and Maintenance Costs: aircraft repair and maintenance costs were higher from 2,605.5 million baht to 2,775.9 million baht for the nine-month period comparing to the previous year. These costs mainly incurred for repairing and maintaining the aging aircraft and “Maintenance Reserve Fund” for new ATR72-600.

Cost of Passenger Services: cost of passenger service decreased by 3.1 percent, from 2,358.8 million baht to 2,287.0 million baht for the nine-month period. The decreasing amount resulted from the lower number of passenger, together with flight management strategy which adjusted number of flight based on travel demand.

Personnel Expenses: the expense rose from 2,492.6 million baht to 2,592.2 million baht for the nine-month period. A significant increase resulted from the new Labor Protection Act reflecting past cost related

to employee benefits in income statement. Additionally, a higher rate of salary and flight pay for pilots and cabin crews.

Aircraft Rental Costs: the aircraft rental costs increased from 1,168.5 million baht to 1,178.5 million baht for the nine-month period comparing to year 2018. That was due to an additional of one aircraft under operating lease agreement at the beginning of this year. However, this was partly offset by the fluctuation of foreign exchange rate.

Selling Expenses

For the third quarter and the nine-month period of 2019, selling expenses were accounted for 7.0 percent and 7.3 percent of total expenses respectively. For the nine-month period of 2019, selling expenses were 1,459.6 million baht, decreased by 4.6 percent from last year. A decrease in selling expenses during this period was advertising and sale promotion expenses. However, there was a significant increase in the usage of booking and reservation system and an additional cost related to employee's retirement program according to the new Labor Protection Act.

Administrative Expenses

The administrative expenses of the Company for the third quarter and the nine-month period of 2019 were accounted for 7.9 percent and 8.1 percent of total expenses respectively. An increasing amount was mainly from professional fees and additional cost related employee's retirement program.

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.

	July-September				January-September			
	2019	2018	Variance		2019	2018	Variance	
			Amount	%			Amount	%
Interest expenses paid to the Samui Property Fund	345.8	377.6	(31.8)	(8.4)	1,033.2	1,124.6	(91.4)	(8.1)
Interest and Fee expenses ⁽¹⁾	102.3	97.9	4.4	4.5	296.4	282.9	13.5	4.8
Total	448.1	475.5	(27.4)	(5.8)	1,329.6	1,407.5	(77.9)	(5.5)

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

Total interest paid to SPF for the nine-month period decreased from 1,124.6 million baht to 1,033.2 million baht or lower by 8.1 percent from last year. The declining amount was from a lower number of departing passengers and number of flights in-out from Samui airport. For the nine-month of year 2019, the number of departing passenger and flight in-out Samui dropped by 10.4 percent and 5.1 percent respectively compared with last year.

The interest and fee expenses increased from 282.9 million baht to 296.4 million baht mainly due to the increasing of interest paid to financial institutions for additional fleet of ATR72-600s

Assets

As of 30 September 2019, the Company and its subsidiaries have total assets amounted of 60,928.6 million baht, decreased by 1,138.4 million baht from:

Unit: million baht

	As at September 30, 2019	As at December 31, 2018	Variance
Current assets			
Cash and cash equivalents and Current investments	7,802.2	7,647.7	154.5
Trade and other receivables	1,341.8	1,713.4	(371.6)
Reimbursable maintenance expense	701.8	1,050.3	(348.5)
Other current assets	912.1	1,018.4	(106.2)
Total current assets	10,757.9	11,429.8	(671.9)
Non-current assets			
Investments in associates	2,990.9	2,902.1	88.8
Other long-term investments	29,708.5	30,270.0	(561.5)
Property, plant and equipment	15,690.4	15,520.2	170.2
Deposits	648.1	805.5	(157.4)
Other non-current assets	1,132.8	1,139.4	(6.6)
Total Non-current assets	50,170.7	50,637.2	(466.5)
Total assets	60,928.6	62,067.0	(1,138.4)

Current assets

Total current assets of the Company as of 30 September 2019 were 10,757.9 million baht, decreased from 31 December 2018 by 671.9 million baht, mainly due to:

- Trade and other receivables* decreased by 371.6 million baht in a consequence of lower advanced bookings during the period.
- Reimbursable maintenance expense*: lower by 348.5 million baht, a decreasing amount was mainly due to cash received from outstanding amount claimed from maintenance reserve fund.

Non-current assets

Total non-current assets of the Company were 50,170.7 million baht, decreased from the end of 2018 by 466.5 million baht, mainly due to:

- Other long-term investments* decreased by 561.5 million baht due to the mark to market of long-term investments in marketable securities
- Deposit* lower by 157.4 million baht mostly are deposit of aircraft.
- Investment in associates* rose by 88.8 million baht largely due to increasing of profit sharing from associates during nine-month the period of year 2018.
- Property, plant and equipment* increased by 170.2 million baht. Besides, there was an acquisition of property, plant and equipment, largely from land and aircraft spare parts.

Liabilities

As of 30 September 2019, the Company and its subsidiaries had liabilities amounting of 31,026.0 million baht. A decrease of 262.9 million baht from 31 December 2018 was as follows:

Unit: million baht

	As at September 30,2019	As at December 31, 2018	Variance
<i>Current liabilities</i>			
Trade and other payables	2,517.2	2,883.3	(366.1)
Current portion of long-term loans, Liabilities arising from financial lease of aircrafts and Finance lease liabilities	771.7	691.2	80.5
Unearned income	2,153.0	2,531.0	(378.0)
Other current liabilities	2,408.0	2,234.7	173.3
<i>Total current liabilities</i>	<i>7,849.9</i>	<i>8,340.2</i>	<i>(490.3)</i>
<i>Non-Current liabilities</i>			
Long-term loans , Liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion	5,763.8	5,502.9	260.9

	As at September 30,2019	As at December 31, 2018	Variance
Long-term loans from related party – net of current portion	11,239.8	11,331.0	(91.2)
Employee benefits	1,016.2	722.6	293.6
Deferred tax liabilities	5,099.2	5,330.3	(231.1)
Other non-current liabilities	57.1	61.9	(4.8)
Total non-current liabilities	23,176.1	22,948.7	227.4
Total liabilities	31,026.0	31,288.9	(262.9)

Current liabilities

Total current liabilities amounting to 7,849.9 million baht, decreased from 31 December 2018 by 490.3 million baht, mainly due to:

- Trade and other payables* lower by 366.1 million baht, a decreasing amount mainly from trade account payable which related to number passenger and flights that were lower from end of year 2018
- Unearned income* lower by 378.0 million baht in a consequence of soften advanced bookings, together with tourists' demands have been shifted to travel different destinations outside Thailand.
- Other current liabilities* rose by 173.3 million baht, an increase amount mainly from derivative liability transactions.

Non-current liabilities

Total non-current liabilities of the Company are 23,176.1 million baht, increased by 227.4 million baht from 31 December 2018, largely derived from:

- Long-term loans, Liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion* increased by 260.9 million baht, an increasing portion mostly from long term loans-net of current portion which resulted from additional commercial loan from bank for four ATR72-600.
- Employee benefits* rose by 293.6 million baht due to the new provision standard of employee benefits impacted from the change in Thai Labor Act on severance pay rate.

- *Deferred tax liabilities* lower by 231.1 million baht resulted from an impact on temporary different method between accounting and tax book on aircraft financial lease together with, changes in market value of the available for sale investment in securities.

Shareholders' Equity

Unit: million baht

	As at September 30,2019	As at December 31, 2018	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	(491.6)	(366.8)	(124.8)
Other components of shareholders' equity	19,387.5	19,836.7	(449.2)
Retained earnings (loss)	(264.8)	32.6	(297.4)
Others ⁽¹⁾	(148.0)	(143.8)	(4.1)
<i>Total shareholders' equity</i>	<i>29,902.6</i>	<i>30,778.1</i>	<i>(875.5)</i>

Remark (1) Comprised of discount on changes in shareholding in subsidiaries and Non-controlling interests of the subsidiaries

As of 30 September 2019, total shareholders' of the Company and its subsidiaries was 29,902.6 million baht lower by 875.5 million baht mainly from the changes in the market value of the available-for-sale investment in securities. The Company has retained loss at the amount of 246.8 million baht.

Statement of Cash Flow

Unit: million baht

As at 30 September	January – September	
	2019	2018
Net cash flows from operating activities	1,149.5	1,975.6
Net cash flows from (used in) investing activities	1,038.7	1,260.7
Net cash flows used in financing activities	(1,173.8)	(2,284.6)
Cash and cash equivalents at end of the year	5,362.2	4,496.5

Cash flows from operating activities

As of 30 September 2019, the profit of the Company and its subsidiaries before changes in operating assets and liabilities was 1,057.4 million baht while the amount of net cash flows from operating activities was 1,149.5 million baht. The increasing amount was mainly due to cash received from outstanding amount claimed from maintenance reserve fund. That was offset with a decrease of unearned income and account payable during the period.

Cash flows from investing activities

As of 30 September 2019, cash flows from investing activities of the Company and its subsidiaries was 1,038.7 million baht which mainly resulted from a decrease in current investments, dividend received from SPF and BDMS and cash received from sale of equipment during the period. However, this was offset by cash paid for acquisition of property, plant and equipment including ATR72-600s.

Cash flows from financing activities

As of 30 September 2019, the Company and its subsidiaries have cash flows used in financing activities at the amount of 1,173.8 million baht, mainly from interest expense, repayment of long term loans, repayment of liabilities under finance lease payable, dividend payment to shareholders and repurchase of ordinary shares which all amounting to 2,181.7 million baht. However, this was partly offset by cash received from long term loan amounting to 1,070.2 million baht.

Summary Consolidated Financial and Ratio

		As at 30 September	
		2019	2018
Liquidity Ratio	Current Ratio (Time)	1.4	1.5
	Quick Ratio (Time)	4.6	4.7
	Collection Period (Day)	22.0	22.5
	Stock Turnover Period (Day)	8.3	8.3
	Payment Period (Day)	32.5	33.9
Profitability Ratio	Gross Profit Margin (%)	8.0	15.0
	Operating Profit Margin (%)	2.0	8.7
	EBITDAR Margin (%)	13.2	18.9
	Net profit Margin (%)	(0.6)	3.2
	Return on Equity (%)	(0.5)	3.0
Efficiency Ratio	Return on Assets (%)	(0.3)	1.5
	Return on Fixed Assets (%)	8.1	15.8
	Asset Turnover (Time)	0.4	0.5
Leverage Ratio	Debt to Equity (Time)	1.0	0.9
	Interest Coverage Ratio (Time)	1.1	1.9

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.

