



Management's Discussion and Analysis

For the period ended 31 December 2019

Bangkok Airways Public Company Limited and Its Subsidiaries

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Executive Summary

The Thai economy in the last quarter in 2019 continued to grow but slower than the previous quarter because of the deceleration of exporting sector and the world economy. Merchandise exports were projected to recover more slowly than expected due to the slowdown in global trade volume affected by trade tensions and the impact of structural changes in the Thai economy on export sector. Public expenditure and private investment would expand slower than the previous forecast. Although short-term economic stimulation measures from the government benefited private expenditure, but could not make a positive change to the overall GDP. (Source: Bank of Thailand). Thailand's GDP (Gross Domestic Product) in fourth quarter expanded at 1.6 percent, slowdown growth from the previous quarter which grew at 2.6 percent. These factors limited Thailand's GDP expansion in 2019 to only 2.4 percent, recorded as the lowest GDP growth among 5 years since 2014. (Source: Siam Commercial Bank). Additionally, The World GDP of 2019 expanded at 2.4 percent. (Source: International Monetary Fund)

The overall global aviation industry in 2019, Revenue Passenger Kilometers (RPK) increased by 4.2 percent - down from 7.3 percent annual growth observed in 2018. Africa region had the highest growth at 4.9 percent, followed by Asia Pacific, and Europe, accounting for 4.8 and 4.2 percent respectively. The slowdown of worldwide RPK growth because of the impact from US-China trade war and slowing economic activity among the European countries. Meanwhile, global capacity, or Available Seat Kilometers (ASK) increased only 3.4 percent. Africa region was the top at 4.7 percent, followed by Asia Pacific, and Europe with 4.5, and 3.6 percent respectively. While ASK growth of Middle East was only 0.1 percent. A slower pace of capacity growth (ASK) compared to demand (RPK), as a result, the passenger load factor (PLF) increased 0.7 percentage point from 2018 - reached a new highest record of 82.6 percent. (Source: International Air Transport Association).

Thailand tourism industry in the fourth quarter of 2019, the amount of tourists increased by 6.1 percent from same period last year. Tourist arrivals from South Asia region had the highest growth at 20.1 percent, followed by East Asia and Southeast Asia which were 12.1 and 12.0 percent respectively. In addition, European tourist grew only by 2.4 percent. In addition, most of tourist from Europe declined but the tourist from Russia had growth about 8.5 percent. (Source: Ministry of Tourism and Sports).

For the overall Thailand tourism industry in 2019 increased only 4.2 percent. Tourists from South Asia region had the highest growth at 20.8 percent, followed by East Asia, and Southeast Asia at 5.4, and 4.3 percent respectively. The number of tourist from China which is the main market of Thailand grew only 4.4 percent. The main factor of slower growth was The US-China trade war in February-June which had affected to China economy. Therefore, the number of Chinese tourist in February-June decreased by 7.7 percent. Although the situation began to improve in July, the overall Chinese arrivals still expanded slower than the previous year. (Source: Ministry of Tourism and Sports).

For year 2019, the number of passenger decreased by 1.6 percent from the same period last year with mainly from point-of-sale in Thailand. The international point-of-sale represented 55.0 percent of total number of passenger which mainly from Asia region excluded Thailand and Europe. Southeast Asia contributed the highest growth rate at 16.0 percent, followed by the passenger from North America region at 6.0 percent and South Asia region at 4.0 percent.

The Company has total revenue of 28,609.2 million baht, increased by 2.4 percent from the same period of the year 2018. This was largely due to special item from gain on sales of investments in BDMS amounting of 1,990.8 million baht, together with dividend received from investment. Besides, the increasing of revenue was from a constant growth by 6.6 percent in airport-related businesses. Nevertheless, the operating revenue of airline business declined by 6.9 percent from highly intense competition which caused the average fare to drop by 5.8 percent. The average passenger load factor was 68.1 percent.

The Company reported net profit for year 2019 at 356.7 million baht of which gain attributable to equity holders of the Company at the amount of 350.8 million baht. Earnings per share equaled to 0.17 baht.

Notable Events

Airline Business

1. In 2019, the Company has revised flight frequencies due to passenger seasonal demand and has increased flight frequencies, operated new routes added and decreased flights, and suspended the underperformed route as follows;

New Routes

- | | | |
|--------------------------|----------------------------|-----------------------------------|
| <input type="checkbox"/> | Bangkok-Cam Ranh | 4 flights per week (January 2019) |
| <input type="checkbox"/> | Chiang Mai-Krabi (one way) | 3 flights per week (March 2019) |
| <input type="checkbox"/> | Chiang Mai-Luang Prabang | 3 flights per week (April 2019) |

Add Flight Frequencies

- | | | |
|--------------------------|----------------------------|---|
| <input type="checkbox"/> | Bangkok-Danang | from 7 flights per week to 14 flights per week (March 2019) |
| <input type="checkbox"/> | Chiang Mai-Krabi (one way) | from 3 flights per week to 7 flights per week (May 2019) |
| <input type="checkbox"/> | Krabi-Bangkok (one way) | from 21 flights per week to 28 flights per week (May 2019) |

Add Flight Frequencies by Seasonality

- | | | |
|--------------------------|------------------|---|
| <input type="checkbox"/> | Bangkok-Mandalay | from 11 flights per week to 14 flights per week
(Winter Schedule only) |
| <input type="checkbox"/> | Bangkok-Phu Quoc | from 7 flights per week to 14 flights per week
(Winter Schedule only) |
| <input type="checkbox"/> | Samui-Krabi | from 7 flights per week to 10 flights per week
(Winter Schedule only) |
| <input type="checkbox"/> | Samui-U-Tapao | from 7 flights per week to 11 flights per week
(Winter Schedule only) |

Decrease Flight Frequencies

- | | | |
|--------------------------|---------------------|--|
| <input type="checkbox"/> | Chiang Mai-Mandalay | from 7 flights per week to 4 flights per week (October 2019) |
| <input type="checkbox"/> | Chiang Mai-Yangon | from 7 flights per week to 4 flights per week (October 2019) |

Decrease Flight Frequencies by Seasonality

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | Bangkok-Phuket (one way) | from 56 flights per week to 49 flights per week
(Summer Schedule only) |
|--------------------------|--------------------------|---|

- from 63 flights per week to 56 flights per week
(Winter Schedule only)
- Chiang Mai-Bangkok (one way) from 42 flights per week to 35 flights per week
(Summer Schedule only)
- from 63 flights per week to 49 flights per week
(Winter Schedule only)
- Chiang Mai-Mae Hong Son from 14 flights per week to 10 flights per week
(Winter Schedule only)

Suspended Route

- Phuket-Chiang Mai (one way) 7 flights per week (May 2019)
- Chiang Mai-Hanoi 7 flights per week (October 2019)

2. As of 31st December 2019, the Company has 40 aircraft as shown in table below;

Fleet Type	As of 31 st December 2019	As of 31 st December 2018
Airbus A320	9	9
Airbus A319	16	15
ATR 72-500	2	5
ATR 72-600	13	11
Total	40	40

One Airbus A319 were delivered in January 2019 under operating lease. During the first half of 2019, two ATR72-600 under commercial loan agreement were delivered while three ATR72-500 were disposed.

3. In 2019, the Company had total 27 Codeshare airline partners .The Company signed Codeshare agreement with Turkish Airlines in August 2019. While Jet Airways was announced to terminate Codeshare agreement from 30 June 2019 due to the suspension from IATA Clearing House (ICH) membership.
4. The Company was approved to renew Air Operating License or AOL from Civil Aviation Authority of Thailand. The license lasts for 10 years until 2029. (February 2019)
5. The Board of Directors Meeting of the Company approved the share repurchase program in the amount not exceeding 40 million common shares in year 2018. The share repurchase is made to maximize the benefits of the Company's excess liquidity and to increase the return on equity and the earnings per

- share. As of March 2019, The repurchase program has set aside approximately 492.0 million baht with 40.0 million share.
6. The Company, BTS Group Holding Public Company Limited and Sino-Thai Engineering & Construction Public Company Limited jointly submitted the proposal under the name of “BBS Joint Venture” for the bidding of the U-Tapao International Airport and Eastern Aviation City Development project to the Royal Thai Navy, which under the public private partnership (March 2019)
 7. The Bangkok Air Aviation Training Center Company Limited (BATC) and International Air Transport Association (IATA) signed a partnership agreement on the establishment of IATA Regional Aviation Training Partner in Bangkok. (March 2019)
 8. 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 via website and call center (July 2019)
 9. The Company announced a new frequent flyer programs collaboration with Emirates Skywards. This new partnership will expand the benefits that members can enjoy the convenience and benefits of accruing and spending rewards points (November 2019)
 10. The Company received the Superbrands Thailand 2018 Award. The Award was voted by consumers throughout Thailand, marketers and journalists and a final vote was made by Superbrands council of judges from a list of over 500 leading organizations in Thailand (April 2019)
 11. The Company received The Most Punctual Airline Asia Pacific Award (2nd place) from OAG which is the world’s leading provider of travel data and insight. Bangkok Airways is the only Thai carrier that ranks in the Top 20 airlines based on its On-Time Performance (OTP) (April 2019)
 12. The Company was awarded “Travelers’ Choice Awards – Regional Airline Asia 2019” from TripAdvisor, the world’s largest travel site. TripAdvisor’s Travelers’ Choice Awards are based on reviews by global travelers that focus on service, quality and value (April 2019)
 13. The Company received two prestigious awards from Skytrax; “World’s Best Regional Airline 2019” and “Best Regional Airline in Asia 2019” at The Skytrax World Airline Awards 2019 (June 2019)
 14. 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 (July 2019)

15. The Company was 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 (September 2019)
16. The Company was awarded “Selling Travel Agents Choice Awards 2019” as Overseas Regional Airline from Selling Travel Magazine, the leading travel trade monthly. The winners’ special reception was held during World Travel Market (WTM 2019) at Excel, London, United Kingdom (November 2019)

Airport Related Business and Investment

1. Bangkok Air Catering Co., Ltd. and Gourmet Primo Co., Ltd. under the name of “BACGP Joint Venture” won the bidding to operate inflight catering services at Don Mueang International Airport with 5 years of concession. The subsidiary was established by the condition of Airport of Thailand PCL. (AOT)’s term of reference with registered capital of 20.0 million baht (June 2019)
2. 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 (September 2019)
3. As of 31 December 2019, Bangkok Air Catering Company Limited (BAC) had 6 additional airline customers, causing total number of its customers to be from 20 to 26 airline customers when comparing with the same period last year.
4. As of 31 December 2019, Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) had 7 additional airline customers, causing total number of its customers to be from 79 to 86 airline customers for ground service equipment when comparing with the same period last year.
5. As of 31 December 2019, WFS-PG Cargo Company Limited (BFS Cargo) had 6 additional airline customers, causing total number of its customers to be from 69 to 75 airline customers for international cargo terminal services when comparing with the same period last year.

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.

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	January-December	
		2019	2018
Scheduled passenger revenues ⁽¹⁾	Million Baht	19,028.2	20,515.9
Domestic		11,878.3	12,844.0
International		7,149.9	7,671.9
Available Seat Kilometers (ASK)	Million Seat -	6,497.2	6,655.6
Domestic	Kilometers	3,365.7	3,545.6
International		3,131.5	3,110.0
Revenue Passenger Kilometers (RPK)	Million Passenger -	4,422.8	4,565.5
Domestic	Kilometers	2,491.0	2,566.6
International		1,931.8	1,998.9
Passenger Load Factor	Percentage	68.1	68.6
Domestic		74.0	72.4
International		61.7	64.3
Number of scheduled passengers carried	Thousand	5,860.2	5,952.6
Domestic	Passengers	4,007.6	4,141.6
International		1,852.6	1,811.0

	Unit	January-December	
		2019	2018
Number of flight flown	Flights	70,810	71,379
Domestic		45,434	47,313
International		25,376	24,066
Total seat capacity	Thousand Seats	8,558.9	8,626.6
Domestic		5,436.5	5,684.6
International		3,122.4	2,942.0
Aircraft utilization	Block Hour	8.4	8.8
Airbus A320	per Day	9.4	10.0
Airbus A319	per Aircraft	8.5	9.2
ATR 72-500 & ATR 72-600		7.3	7.2
Number of aircraft at period end	Aircraft	40	40
Airbus A320		9	9
Airbus A319		16	15
ATR 72-500		2	5
ATR 72-600		13	11
Kilometers flown	Million Kilometers	50.7	51.8
Average Stage Length	Kilometers	754.7	767.0
Passenger Yield ⁽²⁾	Baht per Passenger - Kilometer	4.30	4.49
Revenue ASK (RASK)	Baht per Available Seat - Kilometer	3.33	3.45
Cost per ASK (CASK)		3.58	3.49
Cost per ASK excluding fuel cost		2.86	2.75
RASK – CASK		(0.25)	(0.04)

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 December 31, 2019

Unit: million baht

	January-December			
	2019	2018	Variance	
			Amount	%
Total revenue	28,609.2	27,943.6	665.6	2.4
Operating revenue ⁽¹⁾	25,755.0	26,810.5	(1,055.5)	(3.9)
Total expenses	26,928.0	26,515.3	412.7	1.6
Net profit for the period	356.7	263.7	93.0	35.3
Profit attributable to equity holders of the Company	350.8	249.3	101.5	40.7
EBIT ⁽²⁾	(364.2)	1,097.8	(1,462.0)	(133.2)
EBITDA ⁽²⁾	1,057.3	2,478.0	(1,420.7)	(57.3)
EBITDAR ⁽²⁾	2,619.6	4,041.2	(1,421.6)	(35.2)
EBIT Ratio (%)	(1.4)	4.1	(5.5)	
EBITDA Ratio (%)	4.1	9.2	(5.1)	
EBITDAR Ratio (%)	10.2	15.1	(4.9)	

Remarks

- (1) Comprises of total revenue net dividend income, gain on foreign exchange, interest income and non-operating revenues.
- (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.

Operating Profit and Net Income

The operating revenue of the Company for year 2018 and year 2019 were 26,810.5 million baht and 25,755.0 million baht respectively, decreased by 3.9 percent while total operating expenses increased from 26,515.3 million baht to 26,928.0 million baht or around 1.6 percent.

The earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were derived from total income (excluding dividend income, gain on sale of investments, gain on sale of assets, interest income and gain on exchange rate) less total expenses plus depreciation and amortization expenses, and aircraft rental,

equaled to 4,041.2 million baht and 2,619.6 million baht or 15.1 percent and 10.2 percent of total operating revenue for year 2018 and 2019 respectively.

For year 2019, the Company had profit before income tax expenses at the amount of 720.4 million baht and reported net profit at the amount of 356.7 million baht, increased from the same period last year by 93.0 million baht or 35.5 percent. The gain attributable to equity holders of the Company was 350.8 million baht.

Revenue

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

Unit: million baht

	January-December					
	2019	%	2018	%	Variance	
					Amount	%
1. Airlines	19,063.9	66.6	20,475.4	73.3	(1,411.5)	(6.9)
<input type="checkbox"/> Net scheduled passenger revenue	18,516.1	64.7	19,708.8	70.5	(1,192.7)	(6.1)
<input type="checkbox"/> Charter flights and charter services revenue	346.0	1.2	550.1	2.0	(204.1)	(37.1)
<input type="checkbox"/> Cargo revenue	201.8	0.7	216.5	0.8	(14.7)	(6.8)
2. Airports	547.3	1.9	598.1	2.1	(50.8)	(8.5)
3. Airport-related Operations	4,350.3	15.2	4,082.3	14.6	268.0	6.6
<input type="checkbox"/> Bangkok Air Catering Company Limited (BAC)	1,024.0	3.6	1,048.8	3.8	(24.8)	(2.4)
<input type="checkbox"/> Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	2,391.4	8.4	2,167.6	7.7	223.8	10.3
<input type="checkbox"/> Bangkok Airways Ground Service Company Limited (PGGS)	349.8	1.2	367.1	1.3	(17.3)	(4.7)
<input type="checkbox"/> Other revenue ⁽¹⁾	585.1	2.0	498.8	1.8	86.2	17.3

	January-December					
	2019	%	2018	%	Variance	
					Amount	%
4. Unallocated revenue	4,647.7	16.3	2,787.8	10.0	1,859.9	66.7
<i>Total Revenue</i>	28,609.2	100.0	27,943.6	100.0	665.6	2.4

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

Revenue from Airline Operations

In year 2019, total revenue mainly derived from airline business which was accounted for 66.6 percent of total revenue. Revenue from airlines consists of earnings from scheduled flights, charter flights and charter services and cargo with details as follows:

In year 2019, revenue from scheduled flights was 18,516.1 million baht, dropped by 6.1 percent from the same period last year. A decreasing of scheduled revenue was mainly from the lower number of passenger which dropped by 1.6 percent. Especially number of passenger in domestic routes lowered by 3.2 percent. In addition, high competition and appreciation of Thai Baht caused drop of average fare by 5.8 percent along with passenger yield per RPK that decreased by 4.3 percent comparing with the same period last year.

Revenue from charter flights and charter services decreased from 550.1 million baht to 346.0 million baht, lower by 37.1 percent. That was a resulted from a decreasing of flight frequencies of charter services from Samui to Chongqing since September 2019 and suspending flights service from Samui to Guangzhou since October 2018.

Revenue from Airport Operations

In year 2019, revenue from airport operations was accounted for 1.9 percent of total revenue. Majority of the airport revenue derived from the growth of flights landed and the passenger services charges from outbound passengers at Samui Airport. Year 2019, revenue from airport operations was 547.3 million baht or decreased by 8.5 percent from year 2018

Revenue from Airport-Related Operations

Bangkok Air Catering Company Limited (BAC)

In year 2019, the operating performance of BAC was 1,024.0 million baht, decreased by 2.4 percent. The decreasing amount resulted from the down gauge the aircraft size as well as flight reduction of major airline customers. Consequently, the average meal produced dropped by 7.4 percent compared with previous year

In addition, BAC transferred kosher box operation to Bangkok Air Catering Phuket Company Limited, a subsidiary of BAC started from the second quarter of year 2019.

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

The operating performance of BFS Ground for services provided to other airlines in year 2018 and year 2019 reported at the amount of 2,167.6 million baht and 2,391.4 million baht respectively, grew by 10.3 percent from the previous year.

The better performance of BFS Ground was derived from increasing number of flights by 6.6 percent with additional of seven new airline customers. As of 31 December 2019, BFS Ground has 86 airline customers.

Bangkok Airways Ground Service Company Limited (PGGS)

The total revenue of PGGS in year 2019 reported at the amount of 349.8 million baht, lower by 4.7 percent. This was resulted from the lower number of flights since the suspension of Thai Airways' flights to Samui Airport. For year 2019, the number of handling flights dropped by 17.0 percent from the previous year.

Unallocated Revenues

Total unallocated revenues of the Company for year 2019 was 4,647.7 million baht or rose by 66.7 percent. Main contributions of unallocated revenues were dividend income from BDMS, reversal of accrued concession fee from Airports of Thailand Public Company Limited (AOT) and other revenues. For year 2019, the other revenue mainly derived from cash received from gain on sale of assets, concession, ticket fee, excess baggage and rental.

Share of Profit from Investments in Associates

The Company reported share of profit from associated companies for year 2019 at 808.7 million baht, increased by 0.8 percent compared with the same period last year. That was due to a better profit contributed to shareholders of WFS-PG Cargo Company Limited during this period.

Unit: million baht

	January-December			
	2019	2018	Variance	
			Amount	%
WFS-PG Cargo Company Limited	415.4	381.8	33.6	8.8
Samui Airport Property Fund	393.3	420.7	(27.4)	(6.5)
<i>Share of Profit from Investments in Associates</i>	808.7	802.5	6.2	0.8

Expenses

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

Unit: million baht

	January-December					
	2019	%	2018	%	Variance	
					Amount	%
1. Cost of sales and services	22,324.4	82.9	22,339.5	84.3	(15.1)	(0.1)
<input type="checkbox"/> <i>Airlines</i>	<i>18,112.5</i>	<i>67.3</i>	<i>18,202.6</i>	<i>68.7</i>	<i>(90.1)</i>	<i>(0.5)</i>
- <i>Aircraft Fuel Cost</i>	<i>4,667.3</i>	<i>17.3</i>	<i>4,934.9</i>	<i>18.6</i>	<i>(267.6)</i>	<i>(5.4)</i>
- <i>Aircraft Repair and Maintenance</i>	<i>3,547.6</i>	<i>13.2</i>	<i>3,536.2</i>	<i>13.3</i>	<i>11.4</i>	<i>0.3</i>
- <i>Personnel Expenses</i>	<i>3,427.1</i>	<i>12.7</i>	<i>3,444.8</i>	<i>13.0</i>	<i>(17.7)</i>	<i>(0.5)</i>
- <i>Passenger Services</i>	<i>3,040.9</i>	<i>11.3</i>	<i>3,151.4</i>	<i>11.9</i>	<i>(110.5)</i>	<i>(3.5)</i>
- <i>Aircraft Rental</i>	<i>1,562.3</i>	<i>5.8</i>	<i>1,563.2</i>	<i>5.9</i>	<i>(0.9)</i>	<i>(0.1)</i>
- <i>Landing , Parking and Navigation fee</i>	<i>1,188.4</i>	<i>4.4</i>	<i>1,196.0</i>	<i>4.5</i>	<i>(7.6)</i>	<i>(0.6)</i>
- <i>Others</i>	<i>678.9</i>	<i>7.1</i>	<i>376.1</i>	<i>7.2</i>	<i>302.8</i>	<i>80.5</i>
<input type="checkbox"/> <i>Airports, Airport-related Operations and Others</i>	<i>4,211.9</i>	<i>15.6</i>	<i>4,136.9</i>	<i>15.6</i>	<i>75.0</i>	<i>1.8</i>
2. Selling Expenses	1,894.7	7.0	2,099.2	7.9	(204.5)	(9.7)
<input type="checkbox"/> <i>Airlines</i>	<i>1,858.8</i>	<i>6.9</i>	<i>2,065.7</i>	<i>7.8</i>	<i>(206.9)</i>	<i>(10.0)</i>
<input type="checkbox"/> <i>Airports, Airport-related Operations and Others</i>	<i>35.9</i>	<i>0.1</i>	<i>33.5</i>	<i>0.1</i>	<i>2.4</i>	<i>7.2</i>
3. Administrative Expenses	2,702.9	10.1	2,074.7	7.8	628.2	30.3
<input type="checkbox"/> <i>Airlines</i>	<i>1,910.1</i>	<i>7.1</i>	<i>1,396.5</i>	<i>5.3</i>	<i>513.6</i>	<i>36.8</i>
<input type="checkbox"/> <i>Airports, Airport-related Operations and Others</i>	<i>792.8</i>	<i>3.0</i>	<i>678.2</i>	<i>2.5</i>	<i>114.6</i>	<i>16.9</i>

	January-December					
	2019	%	2018	%	Variance	
					Amount	%
4. Others	6.0	0.0	1.9	0.0	4.1	215.8
<i>Total Expenses</i>	26,928.0	100.0	26,515.3	100.0	412.7	1.6

Costs of Sales and Services

Costs of sales and services principally consist of fuel costs, aircraft repair and maintenance costs, personnel expenses, cost of passenger service and aircraft rentals. For year 2018 and year 2019, costs of sales and services were accounted for 84.3 percent and 82.9 percent of total expenses respectively.

Selling Expenses

For year 2018 and year 2019, selling expenses were accounted for 7.9 percent and 7.0 percent of total expenses respectively. The selling expenses of year 2019 reported at 1,894.7 million baht, dropped by 9.7 percent from last year. The decreasing amount was mainly from advertising and sale promotion and supporting selling systems expenses. The significant increase in selling expenses were mainly due to usage of reservation system together with 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 year 2018 and year 2019 were accounted for 7.8 percent and 10.1 percent of total expenses respectively. The significant increase of administrative expenses was professional fee, penalty and surcharge and additional cost related to employee's retirement program according to the new Labor Protection Act.

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

Unit: million baht

	January-December			
	2019	2018	Variance	
			Amount	%
Financial cost paid to the Samui Airport Property Fund (SPF)	1,359.6	1,467.6	(108.0)	(7.4)
Interest and Fee expenses ⁽¹⁾	409.9	406.5	3.4	0.8
Total	1,769.5	1,874.1	(104.6)	(5.6)

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

Financial cost paid to the Samui Property Fund (SPF) for year 2019 amounted to 1,359.6 million baht, decreased by 7.4 percent compared to previous year. The decreasing amount was due to decreasing number of departing passenger and flights in-out Samui Airport by 8.8 percent and 4.8 percent compared with the same period last year, together with a cancellation of Thai Airways' flight landed into Samui Airport since September 2018.

The interest costs and fee expenses increased from 406.5 million baht to 409.9 million baht which mainly due to additional interest paid under long term loan agreements for ATR72-600 incurred during the period.

Assets

As of 31 December 2019, the Company and its subsidiaries have total assets amounted of 61,907.7 million baht, decreased by 159.3 million baht.

Unit: million baht

	As at December 31, 2019	As at December 31, 2018	Variance
Current assets			
Cash & cash equivalents and current investments	9,319.3	7,647.7	1,671.6
Trade and other receivables	1,535.4	1,713.4	(178.0)
Reimbursable maintenance expense	857.8	1,050.3	(192.5)
Other current assets	877.0	1,018.4	(141.4)
Total current assets	12,589.5	11,429.8	1,159.7

	As at December 31, 2019	As at December 31, 2018	Variance
<i>Non-current assets</i>			
Investments in associates	2,920.2	2,902.1	18.1
Other long-term investments	29,050.5	30,270.0	(1,219.5)
Property, plant and equipment	15,608.2	15,520.2	88.0
Deposits	643.7	805.5	(161.8)
Other non-current assets	1,095.6	1,139.4	(43.8)
Total Non-current assets	49,318.2	50,637.2	(1,319.0)
Total assets	61,907.7	62,067.0	(159.3)

Current assets

Total current assets of the Company as of 31 December 2019 was 12,589.5 million baht, increased from 31 December 2018 by 1,159.7 million baht. This was mainly due to:

- Cash and cash equivalents and current investments* grew by 1,671.6 million baht, mainly from cash received from operation activities, long-term loans from financial institution and selling of long-term investments in marketable securities, together with dividend received from investment in associates and other long-term investments. This was offset by cash paid for dividend and interest expense including repayment of loan and liabilities arising from financial lease of aircraft during the period.
- Reimbursable maintenance expense* decreased by 192.5 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 were 49,318.2 million baht, decreased from the end of 2018 by 1,319.0 million baht. This was resulted from:

- Other long-term investments* decreased by 1,219.5 million baht from selling of long term investment in marketable securities during the period.
- Property, Plant and Equipment* increased by 88.0 million baht, mainly from an acquisition of property, plant and equipment, largely from aircraft (2-ATR72-600), aircraft spare parts and land. However, it was offset by the disposal of three ATR72-500 during the period.
- Deposit* lowered by 161.8 million baht due to deposit of aircraft.

Liabilities

As of 31 December 2019, the Company and its subsidiaries have liabilities amounted of 31,903.2 million baht. An increase of 614.3 million baht from 31 December 2018 was as follows:

Unit: million baht

	As at December 31, 2019	As at December 31, 2018	Variance
<i>Current liabilities</i>			
Trade and other payables	3,183.2	2,883.3	299.9
Current portion of long-term loans, Liabilities arising from financial lease of aircrafts and Finance lease liabilities	994.6	691.3	303.3
Income tax payable	277.3	13.1	264.2
Unearned revenue	2,343.7	2,531.0	(187.3)
Other current liabilities	2,457.7	2,221.5	236.2
<i>Total current liabilities</i>	9,256.5	8,340.2	916.3
<i>Non-Current liabilities</i>			
Long-term loans , Liabilities arising from financial lease of aircraft and Finance lease liabilities – net of current portion	5,315.3	5,502.9	(187.6)
Long-term loans from related party – net of current portion	11,252.4	11,331.0	(78.6)
Employee benefits	956.6	722.6	234.0
Deferred tax liabilities	5,060.0	5,330.3	(270.3)
Other non-current liabilities	62.4	61.9	0.5
<i>Total non-current liabilities</i>	22,646.7	22,948.7	(302.0)
<i>Total liabilities</i>	31,903.2	31,288.9	614.3

Current liabilities

Total current liabilities amounting to 9,256.5 million baht, increased from 31 December 2018 by 916.3 million baht, the changes were mainly due to;

- Current portion of long-term loans, Liabilities arising from financial lease of aircrafts and finance lease liabilities* amounting to 994.6 million baht, increased by 303.3 million baht. This was mainly

derived from an increase of current portion of long term loan resulted from entering long-term loan agreement for two ATR72-600

- Income tax payable* amounting to 277.3 million baht, increased by 264.2 million baht. The increasing amount resulted from tax which incurred from selling of marketable securities during the period.
- Unearned revenue* decreased by 187.3 baht from 31 December 2018 as a consequence of lower advanced bookings compared with same period last year.
- Other current liabilities* amounting to 2,457.7million baht, rose by 236.2 million baht. This was mainly from additional of maintenance reserve fund (MRF) for ATR72-600 and liabilities arisen from entering into derivative transactions.

Non-current liabilities

Total non-current liabilities of the Company were 22,646.7 million baht, decreased by 302.0 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* decreased by 187.6 million baht, the decreasing amount mostly from repayment of long term loan. However, the company has entered into commercial loan transaction during the period.
- Employee benefits* rose by 234.0 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* decreased by 270.3 million baht resulted from an impact on temporary different method between accounting and tax book on aircraft financial lease, together with changes in a proportion of marketable securities available for sale.

Shareholders' Equity

Unit: million baht

	As at December 31, 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	18,934.9	19,836.7	(901.8)
Retained earnings	296.3	32.6	263.7
Others ⁽¹⁾	(154.6)	(143.9)	(10.7)
Total shareholders' equity	30,004.5	30,778.1	(773.6)

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

As of 31 December 2019, total shareholders' of the Company and its subsidiaries is 30,004.5 million baht. A decreasing amount of 773.6 million baht mainly derived from the changes in proportion of marketable securities available-for-sale which dropped by 901.8 million baht. The Company has retained gain at the amount of 296.3 million baht, increased by 263.7 million baht.

Statement of Cash Flow

Unit: million baht

	As at December 31, 2019	As at December 31, 2018
Net cash flows from operating activities	1,175.8	1,901.9
Net cash flows from (used in) investing activities	1,495.1	817.2
Net cash flows used in financing activities	(1,745.6)	(1,916.2)
Cash and cash equivalents at end of the year	5,273.1	4,347.7

Cash flows from operating activities

As of 31 December 2019, the profit of the Company and its subsidiaries before changes in operating assets and liabilities is 518.9 million baht while the amount of net cash flows from (used in) operating activities is 1,175.8 million baht.

Cash flows from investing activities

As of 31 December 2019, net cash flows from investing activities of the Company and its subsidiaries is 1,495.1 million baht which resulted from cash received from sales of assets and long-term investment in marketable securities, together with dividend received from investment in associates and long-term investment amounted to 4,346.0 million baht. However, this was offset by cash outflows used for acquisition of property, plant and equipment and additional investment in BAFS.

Cash flows from financing activities

As of 31 December 2019, the Company and its subsidiaries have cash outflows from financing activities at the amount of 1,745.6 million baht, mainly from interest expense, repayment of loan and liabilities under finance lease payable, dividend payment to shareholders, purchase of treasury stocks.

Summary Consolidated Financial and Ratio

		As at 31 December	
		2019	2018
Liquidity Ratio	Current Ratio (Time)	1.4	1.4
	Quick Ratio (Time)	3.8	4.3
	Collection Period (Day)	24.2	24.4
	Stock Turnover Period (Day)	8.5	8.2
	Payment Period (Day)	33.5	34.2
Profitability Ratio	Gross Profit Margin (%)	6.8	11.2
	Operating Profit Margin (%)	(1.5)	4.4
	EBITDAR Margin (%)	10.2	15.1
	Net profit Margin (%)	1.2	0.9
	Return on Equity (%)	1.2	0.9
Efficiency Ratio	Return on Assets (%)	0.6	0.4
	Return on Fixed Assets (%)	11.4	11.0
	Asset Turnover (Time)	0.5	0.5
Leverage Ratio	Debt to Equity (Time)	1.1	1.0
	Interest Coverage Ratio (Time)	0.6	1.3

Glossary

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