



## Management's Discussion and Analysis

For the period ended 30 June 2019

Bangkok Airways Public Company Limited and Its Subsidiaries

## Bangkok Airways Public Company Limited and its Subsidiaries

Management's Discussion and Analysis for the second quarter of 2019 ended 30 June 2019

### Executive Summary

The world economy in the second quarter of 2019 was still in downturn from the trade war between USA and China that continues to escalate as well as unclear situation of BREXIT. Thailand economy continues to slow down from the previous quarter, contributed from slow investment from private sector and export sector. Additionally, Thailand's tourism has shown slow pace from a drop in international tourist arrival, especially Chinese tourists (Source: The Bank of Thailand).

The overall global aviation industry in the first half of 2019, a growth in passenger traffic was supported by 4.7 percent increase in revenue passenger kilometers (RPK) where Europe had the highest growth at 6.1 percent, following by Latin America and Asia Pacific, accounting for 5.6 percent and 4.8 percent respectively while the Middle east had the lowest growth at 1.2 percent. Furthermore, worldwide capacity growth or available seat kilometers (ASK) rose 4.1 percent on the average. Europe ranked as the top with 5.8 percent, followed by 4.7 percent growth in Asia Pacific, and 4.3 percent growth in Latin America. The Middle east also ranked as the lowest growth at 0.3 percent. Furthermore, the overall passenger load factor (PLF) was 81.9 percent, increased 0.5 percentage from the same period of the previous year. North America had the highest passenger load factor at 84.3 percent. In contrast, Africa had the lowest passenger load factor at 70.8 percent (Source: International Air Transport Association).

For the Thailand tourism industry in second quarter of 2019, the number of international tourist arrivals to Thailand increased by 1.1 percent from the same period last year. Tourists from South Asia had the highest growth of 19.8 percent, followed by tourists from the Middle East, and Southeast Asia with 5.6 percent and 5.2 percent respectively. On the other hand, tourists from East Asia, Africa, and Europe had the highest declined at 3.8, 2.8 and 0.8 percent respectively. In addition, Chinese tourists, which had the biggest percentage portion of tourist arrival to Thailand at 28.2 percent, was decreased by 8.2 percent. This leads to a slow growth of international tourist arrival to Thailand ( Source: Ministry of Tourism and Sports) . Furthermore, the strengthening of Thai Baht and the uncertainty of world economy reveals an impact on decreasing number of tourists (Source: Tourism Authority of Thailand).



For the second quarter of year 2019, the Company has started to operate Chiang Mai to Luang Prabang 3 flights weekly and increased flight frequencies in Chiang Mai – Krabi route (one way) to 7 flights weekly, Krabi-Bangkok route (one way) to 28 flights weekly. The Company decreased flight Bangkok to Phuket (one-way) from 56 flights weekly to 49 flights weekly and Chiang-Mai to Bangkok (one way) from 39 flights to 35 flights weekly. For this quarter, number of passengers was 1.3 million passengers, increased by 2.3 percent with mainly contributed from point-of-sale in Asia excluding Thailand at 26.0 percent, Thailand at 22.0 percent and Europe at 17.0 percent of total passenger.

In the second quarter, total revenue of the Company was 6,077.4 million baht, dropped by 4.2 percent from the same period last year. The decreasing revenue was mainly from airline business as a consequence of slowly growth of international tourist arrival to Thailand, high competitiveness among airline industry and strengthening of Thai Baht. For this quarter, the number of passenger slightly growth at 2.3 percent while average fare dropped by 4.3 percent. Passenger yield per RPK was 4.04 baht, weakened from the second quarter of 2018 by 2.5 percent.

For the six-month period, the Company reported total revenue amounting to 13,865.7 million baht, decreased by 1.4 percent from the same period last year. A decrease in total revenue was mainly due to airline and airport businesses which declined by 4.0 percent and 9.4 percent respectively, resulted from lower number of passenger by 0.2 percent. In addition, average fare continuously dropped by 3.5 percent, especially of international routes which decreased by 6.4 percent when compared to the same period in the previous year. Revenue from airport-related services and other related business and unallocated revenue grew by 5.8 percent and 12.2 percent respectively. The significant increased amount derived from airport-related services and other related business which contributed 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 sale of assets. While, total expenses of the Company during this period increased by 6.1 percent mainly from higher average market fuel price and additional cost related to employee benefits according to new Labor Protection Act

The Company reported net loss at 187.2 million baht for the first half of this year, decreased from the same period last year by 824.5 million baht of which loss attributable to the equity holders of the Company was 189.6 million baht. Loss per share for the six-month period of 2019 was 0.09 baht.



## Notable Events

Notable events in 2Q2019:

### Airline Business

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

#### New Route

- Chiang Mai – Luang Prabang 3 flights per week (April 2019)

#### Adding Frequency

- Chiang Mai – Krabi (one way) from 3 flights per week to 7 flights per week (May 2019)
- Krabi – Bangkok (one way) from 24 flights per week to 28 flights per week (May 2019)

#### Reducing Frequency

- Bangkok – Phuket (one way) from 56 flights per week to 49 flights per week (May 2019)
- Chiang Mai – Bangkok (one way) from 39 flights per week to 35 flights per week (May 2019)

#### Cancel Flights

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

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

Fleet Type	As of 30 June 2019	As of 30 June 2018
Airbus A320	9	9
Airbus A319	16	14
ATR 72-500	2	6
ATR 72-600	13	9
<b>Total</b>	<b>40</b>	<b>38</b>

Two Airbus A319 under operating lease were delivered in July 2018 and January 2019 respectively. Four ATR72-600 under commercial loan were delivered in December 2018, March 2019 and April 2019 while four ATR72-500 were disposed since end of December 2018 until April 2019

3. As of 30 June 2019, the Company had total 26 Codeshare partners due to the announcement to terminate Codeshare agreement with Jet Airways from 30 June, 2019 onwards. Since Jet Airways was suspended IATA Clearing House (ICH) membership, their flight operations were cancelled consequently.
4. In the second quarter, the Company received the Air Operating Licence (AOL) from the Civil Aviation Authority of Thailand. The license permits to operate scheduled or non-scheduled flight air services within Thailand and also international for 10 years.
5. In the second quarter, 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.
6. In the second quarter, 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.
7. In the second quarter, 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).
8. In the second quarter, the Company has been 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.

#### **Airport Related Business and Investment**

9. Bangkok Air Catering Co., Ltd. and Gourmet Primo Co., Ltd. under the name of "BACGP Joint Venture" won the bidding to operate inflight catering 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.



10. As of 30 June 2019, Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) had 7 additional airlines, causing total number of its customers to be from 75 airlines to 82 airlines for ground service equipment compared with 30 June 2018.
11. As of 30 June 2019, WFS-PG Cargo Company Limited (BFS Cargo) had 5 additional airlines, causing total number of its customers to be from 67 airlines to 72 airlines for international cargo terminal services compared with 30 June 2018.



## 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	April-June		January-June	
		2019	2018	2019	2018
Schedule passenger revenues <sup>(1)</sup>		4,112.3	4,201.4	10,127.4	10,512.4
Domestic	Million Baht	2,444.6	2,486.6	6,341.8	6,651.2
International		1,667.7	1,714.9	3,785.6	3,861.3
Available Seat Kilometers (ASK)		1,562.3	1,600.5	3,271.3	3,322.8
Domestic	Million Seat - Kilometers	782.9	817.0	1,705.2	1,747.3
International		779.4	783.5	1,566.1	1,575.5
Revenue Passenger Kilometers (RPK)		1,018.3	1,013.9	2,293.0	2,330.4
Domestic	Million Passenger - Kilometers	539.5	525.9	1,282.6	1,307.8
International		478.8	488.0	1,010.4	1,022.6

	Unit	April-June		January-June	
		2019	2018	2019	2018
Passenger Load Factor	Percentage	65.2	63.4	70.1	70.1
Domestic		68.9	64.4	75.2	74.8
International		61.4	62.3	64.5	64.9
Number of passengers carried	Thousand Passengers	1,293.5	1,264.5	3,018.6	3,023.4
Domestic		867.2	852.3	2,073.8	2,121.5
International		426.2	412.3	944.7	901.9
Number of flight flown	Flights	16,764	16,869	35,679	35,348
Domestic		10,402	10,813	23,144	23,473
International		6,362	6,056	12,535	11,875
Total seat capacity	Thousand Seats	2,023.1	2,017.1	4,314.5	4,261.5
Domestic		1,259.0	1,302.8	2,761.2	2,807.3
International		764.1	714.3	1,553.3	1,454.2
Aircraft utilization	Block Hour per Day per Aircraft	8.2	8.4	8.6	8.8
Airbus A320		9.1	9.7	9.5	10.0
Airbus A319		8.2	9.2	8.6	9.5
ATR 72-500 & ATR 72-600		7.2	6.5	7.6	6.9
Number of aircraft at end of period	Aircraft	40	38	40	38
Airbus A320		9	9	9	9
Airbus A319		16	14	16	14
ATR 72-500		2	6	2	6
ATR 72-600		13	9	13	9
Average Stage Length	Million Kilometers	12.2	12.6	25.5	25.9
Kilometers flown	Kilometers	787.3	801.8	759.6	770.8



	Unit	April-June		January-June	
		2019	2018	2019	2018
Passenger Yield <sup>(2)</sup>	Baht per Passenger - Kilometers	4.04	4.14	4.42	4.51
Revenue ASK (RASK)	Baht per Available Seat - Kilometers	3.09	3.02	3.51	3.50
Cost per ASK (CASK)		3.65	3.34	3.59	3.35
Cost per ASK excluding fuel cost		2.89	2.67	2.84	2.68
RASK – CASK		(0.55)	(0.32)	(0.08)	0.15

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 June 30, 2019

Unit: million baht

	April-June				January-June			
	2019	2018	Variance		2019	2018	Variance	
			MB	%			MB	%
Net profit (loss) for the period	(698.1)	(82.0)	(616.1)	(751.3)	(187.2)	637.3	(824.5)	(129.4)
Plus:								
Finance Cost	429.6	460.8	(31.3)	(6.8)	881.5	932.1	(50.6)	(5.4)
Income tax expenses	(84.4)	(6.1)	(78.3)	(1,286.2)	20.5	174.2	(153.7)	(88.2)
Less:								
Dividend income	282.5	258.6	23.9	9.2	282.5	258.6	23.9	9.2
Interest received	27.2	32.5	(5.3)	(16.3)	49.3	59.6	(10.4)	(17.4)



	April-June				January-June			
	2019	2018	Variance		2019	2018	Variance	
			MB	%			MB	%
Gain on foreign exchange	-	283.5	(283.5)	(100.0)	-	172.1	(172.1)	(100.0)
Non-operating revenues <sup>(1)</sup>	121.8	4.1	117.7	2,883.0	180.9	2.6	178.3	6,944.2
EBIT <sup>(2)</sup>	(784.3)	(205.9)	(578.4)	(281.0)	202.0	1,250.7	(1,048.6)	(83.8)
Plus:								
Depreciation and amortization	353.4	342.2	11.1	3.3	701.9	677.4	24.5	3.6
EBITDA <sup>(2)</sup>	(431.0)	136.4	(567.3)	(416.0)	903.9	1,928.0	(1,024.1)	(53.1)
Plus:								
Operating lease expenses	404.7	365.4	39.3	10.8	794.3	764.0	30.3	4.0
EBITDAR <sup>(2)</sup>	(26.3)	501.8	(528.0)	(105.2)	1,698.2	2,692.0	(993.8)	(36.9)
Total revenue	6,077.4	6,341.7	(264.3)	(4.2)	13,865.7	14,061.0	(195.3)	(1.4)
Operating revenue <sup>(3)</sup>	5,645.9	5,763.0	(117.1)	(2.0)	13,353.0	13,568.1	(215.0)	(1.6)
Profit attributable to equity holders of the Company	(693.9)	(82.9)	(611.0)	(736.8)	(189.6)	627.5	(817.1)	(130.2)
EBIT Ratio (%)	(13.9)	(3.6)	(10.3)		1.5	9.2	(7.7)	
EBIDA Ratio (%)	(7.6)	2.4	(10.0)		6.8	14.2	(7.4)	
EBITDAR Ratio (%)	(0.5)	8.7	(9.2)		12.7	19.8	(7.1)	

Remarks

- (1) Comprises of gain on sale of investments, sale of investment in subsidiaries and sale of assets.
- (2) EBIT, EBIT margins, EBITDA, EBITDA margins, EBITDAR or EBITDAR margins are not standard measures, nor measurements of financial performance or liquidity, under TFRS, and should not be considered alternatives to net profit (loss) or any other performance measure or as an alternative to cash flow from operating activities. Since there are various calculation methods, its presentation may not be comparable to similarly titled measures used by other companies.
- (3) Comprises of total revenue net dividend income, gain on foreign exchange, interest income and non-operating revenues.

## Operating Profit and Net Income

The operating revenue of the Company for the second quarter of 2018 and 2019 were 5,763.0 million baht and 5,645.9 million baht respectively, decreased by 2.0 percent while total expenses increased from 6,175.5 million baht to 6,607.4 million baht or 7.0 percent.

For the second quarter of 2019, 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 amounted minus 26.3 million baht, decreased 528.0 million baht or dropped by 105.2 percent compared with the same period last year.

The operating revenue of the Company for the six-month period of 2018 and 2019 were 13,568.1 million baht and 13,353.0 million baht respectively, slightly decreased by 1.6 percent while total expenses escalated by 6.1 percent from 12,743.3 million baht to 13,526.2 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. For the six-month period of 2018 and 2019, EBITDAR equaled to 2,692.0 million baht and 1,698.2 million baht respectively or dropped by 36.9 percent

For the six-month period of 2019, net loss of the Company was 187.2 million baht, decreased 824.5 million baht or 129.4 percent from the same period of last year. The net loss amount attributable to equity holders of the Company at 189.6 million baht.



## 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					
	2019	%	2018	%	Variance		2019	%	2018	%	Variance	
					Amount	%					Amount	%
1. Airlines	4,097.1	67.4	4,259.1	67.2	(162.0)	(3.8)	10,105.5	72.9	10,531.4	74.9	(425.9)	(4.0)
2. Airports	127.9	2.1	144.0	2.3	(16.1)	(11.2)	296.4	2.1	327.0	2.3	(30.6)	(9.4)
3. Airport-related services and other related business	973.1	16.0	977.5	15.4	(4.4)	(0.5)	2,137.5	15.4	2,020.6	14.4	116.9	5.8
4. Unallocated revenue	879.3	14.5	961.1	15.1	(81.8)	(8.5)	1,326.3	9.6	1,182.0	8.4	144.3	12.2
<b>Total Revenue</b>	<b>6,077.4</b>	<b>100.0</b>	<b>6,341.7</b>	<b>100.0</b>	<b>(264.3)</b>	<b>(4.2)</b>	<b>13,865.7</b>	<b>100.0</b>	<b>14,061.0</b>	<b>100.0</b>	<b>(195.3)</b>	<b>(1.4)</b>

### Revenue from Airline Operations

For the second quarter of 2018 and 2019, total revenue from airline business was the Company's primary source of income, was accounted for 67.2 percent and 67.4 percent of total revenue.

For the six-month period of 2018 and 2019, the revenue from airline business still be the majority source of income which was accounted for 74.9 percent and 72.9 percent of total revenue respectively.

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

	April-June				January-June			
	2019	2018	Variance		2019	2018	Variance	
			MB	%			MB	%
Net Scheduled Passenger Revenue	3,968.7	4,069.5	(100.8)	(2.5)	9,812.5	10,164.5	(352.0)	(3.5)
Charter flights and charter services revenue	83.2	136.4	(53.2)	(39.0)	195.1	263.5	(68.4)	(26.0)
<b>Total passenger revenue</b>	<b>4,051.9</b>	<b>4,205.9</b>	<b>(154.0)</b>	<b>(3.7)</b>	<b>10,007.6</b>	<b>10,428.0</b>	<b>(420.4)</b>	<b>(4.0)</b>
Cargo revenue	45.2	53.2	(8.0)	(15.0)	97.9	103.4	(5.5)	(5.3)
<b>Total revenue from airline business</b>	<b>4,097.1</b>	<b>4,259.1</b>	<b>(162.0)</b>	<b>(3.8)</b>	<b>10,105.5</b>	<b>10,531.4</b>	<b>(425.9)</b>	<b>(4.0)</b>

Revenue from scheduled flights for the second quarter of 2018 and 2019 shown at 4,069.5 million baht and 3,968.7 million baht respectively, lower by 2.5 percent from the same period last year.

For the six-month period, revenue from scheduled flights decreased from 10,164.5 million baht to 9,812.5 million baht, lower from the first six-month of 2018 by 3.5 percent. The declining scheduled passenger revenue was resulted from highly intense competition and the strengthening of Thai Baht which caused the average fare to drop by 3.5 percent and passenger yield per RPK to decrease by 2.1 percent compared with the same period last year.

Revenue from charter flights and charter services for six-month period of year 2019 was 195.1 million baht, dropped by 26.0 percent compared with last year. This was mainly due to decreasing frequencies of charter services from Samui to Chongqing since September 2018.

### Revenue from Airport Operations

Revenue from airport operations for the second quarter of 2018 and 2019 was 144.0 million baht and 127.9 million respectively, lower by 11.2 percent. This was accounted for 2.3 percent and 2.1 percent of total revenue respectively. For the six-month period year 2019, revenue from airport operations reported at 296.4 million baht or decreased by 9.4 percent compared with the same period last year.

## 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	
	2019	2018	2019	2018
<b>Catering services (BAC):</b>				
Revenue <sup>(1)</sup>	247.0	284.6	567.4	647.7
EBITDA	4.9	44.2	66.6	155.3
Net income	(15.3)	19.0	17.2	93.1
Number of meals produced and uplifted (million)	1.6	1.7	3.7	4.2
<b>Ground Services (BFS Ground):</b>				
Revenue <sup>(1)</sup>	686.6	659.1	1,463.7	1,342.4
EBITDA	81.7	101.7	268.3	240.5
Net income	33.5	63.9	155.7	148.7
Number of flights handled	18,557	17,814	39,375	36,393
<b>International cargo terminal services data (BFS Cargo):</b>				
Revenue <sup>(1)</sup>	490.6	515.0	982.5	1,008.1
EBITDA	248.1	258.0	495.4	507.5
Net income	178.5	197.0	356.7	373.1
Tonnage	98,715	106,582	200,204	208,821
Cargo capacity (Ton per year)	523,000	450,000	523,000	450,000
Utilization (%)	75.5	94.7	76.6	92.8

### Remark

<sup>(1)</sup> 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			
	2019	2018	Variance		2019	2018	Variance	
			MB	%			MB	%
Bangkok Air Catering Company Limited (BAC)	207.9	228.5	(20.6)	(9.0)	504.9	530.5	(25.6)	(4.8)
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	548.5	518.4	30.1	5.8	1,170.9	1,059.1	111.8	10.6
Bangkok Airways Ground Service Company Limited (PGGS)	84.1	103.3	(19.2)	(18.6)	174.2	195.3	(21.1)	(10.8)
Other revenue <sup>(1)</sup>	132.6	127.3	5.3	4.2	287.5	235.7	51.8	22.0
<b>Total revenue from airport-related operations and other related business</b>	<b>973.1</b>	<b>977.5</b>	<b>(4.4)</b>	<b>(0.5)</b>	<b>2,137.5</b>	<b>2,020.6</b>	<b>116.9</b>	<b>5.8</b>

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

### ***Bangkok Air Catering Company Limited (BAC)***

The operating revenue of BAC in the second quarter and the six-month period of year 2019 decreased by 9.0 percent and 4.8 percent respectively, showing the revenue at the amount of 207.9 million baht and 504.9 million baht respectively. The decreasing was resulted from the down gauge the aircraft size as well as number of flight reduction of major airline customers. Additionally, the declining of passengers since beginning of this year.

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 the second quarter and six-month period of year 2019 dropped by 5.9 percent and 11.9 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 2019 was 548.5 million baht and 1,170.9 million baht respectively, rose by 5.8 percent and 10.6 percent from the same period last year.

The better performance of BFS Ground was derived from increasing number of flights by 4.2 percent and 8.2 percent for the second quarter and the first six-month of year 2019. Number of airline customers increased from 75 to 82, 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 2019 reported at 84.1 million baht and 174.2 million baht, decreased by 18.6 percent and 10.8 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 landed in to Samui Airport. For first half of year 2019, the number of handling flights dropped by 24.7 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

	April-June				January-June			
	2019	2018	Variance		2019	2018	Variance	
			MB	%			MB	%
Gain on foreign exchanges	-	283.5	(283.5)	(100.0)	-	172.1	(172.1)	(100.0)
Dividend received	282.5	258.6	23.9	9.2	282.5	258.6	23.9	9.2
Other revenues	596.8	419.0	177.8	42.4	1,043.8	751.3	292.5	38.9
<b>Total unallocated revenues</b>	<b>879.3</b>	<b>961.1</b>	<b>(81.8)</b>	<b>(8.5)</b>	<b>1,326.3</b>	<b>1,182.0</b>	<b>144.3</b>	<b>12.2</b>



Total unallocated revenues of the Company for the second quarter of 2018 and 2019 decreased from 961.1 million baht to 879.3 million baht. For the six-month period, revenue increased from 1,182.0 million baht to 1,326.3 million baht. An increase of unallocated revenue in the first quarter of year 2019 contributed from dividend received from other long term investment (BAFS) and other revenues.

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

#### Share of Profit from Investments in Associates

The Company reported share of profit from associated companies for first half of year 2019 at 375.2 million baht, decreased by 11.9 percent compared with the same period last year. That was due to a lower profit contributed to shareholders of WFS-PG Cargo Company Limited and Samui Property Fund (SPF). Additionally, a decrease in percentage of ownership in SPF from 33.0 to 30.0 percent in first half of year 2019.

Unit: million baht

	April-June				January-June			
	2019	2018	Variance		2019	2018	Variance	
			MB	%			MB	%
WFS-PG Cargo Company Limited	87.6	92.2	(4.6)	(5.0)	174.7	178.4	(3.7)	(2.1)
Samui Property Fund (SPF)	89.6	114.4	(24.8)	(21.7)	200.5	247.5	(47.0)	(19.0)
<b>Share of Profit from Investments in Associates</b>	<b>177.2</b>	<b>206.6</b>	<b>(29.4)</b>	<b>(14.2)</b>	<b>375.2</b>	<b>425.9</b>	<b>(50.7)</b>	<b>(11.9)</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					
	2019	%	2018	%	Variance		2019	%	2018	%	Variance	
					MB	%					MB	%
Cost of sales and services	5,472.2	82.8	5,120.9	82.9	351.3	6.9	11,361.1	84.0	10,762.3	84.5	598.8	5.6
Selling expenses	491.0	7.4	508.1	8.2	(17.1)	(3.4)	1,010.3	7.5	997.7	7.8	12.6	1.3
Administrative expenses	600.2	9.1	545.9	8.8	54.3	9.9	1,111.6	8.2	980.5	7.7	131.1	13.4
Loss from exchange rate	42.7	0.7	-	-	42.7	100.0	41.1	0.3	-	-	41.1	100.0
Other expenses	1.3	0.0	0.6	0.1	0.7	116.7	2.1	0.0	2.8	0.0	(0.7)	(25.0)
<b>Total Expenses</b>	<b>6,607.4</b>	<b>100.0</b>	<b>6,175.5</b>	<b>100.0</b>	<b>431.9</b>	<b>7.0</b>	<b>13,526.2</b>	<b>100.0</b>	<b>12,743.3</b>	<b>100.0</b>	<b>782.9</b>	<b>6.1</b>

### Costs of Sales and Services

Costs of sales and services principally consist of fuel costs, aircraft repair and maintenance costs, personnel expense, cost of passenger services and aircraft rentals. For the second quarter and the six-month period of year 2019, costs of sales and services were accounted for 82.8 percent and 84.0 percent of total expenses respectively.

Fuel Costs: fuel costs are variable based on number of block hours. For the six-month period of year 2018 and year 2019, fuel cost reported at 2,221.2 million baht and 2,455.9 million baht respectively which were accounted for 17.5 percent and 18.2 percent of total expenses. The increasing amount was mostly due to higher average market fuel price.

As of 30 June 2019, The Company still has an obligation from fuel price hedging until June 2020 amounting to 1,050,000 barrels of jet fuel whereby jet fuel prices are between USD 72.65 per barrel and USD 99.00 per barrel.

*Aircraft Repair and Maintenance Costs:* aircraft repair and maintenance costs were higher from 1,784.9 million baht to 1,855.7 million baht for the six-month period compared to previous year. These costs were higher during the period from the additional costs incurred for repairing and maintaining of aging aircraft and “Maintenance Reserve Fund” for new ATR72-600.

*Cost of Passenger Services:* for the six-month period of year 2019, cost of passenger services was lower from 1,571.0 million baht to 1,548.5 million baht. The decreasing amount resulted from flight management strategy which adjusted number of flight based on travel demand.

*Personnel Expenses:* personnel expense increased from 1,641.6 million baht to 1,767.8 million baht for the six-month period. A significant increase resulted from the new Labor Protection Act reflecting past cost related to employee benefits in income statement for this period. Additionally, a higher rate of salary and flight pay for pilots and cabin crews.

*Aircraft Rental Costs:* the aircraft rental costs increased from 764.0 million baht to 794.3 million baht for the six-month period comparing to last year. This was due to the delivery of two additional aircraft under operating lease during the period.

### *Selling Expenses*

For the second quarter and the six-month period of 2019, selling expenses were accounted for 7.4 percent and 7.5 percent of total expenses respectively. The majority expenses amount was associated with reservation and 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 second quarter and the six-month period of 2019 were accounted for 9.1 percent and 8.2 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 passengers from and the arriving flights to Samui Airport. However, in 2013, Company has revised its accounting policy in recording long term loans from the related parties in relation to the sub-lease agreement from SPF. The new policy stipulated that Company provides estimated fixed rental costs and variable service costs that may occur throughout the sub-lease period in calculating the effective interest rate. Such calculation resulted in a higher book value of the long term loans.

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

Unit: million baht

	April-June				January-June			
	2019	2018	Variance		2019	2018	Variance	
			MB	%			MB	%
Interest expenses paid to the Samui Property Fund	339.4	372.1	(32.7)	(8.8)	687.3	747.1	(59.8)	(8.0)
Interest and Fee expenses <sup>(1)</sup>	90.2	88.7	1.5	1.7	194.2	185.0	9.2	5.0
<b>Total</b>	<b>429.6</b>	<b>460.8</b>	<b>(31.2)</b>	<b>(6.8)</b>	<b>881.5</b>	<b>932.1</b>	<b>(50.6)</b>	<b>(5.4)</b>

Remark: <sup>(1)</sup> Interest, fees paid to financial institutions, finance lease fees under conditional sale agreement and credit card fee

Total interest paid to SPF for the six-month period decreased from 747.1 million baht to 687.3 million baht or declined by 8.0 percent from last year. The declining amount was from lower departing passengers and number of flights in-out from Samui airport. For the first half of year 2019, the number of departing passenger and flight in-out Samui dropped by 9.7 percent and 5.3 percent respectively compared with last year.

Interests and fees expenses rose from 185.0 million baht to 194.2 million baht or increased by 5.0 percent. That was mainly due to the increasing of interest paid to financial institutions for additional fleet of ATR72-600s

### Assets

As of 30 June 2019, the Company and its subsidiaries have total assets amounting to 62,836.7 million baht, increasing by 769.7 million baht from:

Unit: million baht

	June 30, 2019	December 31, 2018	Variance
<b><i>Current assets</i></b>			
Cash and cash equivalents and current investment	7,906.5	7,647.7	258.8
Trade and other receivables	1,279.6	1,713.4	(433.8)
Reimbursable maintenance expense	466.4	1,050.3	(583.9)
Other current assets	1,036.0	1,018.4	17.6
<b><i>Total current assets</i></b>	<b><i>10,688.5</i></b>	<b><i>11,429.8</i></b>	<b><i>(741.3)</i></b>
<b><i>Non-current assets</i></b>			
Investments in associates	2,902.6	2,902.1	0.5
Other long-term investments	31,586.4	30,270.0	1,316.4
Property, plant and equipment	15,891.6	15,520.2	371.4
Deposits	668.0	805.5	(137.5)
Other non-current assets	1,099.5	1,139.4	(39.9)
<b><i>Total Non-current assets</i></b>	<b><i>52,148.1</i></b>	<b><i>50,637.2</i></b>	<b><i>1,510.9</i></b>
<b><i>Total assets</i></b>	<b><i>62,836.7</i></b>	<b><i>62,067.0</i></b>	<b><i>769.7</i></b>

### Current assets

Total current assets of the Company as of 30 June 2019 is 10,688.5 million baht, decreased from 31 December 2018 by 741.3 million baht. This was mainly due to:

- Trade and other receivables* decreased by 433.8 million baht in a consequence of lower advanced bookings during the period.

- *Reimbursable maintenance expense* decreased by 583.8 million baht due to cash received from outstanding amount claimed from maintenance reserve fund.

### Non-current assets

Total non-current assets of the Company are 52,148.1 million baht, increased from the end of 2018 by 1,510.9 million baht, mainly due to:

- *Other long-term investments* increased by 1,316.4 million baht due to the mark to market of long-term investments in marketable securities.
- Property, plant and equipment rose by 371.4 million baht, mainly from the purchase of two ATR72-600s including spare parts.

### Liabilities

As of 30 June 2019, the Company and its subsidiaries have liabilities amounting of 31,497.0 million baht. An increase of 208.1 million baht from 31 December 2018 was as follows:

Unit: million baht

As at	June 30,2019	December 31, 2018	Variance
<b><i>Current liabilities</i></b>			
Trade and other payables	2,551.6	2,883.3	(331.7)
Current portion of long-term loans, Liabilities arising from financial lease of aircrafts and Finance lease liabilities	747.0	691.2	55.8
Unearned income	2,229.7	2,531.0	(301.3)
Other current liabilities	2,210.4	2,234.7	(24.3)
<b><i>Total current liabilities</i></b>	<b><i>7,738.7</i></b>	<b><i>8,340.2</i></b>	<b><i>(601.5)</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	5,914.6	5,502.9	411.7
Long-term loans from related party – net of current portion	11,277.0	11,331.0	(54.0)

As at	June 30,2019	December 31, 2018	Variance
Employee benefits	978.6	722.6	256.0
Deferred tax liabilities	5,530.4	5,330.3	200.1
Other non-current liabilities	57.7	61.9	(4.2)
<b>Total non-current liabilities</b>	<b>23,758.3</b>	<b>22,948.7</b>	<b>809.6</b>
<b>Total liabilities</b>	<b>31,497.0</b>	<b>31,288.9</b>	<b>208.1</b>

### Current liabilities

Total current liabilities amounted 7,738.7 million baht, decreased from 31 December 2018 by 601.5 million baht, mainly due to a decreasing of trade and other payables and unearned income.

- Trade and other payables* lower by 331.7 million baht, a decreasing amount mainly from a payment of aircraft spare parts during the period
- Unearned income* lower by 301.3 million baht in a consequence of soften advanced bookings after end of peak travel season, together with tourists' demands have been shifted to travel different destinations outside Thailand.

### Non-current liabilities

Total non-current liabilities of the Company are 23,758.3 million baht, rose by 809.6 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 411.7 million baht, an increasing portion mostly from long term loans-net of current portion which resulted from additional loan from bank.
- Employee benefits* rose by 256.0 million baht according to the new Labor Protection Act which stipulates additional legal severance pay rate from 300 days' compensation to 400 days' compensation for employees who have worked for an interrupted period of 20 years or more.

## Shareholders' Equity

Unit: million baht

As at	June 30, 2019	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	20,889.7	19,836.7	1,053.0
Retained earnings (Deficit)	(322.9)	32.6	(355.5)
Others <sup>(1)</sup>	(155.1)	(143.9)	(11.2)
<b>Total shareholders' equity</b>	<b>31,339.7</b>	<b>30,778.1</b>	<b>561.6</b>

Remark: <sup>(1)</sup> Comprised of discount on changes in shareholding in subsidiaries and Non-controlling interests of the subsidiaries

As of 30 June 2019, total shareholders' of the Company and its subsidiaries is 31,339.7 million baht, an increase of 561.6 million baht from the changes in the market value of the available-for-sale investment in securities. The Company has retained loss at the amount of 322.9 million baht, declined by 355.5 million baht.

## Statement of Cash Flow

Unit: million baht

	January – June	
	2019	2018
Net cash flows from operating activities	956.5	1,607.6
Net cash flows from (used in) investing activities	(165.9)	391.1
Net cash flows used in financing activities	(528.8)	(1,590.1)
<b>Cash and cash equivalents at end of the year</b>	<b>4,609.5</b>	<b>3,953.4</b>



### Cash flows from operating activities

As of 30 June 2019, the profit of the Company and its subsidiaries from operating activities before changes in operating assets and liabilities is 750.1 million baht while the net cash inflows from operating activities is 956.5 million baht. The changes were 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 2019, net cash used in investing activities of the Company and its subsidiaries is 165.9 million baht, lower by 557.0 million baht which mainly resulted from a decrease in current investments and cash paid for acquisition of property, plant and equipment including ATR72-600s. However, this was offset from cash received from sale of equipment during the period.

### Cash flows from financing activities

As of 30 June 2019, the Company and its subsidiaries have net cash flows used in financing activities at the amount of 528.8 million baht, mostly from a payment under finance lease, interest expense and dividend paid to shareholders which all amounting to 1,288.1 million baht together with cash received from long term loan during the period

## Summary Consolidated Financial and Ratio

		As at 30 June	
		2019	2018
Liquidity Ratio	Current Ratio (Time)	1.4	1.5
	Quick Ratio (Time)	4.8	4.7
	Collection Period (Day)	21.2	21.6
	Stock Turnover Period (Day)	8.3	8.5
	Payment Period (Day)	30.1	32.8
Profitability Ratio	Gross Profit Margin (%)	9.4	16.4
	Operating Profit Margin (%)	1.6	9.7
	EBITDAR Margin (%)	12.7	19.8
	Net profit Margin (%)	(1.4)	4.5
	Return on Equity (%)	(1.2)	4.2
Efficiency Ratio	Return on Assets (%)	(0.6)	2.1
	Return on Fixed Assets (%)	6.6	18.3
	Asset Turnover (Time)	0.4	0.5
Leverage Ratio	Debt to Equity (Time)	1.0	0.9
	Interest Coverage Ratio (Time)	1.0	2.1

## Glossary

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

