



Management's Discussion and Analysis

For the three-month period ended 31 March 2015

Bangkok Airways Public Company Limited and Its Subsidiaries



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Management's Discussion and Analysis for the First Quarter of 2015 ended 31 March 2015

Executive Summary

The ASEAN economy is likely to expand in 2015, up from 2014, with key drivers being exports, expansion of household consumption and increase in government spending and loosen monetary policy to further stimulate the economy. Global economic growth is consistent with growths in passenger traffic and cargo volume in all regions of the world. Volumes of passenger and cargo growth are concentrated in the emerging markets in the Asia Pacific and the Middle East.

Tourism is likely to continuously recover. Number of tourists increased 13.0 percent from the previous quarter and up 7.0 percent from the same quarter previous year. Tourists from China, South Korea and Japan contributed to this growth while growth from the European market has become sluggish due to the region's economic crisis and the weakening Euro. Other contributors to the upward growth include domestic political stability, lower travel costs due to lower oil prices and competitive airfares and tourism stimulant measures.

Similar to the growth in Southeast Asia's aviation industry, Thailand's aviation industry in 2015 is likely to expand as number of tourists continues to grow. Supporting factors for such growth include the recovery of the economy and tourism, political stability and oil price stability. And to accommodate such growth, airlines (full-serviced and low-cost) have implemented fleet expansion plans. It is expected that more than 30 aircraft will be in service in the coming years. Thailand needs to focus on air navigation safety standards as well as other aspects such as the readiness of the airports and sufficient and efficient air crew.

Bangkok Airways' operating results in the first quarter of 2015 amounted to a net profit of 1,086.7 million baht, resulted from increased passenger revenue of 10 percent with number of passengers up by 10.9 percent from the same period previous year.

Company continuously adheres to its business strategy. In the first quarter of 2015, it took delivery of 2 aircraft, an AIRBUS 319 and ATR 72-600, bringing its fleet to 29 aircraft in total. The additional aircraft resulted in a 10 percent increase in Average Seat Kilometer (ASK), 14.3 percent increase in Revenue Passenger Kilometer (RPK) and 71.9 percent increase in load factor. Company increased flight frequencies in the Samui-Singapore route from 7 flights per week to 10 flights per week and Samui-Kuala Lumpur route from 7 flights per week to 11 flights per week.



Company's overall expenses were up 1.2 percent from the same period previous year, due to decreased oil prices and amendments to the aircraft lease agreements.

Bangkok Airways was certified by IATA Operational Safety Audit (IOSA), which was established by the International Air Transport Association (IATA), for passing its vigorous international flight safety standard. It certifies that the Company has flight safety efficiency. It is an assurance to passengers as well as recognized by leading airlines in entering code share agreements. This quarter, Bangkok Airways has signed a code share agreement with China Airlines, increasing its code share partners to 17. The latest code share agreement enables Company to increase number of passengers and expand its route network by connecting Taipei and Kaohsiung, Taiwan.

Notable Events

Notable events in the first quarter of 2015 :

1. January 2015 Company took delivery of one AIRBUS 319, increasing number of this aircraft series to 11
2. February 2015
 - Company took delivery of one ATR 72-600 series, a second delivery of its kind in accordance with the aircraft acquisition plan
 - Company launched series of commercial, "Entire Journey of Happiness", as well as its presenter, Yaya Urassaya Sperbund, to present happiness throughout the journey with Bangkok Airways which is a full-serviced airline
 - Bangkok Airways Holding Company Limited, a subsidiary company has invested in Gourmet Primo Company Limited in the business of food production and food processing for distribution domestically and internationally and catering and food and beverage consultancy with initial registered capital of 50.0 million baht. Bangkok Airways Holding holds 99.99 percent
3. March 2015
 - Company has signed a code share agreement with China Airlines, increasing its code share partners to 17. The latest code share agreement enables Company to increase number of passengers and expand its route network by connecting Taipei and Kaohsiung, Taiwan.
 - Company increased flight frequencies as follows:
 - Samui-Singapore from 7 flights/ week to 10 flights/ week
 - Samui-Kuala Lumpur from 7 flights/ week to 11 flights/ week



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 Aiport, 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 9 subsidiary companies 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 and 9) Gourmet Primo Company Limited

Airline Operating Data

	Unit	January-March	
		2015	2014
Schedule passenger revenues ⁽¹⁾	MB	5,602.9	5,335.1
Domestic		3,506.8	3,460.3
International		2,096.1	1,874.7
Available Seat Kilometers (ASK) ⁽²⁾	Million Seat - Kilometers	1,495.7	1,358.4
Domestic		869.2	775.5
International		626.4	583.0
Revenue Passenger Kilometers (RPK) ⁽²⁾	Million Seat - Kilometers	1,075.2	940.8
Domestic		662.3	595.6
International		412.9	345.2
Passenger or Cabin Load Factor (Load Factor)	Percentage	71.9	69.3
Domestic		76.2	76.8
International		65.9	59.2

	Unit	January-March	
		2015	2014
Number of schedule passengers carried ⁽²⁾	Thousand	1,430.5	1,289.7
Domestic		1,034.5	976.0
International		396.0	313.7
Total seat capacity	Thousand	1,948.8	1,827.3
Domestic		1,339.8	1,258.7
International		609.0	568.6
Average Stage Length	Kilometers	751.6	729.4
Kilometers flown ⁽²⁾	Million Kilometers	11.7	10.7
Aircraft utilization ⁽³⁾	Block hours per day	9.2	8.9
Airbus A320	per aircraft	10.0	10.0
Airbus A319		9.2	8.4
ATR 72-500 & ATR 72-600		8.5	8.5
Revenue ASK (RASK)	Baht	3.99	3.97
Cost per ASK (CASK)		3.15	3.45
Cost per ASK excluding fuel cost		2.34	2.47
RASK – CASK		0.85	0.52
Number of flights flown		16,043	14,961
Domestic		11,303	10,569
International		4,740	4,392
Passenger Yield ⁽⁴⁾	Baht per passenger - kilometers	5.21	5.67
Number of aircraft at year/period end	Aircraft	29	27
Airbus A320		8	8
Airbus A319		11	10
ATR 72-500		8	8
ATR 72-600		2	1

Remark:

- (1) These figures are different from those included in Company's consolidated Financial Statements as they include revenues (before deducting discounts and commissions) from scheduled flights, net interline revenues from flights operated by other airlines and marketed by it on a code-share basis, revenues derived from non-codeshare interline sales by it of seats on other airlines' flights, fuel and insurance surcharge revenue. Exclude revenues from cargo services, charter services and other revenue.
- (2) Excludes non-scheduled flights and flights operated by other airlines and marketed by it but includes flights operated by it and marketed by other airlines.
- (3) Excludes non-scheduled flights.
- (4) Scheduled passenger revenues excluding fuel surcharge, insurance surcharge and excess baggage divided by RPKs.

Operating performance summary for the three-month period ended March 31, 2015

Consolidated financial statement for the year 2014 comprises Bangkok Airways' financial statement and nine subsidiaries as follows:

Unit : THB million

	January-March			
	2015	2014	Variance	
			MB	%
Net profit (loss) for the period	1,086.7	526.2	560.5	106.5
Plus:				
Finance Cost	381.4	418.2	(36.7)	(8.8)
Income tax expenses	118.7	55.5	63.2	113.7
Written-off fixed assets	-	3.3	(3.3)	-
Less:				
Dividend income	-	-	-	-
Gain on sale of investments	-	-	-	-
Gain on sale of investments in subsidiaries	-	-	-	-
Gain on sale of assets	0.2	0.1	-	-
Interest received	77.8	5.1	72.7	1,436.8



	January-March			
	2015	2014	Variance	
			MB	%
EBIT⁽¹⁾	1,508.8	998.0	510.8	51.2
Plus:				
Depreciation and amortization	193.1	145.9	47.3	32.4
EBITDA⁽¹⁾	1,702.0	1,143.9	558.0	48.8
Plus:				
Operating lease expenses	405.5	530.0	(124.5)	(23.5)
EBITDAR⁽¹⁾	2,107.5	1,673.9	433.6	25.9
Total revenue	6,733.9	6,089.9	643.9	10.6
Operating revenue ⁽²⁾	6,655.9	6,084.7	571.2	9.4
EBIT Ratio (%)	22.7	16.4	6.3	38.2
EBIDA Ratio (%)	25.6	18.8	6.8	36.0
EBITDAR Ratio (%)	31.6	27.5	4.2	15.1

Remark

- (1) 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. there are various calculation methods, its presentation may not be comparable to similarly titled measures used by other companies.
- (2) Comprises total revenue net of non-operating revenue (dividend income, gain on sale of investments, gain on sale of investments in subsidiaries, gain on sale of assets, interest received).

Operating Profit and Net Income

Company's earnings from operations in the first quarter of 2014 and 2015 were 6,084.7 million baht and 6,655.9 million baht, respectively, a rise of 9.4 percent. The costs of operations increased from 5,194.9 million baht to 5,257.5 million baht, an increase of 1.2 percent due GDS costs, while fuel cost in the first quarter of 2015 decreased from 1,333.8 million baht to 1212.3 million baht.



Company's earnings before interest and tax (EBIT) calculated from the total income, excluding dividend earning, interest earning, gain on sale of investments and gain on sale of assets, less all expenses totaled 998.0 million baht and 1,508.8 million baht, representing 16.4 percent and 22.7 percent of income from operations, respectively.

Company's earnings before interest, tax, depreciation and amortization (EBITDA) calculated from the total income, excluding dividend earning, interest earning, gain on sale of investments and gain on sale of assets, less all expenses and adding depreciation and amortization totaled 1,143.9 million baht and 1,702.0 million baht or 18.8 percent and 25.6 percent of income from operations, respectively.

Company's earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were calculated from the total income, excluding dividend earning, interest earning, gain on sale of investments and gain on sale of assets, less all expenses and adding depreciation and amortization and aircraft rental totaled 1,673.9 million baht and 2,107.5 million baht or 27.5 percent and 31.7 percent of income from operations, respectively.

Revenue

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

Unit: million baht

	January-March					
	2015	% of total revenue	2014	% of total revenue	Variance	
					MB	%
1. Airlines	5,536.4	82.2	5,033.6	82.7	502.8	10.0
2. Airports	146.5	2.2	153.8	2.5	(7.3)	(4.7)
3. Airport-related services	799.6	11.9	724.4	11.9	75.2	10.4
4. Unallocated revenue	251.4	3.7	178.1	2.9	73.3	41.2
Total Revenue	6,733.9	100.0	6,089.9	100.0	644.0	10.6

Revenue from Airline Operations

Operating results in the first quarter of 2014 and 2015 which are the Company's primary source of revenue amounted to 82.7 percent and 82.2 percent of the overall revenue of the Company.

Passenger revenue consists of earnings from scheduled flights and chartered flights with details as follows:

Unit: million baht

	January-March					
	2015	% of total revenue	2014	% of total revenue	Variance	
					MB	%
Scheduled Passenger Revenue	5,459.7	81.1	4,953.8	81.3	505.9	10.2
- Domestic Routes	3,673.5	54.6	3,223.2	52.9	450.3	14.0
- International Routes	1,786.2	26.5	1,730.6	28.4	55.6	3.2
Charter flights and charter services revenue	-	-	4.3	0.1	(4.3)	(100.0)
Total passenger revenue	5,459.7	81.1	4,958.1	81.4	501.6	10.1
Cargo revenue	76.7	1.1	75.5	1.2	1.2	1.6
Total revenue from airline business	5,536.4	82.2	5,033.6	82.7	502.8	10.0

Revenue from the scheduled services of both domestic and international flights in the first quarter of 2014 and 2015 increased from 4,953.8 million baht to 5,459.7 million baht, respectively. Increased revenue from the increased number of aircraft and flight frequencies resulted in the increase of Available Seat Kilometer (ASK) at 10.1 percent from the previous year.

Revenue Passenger Kilometer increased 14.3 percent in the first quarter of 2015 while the Revenue ASK (RASK) increased from 3.97 baht to 3.99 baht. The rise was due to recovery of the tourism industry in Thailand from the fourth quarter of 2014. At the same time, Cost per ASK (CASK) decreased from 3.45 baht to 3.15 baht due to the decrease of oil prices and aircraft rentals.

Revenue from Airport Operations

Operating result in the first quarter of 2015 from the airport operations amounted to 2.2 percent of the overall revenue of the Company. Majority of the airport revenue derived from outbound passenger service charge at Samui Airport.

Company owns and operates 3 airports which are Samui Airport, Trat Airport and Sukhothai Airport. And Samui Airport is the main airport of the Company.

Revenue from Airport-Related Operations

Information of operations and finance of the subsidiaries and associated companies in airport-related operations

Unit: million baht

	January - March	
	2015	2014
<i>Ground Services (BFS Ground):</i>		
Revenue ⁽¹⁾	513.6	531.9
EBITDA	74.8	103.7
Net income	36.8	62.9
Number of flights handled	14,347	14,718
<i>Catering services (BAC):</i>		
Revenue ⁽¹⁾	403.8	354.9
EBITDA	146.8	114.7
Net income	103.0	76.3
Number of meals produced and uplifted (million)	2.7	2.4
<i>International cargo terminal services data (BFS Cargo):</i>		
Revenue ⁽¹⁾	377.5	371.6
EBITDA	164.6	146.3
Net income	108.7	94.2
Tonnage	88,808	90,406
Cargo capacity (Ton per year)	550,000	550,000
Utilization (%)	64.6	65.8
Number of airways bills	176,843	177,239

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



Revenue from Airport-Related Operations from services provided to other airlines only

Unit: million baht

	January - March					
	2015	% of total revenue	2014	% of total revenue	Variance	
					MB	%
Bangkok Air Catering Company Limited (BAC)	288.0	4.3	252.7	4.2	35.3	14.0
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	406.4	6.0	406.3	6.7	0.1	-
Bangkok Airways Ground Service Company Limited (PGGS)	78.2	1.2	60.6	1.0	17.6	29.0

Bangkok Air Catering Company Limited (BAC)

BAC's earning in the first quarter of 2015 increased from the same period last year at 14 percent or 288 million baht. Average meal production increased 11.4 percent due to the increase in outbound passengers at Suvarnabhumi Airport.

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

BFS Ground's earning in the first quarter of 2015 totaled 406.4 million baht, a comparable amount to the previous year.

Bangkok Airways Ground Service Company Limited (PGGS)

PGGS commenced operation on 15 August 2012, providing ground services to airlines at Samui Airport. For the operating results in the first quarter of 2014 and 2015, PGGS' earnings increased from 60.6 million baht to 78.2 million baht. The increased earning derived from increased flights and increased service fees.



Unallocated Revenues

Company has other revenues that are not related to the airline operations, airport operations and airport-related operations with details as follows:

Unit: million baht

	January - March					
	2015	% of total revenue	2014	% of total revenue	Variance	
					MB	%
Gain on sales of investments in securities and subsidiaries	-	-	-	-	-	-
Dividend received	-	-	-	-	-	-
Other items ⁽¹⁾	251.4	3.7	178.1	2.9	73.3	41.1
<i>Total unallocated revenues</i>	<i>251.4</i>	<i>3.7</i>	<i>178.1</i>	<i>2.9</i>	<i>73.3</i>	<i>41.1</i>

Remark: (1) other revenues consist of passenger ticket charges, excess baggage charges and interest earning gain from exchange rate and others

For the operating results in the first quarter of 2014 and 2015, earnings from Unallocated Revenues increased from 178.1 million baht to 251.4 million baht or 3.7 percent of the overall revenue of the Company. Main contribution derived from interest earning gain.

Share of Profit from Investments in Associates

For the operating results in the first quarter of 2014 and 2015, Share of Profit from Associated Companies increased from 104.9 million baht to 110.4 million baht. Improved operating results contributed to the increase in earning.



Expenses

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

Unit: million baht

	January - March					
	2015	% of total expenses	2014	% of total expenses	Variance	
					MB	%
Cost of sales and services	4,487.0	85.3	4,442.9	85.5	44.1	1.0
Selling expenses	406.1	7.7	355.8	6.8	50.3	14.1
Administrative expenses	363.9	6.9	356.6	6.9	7.3	2.1
Other expenses	0.5	-	39.7	0.8	(39.2)	(98.8)
Total expenses	5,257.5	100.0	5,194.9	100.0	62.6	1.2

Costs of Sales and Services

For operating results in the first quarter of 2014 and 2015, Costs of Sales and Services amounted to 85.5 percent and 85.3 percent, respectively. Costs of Sales and Services consist of fuel costs, aircraft repair and maintenance costs, passenger service costs and aircraft rentals.

Fuel Costs: Fuel costs are the Company's highest costs in Costs of Sales and Services. In the first quarter of 2015, Fuel costs decreased from 1,333.8 million baht to 1,212.3 million baht or 33.0 percent and 29.9 percent from the previous year. Fuel costs in the first quarter of 2015 decreased due to lower fuel prices in accordance with MOPs from 121.5 US Dollars per barrel to 68.8 US Dollars per barrel while fuel consumption increased 8.6 percent.

As of 31 March 2015, Company has hedged oil prices at the average of 57.5 percent of consumption by entering a forward purchase contract at a minimum price of 96.9 US Dollars per barrel to maximum of 118.5 US Dollars per barrel.

Aircraft Repair and Maintenance Costs: In the first quarter of 2015, Company's Aircraft Repair and Maintenance Costs increased from 443.4 million baht to 520.7 million baht from previous year. These costs derived

from the aircraft lease agreements where Company is required to pay Maintenance Reserve Fund (MRF) in addition to costs incurred in repairing and maintaining the aging aircraft.

Passenger Service Costs: In the first quarter of 2015, Passenger Service Costs increased from 628.4 million baht to 756.6 million baht from the previous year. The increased costs derived from increased number of passengers and flights and expenses related to increasing service standards to passengers.

Aircraft Rental Costs: In the first quarter of 2015, Aircraft Rental Costs have decreased from 530.0 million baht to 405.5 million baht due to the amendments to the aircraft lease agreements.

Selling Expenses

In the first quarter of 2014 and 2015, Selling Expenses amounted to 6.8 percent and 7.7 percent of the overall expenses of the Company, respectively. Increased expenses derived from higher GDS costs and other sale support system costs based on increased number of passengers.

Administrative Expenses

In the first quarter of 2015, Administrative Expenses amounted to 6.9 percent of the overall expenses of the Company, a comparable ratio to the previous year.

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.

Finance costs also include interest costs and fees due to financial institutions and interest costs of finance lease under aircraft conditional sale agreement.

Unit: million baht

	January - March					
	2015	% of total financial cost	2014	% of total financial cost	Variance	
					MB	%
Interest expenses paid to the Samui Property Fund	310.0	81.3	320.8	76.7	(10.8)	(3.37)
Interest and Fee expenses ⁽¹⁾	71.4	18.7	97.4	23.3	(26.0)	(26.7)
Total	381.4	100.0	418.2	100.0	(36.8)	(8.8)

Remark : (1) Interest costs and fees due to financial institutions and finance lease fees under conditional sale agreement

In the first quarter of 2015, interest paid to SPF decreased from 320.8 million baht to 310.0 million baht due to lower number departing of passengers from and the change of aircraft type used for the Samui route. Interests and fees due to financial institutions and liabilities under finance lease decreased from 85.4 million baht to 66.3 million baht due to loan repayments as stipulated in the agreements.

Assets

As of 31 March 2015, Company and its subsidiaries have assets totaled 52,576.9 million baht, an increase of 3,998.0 million baht from 31 December 2014 with details as follows:

Unit: million baht

	As at March 31, 2015	As at December 31, 2014	Variance
Current assets			
Cash and cash equivalents	3,046.1	2,175.1	871.0
Trade and other receivables	1,631.7	1,705.5	(73.8)
Total current Assets	16,919.0	16,561.0	358.0

	As at March 31, 2015	As at December 31, 2014	Variance
<i>Non-current assets</i>			
Other long-term investments	23,969.6	20,936.2	3,033.4
Property, plant and equipment	7,647.4	7,033.5	613.9
Total Non-current assets	35,657.9	32,017.9	3,640.0
Total assets	52,576.9	48,578.9	3,998.0

Current Assets

Company has Current Assets in the amount of 16,919.0 million baht, an increase of 358.0 million baht from 31 December 2014 with main changes as follows:

- *Current Investment* in the amount of 11,026.1 million baht, derived from the Initial Public Offering and deposited with financial institutions
- *Cash and Cash Equivalents* increased 871.0 million baht , derived from cash earned from investment activities in the amount of 547.6 million baht and cash from operating activities in the amount of 475.9 million baht
- *Prepaid Expenses* consists of forward aircraft rentals and insurance, including sales commissions. As of 31 March 2015, Prepaid Expenses of the Company increased 15.4 million baht

Non-current Assets

Company has Current Assets in the amount of 35,657.9 million baht, an increase of 3,640.0 million baht from 31 December 2014 with main changes as follows:

- *Long-term Investments* increased 3,033.4 million baht due to the revaluation of long-term investments in marketable securities based on market capitalization.
- *Property, Plant and Equipment* increased 613.9 million baht, an increase derived from acquisition of the ATR 72-600 aircraft, ground service equipment and aircraft spare parts.

Liabilities

As of 31 March 2015, Company and its subsidiaries have liabilities in the amount of 23,691.5 million baht, an increase of 544.6 million baht from 31 December 2014 with details as follows:

Unit: million baht

	As at March 31, 2015	As at December 31, 2014	Variance
<i>Current liabilities</i>			
Bank overdrafts and short-term loans from banks	-	-	-
Current portion long-term loans and liabilities arising from financial lease of aircrafts	926.0	1,119.0	(193.0)
Unearned income	1,850.2	2,151.2	(301.0)
Other current liabilities	931.8	967.0	(35.2)
<i>Total current liabilities</i>	<i>6,092.1</i>	<i>6,734.5</i>	<i>(642.4)</i>
<i>Non-Current liabilities</i>			
Long-term loans , Liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion	1,472.4	1,013.1	459.3
Long-term loans from related party – net of current portion	11,269.6	11,285.7	(61.1)
Deferred tax liabilities	4,391.9	3,711.6	680.3
<i>Total non-current liabilities</i>	<i>17,599.4</i>	<i>16,412.5</i>	<i>1,186.9</i>
<i>Total liabilities</i>	<i>23,691.5</i>	<i>23,146.9</i>	<i>544.6</i>

Current Liabilities

Company has Current Liabilities in the amount of 6,092.1 million baht, a decrease of 642.4 million baht from 31 December 2014 with main changes as follows:



- *Long term loans and liabilities under finance lease with one year repayment term* decreased 193.0 million baht based on stipulated loan agreements and finance lease agreements
- *Other current liabilities* decreased 35.2 million baht due to decreased accrued expenses
- *Unearned income* derived from forward ticket sales. As of 31 March 2015, Unearned Income decreased 301.0 million baht due to lower advanced bookings after high travel season

Non-current Liabilities

Company has Non-current Liabilities amounting to 17,599.4 million baht, an increase of 1,186.9 million baht with main changes as follows:

- *Deferred tax liabilities* increased 680.3 million baht due to changes in market value of the available for sale investment in securities
- *Long term loans and liabilities under finance lease* increased 459.3 million baht due to draw downs to facilitate aircraft financing in accordance with Company's aircraft acquisition plans

Shareholders' Equity

Unit: million baht

	As at March 31, 2015	As at December 31, 2014	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	-
Retained earnings	647.4	(362.7)	1,010.1
<i>Total shareholders' equity</i>	<i>28,885.4</i>	<i>25,432.0</i>	<i>3,453.5</i>

As of 31 March 2015, Company and its subsidiaries have Shareholders' Equity in the amount of 28,885.4 million baht, an increase of 3,453.5 million baht from the changes in the market value of the available for sale investment in securities



Statement of Cash Flow

Unit : million baht

	January - March	
	2015	2014
Net cash flow from (used in) operating activities	475.9	(41.5)
Net cash flow from investing activities	547.6	25.0
Net cash flow used in financing activities	(152.5)	(857.5)
<i>Cash and cash equivalents at end of the period</i>	<i>3,046.1</i>	<i>1,678.8</i>

Cash flows from Operating Activities

As of 31 March 2015, Company and its subsidiaries profit from operating activities before changes in operating assets and liabilities totaled 1,611.1 million baht and cash flows from operating activities in the amount of 885.6 million baht. However, net cash flows used in operating activities after interest expenses and income tax expenses totaled 475.9 million baht.

Cash flows from Investing Activities

As of 31 March 2015, Company and its subsidiaries have cash flows from investing activities totaled 547.6 million baht derived from decreased current investments

Cash flows from financing activities

As of 31 March 2015, Company and its subsidiaries have cash flows from financing activities in the amount of 152.5 million baht, derived from repayment of long term loans 161.1 million baht



Risks that may affect Future Operating Results

In general, main source of revenue of the Company is ticket sales, which is dependent on tourism and the economy. Economic growth is constrained by existing domestic risks which include delays in government policies, weak demands in private sector and political instability while external risks include global financial market volatility, economic slowdown in developed countries as well as emerging countries. Natural disasters and disease outbreaks, which are likely to occur more often with high severity, are also factors driving the economy.

Company has faced intense competition from both full-serviced and low-cost airlines. Previously, many airlines took action in expanding their fleet in anticipation of the economic and tourism recovery and political stability. Such competition impacted airfares, market shares, including allocation of time slots for airlines. Company's plan to expand its fleet includes taking delivery of 4 ATR 72-600's. In February, it took delivery of one aircraft and expects to take 3 more in the third and fourth quarters 2015. Company has secured loan facilities to facilitate aircraft acquisition.

Fuel expense is the largest proportion of the cost of sales and services. Cost of fuel varies with the fluctuating world's oil prices. Currently, world's oil prices have risen higher than previously and Company has implemented fuel price hedging for a period not exceeding one year to maintain fuel cost at a manageable rate.

In managing risks related to foreign exchange rate, Company has adopted the Match Approach between the amount received and the amount to be paid in each currency. Furthermore, Company is able to specify its preferred currencies in ticket sale receivables from its authorized agents through the International Air Transport Association (IATA) Clearing House. For other foreign currencies and additional income, Company carries out conversions from foreign currencies to specified currencies using the effective foreign exchange rate at that particular time.

Company has high level of liquidity after the IPO in November 2014. In addition, Company has credit facilities available for withdrawal in the event of economic, money market and capital market fluctuations.

Company operates its business in accordance with international standards. For airline service, flight safety control is regulated and regularly audited by many international air transport agencies and regulators such as the International Civil Aviation Organization (ICAO), department of civil aviation of various countries and government agencies. Company received its certifications of safety standards from both domestic and international organizations such as the ISO9001 for quality management of its facilities in Thailand and all offices where it operates, flight safety



standards from the IATA Operational Safety Audit (IOSA) which was established by the International Air Transport Association (IATA) for international air safety measures.

In addition to airline service, Company has 3 airport-related services:

- 1) Cargo warehouse
- 2) Passenger and ramp services

These two businesses have been certified by the International Air Transport Association Safety Audit for Ground Operations (ISAGO) from the International Air transport Association (IATA)

3) Air catering which was certified for its operation by the Good Manufacturing Practice (GMP), the Hazard Analysis and Critical Control Points (HACCP), the Office of the Central Islamic Committee of Thailand for its production of Halal food and the Thai Kashrut Services Co., Ltd. for its production of Kosher meals.



Summary Consolidated Financial and Ratio

		January - March	
		2015	2014
Liquidity Ratio	Current Ratio (Time)	2.8	0.7
	Quick Ratio (Time)	4.7	3.0
	Collection Period (Day)	20.9	24.1
	Stock Turnover Period (Day)	5.3	4.7
	Payment Period (Day)	33.1	31.8
Profitability Ratio	Gross Profit Margin (%)	30.8	24.8
	Operating Profit Margin (%)	23.3	16.9
	EBITDAR Margin (%)	31.7	27.5
	Net profit Margin (%)	16.1	8.6
	Return on Equity (%)	16.0	25.7
Efficiency Ratio	Return on Assets (%)	8.6	6.8
	Return on Fixed Assets (%)	69.7	42.2
	Asset Turnover (Time)	0.5	0.8
Leverage Ratio	Debt to Equity (Time)	0.8	2.4
	Interest Coverage Ratio (Time)	4.5	0.3



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.

