



## **Management's Discussion and Analysis**

For the period ended 30 June 2015

Bangkok Airways Public Company Limited and Its Subsidiaries



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### Management's Discussion and Analysis for the second quarter of 2015 ended 30 June 2015

#### Executive Summary

Overall economy of Thailand in the second quarter of 2015 has slightly improved from the first quarter which was essentially contributed from tourism industry with 37.6 percent growth. In contrast, the industrial sector has dropped by 7.4 percent during the first two-month of this quarter where the agricultural sector has continuously declined by 8.9 percent. In the second quarter, the growth of tourism industry that was in accordance with the growth of revenue passenger kilometers (RPK) have shown 6.3 percent growth and 9.1 percent in the first half of 2015 in every region and in Asia-Pacific. As well as the growth in available seat kilometers (ASK) which increased by 5.9 percent and 7.2 percent (Source: International Air Transport Association), resulting in continuous recovery in Thai tourism. The number of international tourists visited Thailand grew by 35.0 percent, higher than the same period in 2014 (Source: Department of Tourism, Ministry of Tourism and Sport). As a result, most of the international travelers were from East Asia i.e. Japan, South Korea, Hong Kong, and particularly the China. Interestingly, the number of Chinese travelers has been rising for 80-90 percent a month based on the fact that the Chinese government has loosened the control of "Zero-Dollar Tour". In contrary, the number of Europeans has declined by 9.0 percent, comparing with the second quarter of 2014 regarding to the impact of economic crisis within the region. Apparently, the group of Russian travelers has dropped down significantly by 41.6 percent. Hence, excluding the travelers from Russia, there was still a minor growth in number of travelers from Europe by 0.8 percent in the second quarter and by 1.9 percent for the six-month period which may reflect the upturn in European tourism sector. The impact from Greece crisis would be trivial as the number of travelers from Greece are only 1,000 people per month in average.



Moreover, the recovery of tourism sectors in Thailand was also result in political stability within the country, the cancellation of martial law, lower traveling costs as a result of decreasing global fuel price and the marketing campaign initiated and advertised by the government office to promote Songkarn festival which is the last big event before the low season. However, tourism industry has attempted to attract the tourists from South Asia, or the Indian to visit Thailand during the low season which is the summer break for schools in India. Thai government constantly has roadshows to several economic cities to encourage the Indian to have activities such as wedding, honeymoon trip, shopping trip or group tour.

Accordingly, in the third quarter, Thailand expects the number of international tourists to be 7.3 million people or increase by 24.6 percent comparing to the same period last year: from ASEAN 2.1 million people or increase by 25.6 percent, from East Asia 2.9 million people or increase by 39.0 percent, and from Europe 1.1 million people or increase by 1.0 percent (Source: Department of Tourism, Ministry of Tourism and sport). In 2015, the Ministry of Tourism and Sport has the strategy to enhance the strength among the ASEAN members in part of economy, stability and social development, in the name of “ASEAN Connect” by connecting tourism with famous geographic and historical attractions, also to urge and combine the purchasing power of each member altogether. Myanmar’s visa exemption for passing through 3 Myanmar international airports and 23 Thai airports, starting from July 2015, may be considered as one growth factor of ASEAN’s travelers.

The aviation industry of Thailand in 2015 is likely to expand as well due to continuous growth in number of tourists which is in line with aviation industry in other regions. As a result, there was an improvement in the performance of airline around the world when comparing with 2014 (Source: Civil Aviation Training Center, Department of Civil Aviation). As mentioned above, the supportive factors for such growth include lower fuel price and appreciation of USD Dollars.



Likewise, the number of passengers of Bangkok Airways increased by 5.6 percent for the second quarter of 2015 in which our main market, Asia, particularly East Asia, has the highest growth. Despite the slow growth of European market travelling to Thailand, excluding the Russian, the Company was able to maintain the sale growth from this market comparing to last year. The top 3 countries that the number of passenger has still been growing are Germany, United Kingdom and France.

Bangkok Airways has increased flight frequencies in Samui-Singapore route to 10 flights per week, and Samui-Kuala Lumpur route to 11 flights per week starting from 29 March 2015. The additional frequencies adhere with our business strategy are to establish Samui airport as our second hub, followed by Suvarnabhumi airport and to expand our route network in order to serve our codeshare partners from Australia and Southwest Pacific. During the second quarter, the Company has entered into a codeshare agreement with Jet Airways which added our frequencies on Bangkok-Mumbai route from 1 flight to 4 flights per day. This certainly provides more choices to the passengers as well as to increase the efficiency of our routes.

In the second quarter, total revenue of the Company was 5,563.4 million baht, increased by 12.9 percent from the same period in the previous year. Net profit was reported at the amount of 102.2 million baht, mainly based on higher average fare and higher number of passengers. Available Seat Kilometers (ASK) ascended by 4.3 percent; our load factor was at 59.9 percent for this quarter. For the first six-month period, the Company had total revenue amounting to 12,297.3 million baht in which net profit was reported at 1,188.9 million baht.



## **Notable Events**

Notable events in the second quarter of 2015:

### 1. May 2015

- The Company launched a premium package “Bin Dee Yu Dee” for popular domestic destinations which includes package of air ticket, accommodation and one-day trip. Moreover, the Company has cooperated with Advanced Info Service PCL under the campaign named “AIS Live 360” which offers privileges to their customers flying with Bangkok Airways.
- The Company has entered into a codeshare agreement with Jet Airways, India’s premier international airline which cause the number of codeshare partners to be 18 in total. The codeshare would reinforce the international global network of both airlines and provide more travel choices for customers between Thailand and India, with seamless and convenient connections.

### 2. June 2015

- The Company was permitted by the Department of Aviation in order to increase the passenger service charges for international outbound passengers at Samui Airport from 600 baht per person to 700 baht per person from 1 June 2015 onwards.
- The Company and Cathay Pacific announced partnership on Frequent Flyer Program, starting from 1 June 2015. This partnership signified the continuous effort from both airlines in improving the proposition of their Frequent Flyer Program to members.
- The Company, in collaboration with the Sports Authority of Thailand, the Thailand PGA and the Asian Tour sponsored the 7<sup>th</sup> Queens Cup Bangkok Airways SAT Samui Golf Tournament 2015



at the Santiburi Samui Golf Club with the purpose to enhance the tourism business in Samui during low season, and to support Thai golfer to be global professional golfer.



## Management's Discussion and Analysis

Bangkok Airways is a regional full-service airline providing premium services to passengers. The Company owns and operates 3 airports which are Samui airport, Trat airport and Sukhothai airport. Besides, the Company also has airport-related businesses including ground services, catering services and international cargo warehouse to serve oneself and other airlines.

Consolidated financial statement of the Company consists of separate financial statement and financial statements of 9 subsidiaries that are 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	April-June		January-June	
		2015	2014	2015	2014
Schedule passenger revenues <sup>(1)</sup>	MB	4,070.1	3,778.7	9,673.0	9,066.0
Domestic		2,444.2	2,291.7	5,951.0	5,719.8
International		1,625.9	1,487.0	3,722.0	3,346.2
Available Seat Kilometers (ASK) <sup>(2)</sup>	Million Seat - Kilometers	1,441.2	1,382.2	2,936.9	2,745.1
Domestic		829.3	783.7	1,698.5	1,572.6
International		611.9	598.5	1,238.4	1,172.5
Revenue Passenger Kilometers (RPK) <sup>(2)</sup>	Million Seat - Kilometers	862.7	838.1	1,939.7	1,812.4
Domestic		501.9	487.3	1,165.3	1,102.9
International		360.8	350.8	774.4	709.5
Passenger Load Factor	Percentage	59.9	60.6	66.0	66.0
Domestic		60.5	62.2	68.6	70.1
International		58.9	58.6	62.5	60.5



	Unit	April-June		January-June	
		2015	2014	2015	2014
Number of schedule passengers carried <sup>(2)</sup>	Thousand	1,111.3	1,052.9	2,544.3	2,369.1
Domestic		800.8	771.1	1,836.9	1,763.1
International		310.5	281.8	707.4	606.0
Number of flight flown		15,598	14,755	31,642	29,716
Domestic		10,751	10,196	22,054	20,765
International		4,847	4,559	9,588	8,951
Total seat capacity	Thousand	1,885.9	1,778.7	3,834.7	3,595.5
Domestic		1,314.2	1,237.1	2,653.9	2,495.8
International		571.7	541.6	1,180.8	1,099.7
Aircraft utilization <sup>(3)</sup>	Block Hour	8.8	9.3	9.1	9.1
Airbus A320	per Day	8.9	9.7	9.3	9.9
Airbus A319	per Aircraft	9.4	9.5	9.5	9.0
ATR 72-500 & ATR 72-600		8.2	8.6	8.4	8.6
Number of aircraft at year/period end	Aircraft	29	25	29	25
Airbus A320		8	7	8	7
Airbus A319		11	10	11	10
ATR 72-500		8	8	8	8
ATR 72-600		2	0	2	0
Average Stage Length	Kilometers	11.3	10.8	23.0	21.4
Kilometers flown <sup>(2)</sup>	Million Kilometers	776.3	796.0	762.4	765.0
Passenger Yield <sup>(4)</sup>	Baht per Passenger - Kilometers	4.72	4.51	4.99	5.00
Revenue ASK (RASK)	Baht per Available Seat - Kilometers	3.05	2.96	3.59	3.45
Cost per ASK (CASK)		3.20	3.24	3.17	3.33
Cost per ASK excluding fuel cost		2.42	2.31	2.38	2.38
RASK – CASK		(0.15)	(0.28)	0.33	0.12

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 period ended June 30, 2015

Unit : THB million

	April-June				January-June			
	2015	2014	Variance		2015	2014	Variance	
			MB	%			MB	%
Net profit (loss) for the period	102.2	(321.4)	423.6	131.8	1,188.9	204.8	984.1	480.5
Plus:								
Finance Cost	399.9	407.0	(7.1)	(1.7)	781.3	825.2	(43.9)	(5.3)
Income tax expenses	(32.5)	(34.2)	1.7	5.0	86.2	21.3	64.9	304.7
Written-off fixed assets	-	8.5	(8.5)	(100.0)	0.1	11.8	(11.7)	(99.2)
Less:								
Dividend income	280.1	243.8	36.3	14.9	280.1	243.8	36.3	14.9
Gain on sale of investments	-	3.4	(3.4)	(100.0)	-	3.4	(3.4)	(100.0)
Gain on sale of assets	1.1	0.4	0.7	175.0	1.2	0.5	0.7	140.0
Interest received	69.0	5.1	63.9	1,252.9	146.8	10.2	136.6	1339.2
Gain on foreign exchange	113.3	-	113.3	n.a.	117.2	-	117.2	n.a.
<b>EBIT <sup>(1)</sup></b>	<b>6.2</b>	<b>(192.8)</b>	<b>199.0</b>	<b>103.0</b>	<b>1,511.2</b>	<b>805.3</b>	<b>705.9</b>	<b>87.7</b>

	April-June				January-June			
	2015	2014	Variance		2014	Variance	Variance	
			MB	%			MB	%
Plus:								
Depreciation and amortization	199.9	160.0	39.9	24.9	393.0	305.9	87.1	28.5
<b>EBITDA<sup>(1)</sup></b>	<b>206.1</b>	<b>(32.8)</b>	<b>238.9</b>	<b>728.4</b>	<b>1,904.3</b>	<b>1,111.2</b>	<b>793.1</b>	<b>71.4</b>
Plus:								
Operating lease expenses	387.2	400.0	(12.8)	(3.2)	792.7	930.0	(137.3)	(14.8)
<b>EBITDAR<sup>(1)</sup></b>	<b>593.3</b>	<b>367.3</b>	<b>226.0</b>	<b>61.5</b>	<b>2,697.0</b>	<b>2,041.2</b>	<b>655.8</b>	<b>32.1</b>
Total revenue	5,563.4	4,925.9	637.5	12.9	12,297.3	10,980.3	1,317.0	12.0
Operating revenue <sup>(2)</sup>	5,100.0	4,673.3	426.7	9.1	11,752.0	10,722.4	1,029.6	9.6
Equity holders of the Company	91.5	(325.9)	417.4	128.1	1,161.4	187.9	973.5	518.1
<b>EBIT Ratio (%)</b>	<b>0.1</b>	<b>(4.1)</b>	<b>4.2</b>	<b>102.4</b>	<b>12.9</b>	<b>7.5</b>	<b>5.4</b>	<b>72.0</b>
<b>EBIDA Ratio (%)</b>	<b>4.0</b>	<b>(0.7)</b>	<b>4.7</b>	<b>671.4</b>	<b>16.2</b>	<b>10.4</b>	<b>5.8</b>	<b>55.8</b>
<b>EBITDAR Ratio (%)</b>	<b>11.6</b>	<b>7.9</b>	<b>3.7</b>	<b>46.8</b>	<b>22.9</b>	<b>19.0</b>	<b>3.9</b>	<b>20.5</b>

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**

The operating revenue of the Company for the second quarter of 2014 and 2015 were 4,673.3 million baht and 5,100.0 million baht respectively, increasing by 9.1 percent while total operating expenses increased from 4,977.8 million baht to 5,202.6 million baht or around 4.5 percent.

The earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were derived from total income (excluding dividend income, gain on sale of investments, gain on sale of assets, interest income and gain on foreign exchange) less total expenses plus depreciation and amortization expenses, and aircraft rental, equaled to 367.3 million baht and 593.3 million baht or 7.9 percent and 11.6 percent of total operating revenue for the second quarter. The growth between two years in the same period was 61.5 percent.

For the second quarter of 2015, net profit of the Company was 102.2 million baht, an increase of 423.6 million baht or 131.8 percent from the same period previous year in which the amount attributable to equity holders of the Company was 91.5 million baht or 89.5 percent of net profit.

The operating revenue of the Company for the six-month period of 2014 and 2015 were 10,722.4 million baht and 11,752.0 million baht respectively, increasing by 9.6 percent while total operating expenses increased by 3.2 percent from 10,137.1 million baht to 10,460.1 million baht.

The earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were derived from total income (excluding dividend income, gain on sale of investments, gain on sale of assets, interest income and gain on foreign exchange) less total expenses plus depreciation and amortization expenses, and aircraft rental, equaled to 2,041.2 million baht and 2,697.0 million baht or 19.0 percent and 22.9 percent of total operating revenue for the six-month period. The growth between two years for the six-month period was 32.1 percent.



For the six-month period of 2015, net profit of the Company was 1,188.9 million baht, an increase of 984.1 million baht or 480.5 percent from the same period last year in which the amount attributable to equity holders of the Company was 1,161.4 million baht or 97.7 percent of net profit.

### Revenue

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

Unit: million baht

	April-June				January-June			
	2015	2014	Variance		2015	2014	Variance	
			MB	%			MB	%
1. Airlines	4,070.0	3,796.6	273.4	7.2	9,606.5	8,830.2	776.3	8.8
2. Airports	122.0	115.4	6.6	5.7	268.5	269.1	(0.6)	(0.2)
3. Airport-related services	752.1	613.0	139.1	22.7	1,551.7	1,337.4	214.3	16.0
4. Unallocated revenue	619.3	401.0	218.3	54.4	870.6	543.5	327.1	60.2
<b>Total Revenue</b>	<b>5,563.4</b>	<b>4,926.0</b>	<b>637.4</b>	<b>12.9</b>	<b>12,297.3</b>	<b>10,980.3</b>	<b>1,317</b>	<b>12.0</b>

### Revenue from Airline Operations

For the second quarter of 2014 and 2015, total operating revenue derived from airline business, which was the Company's primary source of income, was accounted for 77.1 percent and 73.2 percent of total operating revenue.

For the six-month period of 2014 and 2015, total operating revenue derived from airline business, which was the Company's primary source of income, was accounted for 80.4 percent and 78.1 percent of total operating revenue.

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

Unit: million baht

	April-June				January-June			
	2015	2014	Variance		2015	2014	Variance	
			MB	%			MB	%
Net Scheduled Passenger Revenue	3,986.2	3,713.5	272.7	7.3	9,445.9	8,667.3	778.6	9.0
Charter flights and charter services revenue	1.0	6.0	(5.0)	(83.3)	1.0	10.3	(9.3)	(90.3)
<b>Total passenger revenue</b>	<b>3,987.2</b>	<b>3,719.5</b>	<b>267.7</b>	<b>7.2</b>	<b>9,446.9</b>	<b>8,677.6</b>	<b>769.3</b>	<b>8.9</b>
Cargo revenue	82.8	77.1	5.7	7.4	159.6	152.6	7.0	4.6
<b>Total revenue from airline business</b>	<b>4,070.0</b>	<b>3,796.6</b>	<b>273.4</b>	<b>7.2</b>	<b>9,606.5</b>	<b>8,830.2</b>	<b>776.3</b>	<b>8.8</b>

Revenue from scheduled flights and charter flights of both domestic and international services for the second quarter of 2014 and 2015 increased from 3,719.5 million baht to 3,987.2 million baht respectively.

For the six-month period, revenue from scheduled flights and charter flights of both domestic and international services increased from 8,677.6 million baht to 9,446.9 million baht respectively.

The increasing revenue for the second quarter was 7.2 percent growth comparing to the same period previous year as a result of growing number of passengers by 5.6 percent together with the growth of average fare was around 2.1 percent.

For the Company's performance of the six-month period of 2015, revenue from scheduled flights and charter flights rose by 8.9 percent mainly due to 7.4 percent increase in number of passengers from adding flight frequencies and new routes since the end of 2014 as well as expanding number of fleets.

### Revenue from Airport Operations

Revenue from airport operations for the second quarter of 2014 and 2015 increased from 115.4 million baht to 122.0 million baht or 5.7 percent since outbound passengers were increased. The double increases are the Company has increased rate of passenger services charge to international outbound passengers as well as the number of passengers themselves, starting from 1 June 2015. This was accounted for 2.3 percent and 2.2 percent of total operating revenue.

For the six-month period of 2014 and 2015, revenue from airport operations was accounted for 2.5 percent and 2.2 percent of total operating revenue of the Company respectively. Majority of the airport revenue was derived from passengers services charged to outbound passengers at Samui Airport.

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

### Revenue from Airport-Related Operations

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

Unit: million baht

	April-June		January-June	
	2015	2014	2015	2014
<b><i>Catering services (BAC):</i></b>				
Revenue <sup>(1)</sup>	344.9	291.9	748.7	646.8
EBITDA	99.7	75.0	246.4	189.6
Net income	65.0	42.4	168.0	118.7
Number of meals produced and uplifted (million)	2.3	2.0	5.0	4.4

	April - June		January-June	
	2015	2014	2015	2014
<b>Ground Services (BFS Ground):</b>				
Revenue <sup>(1)</sup>	514.9	464.4	1,028.6	996.3
EBITDA	59.8	43.8	153.9	147.4
Net income	23.2	12.5	75.3	75.4
Number of flights handled	14,071	13,266	28,418	27,984
<b>International cargo terminal services data (BFS Cargo):</b>				
Revenue <sup>(1)</sup>	394.5	388.3	772.0	759.8
EBITDA	173.3	173.8	338.0	320.1
Net income	115.9	115.7	224.6	209.9
Tonnage	90,688	91,103	179,496	181,509
Cargo capacity (Ton per year)	550,000	550,000	550,000	550,000
Utilization (%)	66.0	66.3	65.3	66.0
Number of airways bills	179,220	184,167	356,068	361,406

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 comprises of:

Unit: million baht

	April-June				January-June			
	2015	2014	Variance		2015	2014	Variance	
			MB	%			MB	%
Bangkok Air Catering Company Limited (BAC)	249.3	202.3	47.0	23.2	537.3	455.0	82.3	18.1
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	401.8	351.2	50.6	14.4	808.2	762.3	45.9	6.0

	April-June				January-June			
	2015	2014	Variance		2015	2014	Variance	
			MB	%			MB	%
Bangkok Airways Ground Service Company Limited (PGGS)	77.2	59.5	17.7	29.7	155.4	120.1	35.3	29.4
Other revenue <sup>(1)</sup>	23.8	-	23.8	n.a.	50.8	-	50.8	n.a.
<b>Total revenue from airport-related operations</b>	<b>752.1</b>	<b>613.0</b>	<b>139.1</b>	<b>22.7</b>	<b>1,551.7</b>	<b>1,337.4</b>	<b>214.3</b>	<b>16.0</b>

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.

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

The operating performance of BAC in the second quarter of 2014 and 2015 increased from 202.3 million baht to 249.3 million baht or 23.2 percent.

For the six-month period, the operating performance of BAC increased from 455.0 million baht to 537.3 million baht, resulting from increasing number of passengers at Suvarnabhumi Airport. In addition, main customer of BAC has up-gauged their fleet types causing the higher proportion of passengers of First and Business classes that led to better unit margin.

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

The operating performance of BFS Ground in the second quarter of 2014 and 2015 increased from 351.2 million baht to 401.8 million baht.





For the six-month period, the operating performance of BFS Ground slightly increased from 762.3 million baht to 808.2 million baht as a consequence of increasing number of flights of both existing and new customers of BFS Ground.

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

The operating performance of PGGS in the second quarter of 2014 and 2015 increased from 59.5 million baht to 77.2 million baht.

For the six-month period, the operating performance of PGGS was higher from the previous year from 120.1 million baht to 155.4 million baht.

PGGS mostly provides its service at Samui Airport. The constantly growing revenue is due to an approval from Department of Civil Aviation (DCA) who allows the Airport to increase its capacity from 36 flights per day to 50 flights per day since November 2014.

#### **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			
	2015	2014	Variance		2015	2014	Variance	
			MB	%			MB	%
Gain on sales of investments in securities and subsidiaries	0.1	3.4	(3.3)	(97.1)	0.1	3.4	(3.3)	(97.1)
Dividend received	280.1	243.8	36.3	14.9	280.1	243.8	36.3	14.9
Other revenues <sup>(1)</sup>	339.1	153.8	185.3	120.5	590.4	296.4	294.0	99.2
<b><i>Total unallocated revenues</i></b>	<b>619.3</b>	<b>401.0</b>	<b>218.3</b>	<b>54.4</b>	<b>870.6</b>	<b>543.6</b>	<b>327.0</b>	<b>60.2</b>

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

Total unallocated revenues of the Company for the second quarter of 2014 and 2015 largely increased from 401.1 million baht to 619.3 million baht, and 543.6 million baht to 870.6 million baht for the six-month period. Main contributions from other revenues were interest income and gain on foreign exchange.

#### **Share of Profit from Investments in Associates**

The Company has share of profit from associated companies, increasing from 103.3 million baht to 108.9 million baht in the second quarter of 2014 and 2015, and from 208.2 million baht to 219.3 million baht for the six-month period. Primarily, the share of profit was derived from investment in WFS-PG Cargo Company Limited.

#### **Expenses**

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



	April-June				January-June			
	2015	2014	Variance		2015	2014	Variance	
			MB	%			MB	%
Cost of sales and services	4,391.3	4,303.6	87.7	2.0	8,878.3	8,746.5	131.8	1.5
Selling expenses	431.4	358.6	72.8	20.3	837.5	714.4	123.1	17.2
Administrative expenses	379.7	313.3	66.4	21.2	743.6	669.8	73.8	11.0
Other expenses	0.2	2.3	(2.1)	(91.3)	0.7	6.4	(5.7)	(89.1)
<b>Total expenses</b>	<b>5,202.6</b>	<b>4,977.8</b>	<b>224.8</b>	<b>4.5</b>	<b>10,460.1</b>	<b>10,137.1</b>	<b>323.0</b>	<b>3.2</b>

### Costs of Sales and Services

Costs of sales and services principally consist of fuel costs, personnel expenses, cost of passenger services, aircraft rentals, and aircraft repair and maintenance costs. For the second quarter of 2014 and 2015, costs of sales and services were accounted for 86.5 percent and 84.4 percent of total operating expenses.

Costs of sales and services were accounted for 86.3 percent and 84.9 percent of total operating expenses for the six-month period of 2014 and 2015 respectively. The rising cost of sales and services was mainly due to increasing personnel expenses, cost of passenger services, aircraft repair and maintenance costs and depreciation/amortization expenses.

*Fuel Costs:* fuel costs are the largest portion in the Company's costs of sales and services, and are variable based on number of block hours. In the second quarter, fuel costs decreased from 1,276.2 million baht in 2014 to 1,126.1 million baht in 2015 or 11.8 percent lower. For the six-month period, fuel costs decreased from 2,610.0 million baht in 2014 to 2,338.4 million baht respectively. The decreasing amount was mostly due to lower average market fuel price.

As of 30 June 2015, the Company has entered into a forward purchase contract (fuel hedging) at the average of 57.03 percent of fuel consumption.

*Aircraft Repair and Maintenance Costs:* aircraft repair and maintenance costs were higher from 971.3 million baht to 1,052.8 million baht for the six-month period comparing to the previous year. These costs were largely derived from “Maintenance Reserve Fund” which is attached to the aircraft lease agreement. There was also some additional costs incurred for repairing and maintaining the aging aircraft.

*Cost of Passenger Services:* cost of passenger service increased were also higher from 1,281.4 million baht to 1,446.8 million baht for the six-month period comparing to 2014. The increasing cost was due to rising number of passengers and number of flights.

*Aircraft Rental Costs:* the Company had lower aircraft rental costs which decreased from 930.0 million baht to 792.7 million baht for the six-month period comparing to last year as a result of beneficial negotiation with lessors.

### **Selling Expenses**

For the second quarter of 2014 and 2015, selling expenses were accounted for 7.2 percent and 8.3 percent of total operating expenses. It was accounted for 7.0 percent and 8.0 percent of total operating expenses for the six-month period of 2014 and 2015 respectively. The increasing amount was mainly due to advertising expenses and expenses associated with GDS which are usually variable based on number of passengers.



### Administrative Expenses

The administrative expenses of the Company for the second quarter of 2014 and 2015 were accounted for 6.3 percent and 7.3 percent of total operating expenses while they were accounted for 6.6 percent and 7.1 percent of total operating expenses for the six-month period.

### Finance Costs

Finance costs consist of lease payments under the sub-lease agreement from the Samui Property Fund (SPF) for Samui Airport which include the rental portion of the sub-lease agreement and the variable portion based on the number of departing/arriving passengers from and to Samui Airport. However, in 2013, the Company had revised its accounting policy regarding the recognition of long term loans from the related parties, in another word, the sub-lease agreement from SPF. The revised policy stipulated that the Company has to provide estimated fixed rental costs and variable service costs that may occur throughout the sub-lease period in order to calculate the effective interest rate. Such calculation resulted in a higher book value of the long term loans.

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

Unit: million baht

	April-June				January-June			
	2015	2014	Variance		2015	2014	Variance	
			MB	%			MB	%
Interest expenses paid to the Samui Property Fund	340.3	315.3	25.0	7.9	650.2	643.2	7.0	1.1
Interest and Fee expenses <sup>(1)</sup>	59.6	91.7	(32.1)	(35.0)	131.1	182.0	(50.9)	(28.0)
<b>Total</b>	<b>399.9</b>	<b>407.0</b>	<b>(7.1)</b>	<b>(1.7)</b>	<b>781.3</b>	<b>825.2</b>	<b>(43.9)</b>	<b>(5.3)</b>

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

For the second quarter of 2014 and 2015, interest paid to SPF increased from 315.3 million baht to 340.3 million baht whereas interest paid to financial institutions and lessors under finance lease agreement reduced from 91.7 million baht to 59.6 million baht.

Total interest paid to SPF for the six-month period increased from 643.2 million baht to 650.2 million baht due to increasing number of departing passengers from Samui Airport along with growing number of flights flown to/from the Airport as well. Furthermore, the rate of passenger services charged to international passengers travelling from Samui was higher than the previous year. The interest paid to financial institutions and lessors under finance lease agreement decreased from 182.0 million baht to 131.1 million baht from loan repayments as stipulated in the agreements.

### **Assets**

As of 30 June 2015, the Company and its subsidiaries have total assets amounting to 51,832.3 million baht, increasing by 3,253.4 million baht from:

Unit: million baht

	As at June 30, 2015	As at December 31, 2014	Variance
<b><i>Current assets</i></b>			
Cash and cash equivalents	4,908.6	2,175.1	2,733.5
Trade and other receivables	1,559.4	1,705.5	(146.1)
Total current assets	16,178.8	16,561.0	(382.2)
<b><i>Non-current assets</i></b>			
Other long-term investments	23,848.6	20,936.2	2,912.4
Property, plant and equipment	7,626.2	7,033.5	592.7
Total Non-current assets	35,653.5	32,017.9	3,635.6
<b><i>Total assets</i></b>	<b><i>51,832.3</i></b>	<b><i>48,578.9</i></b>	<b><i>3,253.4</i></b>

### **Current assets**

Total current assets of the Company as of 30 June 2015 is 16,178.8 million baht, increasing from 31 December 2014 by 382.2 million baht. This was mainly due to:

- *Cash and cash equivalents* increased by 2,733.5 million baht, mainly from liquidity management by moving current investments to bank deposits to ensure capital availability for upcoming projects. As a result, *current investments*, which was a component of current assets, decreased by 3,001.8 million baht.

### **Non-current assets**

Total non-current assets of the Company is 35,653.5 million baht, increasing from the end of year 2014 by 3,635.6 million baht.

- *Investment in associates* increased by 423.4 million baht from additional investment in Samui Airport Property Fund (SPF), resulting in an increase in percentage of ownership from 25.0 percent to 27.5 percent
- *Other long-term investments* increased by 2,912.4 million baht due to the revaluation of long-term investments in marketable securities based on market capitalization.
- *Property, Plant and Equipment* increased by 592.7 million baht from a purchase of ATR72-600 under finance lease in February 2015.

### **Liabilities**

As of 30 June 2015, the Company and its subsidiaries have liabilities amounting of 23,361.3 million baht. An increase of 214.4million baht from 31 December 2014 was as follows:



	As at June 30,2015	As at December 31, 2014	Variance
<b><i>Current liabilities</i></b>			
Bank overdrafts and short-term loans from banks	-	-	-
Current portion long-term loans and liabilities arising from financial lease of aircrafts	655.1	1,119.0	(463.9)
Unearned income	1,960.6	2,151.2	(190.6)
Other current liabilities	915.1	967.0	(51.9)
<b><i>Total current liabilities</i></b>	<b><i>5,850.2</i></b>	<b><i>6,734.5</i></b>	<b><i>(884.3)</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	1,425.1	1,013.1	412.0
Long-term loans from related party – net of current portion	11,303.9	11,285.7	18.2
Deferred tax liabilities	4,305.1	3,711.6	593.5
<b><i>Total non-current liabilities</i></b>	<b><i>17,511.1</i></b>	<b><i>16,412.5</i></b>	<b><i>1,098.6</i></b>
<b><i>Total liabilities</i></b>	<b><i>23,361.3</i></b>	<b><i>23,146.9</i></b>	<b><i>214.4</i></b>

### ***Current liabilities***

Total current liabilities amounting to 5,850.2 million baht decreased from 31 December 2014 by 884.3million baht, mainly due to:

- Repayment of *current portion of long-term loans and current portion of liability arising from finance lease of aircrafts* amounting to 384.2 million baht and 222.8 million baht, decreased from the second quarter of the previous year by 241.9 million baht and 231.8 million baht respectively in accordance with the conditions stated in loan agreement and finance lease agreement.



### Non-current liabilities

Total non-current liabilities of the Company is 17,511.1 million baht, increasing by 1,098.7 million baht, largely derived from:

- A purchase of ATR72-600 under finance lease agreement in February 2015 caused *liabilities arising from finance lease of aircrafts* to increase by 513.4 million baht.
- *Deferred tax liabilities* increased by 593.5 due to changes in market value of the available for sale investment in securities.

### Shareholders' Equity

Unit: million baht

	As at June 30,2015	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	319.0	(362.7)	681.7
<b>Total shareholders' equity</b>	<b>28,471.0</b>	<b>25,432.0</b>	<b>3,039.0</b>

As of 30 June 2015, total shareholders' equity of the Company and its subsidiaries is 28,471.0 million baht, an increase of 3,039.0 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 - June	
	2015	2014
Net cash flow from (used in) operating activities	396.4	(379.2)
Net cash flow from investing activities	3,114.1	521.7
Net cash flow used in financing activities	(777.0)	(1,275.8)
<b><i>Cash and cash equivalents at end of the period</i></b>	<b><i>4,908.6</i></b>	<b><i>1,419.6</i></b>

**Cash flows from operating activities**

As of 30 June 2015, the profit of the Company and its subsidiaries before changes in operating activities is 1,859.4 million baht in which the amount of cash inflows from operating activities is 1,212.1 million baht. The decreasing amount was mostly due to repayment of liabilities under finance lease payable.

**Cash flows from investing activities**

As of 30 June 2015, cash inflows from investing activities of the Company and its subsidiaries is 3,114.1 million baht which was derived from liquidity management of current investments and dividend received from Bangkok Dusit Medical Services (BDMS) and SPF.

**Cash flows from financing activities**

As of 30 June 2015, the Company and its subsidiaries have cash outflows from financing activities at the amount of 777.0 million baht from the repayment of long-term loans and dividend payment to shareholders in Q1 2015 amounting to 420 million baht.



## Summary Consolidated Financial and Ratio

		January - June	
		2015	2014
Liquidity Ratio	Current Ratio (Time)	2.8	0.6
	Quick Ratio (Time)	5.1	3.8
	Collection Period (Day)	23.0	23.6
	Stock Turnover Period (Day)	5.4	4.8
	Payment Period (Day)	34.2	31.1
Profitability Ratio	Gross Profit Margin (%)	22.3	16.2
	Operating Profit Margin (%)	13.2	7.7
	EBITDAR Margin (%)	22.9	18.9
	Net profit Margin (%)	9.7	1.9
	Return on Equity (%)	8.8	4.2
Efficiency Ratio	Return on Assets (%)	4.7	1.3
	Return on Fixed Assets (%)	43.2	16.1
	Asset Turnover (Time)	0.5	0.7
Leverage Ratio	Debt to Equity (Time)	0.8	1.8
	Interest Coverage Ratio (Time)	2.4	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.

