



Management's Discussion and Analysis

For the period ended 30 September 2015

Bangkok Airways Public Company Limited and Its Subsidiaries



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Management's Discussion and Analysis for the third quarter of 2015 ended 30 September 2015

Executive Summary

The Fiscal Policy Office (FPO) of the Ministry of Finance reported that the overall financial situation in the third quarter of 2015 had slowed down from decreasing number of export and lower spending from private sector in both consumption and investment. Thai economy was yet supported from tourism industry even it had decelerated from the previous quarter. However, the fiscal policy driven by the government since September 2015 is said to support the growth of Thai economy for the remaining period of 2015 and upcoming 2016.

In part of export for this quarter, the demand from international market was continuously shrinking by -5.3 percent compared to the same period last year, and by -5.5 percent for the nine-month period. The export to the United States of America, Australia and CLMV (Cambodia-Laos-Myanmar-Vietnam) group could still be expanding, but not for the key trading partners including China, Japan, EU and ASEAN-5 (Indonesia, Malaysia, the Philippines, Singapore and Thailand). This was mainly due to declining market of main trading partners and global economy which caused the delay in goods imported worldwide.

For the supply side, there was an indicator showing that, with regard to an increasing number of international tourists, the tourism industry has still been the main growth factor of Thai economy even the signal was a bit sinking due to the bombing at Ratchaprasong on 17th August 2015. The growth in number of tourists was around 24.3 percent comparing to the third quarter of 2014; majority was from East Asia including Chinese, Taiwanese, Korean and Hong Kong. The European (excluding Russian) and the Middle East tourists was rising by 8.9 percent and 21.0 percent respectively (Source: Department of Tourism, Ministry of Tourism and Sport). This expansion in tourism sector was also in line with the growth in Revenue Passenger Kilometers (RPK) in every region by 6.7 percent and in Asia-Pacific by 9.0percent for January-September 2015 while the



growth in Available Seat Kilometers (ASK) was 6.0 percent and 7.0 percent consecutively (Source: International Air Transport Association – IATA).

The tourism industry in Thailand in 2015 is likely to grow continuously, yet slow down a bit from the impact of bombing at Ratchaprasong in August as mentioned earlier. However, the overall market is still enlarging mainly from Chinese tourists and lower fuel price. The economic recovery in Europe is also said to be a supportive factor to stimulate the travel. Furthermore, the information published by Department of Tourism of Ministry of Tourism and Sport stated that the number of international tourists travelling to Thailand during the past nine months was 22.1 million people, growing by 27.8 percent from the third quarter last year. According to the information by Kasikorn Research, if the momentum of international tourists visiting Thailand remains unchanged from today, additional number of 7.7-8.0 million international tourists is plausible in the last quarter of 2015 with 2.6-6.9 percent growth, comparing to the same period last year, which caused the total number of international tourists to be 30.2 million people or around 21.7 percent growth from 2014.

Likewise, the number of passengers of Bangkok Airways increased by 12.0 percent for the third quarter of 2015; the market that has the highest growth was the Middle East, North America and Asia. Despite the slow growth in number of European tourists in the third quarter, Bangkok Airways was still able to maintain its sale growth from this market comparing to last year.

In addition, the Company has entered into a codeshare agreement with Emirates and Air Astana. This certainly creates greater connectivity between Europe via the Middle East and directly from Central Europe and Thailand, also provides more choices to the passengers as well as to increase the efficiency of our routes.

In the third quarter, total revenue of the Company was 6,364.0 million baht, increased by 20.4 percent from the same period in the previous year. Net profit was reported at the amount of 590.8 million baht in which the profit attributable to the equity holder of the Company was 578.6 million baht. Earnings per share equal to



0.28 baht. The better operating performance was mainly based on higher average fare and increasing number of passengers. Our load factor was at 67.6 percent for this quarter. RASK-CASK of the Company increased from 0.08 baht to 0.31 baht per ASK.

For the nine-month period, the Company had total revenue amounting to 18,661.3 million baht in which net profit was reported at 1,779.7 million baht which profit attributable to the equity holder of the Company was 1,740.1 million baht. Earnings per share for the nine-month period was 0.83 baht. RASK-CASK for the nine-month period increased from 0.11 baht to 0.32 baht per ASK.

Notable Events

Notable events in the third quarter of 2015:

- The Company has entered into codeshare agreements with Emirates and Air Astana which cause the number of codeshare partners to be 20 in total. Emirates is one of the largest airline worldwide from the Middle East. The codeshare with Emirates will definitely offer greater connectivity to and from European cities via the Middle East. In addition, Air Astana is the flag carrier of the Republic of Kazakhstan who will contribute traffic from Central Europe to Thailand. The codeshare with both airlines would reinforce the international global network and provide more travel choices for customers with seamless and convenient connections.
- Bangkok Airways is cited as a Top Ten Airline Overall Worldwide, and is ranked the 5th Best Airline for Cabin Service Worldwide by SmartTravelAsia.com from the travel poll called “Best in Travel 2015” which involved millions of travelers from around the world to vote for their favorite travel brands.
- Additional one ATR72-600 under finance lease has been delivered in September 2015 which caused the total number of ATR72-600 to be three at the end of third quarter.



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	July-September		January-September	
		2015	2014	2015	2014
Schedule passenger revenues ⁽¹⁾	Million Baht	4,993.7	4,344.8	14,666.7	13,410.8
Domestic		3,167.8	2,664.6	9,118.7	8,384.4
International		1,825.9	1,680.2	5,548.0	5,026.4
Available Seat Kilometers (ASK) ⁽²⁾	Million Seat -	1,466.5	1,441.7	4,403.5	4,186.9
Domestic	Kilometers	855.4	829.6	2,554.0	2,402.3
International		611.1	612.1	1,849.5	1,784.6
Revenue Passenger Kilometers (RPK) ⁽²⁾	Million Seat -	991.8	904.9	2,931.4	2,717.4
Domestic	Kilometers	611.0	546.4	1,776.2	1,649.4
International		380.8	358.5	1,155.2	1,068.0
Passenger Load Factor	Percentage	67.6	62.8	66.6	64.9
Domestic		71.4	65.9	69.6	68.7

	Unit	July-September		January-September	
		2015	2014	2015	2014
International		62.3	58.6	62.5	59.9
Number of schedule passengers carried ⁽²⁾	Thousand	1,311.6	1,170.6	3,855.9	3,539.7
Domestic		973.6	857.0	2,810.5	2,620.1
International		338.0	313.6	1,045.4	919.6
Number of flight flown	Flight	15,861	15,478	47,503	45,194
Domestic		11,062	10,825	33,116	31,590
International		4,799	4,653	14,387	13,604
Total seat capacity	Thousand	1,916.7	1,864.4	5,751.4	5,460.0
Domestic		1,354.1	1,307.6	4,008.0	3,803.4
International		562.6	556.8	1,743.4	1,656.6
Aircraft utilization ⁽³⁾	Block Hour	9.2	9.2	9.1	9.1
Airbus A320	per Day	9.7	9.1	9.5	9.6
Airbus A319	per Aircraft	9.4	9.4	9.3	9.1
ATR 72-500 & ATR 72-600		8.4	9.1	8.4	8.7
Number of aircraft at year/period end	Aircraft	30	26	30	26
Airbus A320		8	8	8	8
Airbus A319		11	10	11	10
ATR 72-500		8	8	8	8
ATR 72-600		3	0	3	0
Average Stage Length	Kilometers	756.2	773.1	760.3	767.7
Kilometers flown ⁽²⁾	Million Kilometers	11.5	11.3	34.5	32.8
Passenger Yield ⁽⁴⁾	Baht per Passenger - Kilometers	5.04	4.80	5.00	4.94
Revenue ASK (RASK)	Baht per	3.67	3.24	3.56	3.37
Cost per ASK (CASK)	Available Seat -	3.36	3.16	3.24	3.27
Cost per ASK excluding fuel cost	Kilometers	2.55	2.24	2.44	2.33
RASK – CASK		0.31	0.08	0.32	0.11

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 September 30, 2015

Unit: million baht

	July-September				January-September			
	2015	2014	Variance		2015	2014	Variance	
			Amount	%			Amount	%
Net profit (loss) for the period	590.8	(46.5)	637.3	1,370.5	1,779.7	158.3	1,621.4	1,024.3
Plus:								
Finance Cost	409.4	403.1	6.3	1.6	1,190.7	1,228.3	(37.6)	(3.1)
Income tax expenses	2.6	(1.9)	4.5	236.8	88.9	19.4	69.5	358.2
Loss on sale of leasehold right	-	(3.6)	3.6	100.0	-	(3.6)	3.6	100.0
Written-off fixed assets	-	-	-	n.a.	0.1	11.8	(11.7)	(99.2)
Less:								
Dividend income	0.3	0.3	0.0	100.0	280.4	244.1	36.3	14.9
Gain on sale of investments	-	-	-	n.a.	0.1	3.4	(3.3)	(97.1)
Gain on sale of assets	8.0	1.7	6.3	370.6	9.2	2.2	7.0	318.2
Interest received	67.0	3.0	64.0	2,133.3	213.8	13.2	200.6	1,519.7
Gain on foreign exchange	177.9	30.0	147.9	493.0	295.1	26.4	268.7	1,017.8

	July-September				January-September			
	2015	2014	Variance		2015	2014	Variance	
			Amount	%			Amount	%
EBIT ⁽¹⁾	749.6	316.1	433.5	137.2	2,260.8	1,124.9	1,135.9	101.0
Plus:								
Depreciation and amortization	211.8	164.2	47.6	29.0	604.8	470.1	134.7	28.7
EBITDA ⁽¹⁾	961.4	480.3	481.1	100.2	2,865.6	1,595.0	1,270.6	79.6
Plus:								
Operating lease expenses	409.9	411.4	(1.5)	(0.4)	1,202.6	1,341.4	(138.8)	(10.3)
EBITDAR ⁽¹⁾	1,371.3	891.7	479.6	53.8	4,068.2	2,936.4	1,131.8	38.5
Total revenue	6,364.0	5,284.2	1,079.8	20.4	18,661.3	16,260.8	2,400.5	14.8
Operating revenue ⁽²⁾	6,110.8	5,249.2	861.6	16.4	17,862.7	15,971.5	1,891.2	11.8
Profit attributable to equity holders of the Company	578.6	(51.8)	630.4	1,217.0	1,740.1	136.1	1,604.0	1,178.6
EBIT Ratio (%)	12.3	6.0	6.3	105.0	12.7	7.0	5.7	81.4
EBIDA Ratio (%)	15.7	9.1	6.6	72.5	16.0	10.0	6.0	60.0
EBITDAR Ratio (%)	22.4	17.0	5.4	31.8	22.8	18.4	4.4	23.9

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. Since 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 third quarter of 2014 and 2015 were 5,249.2 million baht and 6,110.8 million baht respectively, increasing by 16.4 percent while total operating expenses increased from 5,049.2 million baht to 5,505.9 million baht or around 9.0 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 891.7 million baht and 1,371.3 million baht or 17.0 percent and 22.4 percent of total operating revenue for the third quarter. The growth between two years in the same period was 31.8 percent.

For the third quarter of 2015, net profit of the Company was 590.8 million baht, an increase of 637.3 million baht or 1,370.5 percent from the same period previous year in which the amount attributable to equity holders of the Company was 578.6 million baht or 97.9 percent of net profit.

The operating revenue of the Company for the nine-month period of 2014 and 2015 were 15,971.5 million baht and 17,862.7 million baht respectively, increased by 11.8 percent while total operating expenses increased by 5.2 percent from 15,180.0 million baht to 15,965.3 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 2,936.4 million baht and 4,068.2 million baht or 18.4 percent and 22.8 percent of total operating revenue for the nine-month period. The growth was 23.9 percent from the previous year.

For the nine-month period of 2015, net profit of the Company was 1,779.7 million baht, an increase of 1,621.4 million baht or 1,024.3 percent from the same period last year in which the amount attributable to equity holders of the Company was 1,740.1 million baht or 97.8 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

	July-September						January-September					
	2015	%	2014	%	Variance		2015	%	2014	%	Variance	
					Amount	%					Amount	%
1. Airlines	4,945.3	77.7	4,286.8	81.1	658.5	15.4	14,551.7	78.0	13,117.1	80.7	1,434.6	10.9
2. Airports	160.0	2.5	130.5	2.5	29.5	22.6	428.6	2.3	399.6	2.5	29.0	7.3
3. Airport-related services	783.6	12.3	617.0	11.7	166.6	27.0	2,335.3	12.5	1,954.4	12.0	380.9	19.5
4. Unallocated revenue	475.1	7.5	249.9	4.7	225.2	90.1	1,345.7	7.2	789.7	4.8	556.0	70.4
Total Revenue	6,364.0	100	5,284.2	100	1,079.8	20.4	18,661.3	100	16,260.8	100	2,400.5	14.8

Revenue from Airline Operations

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

	July-September				January-September			
	2015	2014	Variance		2015	2014	Variance	
			Amount	%			Amount	%
Net scheduled passenger revenue	4,844.4	4,190.9	653.5	15.6	14,290.3	12,858.2	1,432.1	11.1
Charter flights and charter services revenue	15.6	6.0	9.6	251.5	16.6	16.3	0.3	1.8
Total passenger revenue	4,860.0	4,196.9	663.1	15.8	14,306.9	12,874.5	1,432.4	11.1
Cargo revenue	85.3	89.9	(4.6)	(5.1)	244.8	242.5	2.3	0.9
Total revenue from airline business	4,945.3	4,286.8	658.5	15.4	14,551.7	13,117.0	1,434.7	10.9

The increasing revenue for the third quarter was 15.8 percent growth comparing to the same period previous year as a result of growing number of passengers by 12.0 percent together with the growth of average fare was around 2.6 percent. Passenger yield was better by 4.9 percent as a result of more effective route management; the numbers of higher-yield routes were enhanced to create greater proportion in total number of routes.

For the Company's performance of the nine-month period of 2015, revenue from scheduled flights and charter flights rose by 11.1 percent mainly due to 8.9 percent increase in number of passengers from adding flight frequencies and new routes since the end of 2014 as well as expanding number of aircrafts.

Revenue from Airport Operations

Majority of the airport revenue was derived from passengers services charged to outbound passengers at Samui Airport. Revenue from airport operations for the third quarter of 2014 and 2015 increased from 130.5 million baht to 160.0 million baht or 22.6 percent since number of outbound passengers at Samui airport had

largely increased. Furthermore, the rate of passenger services charged to international outbound passengers has been increased from 600 baht to 700 baht, started from 1 June 2015.

For nine-month period of 2014 and 2015, revenue from airport operations was accounted for 2.3 percent and 2.5 percent of total operating revenue of the Company respectively.



Revenue from Airport-Related Operations

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

Unit: million baht

	July-September		January-September	
	2015	2014	2015	2014
<i>Catering services (BAC):</i>				
Revenue ⁽¹⁾	350.2	314.5	1,098.9	961.4
EBITDA	107.3	91.5	353.8	281.1
Net income	70.9	57.2	238.8	175.9
Number of meals produced and uplifted (million meals)	2.42	2.10	7.41	6.50
<i>Ground Services (BFS Ground):</i>				
Revenue ⁽¹⁾	535.6	446.1	1,564.1	1,442.4
EBITDA	82.1	40.1	236.0	187.5
Net income	41.5	8.7	116.8	84.0
Number of flights handled (flight)	14,656	13,034	43,074	41,018
<i>International cargo terminal services data (BFS Cargo):</i>				
Revenue ⁽¹⁾	397.5	395.2	1,169.5	1,155.0
EBITDA	170.8	169.2	508.7	489.2
Net income	113.1	111.2	337.7	321.1
Tonnage	97,232	92,503	277,368	274,012
Cargo capacity (ton per year) ⁽²⁾	450,000	550,000	450,000	550,000
Utilization (%)	86.4	67.3	82.2	66.4

Remark (1) Revenues from subsidiaries and associated companies exclude revenues earned from transactions with the Company
 (2) Capacity adjustment was due to the fact that the proportion of imported goods was significantly higher than exported goods which require longer time in transit; thus, overall capacity was reduced from 550,000 ton per year to 450,000 ton per year to reflect real capacity.

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

Unit: million baht

	July-September				January-September			
	2015	2014	Variance		2015	2014	Variance	
			Amount	%			Amount	%
Bangkok Air Catering Company Limited (BAC)	241.9	220.0	21.9	10.0	779.2	675.1	104.1	15.4
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	429.3	332.0	97.3	29.3	1,237.5	1,094.3	143.2	13.1
Bangkok Airways Ground Service Company Limited (PGGS)	83.0	65.0	18.0	27.7	238.4	185.0	53.4	28.9
Other revenue ⁽¹⁾	29.4	-	29.4	n.a.	80.2	-	80.2	n.a.
Total revenue from airport-related operations	783.6	617.0	166.6	27.0	2,335.3	1,954.4	380.9	19.5

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 third quarter of 2014 and 2015 increased from 220.0 million baht to 241.9 million baht or growth by 10.0 percent.

For the nine-month period, the operating performance of BAC increased from 675.1 million baht to 779.2 million baht or 15.4 percent, as a result of 14.0 percent growth in number of passengers at Suvarnabhumi



airport. In addition, main customers 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 third quarter of 2014 and 2015 increased from 332.0 million baht to 429.3 million baht.

For the nine-month period, the operating performance of BFS Ground increased from 1,094.3 million baht to 1,237.5 million baht as a consequence of increasing number of flights and new airline customers.

Bangkok Airways Ground Service Company Limited (PGGS)

The operating performance of PGGS in the third quarter of 2014 and 2015 increased from 65.0 million baht to 83.0 million baht.

For the nine-month period, the operating performance of PGGS was higher from the previous year from 185.0 million baht to 238.4 million baht.

PGGS mostly provides its service at Samui Airport. The increasing amount was mainly contributed from new airline customer since November 2014 as well as higher flight-handling service fees.

Unallocated Revenues

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

Unit: million baht

	July-September				January-September			
	2015	2014	Variance		2015	2014	Variance	
			Amount	%			Amount	%
Gain on sales of investments in securities and subsidiaries	-	0.0	(0.02)	(100)	0.1	3.4	(3.3)	(97.1)
Dividend received	0.3	0.3	(0.0)	(5.9)	280.4	244.1	36.3	14.9
Other revenues ⁽¹⁾	474.8	249.6	225.2	90.2	1,065.2	542.2	523.0	96.5
Total unallocated revenues	475.1	249.9	225.2	90.1	1,345.7	789.7	556.0	60.2

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 third quarter of 2014 and 2015 largely increased from 246.2 million baht to 475.1 million baht, and 789.7 million baht to 1,345.7 million baht for the nine-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 119.6 million baht to 148.4 million baht in the third quarter of 2014 and 2015, and from 327.8 million baht to 367.6 million baht for the nine-month period. Primarily, the share of profit was derived from investment in Samui Property Fund (SPF) and WFS-PG Cargo Company Limited.

Expenses

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

Unit: million baht

	July-September						January-September					
	2015	%	2014	%	Variance		2015	%	2014	%	Variance	
					Amount	%					Amount	%
Cost of sales and services	4,672.9	84.8	4,306.3	85.3	366.6	8.5	13,551.2	84.9	13,052.8	86.0	498.4	3.8
Selling expenses	442.9	8.0	406.0	8.0	36.9	9.1	1,280.4	8.0	1,120.4	7.4	160.0	14.3
Administrative expenses	390.1	7.1	336.9	6.7	53.2	15.8	1,133.7	7.1	1,006.7	6.6	127.0	12.6
Other expenses	3.7	0.1	-	-	3.7	n.a.	4.4	0.0	2.7	0.0	1.7	63.0
Total Expenses	5,509.6	100	5,049.2	100	460.4	9.1	15,969.7	100	15,182.6	100	787.1	5.2

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.

Costs of sales and services were accounted for 86.0 percent and 84.9 percent of total operating expenses for the nine-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 and 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 third quarter, fuel costs decreased from 1,318.1 million baht in 2014 to 1,182.2 million baht in 2015 or 10.3 percent lower. For the nine-month period, fuel costs decreased

from 3,928.1 million baht in 2014 to 3,520.6 million baht respectively. The decreasing amount was mostly due to lower average market fuel price.

As at 30 September 2015, the Company has entered into a forward purchase contract (fuel hedging) at the average of 58.84 percent of fuel consumption.

Aircraft Repair and Maintenance Costs: aircraft repair and maintenance costs were higher from 1,458.7 million baht to 1,633.4 million baht for the nine-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 services increased were also higher from 1,908.9 million baht to 2,293.2 million baht for the nine-month period comparing to 2014. The increasing cost was due to rising number of passengers and number of flights, international flights in particular.

Aircraft Rental Costs: the Company had lower aircraft rental costs which decreased from 1,341.4 million baht to 1,202.6 million baht for the nine-month period comparing to last year.

Selling Expenses

For the nine-month period of 2014 and 2015, selling expenses were accounted for 7.4 percent and 8.0 percent of total operating expenses. The increasing amount was mainly due to advertising expenses and expenses associated with Global Distribution System which are usually variable based on number of passengers.

Administrative Expenses

The administrative expenses of the Company for the nine-month period third quarter of 2014 and 2015 were accounted for 6.6 percent and 7.1 percent of total operating expenses. In general, administrative expenses mainly consist of salary, directors' remuneration and information technology services.

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

	July-September				January-September			
	2015	2014	Variance		2015	2014	Variance	
			Amount	%			Amount	%
Interest expenses paid to the Samui Property Fund	349.3	323.6	25.7	7.9	999.5	966.8	32.7	3.4
Interest and Fee expenses ⁽¹⁾	60.1	79.5	(19.4)	(24.4)	191.2	261.5	(70.3)	(26.9)
Total	409.4	403.1	6.3	1.6	1,190.7	1,228.3	(37.6)	(3.1)

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

For the third quarter of 2014 and 2015, interest paid to SPF increased from 323.6 million baht to 349.3 million baht whereas interest paid to financial institutions and lessors under finance lease agreement reduced from 79.5 million baht to 60.1 million baht.

Total interest paid to SPF for the nine-month period increased from 966.8 million baht to 999.5 million baht due to an increase in number of departing passengers from Samui Airport along with growing number of flights flown to the Airport. Furthermore, the rate of passenger services fee for 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 261.5 million baht to 191.2 million baht from loan repayments.

Assets

As of 30 September 2015, the Company and its subsidiaries have total assets amounting to 51,787.7 million baht, increasing by 3,208.8 million baht from:

Unit: million baht

	As at September 30, 2015	As at December 31, 2014	Variance
<i>Current assets</i>			
Cash and cash equivalents	9,017.8	2,175.1	6,842.7
Current investments	4,820.2	11,525.1	(6,704.9)
Trade and other receivables	1,559.1	1,705.5	(146.4)
Total current assets	16,386.8	16,561.0	(174.2)
<i>Non-current assets</i>			
Other long-term investments	22,512.9	20,936.2	1,576.7
Property, plant and equipment	8,372.8	7,033.5	1,339.3
Total Non-current assets	35,400.9	32,017.9	3,383.0
<i>Total assets</i>	<i>51,787.7</i>	<i>48,578.9</i>	<i>3,208.8</i>

Current assets

Total current assets of the Company as of 30 September 2015 is 16,386.8 million baht, decreased from 31 December 2014 by 174.2 million baht. This was mainly due to:

- *Cash and cash equivalents* increased by 6,842.7 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 6,704.9 million baht.

Non-current assets

Total non-current assets of the Company is 35,400.9 million baht, increased from the end of year 2014 by 3,383.0 million baht.

- *Investment in associates* increased by 698.6 million baht from additional investment in Samui Airport Property Fund (SPF), resulting in an increase in an ownership from 25.0 percent to 28.7 percent.
- *Other long-term investments* increased by 1,576.7 million baht due to the mark to market of long-term investments in marketable securities.
- *Property, Plant and Equipment* increased by 1,339.3 million baht from a purchase of ATR72-600 under finance lease in February and September 2015, ground equipment and aircraft spare parts.

Liabilities

As at 30 September 2015, the Company and its subsidiaries have liabilities amounting of 24,318.3 million baht. An increase of 1,171.4 million baht from 31 December 2014 was as follows:

Unit: million baht

	As at September 30, 2015	As at December 31, 2014	Variance
<i>Current liabilities</i>			
Current portion long-term loans and liabilities arising from financial lease of aircrafts	667.9	1,119.0	(451.1)
Unearned income	1,927.6	2,151.2	(223.6)
Other current liabilities	1,620.5	967.0	653.5
<i>Total current liabilities</i>	<i>6,499.1</i>	<i>6,734.5</i>	<i>(235.4)</i>
<i>Non-Current liabilities</i>			
Long-term loans, liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion	2,012.4	1,013.1	999.3
Long-term loans from related party – net of current portion	11,306.1	11,285.7	20.4
Deferred tax liabilities	4,008.0	3,711.6	296.4
<i>Total non-current liabilities</i>	<i>17,819.2</i>	<i>16,412.5</i>	<i>1,406.7</i>
<i>Total liabilities</i>	<i>24,318.3</i>	<i>23,146.9</i>	<i>1,171.4</i>

Current liabilities

Total current liabilities amounting to 6,499.1 million baht decreased from 31 December 2014 by 235.4 million 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 391.0 million baht and 276.9 million baht, decreased from 31 December 2015 by 273.4 million baht and 177.7 million baht respectively in accordance with

the conditions stated in loan agreement and finance lease agreement. As of 30 September 2015, Bangkok Airways has an ownership in five ATR72-500s.

- An increase in *other current liabilities* by 653.5 million baht largely due to accrued interim dividends to the shareholders amounted to 525.0 million baht which were paid in October 2015.

Non-current liabilities

Total non-current liabilities of the Company is 17,819.2 million baht, increasing by 1,406.7 million baht, mainly from:

- Finance lease of ATR72-600 in February and September 2015 caused *liabilities arising from finance lease of aircrafts* to increase by 1,147.4 million baht.
- *Deferred tax liabilities* increased by 296.4 million baht due to mark to market of the available for sale investment in securities.

Shareholders' Equity

Unit: million baht

	As at September 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	373.4	(362.7)	736.1
<i>Total shareholders' equity</i>	<i>27,469.5</i>	<i>25,432.0</i>	<i>2,037.5</i>

As of 30 September 2015, total shareholders' equity of the Company and its subsidiaries is 27,469.5 million baht, an increase of 2,037.5 million baht. Note that the movement between two periods also included the changes in the market value of the available for sale investment in securities and interim dividend paid to the shareholders at the amount of 525.0 million baht in October 2015.

Statement of Cash Flow

Unit: million baht

	January - September	
	2015	2014
Net cash flow from (used in) operating activities	1,362.2	(495.9)
Net cash flow from investing activities	6,888.1	434.5
Net cash flow used in financing activities	(1,407.6)	(902.1)
<i>Cash and cash equivalents at end of the period</i>	<i>9,017.8</i>	<i>1,589.4</i>

Cash flows from operating activities

As of 30 September 2015, the profit of the Company and its subsidiaries before changes in operating activities was 2,913.4 million baht while the amount of cash inflows from operating activities was 2,652.1 million baht. The decrease was mostly due to the settlement of account payable and loan repayment of under finance lease payable.

Cash flows from investing activities

As of 30 September 2015, cash inflows from investing activities of the Company and its subsidiaries was 6,888.1 million baht which was resulting from liquidity management by moving current investments to bank deposits to ensure capital availability for upcoming projects. There were dividend received from Bangkok Dusit Medical Services (BDMS) and SPF amounted to 736.7 million baht.

Cash flows from financing activities

As of 30 September 2015, the Company and its subsidiaries have cash outflows used in financing activities at the amount of 1,407.6 million baht mostly for loan repayment of 482.6 million baht and dividends payment to shareholders of 945.0 million baht.

Summary Consolidated Financial and Ratio

		January - September	
		2015	2014
Liquidity Ratio	Current Ratio (Time)	2.5	0.6
	Quick Ratio (Time)	5.1	3.7
	Collection Period (Day)	23.8	25.5
	Stock Turnover Period (Day)	5.4	4.9
	Payment Period (Day)	33.0	34.7
Profitability Ratio	Gross Profit Margin (%)	21.7	15.6
	Operating Profit Margin (%)	13.1	7.3
	EBITDAR Margin (%)	22.8	18.4
	Net profit Margin (%)	9.5	1.0
	Return on Equity (%)	9.0	2.0
Efficiency Ratio	Return on Assets (%)	4.7	0.6
	Return on Fixed Assets (%)	41.3	13.1
	Asset Turnover (Time)	0.5	0.6
Leverage Ratio	Debt to Equity (Time)	0.9	1.7
	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.

