



Management's Discussion and Analysis

For the period ended 31 December 2015

Bangkok Airways Public Company Limited and Its Subsidiaries

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Executive Summary

Overall Thai economy for year 2015 was mainly driven from government spending on projects related to public utilities and immense infrastructure, and tourism industry. Economic growth for this year comparing to year 2014 was 2.8 percent which was lower than the forecast announced in November 2015 by 0.1 percent. This was affected by the slow growth in global economy, and also a continuous decline in fuel price (Source: Office of the National Economic and Social Development Board). Nevertheless, this would somehow become an important factor that will encourage economic stimulus by the government.

In part of export which is used as an economic indicator for demand side, it was shrinking significantly by 5.8 percent, the hardest shrinkage in 6 years (Source: Ministry of Commerce). Again, the weakening was from flat growth in global economy as well as key trading partners including the United States, Europe, Japan and China who has slowed down an import of goods. In addition, the sluggish growth of Chinese economy could be another factor. As a consequence, it is unlikely for global demand to recover, and finally affect the export from Thailand. However, the export to CLMV (Cambodia-Laos-Myanmar-Vietnam) group has still outperformed.

Recently, tourism industry becomes an important driving force of Thai economy. The expansion of the industry was recognizable from rising numbers of both domestic and international tourists, despite the external factors that might impact tourism like political unrest and Ratchaprasong bombing in August 2015. Those situations were rapidly recovered as seen from 20.0 percent growth in number of inbound international tourists, particularly the Asians, comparing to year 2014. Number of Chinese tourists has outgrown by 73.4 percent while number of the Europeans (excluding Russians) and the Middle East have expanded by 6.6 percent and 11.0 percent respectively (Source: Department of Tourism, Ministry of Tourism and Sport). Additionally,



tourism strategy has been thoroughly supported by the Ministry of Tourism and Sport by improving tourist attractions and service quality to meet general standard. The improvement has involved the development of infrastructure, transportation in particular, in order to cover main and secondary routes to tourist attractions.

Overall aviation industry for year 2015 still showed 6.5 percent growth in revenue passenger kilometers (RPK) of all region while RPK of Asia-Pacific was growing at 8.6 percent, the second highest following the Middle-East's whose RPK growth was at 10.0 percent. The available seat kilometers (ASK) of all region and Asia-Pacific was increasing by 5.6 percent and 6.7 percent respectively (Source: International Air Transport Association). The growing number of passengers was mainly derived from lower fares which decreased by 5.0 percent, comparing to year 2014. For the growth within Asia-Pacific, this could be a consequence from 7.3 percent increase in direct flights to the region which may stimulate passengers' traveling demand as less time required for a trip.

For year 2016, Kasikorn Research forecast the number of international visitors will be 31.4 – 32.3 million people approximately, increasing by 5.0 – 8.0 percent from year 2015, resulting from marketing campaigns launched by the government and intense competition among airline business, which might become more intense from additional marketing activities initiated by foreign airlines in Asia-Pacific and Thailand which are remarked to have excessive tourism growth potential. One main target group is surely tourists from East Asia, including Chinese tourists and investors. Thailand is still considered as a preferred destination for the Chinese. Moreover, the group of the Middle East may have to monitor fuel price since this can impact their economic stability. Visiting Thailand as a destination of medical tourism, the spending per head of the Middle East is usually high. The research also stated that the growth in European market in year 2016 will convert from negative growth at -8.7 percent to be positive growth at 3.0 percent. Nevertheless, several factors may have an influence in growth of tourism industry for year 2016; for example, Thai economy, political issue, terrorism and tourism competition among countries.

Similarly, the number of passengers of Bangkok Airways rose by 7.5 percent for year 2015; the market with the largest incremental number of passengers was from point-of-sale in Asia, Europe and North America respectively. In term of percentage growth, overall European market arriving Thailand in year 2015 declined by 8.2 percent (Source: Tourism Authority of Thailand), the Company was able to achieve 15.6 percent growth in this market, based on our point-of-sale.

In year 2015, the Company had total revenue amounting to 24,902.9 million baht, rising from the previous year by 12.6 percent. An increase in total revenue was resulting from 8.9 percent growth in airline business and 17.3 percent growth in airport-related businesses, excluding cargo services. The improving performance of airline business was mostly contributed to growing number of passengers and better average fares together with dropping fuel costs. The average passenger load factor was 66.8 percent. Passenger yield per RPK was 4.99 Baht, increased from year 2014 by 2.0 percent.

Regarding three airport-related businesses including catering services, ground services and cargo services, overall performance of catering and ground services was better than year 2014 as a result of increasing number of passengers and flights at Suvarnabhumi airport. New airline customers have also been obtained in part of ground services. Nevertheless, as mentioned above, the slow growth of global economy had direct impact to amount of exported goods to be considerably declining which then caused its performance to be lower than the previous year.

Net profit was reported at 1,849.1 million baht which profit attributable to the equity holder of the Company was 1,796.9 million baht. Earnings per share for the year was 0.86 baht.



Significant Changes in Year 2015

1. In year 2015, the Company has increased flight frequencies and operated new routes as following:

Adding Flight Frequencies:

- Samui – Phuket from 35 flights per week to 42 flights per week (December 2015)
- Samui – Singapore from 7 flights per week to 10 flights per week (March 2015)
and from 10 flights per week to 12 flights per week (October 2015)
- Samui – Kuala Lumpur from 7 flights per week to 11 flights per week (March 2015)
- Bangkok – Phuket from 56 flights per week to 63 flights per week (October 2015)
- Chiang Mai – Yangon from 4 flights per week to 7 flights per week (December 2015)
- Chiang Mai – Mandalay from 3 flights per week to 4 flights per week (December 2015)

New Route:

- Phuket – Hat Yai 7 flights per week (October 2015)

2. As of 31 December 2015, the Company has 20 codeshare partners which increased by 4 airlines from year 2014.

- China Airline which is to enable the Company to increase number of passengers and expand its route network by connecting Taipei and Kaohsiung, Taiwan.
- Jet Airways which is to provide more travel choices for passengers by generating more frequencies between Bangkok – Mumbai (India) from 1 flight to 4 flights a week.
- Emirates Airline which 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, and somehow deliver such traffic to the network of the Company.



- Air Astana which is the flag carrier of the Republic of Kazakhstan that would reinforce the international global network and offer more travel choices for customers with seamless and convenient connections.
- 3. Bangkok Airways was selected by worldwide passengers and guaranteed by global standard award called “Skytrax” to be the second World’s and Asian’s best regional airline.
- 4. Bangkok Airways was cited as a Top Ten Airline Overall Worldwide, and was 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.
- 5. As of 31 December 2015, the Company has 31 aircrafts which consists of:

Fleet Type	As of 31 December 2015	As of 31 December 2014
Airbus A320	8	8
Airbus A319	11	10
ATR72-500	8	8
ATR72-600	4	1
Total	31	27

One Airbus A319 was delivered in January 2015 while 3 ATR72-600 under finance lease structure were delivered in February, September and December 2015 respectively.

- 6. The Company was permitted by the Department of Aviation to increase the passenger service charges for international outbound passengers at Samui Airport from 600 baht per person to 700 baht per person started from 1 June 2015 onwards.
- 7. In year 2015, Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) has 7 additional airlines causing total number of its customers to be from 61 airlines to 68 airlines for ground service equipment, and from 46 airlines to 53 airlines for passenger services as of 31 December 2015.

8. 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 99.9 percent. Currently, the operation site is under construction.
9. In December 2015, the Company invested in Fuel Pipeline Transportation Company Limited (FPT), which is a subsidiary of Bangkok Aviation Fuel Services Public Company Limited (BAFS), by purchasing 7.0 percent of issued and paid-up shares. The core activity of FPT is to transport various kind of fuel to all regions throughout Thailand via pipeline. The registered capital was 260.6 million baht. The purpose of the capital increase is to expand its pipeline network from Bang Pa-In Depot to the northern part of Thailand.



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	January-December	
		2015	2014
Schedule passenger revenues ⁽¹⁾	Million Baht	19,517.1	18,063.6
Domestic		11,886.1	11,027.7
International		7,631.0	7,035.9
Available Seat Kilometers (ASK) ⁽²⁾	Million Seat - Kilometers	5,853.6	5,655.0
Domestic		3,365.4	3,230.5
International		2,488.2	2,424.5
Revenue Passenger Kilometers (RPK) ⁽²⁾	Million Seat - Kilometers	3,911.5	3,691.4
Domestic		2,350.0	2,209.3
International		1,561.5	1,482.1
Passenger Load Factor	Percentage	66.8	65.3
Domestic		69.8	68.4
International		62.8	61.1

	Unit	January-December	
		2015	2014
Number of schedule passengers carried ⁽²⁾	Thousand	5,149.5	4,789.8
Domestic		3,719.6	3,487.5
International		1,429.9	1,302.3
Number of flight flown	Flight	63,180	60,612
Domestic		43,876	42,239
International		19,304	18,373
Total seat capacity	Thousand	7,653.4	7,357.2
Domestic		5,290.4	5,080.6
International		2,363.0	2,276.6
Aircraft utilization ⁽³⁾	Block Hour	9.02	8.81
Airbus A320	per Day	9.63	9.14
Airbus A319	per Aircraft	9.32	9.43
ATR 72-500 & ATR 72-600		8.10	7.82
Number of aircraft at end of year	Aircraft	31	27
Airbus A320		8	8
Airbus A319		11	10
ATR 72-500		8	8
ATR 72-600		4	1
Average Stage Length	Kilometers	759.6	770.7
Kilometers flown ⁽²⁾	Million Kilometers	45.8	44.3
Passenger Yield ⁽⁴⁾	Baht per Passenger - Kilometers	4.99	4.89
Revenue ASK (RASK)		3.60	3.41
Cost per ASK (CASK)	Baht per Available	3.30	3.26
Cost per ASK excluding fuel cost	Seat - Kilometers	2.55	2.34
RASK – CASK		0.30	0.15

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 December 31, 2015

Unit: million baht

	January-December			
	2015	2014	Variance	
			Amount	%
Net profit (loss) for the period	1,849.1	385.7	1,463.4	379.4
Plus:				
Finance Cost	1,606.4	1,638.4	(32.0)	(2.0)
Income tax expenses	250.0	0.5	249.5	49,900.0
Written-off fixed assets	1.0	11.8	(10.8)	(91.5)
Less:				
Dividend income	280.4	244.1	36.3	14.9
Interest received	255.8	73.6	182.2	247.6
Gain on foreign exchange	322.9	71.7 ⁽¹⁾	251.2	350.4
Non-operating revenues ⁽²⁾	9.2	7.3	1.9	26.0
EBIT ⁽³⁾	2,838.2	1,639.6	1,198.6	73.1
Plus:				
Depreciation and amortization	833.4	644.7	188.7	29.3
EBITDA ⁽³⁾	3,671.6	2,284.4	1,387.2	60.7
Plus:				
Operating lease expenses	1,621.7	1,754.0	(132.3)	(7.5)

	January-December			
	2015	2014	Variance	
			Amount	%
EBITDAR ⁽³⁾	5,293.3	4,038.4	1,254.9	31.1
Total revenue	24,902.9	22,123.5	2,779.4	12.6
Operating revenue ⁽⁴⁾	24,034.6	21,726.8	2,307.8	10.6
Profit attributable to equity holders of the Company	1,796.9	351.1	1,445.8	411.8
EBIT Ratio (%)	11.8	7.6	4.2	
EBIDA Ratio (%)	15.3	10.5	4.8	
EBITDAR Ratio (%)	22.0	18.6	3.4	

Remark

- (1) For financial statements as of 31 December 2014, gain on foreign exchange was included in other revenues.
- (2) Comprises of gain on sale of investments, sale of investment in subsidiaries and sale of assets.
- (3) 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.
- (4) Comprises of total revenue net dividend income, gain on foreign exchange, interest income and non-operating revenues.

Operating Profit and Net Income

The operating revenue of the Company for year 2014 and year 2015 were 21,726.8 million baht and 24,034.6 million baht respectively, increasing by 10.6 percent while total operating expenses increased from 20,530.1 million baht to 21,692.8 million baht or around 5.7 percent, largely due to an increase in personnel expenses, cost of passenger services and aircraft maintenance.

The earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were derived from total income (excluding dividend income, gain on foreign exchange, interest income and non-operating revenues) less total expenses plus depreciation and amortization expenses, and aircraft rental, equaled to

4,038.4 million baht and 5,293.3 million baht or 18.6 percent and 22.0 percent of total operating revenue for year 2014 and year 2015 respectively.

For year 2015, net profit of the Company was 1,849.1 million baht, an increase of 1,463.4 million baht or 379.4 percent from the same period last year in which the amount attributable to equity holders of the Company was 1,796.9 million baht or 97.2 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

	January-December					
	2015	%	2014	%	Variance	
					Amount	%
1. Airlines	19,429.6	78.0	17,844.1	80.7	1,585.5	8.9
2. Airports	535.3	2.2	504.3	2.3	31.0	6.2
3. Airport-related services	3,148.3	12.6	2,684.4	12.1	463.9	17.3
4. Unallocated revenue	1,789.7	7.2	1,090.7	4.9	699.0	64.1
Total Revenue	24,902.9	100.0	22,123.5	100.0	2,779.4	12.6

Revenue from Airline Operations

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

	January-December			
	2015	2014	Variance	
			Amount	%
Net scheduled passenger revenue	19,087.4	17,492.0	1,595.4	9.1
Charter flights and charter services revenue	16.6	20.6	(4.0)	(19.4)
Total passenger revenue	19,104.0	17,512.6	1,591.4	9.1
Cargo revenue	325.6	331.5	(5.9)	(1.8)
Total revenue from airline business	19,429.6	17,844.1	1,585.5	8.9

The revenue from scheduled flights and charter flights for year 2015 rose by 9.1 percent from last year, mainly due to 7.5 percent increase in number of passengers from adding flight frequencies in routes that have high demand especially from connecting passengers through codeshare partners, whereas seat capacity grew by 4.0 percent. The Company has also started operating Phuket-Hat Yai in October 2015 which passengers' load factor was around 70%.

Revenue from Airport Operations

In year 2014 and year 2015, revenue from airport operations was accounted for 2.3 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. Revenue from airport operations was 535.3 million baht or increased by 6.2 percent from year 2014 as a result of rising number of outbound passengers at Samui airport. 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.

Total number of seat capacity and passengers departed from Samui Airport with Bangkok Airways was 1.3 million seats and 1.1 million people in year 2015, growing from the same period last year by 4.2 percent and 5.4 percent 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

	January-December	
	2015	2014
<i>Catering services (BAC):</i>		
Revenue ⁽¹⁾	1,456.0	1,350.0
EBITDA	431.6	372.0
Net income	284.5	267.0
Number of meals produced and uplifted (million meals)	9.9	8.9
<i>Ground Services (BFS Ground):</i>		
Revenue ⁽¹⁾	2,130.1	1,948.8
EBITDA	304.8	246.0
Net income	146.1	111.5
Number of flights handled (flight)	58,074	54,871
<i>International cargo terminal services data (BFS Cargo):</i>		
Revenue ⁽¹⁾	1,567.9	1,557.7
EBITDA	672.2	684.1
Net income	443.6	453.9
Tonnage	375,301	371,530

	January-December	
	2015	2014
Cargo capacity (ton per year) ⁽²⁾	450,000	550,000
Utilization (%)	83.4	67.6

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 (current proportion of imported goods to exported goods was 46:54, changing from 34:66) which require longer time in transit whereas the exported goods take only 0.5 day in the warehouse before shipping out; thus, overall capacity was reduced from 550,000 ton per year to 450,000 ton per year.

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

Unit: million baht

	January-December			
	2015	2014	Variance	
			Amount	%
Bangkok Air Catering Company Limited (BAC)	1,020.8	943.7	77.1	8.2
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	1,694.0	1,487.1	206.9	13.9
Bangkok Airways Ground Service Company Limited (PGGS)	322.9	253.6	69.3	27.3
Other revenue ⁽¹⁾	110.6	-	110.6	n.a.
Total revenue from airport-related operations	3,148.3	2,684.4	463.9	17.3

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)

For year 2015, the operating performance of BAC increased from 943.7 million baht to 1,020.8 million baht or 8.2 percent as a result of 11.2 percent growth in number of meals served to airline customers which aligned with increasing number of passengers at Suvarnabhumi airport.

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

The operating performance of BFS Ground of year 2015 increased from 1,487.1 million baht to 1,694.0 million baht as a consequence of increasing number of flights and new airline customers. During the year, BFS Ground has engaged with 7 new airlines customers.

Bangkok Airways Ground Service Company Limited (PGGS)

For this year, the operating performance of PGGS was higher from the previous year from 253.6 million baht to 322.9 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 starting from the beginning of year 2015.

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

	January-December			
	2015	2014	Variance	
			Amount	%
Dividend income	280.4	244.1	36.3	14.9
Gain on foreign exchanges	322.9	71.7	251.2	350.4
Gain on sales of investments in securities and subsidiaries	0.1	3.4	(3.3)	(97.1)
Other revenues ⁽¹⁾	1,186.3	771.5	414.8	53.8
<i>Total unallocated revenues</i>	1,789.7	1,090.7	699.0	64.1

Remark: (1) other revenues consist of passenger ticket charges, excess baggage charges, interest income and etc.

Total unallocated revenues of the Company for year 2014 and year 2015 largely increased from 1,090.7 million baht to 1,789.7 million baht consecutively. The differences between two periods were mainly resulting from gain on foreign exchanges, causing by the depreciation of Thai Baht at the second half of the year. An increase in other revenues aligned with growing number of passengers for passenger ticket charges and excess baggage charges.

Share of Profit from Investments in Associates

The Company has share of profit from associated companies, increasing from 437.7 million baht to 504.2 million baht for year 2014 and year 2015 respectively. Primarily, the share of profit was derived from investment in WFS-PG Cargo Company Limited and Samui Property Fund (SPF).

Unit: million baht

	January-December			
	2015	2014	Variance	
			Amount	%
WFS-PG Cargo Company Limited	217.4	232.6	(15.2)	(6.5)
Samui Property Fund	286.8	205.1	81.7	39.8

Expenses

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

Unit: million baht

	January-December					
	2015	%	2014	%	Variance	
					Amount	%
Cost of sales and services	18,228.3	84.0	17,563.1	85.5	665.2	3.8
Selling expenses	1,748.1	8.1	1,510.2	7.4	237.9	15.8
Administrative expenses	1,716.3	7.9	1,456.8	7.1	259.5	17.8
Other expenses	8.8	0.0	6.5	0.0	2.3	35.4
Total Expenses	21,701.5	100.0	20,536.6	100.0	1,164.9	5.7

Costs of Sales and Services

Costs of sales and services principally consist of fuel costs, cost of passenger services, personnel expenses, aircraft repair and maintenance costs, and aircraft rentals.

Costs of sales and services were accounted for 85.5 percent and 84.0 percent of total operating expenses for year 2014 and year 2015 respectively. The rising cost of sales and services was mainly due to increasing cost of passenger services, personnel expenses, 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 year 2015, fuel costs decreased from 5,205.0 million baht in year 2014 to 4,401.3 million baht which was accounted for 29.6 percent and 24.2 percent of total cost of sales and services. The decreasing amount was mostly due to lower average market fuel price.

As at 31 December 2015, the Company has entered into a forward purchase contract (fuel hedging) at the average of 48.7 percent of fuel consumption.

Cost of Passenger Services: cost of passenger services increased were also higher from 2,609.6 million baht to 3,072.4 million baht for year 2015 comparing to the previous year. The significant increase was mostly due to fine paid to Airport of Thailand Public Company Limited (AOT) for passenger services charges in the past years at their airports. AOT claimed that number that the Company had submitted was lower than it should be; however, after the discussion between two parties, the amount was agreed at 100.0 million baht, and was considered as one-off transaction. Apart from this matter, the increasing cost was due to rising number of passengers and number of flights.

Personnel Expenses: the personnel expenses consist of salaries, wages and benefits. For year 2015, the expense was increasing from 2,205.7 million baht to 2,753.4 million baht which was derived from a growing number of employees, especially flight crews which aligned with growing number of aircrafts during the year, annual salary increase and bonus.

Aircraft Repair and Maintenance Costs: aircraft repair and maintenance costs were higher from 1,974.9 million baht to 2,218.7 million baht in year 2015 comparing to prior year. These costs were largely derived from “Maintenance Reserve Fund” which is attached to the aircraft lease agreement. During this year, the Company has leased additional aircrafts, resulting in larger maintenance reserve fund. There was also some additional costs incurred for repairing and maintaining the aging aircraft.

Aircraft Rental Costs: the Company had lower aircraft rental costs which decreased from 1,754.0 million baht in year 2014 to 1,621.7 million baht in year 2015. The proportion to total cost of sales and services was 10.0 percent and 8.9 percent respectively.

Selling Expenses

For year 2014 and 2015, selling expenses were accounted for 7.4 percent and 8.1 percent of total operating expenses. The increasing amount was mainly due to advertising expenses and expenses associated with Global Distribution System (GDS) which are usually variable based on number of passengers.

Administrative Expenses

The administrative expenses of the Company for year 2014 and 2015 were accounted for 7.1 percent and 7.9 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

	January-December			
	2015	2014	Variance	
			Amount	%
Interest expenses paid to the Samui Property Fund	1,351.4	1,294.1	57.3	4.4
Interest and Fee expenses ⁽¹⁾	255.0	344.3	(89.3)	(25.9)
Total	1,606.4	1,638.4	(32.0)	(2.0)

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

Total interest paid to SPF for the year increased from 1,294.1 million baht to 1,351.4 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 344.3 million baht to 255.0 million baht from loan repayment.

Assets

As of 31 December 2015, the Company and its subsidiaries have total assets amounting to 57,012.6 million baht, increasing by 8,433.7 million baht from:

Unit: million baht

	As at December 31, 2015	As at December 31, 2014	Variance
Current assets			
Cash & cash equivalents and current investments	13,243.5	13,700.2	(456.7)
Trade and other receivables	1,847.1	1,705.5	141.6
Total current assets	15,846.3	16,561.0	(714.7)
Non-current assets			
Other long-term investments	27,003.2	20,936.2	6,067.0
Property, plant and equipment	9,559.0	7,033.5	2,525.5

	As at December 31, 2015	As at December 31, 2014	Variance
Total Non-current assets	41,166.3	32,017.9	9,148.4
Total assets	57,012.6	48,578.9	8,433.7

Current assets

Total current assets of the Company as of 31 December 2015 is 15,846.3 million baht, decreased from 31 December 2014 by 714.7 million baht. This was mainly due to:

- *Cash & cash equivalents and current investments* decreased by 456.7 million baht, mainly from the usage of IPO proceeds for investing activities.

Non-current assets

Total non-current assets of the Company is 41,166.3 million baht, increased from the end of year 2014 by 9,148.4 million baht.

- *Investment in associates* increased by 780.6 million baht from additional investment in Samui Airport Property Fund (SPF), resulting in an increase in an ownership from 25.0 percent to 30.0 percent.
- *Other long-term investments* increased by 6,067.0 million baht due to the mark to market of long-term investments in marketable securities.
- *Property, Plant and Equipment* increased by 2,525.5 million baht from a purchase of ATR72-600 under finance lease in February, September and December 2015, ground equipment and aircraft spare parts.

Liabilities

As at 31 December 2015, the Company and its subsidiaries have liabilities amounting of 25,916.9 million baht. An increase of 2,770.0 million baht from 31 December 2014 was as follows:

Unit: million baht

	As at December 31, 2015	As at December 31, 2014	Variance
<i>Current liabilities</i>			
Current portion long-term loans and liabilities arising from financial lease of aircrafts	500.0	1,119.0	(619.0)
Unearned income	2,328.1	2,151.2	176.9
Other current liabilities	1,405.8	967.0	438.8
<i>Total current liabilities</i>	<i>6,525.1</i>	<i>6,734.5</i>	<i>(209.4)</i>
<i>Non-Current liabilities</i>			
Long-term loans, liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion	2,503.8	1,013.1	1,490.7
Long-term loans from related party – net of current portion	11,354.1	11,285.7	68.4
Deferred tax liabilities	5,040.3	3,711.6	1,328.7
<i>Total non-current liabilities</i>	<i>19,391.8</i>	<i>16,412.4</i>	<i>2,979.4</i>
<i>Total liabilities</i>	<i>25,916.9</i>	<i>23,146.9</i>	<i>2,770.0</i>

Current liabilities

Total current liabilities amounting to 6,525.1 million baht decreased from 31 December 2014 by 209.4 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 307.7 million baht and 192.3 million baht, decreased from 31 December 2014 by 356.7 million baht and 262.2 million baht respectively in accordance

with the conditions stated in loan agreement and finance lease agreement. As of 31 December 2015, Bangkok Airways has an ownership in six ATR72-500s.

- A growth in *unearned revenue* by 176.9 million baht from 31 December 2014 which was in line with increasing growing passenger revenue.
- An increase in *other current liabilities* by 438.8 million baht largely due to increasing airport tax that has not been due yet, together with accrued bonus payment which will be paid in January 2016.

Non-current liabilities

Total non-current liabilities of the Company is 19,391.8 million baht, increasing by 2,979.4 million baht, mainly from:

- Finance lease of 3 ATR72-600 in February, September and December 2015 caused *liabilities arising from finance lease of aircrafts* to increase by 1,680.2 million baht.
- *Deferred tax liabilities* increased by 1,328.7 million baht due to mark to market of the available for sale investment in securities.

Shareholders' Equity

Unit: million baht

	As at December 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	430.9	(362.7)	793.6
<i>Total shareholders' equity</i>	<i>31,095.7</i>	<i>25,432.0</i>	<i>5,663.7</i>

As of 31 December 2015, total shareholders' equity of the Company and its subsidiaries is 31,095.7 million baht, an increase of 5,663.7 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 dividend payments based on the performance of year 2014 and interim dividend of year 2015, amounting to 945.0 million baht.

Statement of Cash Flow

Unit: million baht

	January-December	
	2015	2014
Net cash flow from (used in) operating activities	1,791.7	(220.7)
Net cash flow from investing activities	2,225.3	(11,032.2)
Net cash flow used in financing activities	(1,564.1)	10,875.2
<i>Cash and cash equivalents at end of the period</i>	<i>4,628.0</i>	<i>2,175.1</i>

Cash flows from operating activities

As of 31 December 2015, the profit of the Company and its subsidiaries before changes in operating activities was 3,667.4 million baht while the amount of cash inflows from operating activities was 3,441.6 million baht. The movement was mainly due to:

1. Outstanding airport tax that has not been due yet
2. Accrued bonus payment which will be paid in January 2016
3. Increasing trade receivables and other assets from pre-delivery payment of aircrafts

Cash flows from investing activities

As of 31 December 2015, cash inflows from investing activities of the Company and its subsidiaries was 2,225.3 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 877.5 million baht. Furthermore, the Company had capital injection in SPF during the year.

Cash flows from financing activities

As of 31 December 2015, the Company and its subsidiaries have cash outflows used in financing activities at the amount of 1,564.1 million baht, mostly for loan repayment of 631.1 million baht and dividends payment to shareholders of 945.0 million baht.

Summary Consolidated Financial and Ratio

		January-December	
		2015	2014
Liquidity Ratio	Current Ratio (Time)	2.4	2.5
	Quick Ratio (Time)	5.1	3.7
	Collection Period (Day)	24.8	26.8
	Stock Turnover Period (Day)	5.7	5.1
	Payment Period (Day)	32.8	33.4
Profitability Ratio	Gross Profit Margin (%)	21.1	16.5
	Operating Profit Margin (%)	12.3	8.1
	EBITDAR Margin (%)	22.0	18.6
	Net profit Margin (%)	7.4	1.7
	Return on Equity (%)	6.5	2.4
Efficiency Ratio	Return on Assets (%)	3.5	1.0
	Return on Fixed Assets (%)	32.3	15.4
	Asset Turnover (Time)	0.5	0.6
Leverage Ratio	Debt to Equity (Time)	0.8	0.9
	Interest Coverage Ratio (Time)	2.3	1.4

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.