



Management's Discussion and Analysis

For the three-month period ended 31 March 2016

Bangkok Airways Public Company Limited and Its Subsidiaries



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Management's Discussion and Analysis for the First Quarter of year 2016 ended 31 March 2016

Executive Summary

During the first quarter of year 2016, Thai economy has expanded only by 3.0 percent from slow growth of private consumption during the period, and a consequence of government campaigns at the end of last year with the purpose of economic stimulus including “Shop Chuay Chart” scheme in which the spending on certain products can be tax-deductible, and the enforcement of new excise tax rates on cars in 2016. In the meantime, the export is decelerating from sluggish Chinese and ASEAN’s economy. Specifically, the price of oil-linked exported goods is still declining which cause the shrinkage in overall industrial sector. Nevertheless, Thailand showed a current account surplus due to high income generated from tourism sector while the number of imports was low (Source: Bank of Thailand).

Overall aviation industry for this quarter still showed 7.0 percent growth in revenue passenger kilometers (RPK) of all region while RPK of Asia-Pacific was growing at 8.6 percent. The available seat kilometers (ASK) of all region and Asia-Pacific was increasing by 7.0 percent and 8.3 percent respectively. The growing number of passengers was mainly derived from lower fares and continuous expansion on airlines’ route networks (Source: International Air Transport Association).

For Thailand, the tourism sector has outperformed by having 15.5 percent growth in number of foreign visitors; 19.0 and 9.0 percent growth in number of Asian tourists and number of European tourists consecutively. These two regions were considered as the main tourism market which represented about 91.0 percent of total number of foreign visitors to Thailand. In addition, the Tourism Authority of Thailand foresee the expansion in this sector in year 2016 for which numerous tourism campaigns will be launched during the year in order to bring in more quality tourists as well as to encourage domestic tourism as found out that Thai people are still aware of spending. The moving factors would be economic recovery in USA and some European countries such as the United Kingdom, Finland, Sweden, etc. An indirect impact from Russia’s boycott of Egypt and Turkey cause Russian tourists to travel to Asia, Thai, India and Vietnam in particular, instead which results in an upturn of Russian market. Besides, safety and security environment within the region tends to attract sensible tourists from China, Japan and Hong Kong to travel in Asia rather than having long-haul trip.



Similarly, the number of passengers of Bangkok Airways rose by 10.5 percent for this quarter; the number of passengers from point-of-sale in Asia (excluding Thailand) was growing by 18.2 percent which was in line with the ascending number of Asian market arriving Thailand from January to March 2016 at 18.5 percent (Source: Tourism Authority of Thailand). This was largely supported by increasing number of passengers from point-of-sale in Singapore, Vietnam, Hong Kong, Myanmar and Taiwan.

In the first quarter of year 2016, the Company had total revenue amounting to 7,775.7 million baht, increasing from the same quarter last year by 15.5 percent. An increase in total revenue was resulting from 12.4 percent growth in airline business and 10.0 percent growth in airport-related businesses, excluding cargo services. The improving performance of airline business was mostly contributed to growth in number of passengers and better average fares together with declining fuel costs. The average passenger load factor was 74.4 percent, increasing by 2.5 percentage point. Passenger yield per RPK was 5.44 Baht, increased from previous year by 4.5 percent.

Regarding three airport-related businesses including catering services, ground services and cargo services, overall performance of ground services positively enhanced from the first quarter of year 2015 from additional airline customers in part of ground service equipment, causing the number of flights to increase by 10.9 percent. Nevertheless, the performance of catering services dropped from the same period last year as 3 airline customers had ended service agreement when compared with the same period last year. Furthermore, the performance of cargo business slightly improved due to slow economic recovery.

Net profit was reported at 1,574.6 million baht, rising from the first quarter of year 2015 by 44.9 percent of which profit attributable to the equity holder of the Company was 1,552.9 million baht. Earnings per share for this quarter was 0.74 baht.

Notable Events

Notable events in the first quarter of 2016:

1. In the first quarter, the Company increased flight frequencies as following:
 - Bangkok – Phnom Pehn from 35 flights per week to 42 flights per week (January 2016)
 - Samui – Singapore from 12 flights per week to 14 flights per week (March 2016)
2. As of 31 March 2016, the Company has 32 aircrafts which consists of:



Fleet Type	As of 31 March 2016	As of 31 December 2015
Airbus A320	8	8
Airbus A319	12	11
ATR72-500	7	8
ATR72-600	5	4
Total	32	31

One ATR72-600 under finance lease was delivered in January 2016 while one ATR72-500 under operating lease was expired in March 2016. One Airbus A319 was also delivered in February 2016 which was under operating lease agreement.

3. Bangkok Air Catering Company Limited (BAC) invested 99.9 percent in Bangkok Air Catering Samui Company Limited as well as Bangkok Air Catering Phuket Company Limited. The registered capital is 20.0 million baht and 100.0 million baht respectively. The objective of such establishments is to provide catering services at Samui airport and Phuket airport.
4. Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) has 5 additional airlines causing total number of its customers to be from 64 airlines to 69 airlines for ground service equipment as of 31 March 2016.

Management's Discussion and Analysis

Bangkok Airways is a full serviced airline providing premium service to passengers. Company owns and operates 3 airports which are Samui Airport, Trat Airport and Sukhothai Airport. In addition to airline and airport businesses, it operates airport related businesses which include passenger and ramp services, catering services and international cargo warehouse where it serves self and other airlines.

Consolidated financial statement of the Company consists of Separate Financial Statement and Financial Statements of the 10 subsidiaries that include: 1) Bangkok Air Catering Company Limited (BAC) 2) Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) 3) Bangkok Airways Ground Service Company Limited (PGGS) 4) Bangkok Airways Holding Company Limited (PGH) 5) SA Services Company Limited 6) BFS Cargo DMK Company Limited 7) BAC Gourmet House Company Limited 8) Bangkok Air Catering Phuket Company Limited 9) Gourmet Primo Company Limited and 10) Bangkok Air Catering Samui Company Limited

Airline Operating Data

	Unit	January-March	
		2016	2015
Schedule passenger revenues ⁽¹⁾	Million Baht	6,279.3	5,602.9
Domestic		3,898.9	3,506.8
International		2,380.4	2,096.1
Available Seat Kilometers (ASK) ⁽²⁾	Million Seat - Kilometers	1,551.1	1,495.7
Domestic		878.4	869.2
International		672.7	626.4
Revenue Passenger Kilometers (RPK) ⁽²⁾	Million Seat - Kilometers	1,153.6	1,075.2
Domestic		709.2	662.3
International		444.4	412.9
Passenger Load Factor	Percentage	74.4	71.9
Domestic		80.7	76.2
International		66.1	65.9
Number of schedule passengers carried ⁽²⁾	Thousand	1,580.0	1,430.5
Domestic		1,145.1	1,034.5
International		434.9	396.0
Number of flight flown	Flight	17,120	16,043
Domestic		11,828	11,303
International		5,292	4,740
Total seat capacity	Thousand	2,078.7	1,948.8
Domestic		1,405.5	1,339.8
International		673.2	609.0
Aircraft utilization ⁽³⁾	Block Hour	9.3	9.2
Airbus A320	per Day	10.4	10.0
Airbus A319	per Aircraft	9.8	9.2
ATR 72-500 & ATR 72-600		7.6	8.5
Number of aircraft at end of year	Aircraft	32	29
Airbus A320		8	8
Airbus A319		12	11
ATR 72-500		7	8
ATR 72-600		5	2

	Unit	January-March	
		2016	2015
Average Stage Length	Kilometers	730.1	751.6
Kilometers flown ⁽²⁾	Million Kilometers	12.1	11.7
Passenger Yield ⁽⁴⁾	Baht per Passenger - Kilometers	5.44	5.21
Revenue ASK (RASK)		4.42	3.94 ⁽⁵⁾
Cost per ASK (CASK)	Baht per Available	3.29	3.15
Cost per ASK excluding fuel cost	Seat - Kilometers	2.80	2.34
RASK – CASK		1.13	0.79

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.
- (5) The differences from prior presentation was from the deduction of interest income from total revenue in separate F/S.

Operating performance summary for the three-month period ended March 31, 2016

Consolidated financial statement for the year 2016 comprises Bangkok Airways' financial statement and ten subsidiaries as follows:

Unit: million baht

	January-March			
	2016	2015	Variance	
			Amount	%
Net profit (loss) for the period	1,574.6	1,086.7	487.9	44.9
Plus:				
Finance Cost	443.7	381.4	62.3	16.3

	January-March			
	2016	2015	Variance	
			Amount	%
Income tax expenses	241.8	118.7	123.1	103.7
Less:				
Dividend income	-	-	-	-
Interest received	39.7	77.8	(38.1)	(49.0)
Gain on foreign exchange	60.7	3.9	56.8	1,456.4
Non-operating revenues ⁽²⁾	4.9	0.2	4.7	2,350.0
EBIT ⁽³⁾	2,154.8	1,504.9	649.9	43.2
Plus:				
Depreciation and amortization	247.4	193.1	54.3	28.1
EBITDA ⁽³⁾	2,402.2	1,698.0	704.2	41.5
Plus:				
Operating lease expenses	448.4	405.5	42.9	10.6
EBITDAR ⁽³⁾	2,850.6	2,103.5	747.1	35.5
Total revenue	7,775.7	6,733.9	1,041.8	15.5
Operating revenue ⁽⁴⁾	7,670.4	6,652.0	1,018.4	15.3
Profit attributable to equity holders of the Company	1,552.9	1,069.9	483.0	45.1
EBIT Ratio (%)	28.1	22.6	5.5	
EBIDA Ratio (%)	31.3	25.5	5.8	
EBITDAR Ratio (%)	37.2	31.6	5.6	

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 the first quarter of year 2015 and year 2016 were 6,652.0 million baht and 7,670.4 million baht respectively, increasing by 15.3 percent while total operating expenses increased from 5,257.5 million baht to 5,685.3 million baht or around 8.1 percent, largely due to an increase in aircraft maintenance, personnel expenses and cost of passenger services. However, fuel costs for this quarter declined from 1,212.3 million baht to 756.5 million baht.

The earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were derived from total income (excluding dividend income, interest income, gain on foreign exchange and non-operating revenues) less total expenses plus depreciation and amortization expenses, and aircraft rental, equaled to 2,103.5 million baht and 2,850.6 million baht or 31.6 percent and 37.2 percent of total operating revenue for year 2015 and year 2016 respectively.

For the first quarter of year 2016, net profit of the Company was 1,574.6 million baht, an increase of 487.9 million baht or 44.9 percent from the same period last year in which the amount attributable to equity holders of the Company was 1,552.9 million baht or 98.6 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-March					
	2016	%	2015	%	Variance	
					Amount	%
1. Airlines	6,222.7	80.0	5,536.4	82.2	686.3	12.4
2. Airports	177.7	2.3	146.5	2.2	31.2	21.3
3. Airport-related services	879.2	11.3	799.6	11.9	79.6	10.0
4. Unallocated revenue	496.1	6.4	251.4	3.7	244.7	97.3
Total Revenue	7,775.7	100.0	6,733.9	100.0	1,041.8	15.5

Revenue from Airline Operations

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

Unit: million baht

	January-March			
	2016	2015	Variance	
			Amount	%
Net scheduled passenger revenue	6,138.6	5,459.7	678.9	12.4
Cargo revenue	84.1	76.7	7.4	9.6
Total revenue from airline business	6,222.7	5,536.4	686.3	12.4

Revenue from the scheduled services of both domestic and international flights in the first quarter of year 2015 and year 2016 increased from 5,459.7 million baht to 6,138.6 million baht respectively. The

increasing amount was due to 10.5 percent growth in number of passengers and 1.5 percent growth in average fares.

Revenue Passenger Kilometer (RPK) increased by 7.3 percent in the first quarter of year 2016 while revenue per ASK (RASK) grew from 3.94 baht to 4.42 baht. Unit margin were 0.79 baht and 1.13 baht for the first quarter of year 2015 and year 2016 respectively.

Revenue from Airport Operations

In the first quarter of year 2016, revenue from airport operations was accounted for 2.3 percent of total operating revenue of the Company. Majority of the airport revenue was derived from passengers services charged to outbound passengers at Samui Airport. Revenue from airport operations was 177.7 million baht or increased by 21.3 percent from same period last year as a result of 18.9 percent increase in 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.

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-March	
	2016	2015
<i>Catering services (BAC):</i>		
Revenue ⁽¹⁾	386.5	403.8
EBITDA	126.1	146.8
Net income	85.0	103.0
Number of meals produced and uplifted (million meals)	2.8	2.7
<i>Ground Services (BFS Ground):</i>		
Revenue ⁽¹⁾	599.1	513.6
EBITDA	120.4	74.8

	January-March	
	2016	2015
Net income	70.7	36.8
Number of flights handled (flight)	15,911	14,347
International cargo terminal services (BFS Cargo):		
Revenue ⁽¹⁾	400.9	377.5
EBITDA	170.2	164.6
Net income	111.3	108.7
Tonnage	92,179	88,808
Cargo capacity (ton per year) ⁽²⁾	450,000	450,000
Utilization (%)	81.9	78.9

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 49:51, 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 only comprises of:

Unit: million baht

	January-March			
	2016	2015	Variance	
			Amount	%
Bangkok Air Catering Company Limited (BAC)	267.8	288.0	(20.2)	(7.0)
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	483.6	406.4	77.2	19.0
Bangkok Airways Ground Service Company Limited (PGGS)	95.5	78.2	17.3	22.1
Other revenue ⁽¹⁾	32.3	26.9	5.4	20.1

	January-March			
	2016	2015	Variance	
			Amount	%
<i>Total revenue from airport-related operations</i>	879.2	799.5	79.7	10.0

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 the first quarter of year 2016, the operating performance of BAC decreased by 20.2 percent, showing the revenue at the amount of 267.8 million baht because 3 airline customers had ended the contracts, comparing to the same period last year. Nevertheless, average meal production per day increased by 1.3 percent due to a change in aircraft type to be larger by existing customers.

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

The operating performance of BFS Ground for the first quarter of year 2016 was 483.6 million baht, increased by 19.0 percent. This was due to an engagement with 5 new airline customers that caused number of flights to ascend by 1,564 flights or 10.9 percent comparing to the first quarter last year.

Bangkok Airways Ground Service Company Limited (PGGS)

For this year, the operating performance of PGGS was higher from the previous year from 78.2 million baht to 95.5 million baht which was mainly contributed from growing flight numbers as well as higher flight-handling service fees.

Unallocated Revenues

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

Unit: million baht



	January-March			
	2016	2015	Variance	
			Amount	%
Gain on foreign exchanges	60.7	3.9	56.8	1,456.4
Interest received	39.7	77.8	(38.1)	(49.0)
Other revenues ⁽¹⁾	395.7	169.7	226.0	133.2
Total unallocated revenues	496.1	251.4	244.7	97.3

Remark: (1) other revenues consist of passenger ticket charges, excess baggage charges, breakage revenues on ticket expiry and etc.

In the first quarter of year 2016, total unallocated revenues increased from 251.4 million baht to 496.1 million baht or 97.3 percent. The differences between two periods were mainly resulting from gain on foreign exchanges.

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 110.4 million baht to 169.7 million baht for the first quarter of year 2016. Rising share of profit from SPF was due to a better performance at Samui airport as well as an increase in percentage of ownership in the associate to be 30.4 percent.

Unit: million baht

	January-March			
	2016	2015	Variance	
			Amount	%
WFS-PG Cargo Company Limited	54.5	53.3	1.2	2.3
Samui Property Fund (SPF)	115.2	57.1	58.1	101.8

Expenses

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

Unit: million baht

	January-March					
	2016	%	2015	%	Variance	
					Amount	%
Cost of sales and services	4,784.8	84.1	4,487.0	85.4	297.8	6.6
Selling expenses	486.3	8.6	406.1	7.7	80.2	19.7
Administrative expenses	413.8	7.3	363.9	6.9	49.9	13.7
Other expenses	0.4	0.0	0.5	0.0	(0.1)	(18.9)
Total Expenses	5,685.3	100.0	5,257.5	100.0	427.8	8.1

Costs of Sales and Services

Costs of sales and services principally consist of fuel costs, aircraft repair and maintenance costs, aircraft rentals, cost of passenger services and personnel expenses. For the first quarter of year 2015 and year 2016, costs of sales and services were accounted for 85.4 percent and 84.1 percent of total operating expenses respectively.

Fuel Costs: fuel costs decreased from 1,212.3 million baht to 756.5 million baht for the first quarter of year 2016 comparing to last year. It was accounted for 27.0 percent and 15.8 percent of total cost of sales and services. The decreasing amount was mostly due to lower average market fuel price.

As at 31 March 2016, the Company has entered into a forward purchase contract (fuel hedging) at the average of 43.3 percent of fuel consumption whereby the lowest and the highest jet fuel prices are between 35 US dollars per barrel to 77 US dollars per barrel.

Aircraft Repair and Maintenance Costs: aircraft repair and maintenance costs were higher from 520.7 million baht to 831.3 million baht in this quarter comparing to previous year. These costs were largely derived from “Maintenance Reserve Fund” which is attached to the aircraft lease agreement. During the period, 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: aircraft rental costs increased from 405.5 million baht in the first quarter of year 2015 to 448.4 million baht in year 2016 due to the delivery of aircraft during the period and the amendments of aircraft lease agreements.

Cost of Passenger Services: in the first quarter of year 2016, cost of passenger services increased were also higher from 756.6 million baht to 836.0 million baht which was resulting from increasing number of passengers and number of flights, along with expenses related to an enhancement of service quality.

Personnel Expenses: personnel expenses consist of salaries, wages and benefits. For the first quarter of year 2016, the expense was increasing from 588.2 million baht to 737.4 million baht which was derived from a growing number of employees, especially flight crew which aligned with ongoing fleet plan and annual salary increase.

Selling Expenses

For the first quarter of year 2015 and year 2016, selling expenses were accounted for 7.7 percent and 8.6 percent of total operating expenses respectively. The increasing amount was mainly due to 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 the first quarter of year 2015 and year 2016 were accounted for 6.9 percent and 7.3 percent of total operating expenses. In general, administrative expenses mainly consist of salary, directors' remuneration, information technology services and depreciation/amortization expenses.

Finance Costs

Finance Costs consist of lease payments under the Sub-lease Agreement from the Samui Property Fund (SPF) for Samui Airport which include the rental portion of the sub-lease agreement and the variable portion based on the number of departing passengers from and the arriving flights to Samui Airport. However, in 2013, Company has revised its accounting policy in recording long term loans from the related parties in relation to the sub-lease agreement from SPF. The new policy stipulated that Company provides estimated fixed rental costs and variable service costs that may occur throughout the sub-lease period in calculating the effective interest rate. Such calculation resulted in a higher book value of the long term loans.

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

Unit: million baht

	January-March			
	2016	2015	Variance	
			Amount	%
Interest expenses paid to the Samui Property Fund	364.2	310.0	54.2	17.5
Interest and Fee expenses ⁽¹⁾	79.5	71.5	8.0	11.2
Total	443.7	381.5	62.2	16.3

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

Total interest paid to SPF for the period increased from 310.0 million baht to 364.2 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, higher rate of passenger services fee for international passengers travelling from Samui was applied since June 2015.

Interests and fees due to financial institutions and liabilities under finance lease rose from 71.5 million baht to 79.5 million baht due to the delivery of ATR72-600 under financial lease agreement.

Assets

As of 31 March 2016, the Company and its subsidiaries have total assets amounting to 60,484.7 million baht, increasing by 3,472.1 million baht from:

Unit: million baht

	As at March 31, 2016	As at December 31, 2015	Variance
Current assets			
Cash & cash equivalents and current investments	13,880.5	13,243.5	637.0
Trade and other receivables	1,720.2	1,847.1	(126.9)
Total current assets	16,852.7	15,846.3	1,006.4
Non-current assets			

	As at March 31, 2016	As at December 31, 2015	Variance
Other long-term investments	28,631.3	27,003.2	1,628.1
Property, plant and equipment	10,354.6	9,559.0	795.6
Total Non-current assets	43,632.0	41,166.3	2,465.7
Total assets	60,484.7	57,012.6	3,472.1

Current Assets

Total current assets of the Company as of 31 March 2016 is 16,852.7 million baht, increased from 31 December 2015 by 1,006.4 million baht. This was mainly due to:

- *Cash & cash equivalents and current investments* increased by 637.0 million baht which was derived from cash inflows from operation, and liquidity management.
- *Other current assets* rose by 527.9 million baht, mostly due to outstanding amount to be claimed back from overpaid maintenance reserve fund.

Non-current Assets

Total non-current assets of the Company is 43,632.0 million baht, increased from the end of year 2015 by 2,465.7 million baht.

- *Other long-term investments* increased by 1,628.1 million baht due to the mark to market of long-term investments in marketable securities, and investment in Fuel Pipeline Transportation Limited (FPT) which has the project for pipeline network expansion to the northern part of Thailand amounting to 291.9 million baht.
- *Property, Plant and Equipment* rose by 795.6 million baht as a result of the delivery of ATR72-600 under finance lease in January 2016, ground equipment and aircraft spare parts.

Liabilities

As at 31 March 2015, the Company and its subsidiaries have liabilities amounting of 26,745.6 million baht. An increase of 828.7 million baht from 31 December 2015 was as follows:

Unit: million baht



	As at March 31, 2016	As at December 31, 2015	Variance
<i>Current liabilities</i>			
Current portion long-term loans and liabilities arising from financial lease of aircrafts	544.6	500.0	44.6
Unearned income	2,053.6	2,328.1	(274.5)
Other current liabilities	1,309.4	1,405.8	(96.4)
<i>Total current liabilities</i>	<i>6,681.0</i>	<i>6,525.1</i>	<i>155.9</i>
<i>Non-Current liabilities</i>			
Long-term loans, liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion	2,917.4	2,503.8	413.6
Long-term loans from related party – net of current portion	11,325.7	11,354.1	(28.4)
Deferred tax liabilities	5,331.6	5,040.3	291.3
<i>Total non-current liabilities</i>	<i>20,064.6</i>	<i>19,391.8</i>	<i>672.8</i>
<i>Total liabilities</i>	<i>26,745.6</i>	<i>25,916.9</i>	<i>828.7</i>

Current Liabilities

Total current liabilities amounting to 6,681.0 million baht decreased from 31 December 2015 by 155.9 million baht, mainly due to:

- *Income tax payable* amounting to 221.0 million baht from higher effective tax rate which caused by the expiration of tax privilege from some BOI certificates.
- *Unearned income* lower by 274.5 million baht as a consequence of lower advanced bookings after peak travel season.

Non-current Liabilities

Total non-current liabilities of the Company is 20,064.6 million baht, increasing by 672.8 million baht, mainly from:

- Finance lease agreement of 1 ATR72-600 in January 2016 caused *liabilities arising from finance lease of aircrafts* to increase by 477.4 million baht

- *Deferred tax liabilities* increased by 291.3 million baht due to mark to market of the available for sale investment in securities

Shareholders' Equity

Unit: million baht

	As at March 31, 2016	As at December 31, 2015	Variance
Paid up capital	2,100.0	2,100.0	-
Premium on ordinary shares	9,319.5	9,319.5	-
Retained earnings	1,983.8	430.9	1,552.9
<i>Total shareholders' equity</i>	<i>33,739.1</i>	<i>31,095.7</i>	<i>2,643.4</i>

As of 31 March 2016, total shareholders' equity of the Company and its subsidiaries is 33,739.1 million baht, an increase of 2,643.4 million baht. Note that the movement between two periods included the changes in the market value of the available for sale investment in securities and an increase in retained earnings.

Statement of Cash Flow

Unit: million baht

	January-March	
	2016	2015
Net cash flow from operating activities	1,758.3	1,141.9
Net cash flow (used in) from investing activities	(718.1)	547.6
Net cash flow used in financing activities	(715.7)	(818.5)
<i>Cash and cash equivalents at end of the period</i>	<i>4,952.5</i>	<i>3,046.1</i>

Cash flows from Operating Activities

As of 31 March 2016, the profit of the Company and its subsidiaries before changes in operating activities was 2,249.6 million baht while the amount of cash inflows from operating activities was 1,758.3 million baht which was mainly due to outstanding amount to be claimed back from overpaid maintenance reserve fund.

Cash flows from Investing Activities

As of 31 March 2016, cash outflows from investing activities of the Company and its subsidiaries was, 718.1 million baht which led to an increase in current investments in term of fixed deposits as well as an increase in percentage of ownership in SPF to 30.4 percent and investment in FPT.

Cash flows from financing activities

As of 31 March 2016, the Company and its subsidiaries have cash outflows used in financing activities at the amount of 715.7 million baht, mostly for the repayment of liabilities under finance lease and loan from financial institutions.



Summary Consolidated Financial and Ratio

		January-March	
		2016	2015
Liquidity Ratio	Current Ratio (Time)	2.5	2.8
	Quick Ratio (Time)	5.2	4.7
	Collection Period (Day)	20.4	20.9
	Stock Turnover Period (Day)	5.8	5.3
	Payment Period (Day)	33.9	33.1
Profitability Ratio	Gross Profit Margin (%)	34.3	30.8
	Operating Profit Margin (%)	29.6	23.2
	EBITDAR Margin (%)	37.2	31.6
	Net profit Margin (%)	20.2	16.1
	Return on Equity (%)	19.4	16.0
Efficiency Ratio	Return on Assets (%)	10.7	8.6
	Return on Fixed Assets (%)	73.2	69.7
	Asset Turnover (Time)	0.5	0.5
Leverage Ratio	Debt to Equity (Time)	0.8	0.8
	Interest Coverage Ratio (Time)	5.4	4.5

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.