



Management's Discussion and Analysis

For the period ended 30 September 2016

Bangkok Airways Public Company Limited and Its Subsidiaries

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Management's Discussion and Analysis for the third quarter of 2016 ended 30 September 2016

Executive Summary

The economy of Thailand for the third quarter of this year was mostly driven by agricultural products. In addition, the drought problems in many regions were subsided, resulting in higher household spending and consumption. The export has positively extended as seen from the economic report by the Bank of Thailand which stated that the export of Thailand had expanded by 6.5 percent during the third quarter from the growth of export markets in China, Japan, USA and CLMV countries (Cambodia, Laos, Myanmar and Vietnam), especially the export of agricultural products as mentioned above and vehicle spare parts.

Overall aviation industry for the nine-month period of 2016 had a growth in revenue passenger kilometers (RPK) at 5.9 percent worldwide. The RPK growth rate of the Middle East carriers (i.e. Emirates, Qatar Airways and Etihad Airways) was the highest at 11.2 percent, following by the RPK growth rate of carriers within Asia-Pacific and Africa was at 8.7 percent and 6.7 percent respectively. Available seat kilometers (ASK) was rising by 6.1 percent worldwide in which the Middle East carriers had the highest growth at 14.4 percent, following by carriers from Asia-Pacific and Africa at 7.9 and 7.1 percent respectively. Nevertheless, the terrorist incidents in Europe in the first quarter of this year was considered to have impact on the number of passengers from Asia-Pacific as the passenger growth for the routes between Europe and Asia was only at 1.5 percent in August 2016 (Source: International Air Transport Association).

In part of tourism industry, the number of international tourists visited Thailand was growing by 13.0 percent in the third quarter of 2016; Myanmar tourists had the highest growth at 42.0 percent, following by Cambodian tourists with 40.0 percentage growth. The number of European tourists were growing continuously, specifically Russian tourists which were escalating by 36.0 percent as a result of economy recovery of Russia and the shift of destination due to the problems between Russia and Turkey as well as flight prohibition by Russian government to Egypt. For Chinese tourists, this market was able to gain 15.0 percentage growth in the this quarter, although the number of Chinese tourists was decreasing significantly from August 2016 due to the government control on zero-dollar tour starting in September 2016. Thai tourists' market was progressive from extra holidays announced by the government including Asarnha Bucha and Buddhist Lent day, and the travel



campaigns which were also arranged by the government such as Lady Journey, Merit Making Journey, and seminar trip at the end of budget year (Source: Ministry of Tourism and Sports).

For the nine-month period, the RPK of the Company was growing by 8.1 percent while the ASK was rising by 3.1 percent when compared to the same period of 2015. In July 2016, the Company has operated flight service from Samui – Chengdu (v.v.) for 4 flights per week, and increased flight frequencies of Bangkok – Sukhothai (v.v.) from 14 flights to 21 flights per week and Had Yai – Phuket (v.v.) from 7 flights to 10 flights per week in order to enhance amenity to passengers and efficiency for corporate travelers, which are another customer group beside leisure travelers. Moreover, the Company added flight frequencies for the routes in-out Samui airport by 10.7 percent, comparing to the second quarter of this year on the purpose of fulfilling high season of Samui.

Total revenue of the Company was 6,697.7 million baht, increased by 5.2 percent from the third quarter last year mainly based on higher number of passengers. Profit before income tax expenses was 803.9 million baht and the net profit reported at the amount of 680.9 million baht.

For the nine-month period, the Company has total revenue amounting to 20,528.1 million baht, increased by 10.0 percent which was due to 9.1 percentage growth in airline business, and 8.1 percentage growth in airport-related business operated by our subsidiaries. The better performance was largely derived from an increase in number of passengers and a significant decline in fuel costs. The passenger load factor was 69.8 percent while passenger yield was 4.99 baht per RPK, decreased by 0.2 percent from the same period of 2015.

The Company reported net profit before income tax amounting to 3,111.9 million baht for the nine-month period of 2016. After deducting tax, net profit would be 2,143.6 million baht which was attributable to equity holders of the Company at the amount of 2,087.7 million baht, increased by 20.0 percent from the previous year. Earnings per share was 0.99 baht which was higher than the same period last year by 19.3 percent.



Notable Events

Notable events in the third quarter of 2016:

1. In July 2016, the Company has operated flight service from Samui - Chengdu for 4 flights per week, and increased flight frequencies of Bangkok – Sukhothai from 14 flights to 21 flights per week and Had Yai – Phuket from 7 flights to 10 flights per week.
2. As of 30 September 2016, the Company has 34 aircrafts which consists of:

Fleet Type	As of 30 September 2016	As of 31 December 2015
Airbus A320	8	8
Airbus A319	12	11
ATR72-500	7	8
ATR72-600	7	4
Total	34	31

Additional ATR72-600 under finance lease was delivered in August 2016.

3. In the third quarter, Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) has 3 additional airline customers. This results in 69 airline customers in total, increased from 66 airline customers, for ground service equipment when compared to the same period last year.
4. The Company received “World’s Best Regional Airline 2016” and “Best Regional Airline 2016” awards from Skytrax which are coveted Quality accolades for the world airline industry. These awards were evaluated based on the world’s largest airline passenger satisfaction survey, taken by travelers from around the world every year.
5. The Company received “Top 5 Best in Cabin Service – Worldwide 2016” and “Top 10 Airline Overall Worldwide 2016” awards from SmartTravelAsia which conducted travels’ poll 2016 that involved millions of travelers from around the world voting for their favorite travel brands.
6. The Supreme Court judgment dismissed House and Land tax for years 2007-2011, causing Koh Samui Municipality not to refund such tax to the Company. The Company confirmed that these amounts were already included in accounting records when incurred, and would have no impact on profit and loss of the Company.

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	July-September		January-September	
		2016	2015	2016	2015
Scheduled passenger revenues ⁽¹⁾	MB	5,157.8	4,993.7	15,818.7	14,666.7
Domestic		3,326.2	3,167.8	9,838.7	9,118.7
International		1,831.6	1,825.9	5,980.0	5,548.0
Available Seat Kilometers (ASK) ⁽²⁾	Million Seat - Kilometers	1,522.2	1,466.5	4,539.5	4,403.5
Domestic		863.8	855.4	2,558.6	2,554.0
International		658.4	611.1	1,980.9	1,849.5
Revenue Passenger Kilometers (RPK) ⁽²⁾	Million Seat - Kilometers	1,069.6	991.8	3,169.2	2,931.4
Domestic		655.0	611.0	1,911.8	1,776.2
International		414.6	380.8	1,257.4	1,155.2
Passenger Load Factor	Percentage	70.3	67.6	69.8	66.6
Domestic		75.8	71.4	74.7	69.6
International		63.0	62.3	63.5	62.5

	Unit	July-September		January-September	
		2016	2015	2016	2015
Number of scheduled passengers carried ⁽²⁾	Thousand	1,428.0	1,311.6	4,247.3	3,855.9
Domestic		1,051.7	973.6	3,078.1	2,810.5
International		376.3	338.0	1,169.2	1,045.4
Number of flight flown	Flight	16,964	15,861	50,205	47,503
Domestic		11,599	11,062	34,261	33,116
International		5,365	4,799	15,944	14,387
Total seat capacity	Thousand	2,018.7	1,916.7	6,024.8	5,751.4
Domestic		1,388.2	1,354.1	4,097.7	4,008.0
International		630.5	562.6	1,927.1	1,743.4
Aircraft utilization	Block Hour	8.9	9.2	8.9	9.1
Airbus A320	per Day	10.1	9.7	9.9	9.5
Airbus A319	per Aircraft	9.1	9.4	9.4	9.3
ATR 72-500 & ATR 72-600		7.6	8.4	7.5	8.4
Number of aircraft at period end	Aircraft	34	30	34	30
Airbus A320		8	8	8	8
Airbus A319		12	11	12	11
ATR 72-500		7	8	7	8
ATR 72-600		7	3	7	3
Kilometers flown ⁽²⁾	Million Kilometers	12.0	11.5	35.7	34.5
Average Stage Length	Kilometers	749.0	756.2	746.2	760.3
Passenger Yield ⁽³⁾	Baht per Passenger - Kilometers	4.82	5.04	4.99	5.00
Revenue ASK (RASK)	Baht per Available Seat-	3.74	3.67	3.84	3.56
Cost per ASK (CASK)		3.30	3.36	3.26	3.24

	Unit	July-September		January-September	
		2016	2015	2016	2015
Cost per ASK excluding fuel cost	Kilometers	2.79	2.55	2.76	2.44
RASK – CASK		0.45	0.31	0.58	0.32

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) Scheduled passenger revenues including fuel surcharge and insurance surcharge, but excluding excess baggage divided by RPKs.

Operating performance summary for the period ended September 30, 2016

Unit: million baht

	July-September				January-September			
	2016	2015	Variance		2016	2015	Variance	
			Amount	%			Amount	%
Net profit (loss) for the period	680.9	590.8	90.1	15.2	2,143.6	1,779.7	363.8	20.4
Plus:								
Finance Cost	449.4	409.4	40.0	9.8	1,313.3	1,190.7	122.6	10.3
Income tax expenses	123.0	2.6	120.4	4,550.6	968.4	88.9	879.6	989.8
Write-off fixed assets	-	-	-	n.a.	-	0.1	(0.1)	(100.0)
Less:								
Dividend income	121.4	0.3	121.1	41,661.3	442.2	280.4	161.8	57.7
Interest received	35.6	67.0	(31.4)	(46.9)	127.6	213.8	(86.2)	(40.3)
Gain on foreign exchange	42.0	177.9	(135.9)	(76.4)	148.1	295.1	(147.0)	(49.8)

	July-September				January-September			
	2016	2015	Variance		2016	2015	Variance	
			Amount	%			Amount	%
Non-operating revenues ⁽²⁾	2.7	8.0	(5.4)	(66.8)	6.7	9.3	(2.6)	(28.0)
EBIT ⁽³⁾	1,051.7	749.6	302.1	40.3	3,700.7	2,260.8	1,439.9	63.7
Plus:								
Depreciation and amortization	274.0	211.8	62.2	29.4	785.1	604.8	180.3	29.8
EBITDA ⁽³⁾	1,325.7	961.4	364.3	37.9	4,485.8	2,865.6	1,620.2	56.5
Plus:								
Operating lease expenses	419.6	409.9	9.6	2.3	1,272.7	1,202.6	70.1	5.8
EBITDAR ⁽³⁾	1,745.2	1,371.3	373.9	27.3	5,758.4	4,068.2	1,690.2	41.5
Total revenue	6,697.7	6,364.0	333.7	5.2	20,528.1	18,661.3	1,866.8	10.0
Operating revenue ⁽⁴⁾	6,496.1	6,110.8	385.3	6.3	19,803.6	17,862.7	1,940.8	10.9
Profit attributable to equity holders of the Company	662.4	578.6	83.8	14.5	2,087.7	1,740.1	347.6	20.0
EBIT Ratio (%)	16.2	12.3	3.9		18.7	12.7	6.0	
EBIDA Ratio (%)	20.4	15.7	4.7		22.7	16.0	6.6	
EBITDAR Ratio (%)	26.9	22.4	4.4		29.1	22.8	6.3	

Remark

- (1) The Company had additional tax return filing at the amount of 447.0 million baht resulting from the change in corporate income tax calculation for tax privileges granted by the Board of Investment (BOI) in which the practice of the Revenue Department shall be followed as announced by the Ministry of Finance dated 16 September 2016. The filing was completed on 29 July 2016.
- (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 third quarter of 2015 and 2016 were 6,110.8 million baht and 6,496.1 million baht respectively, increased by 6.3 percent while total operating expenses increased from 5,505.9 million baht to 5,629.4 million baht or around 2.2 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 1,371.3 million baht and 1,745.2 million baht or 22.4 percent and 26.9 percent of total operating revenue for the third quarter of 2015 and 2016 respectively.

The Company has profit before income tax expenses at the amount of 593.5 million baht and 803.9 million baht respectively. In this quarter, the Company reported net profit amounted to 680.9 million baht, improved from the same period last year by 90.1 million baht. The profit attributable to equity holders of the Company was 662.4 million baht.

The operating revenue of the Company for the nine-month period of 2015 and 2016 were 17,862.7 million baht and 19,803.6 million baht respectively, grew by 10.9 percent while total operating expenses increased by 4.1 percent from 15,965.2 million baht to 16,615.1 million baht.

The earnings before interest and tax, depreciation, amortization, and rent (EBITDAR) were derived from total income (excluding dividend income, gain on sale of investments, gain on sale of assets, interest income and gain on foreign exchange) less total expenses plus depreciation and amortization expenses, and aircraft rental, equaled to 4,068.2 million baht and 5,758.4 million baht or 22.8 percent and 29.1 percent of total operating revenue for the nine-month period of 2015 and 2016 respectively.

For the nine-month period of 2016, the Company has profit before income tax expenses amounting to 3,111.9 million baht in which income tax expenses were reported at 968.4 million baht. The amount of 506.1 million baht was the adjustment in respect to corporate income tax of the previous year as announced by the Ministry of Finance dated 16 June 2016. Net profit of the Company was 2,143.6 million baht, an increase of 363.8 million baht or 20.4 percent from the same period of last year in which the amount attributable to equity holders of the Company was 2,087.7 million baht.

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					
	2016	%	2015	%	Variance		2016	%	2015	%	Variance	
					Amount	%					Amount	%
1. Airlines	5,222.8	78.0	4,945.3	77.7	277.5	5.6	15,870.7	77.3	14,551.7	78.0	1,319.0	9.1
2. Airports	153.8	2.3	160.0	2.5	(6.2)	(3.9)	455.4	2.2	428.6	2.3	26.8	6.3
3. Airport-related services	845.0	12.6	783.6	12.3	61.4	7.8	2,524.8	12.3	2,335.3	12.5	189.5	8.1
4. Unallocated revenue	476.1	7.1	475.1	7.5	1.0	0.2	1,677.2	8.2	1,345.7	7.2	331.5	24.6
Total Revenue	6,697.7	100	6,364.0	100	333.7	5.2	20,528.1	100	18,661.3	100	1,866.8	10.0

Revenue from Airline Operations

For the third quarter of 2015 and 2016, total operating revenue derived from airline business, which was the Company's primary source of income, was accounted for 77.7 percent and 78.0 percent of total operating revenue.

For the nine-month period of 2015 and 2016, total operating revenue derived from airline business, which was the Company's primary source of income, was accounted for 78.0 percent and 77.3 percent of total operating revenue.

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



	July-September				January-September			
	2016	2015	Variance		2016	2015	Variance	
			Amount	%			Amount	%
Net Scheduled Passenger Revenue	5,164.9	4,860.0	304.9	6.3	15,648.6	14,306.9	1,341.7	9.4
Cargo revenue	57.9	85.3	(27.4)	(32.1)	222.1	244.8	(22.7)	(9.3)
<i>Total revenue from airline business</i>	5,222.8	4,945.3	277.5	5.6	15,870.7	14,551.7	1,319.0	9.1

Revenue from scheduled flights and charter flights of both domestic and international services for the third quarter of 2015 and 2016 were 4,860.0 million baht and 5,164.9 million baht respectively, increased by 6.3 percent, comparing to the same period last year. The increasing revenue was resulting from the growth in number of passengers by 8.9 percent.

For the nine-month period, revenue from scheduled flights and charter flights of both domestic and international services were 14,306.9 million baht and 15,648.6 million baht respectively, rose from the same period last year by 9.4 percent, mainly due to 10.2 percent increase in number of passengers. This was because the frequencies of existing routes as well as the operation of new routes have been added since the beginning of 2016.

Revenue from Airport Operations

Revenue from airport operations for the third quarter of 2015 and 2016 were 160.0 million baht and 153.8 million baht respectively. This was accounted for 2.5 percent and 2.3 percent of total operating revenue.

For the nine-month period, revenue from airport operations was 455.4 million baht or increased by 6.3 percent. Majority of the airport revenue was derived from passengers services charged to outbound passengers at Samui Airport which was growing by 13.1 percent.

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	
	2016	2015	2016	2015
<i>Catering services (BAC):</i>				
Revenue ⁽¹⁾	360.5	350.2	1,069.6	1,098.9
EBITDA	108.3	107.3	315.5	353.8
Net income	69.0	70.9	202.0	238.8
Number of meals produced and uplifted (million)	2.5	2.4	7.6	7.4
<i>Ground Services (BFS Ground):</i>				
Revenue ⁽¹⁾	565.3	535.6	1,732.5	1,564.1
EBITDA	87.8	82.1	303.0	236.0
Net income	42.7	41.5	166.0	116.8
Number of flights handled	15,464	14,656	46,530	43,074
<i>International cargo terminal services data (BFS Cargo):</i>				
Revenue ⁽¹⁾	417.4	397.5	1,228.0	1,169.5
EBITDA	184.9	170.8	540.3	508.7
Net income	123.1	113.1	358.5	337.7
Tonnage	90,827	97,232	276,141	277,368
Cargo capacity (Ton per year) ⁽²⁾	450,000	450,000	450,000	450,000
Utilization (%)	80.7	86.4	81.8	82.2

Remark

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



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

Unit: million baht

	July-September				January-September			
	2016	2015	Variance		2016	2015	Variance	
			Amount	%			Amount	%
Bangkok Air Catering Company Limited (BAC)	240.5	241.9	(1.4)	(0.6)	732.8	779.2	(46.4)	(5.9)
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	462.4	429.3	33.1	7.7	1,406.6	1,237.5	169.1	13.7
Bangkok Airways Ground Service Company Limited (PGGS)	112.3	83.0	29.3	35.3	296.6	238.4	58.2	24.4
Other revenue ⁽¹⁾	29.8	29.4	0.4	1.4	88.8	80.2	8.6	10.7
Total revenue from airport-related operations	845.0	783.6	61.4	7.8	2,524.8	2,335.3	189.5	8.1

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 and the nine-month period of 2015 and 2016 was lower by 0.6 percent and 5.9 percent respectively, highly due to an intense price competition at Suvarnabhumi Airport which caused BAC to lose some of their existing airline customers and have to lower service fee since the beginning of 2016. Total revenue for this quarter and the nine-month period (only for the services rendered to other airline customers) was 240.5 million baht and 732.8 million baht.

The number of meals produced by BAC was uplifted by 4.5 percent and 2.7 percent for the third quarter and for the nine-month period respectively. The proportion of meals served in first and business class was

escalating by 20.1 percent and 12.7 percent during this quarter and the nine-month of this year. As of 30 September 2016, BAC has 19 airline customers on hand.

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

The operating performance of BFS Ground in the third quarter and the nine-period of 2015 and 2016 was 462.4 million baht and 1,406.6 million baht respectively, rose by 7.7 percent and 13.7 percent from the same period last year.

The better performance of BFS Ground was derived from increasing number of flights by 5.5 percent and 8.0 percent for the third quarter and the nine-month of 2016. Number of airline customers increased from 66 to 69, comparing to the same period of last year.

Bangkok Airways Ground Service Company Limited (PGGS)

The operating performance of PGGS in the third quarter and the nine-month period of 2015 and 2016 was 112.3 million baht and 296.6 million baht with 35.3 percent and 24.4 percent growth respectively, resulted from 22.5 percent and 14.7 percent increase in number of flights for the third quarter and for the nine-month period respectively.

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			
	2016	2015	Variance		2016	2015	Variance	
			Amount	%			Amount	%
Gain on foreign exchanges	42.0	177.9	(135.9)	(76.4)	148.1	295.1	(147.0)	(49.8)
Dividend received	121.4	0.3	121.1	40,366.7	442.2	280.4	161.8	57.7
Other revenues	312.7	296.9	15.8	5.3	1,086.9	770.2	316.7	41.1
<i>Total unallocated revenues</i>	476.1	475.1	1.0	0.2	1,677.2	1,345.7	331.5	24.6

Total unallocated revenues of the Company for the third quarter of 2015 and 2016 were 475.1 million baht and 476.1 million baht respectively. For the nine-month period, total unallocated revenues equaled to 1,677.2 million baht, increased by 24.6 percent from the same period last year. Main contributions from other revenues were dividend income and other revenues which usually consists of passenger ticket charges, excess baggage charges, breakage revenues on ticket expiry, rental income and interest earnings.

Share of Profit from Investments in Associates

The Company has share of profit from associated companies increased from 367.6 million baht to 513.1 million baht for the nine-month period. Increasing share of profit from SPF was due to a better traffic at Samui Airport as well as an increase in percentage of ownership in the associate to be 30.4 percent.

Unit: million baht

	July-September				January-September			
	2016	2015	Variance		2016	2015	Variance	
			Amount	%			Amount	%
WFS-PG Cargo Company Limited	70.4	55.4	15.0	27.1	186.3	165.5	20.8	12.6
Samui Property Fund (SPF)	114.7	92.9	21.8	23.5	326.8	202.1	124.7	61.7
Share of Profit from Investments in Associates	185.1	148.3	36.8	24.8	513.1	367.6	145.5	39.6

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					
	2016	%	2015	%	Variance		2016	%	2015	%	Variance	
					Amount	%					Amount	%
Cost of sales and services	4,706.6	83.6	4,672.9	84.8	33.7	0.7	13,866.0	83.5	13,551.2	84.9	314.8	2.3
Selling expenses	502.6	8.9	442.9	8.0	59.7	13.5	1,483.9	8.9	1,280.4	8.0	203.5	15.9

	July-September						January-September					
	2016	%	2015	%	Variance		2016	%	2015	%	Variance	
					Amount	%					Amount	%
Administrative expenses	420.2	7.5	390.1	7.1	30.1	7.7	1,265.2	7.6	1,133.7	7.1	131.5	11.6
Other expenses	0.2	0.0	3.7	0.1	(3.5)	(94.6)	0.9	0.0	4.4	0.0	(3.5)	(79.5)
Total Expenses	5,629.6	100	5,509.6	100	120.0	2.2	16,616.0	100	15,969.7	100	646.3	4.0

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. For the third quarter and the nine-month period of 2016, costs of sales and services were accounted for 83.6 percent and 83.5 percent of total operating expenses.

Fuel Costs: fuel costs are variable based on number of block hours. For the nine-month period of 2015 and 2016, fuel costs were 3,520.6 million baht and 2,277.5 million baht which were accounted for 26.0 percent and 16.4 percent of total cost of sales and services respectively. The decreasing amount was mostly due to lower average market fuel price.

As of 30 September 2016, the Company has entered into a forward purchase contract (fuel hedging) at the average of 52.1 percent of fuel consumption.

Cost of Passenger Services: cost of passenger service increased by 4.7 percent, from 2,293.2 million baht to 2,402.3 million baht for the nine-month period comparing to 2015. The increasing cost was due to rising number of passengers and number of flights by 10.2 percent and 5.7 percent respectively for the nine-month period when compared to the previous year.

Personnel Expenses: the expense was increasing from 1,905.0 million baht to 2,228.4 million baht for the nine-month period. This was derived from a growing number of employees, especially flight crews which aligned with ongoing fleet plan and annual increase of salary and wages.

Aircraft Repair and Maintenance Costs: aircraft repair and maintenance costs were higher from 1,633.4 million baht to 2,202.4 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. Hence,

such costs were higher during the period from the delivery of additional aircrafts. There was also some additional costs incurred for repairing and maintaining the aging aircraft.

Aircraft Rental Costs: the aircraft rental costs increased from 1,202.6 million baht to 1,272.7 million baht for the nine-month period comparing to last year due to the delivery of additional aircraft and the impact from the fluctuation of foreign exchange during the period.

Selling Expenses

For the third quarter and the nine-month period of 2016, selling expenses were accounted for 8.9 percent and 8.9 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 third quarter and the nine-month period of 2016 were accounted for 7.5 percent and 7.6 percent of total operating expenses respectively. 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/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.

	July-September				January-September			
	2016	2015	Variance		2016	2015	Variance	
			Amount	%			Amount	%
Interest expenses paid to the Samui Property Fund	376.0	349.3	26.7	7.6	1,091.4	999.5	91.9	9.2
Interest and Fee expenses ⁽¹⁾	73.4	60.1	13.3	22.1	221.9	191.2	30.7	16.1
Total	449.4	409.4	40.0	9.8	1,313.3	1,190.7	122.6	10.3

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

Total interest paid to SPF for the nine-month period increased from 999.5 million baht to 1,091.4 million baht due to increasing number of departing passengers along with growing number of flights. Furthermore, the rate of passenger services charged to international passengers has increased from 600 baht to 700 baht which effective date was 1 June 2015 onward.

The interest paid to financial institutions and lessors under finance lease agreement increased from 191.2 million baht to 221.9 million baht due to additional leasing agreement for ATR72-600s incurred during the period. As of 30 September 2016, the Company has 7 aircrafts under finance lease.

Assets

As of 30 September 2016, the Company and its subsidiaries have total assets amounting to 58,134.3 million baht, increasing by 1,121.7 million baht from:

Unit: million baht

	As at September 30, 2016	As at December 31, 2015	Variance
<i>Current assets</i>			
Cash and cash equivalents	11,750.6	13,243.5	(1,492.9)
Trade and other receivables	1,631.9	1,847.1	(215.2)
<i>Total current assets</i>	<i>14,803.2</i>	<i>15,846.3</i>	<i>(1,043.1)</i>
<i>Non-current assets</i>			
Other long-term investments	26,931.3	27,003.2	(71.9)
Property, plant and equipment	11,745.4	9,559.0	2,186.4
<i>Total Non-current assets</i>	<i>43,331.1</i>	<i>41,166.3</i>	<i>2,164.8</i>
<i>Total assets</i>	<i>58,134.3</i>	<i>57,012.6</i>	<i>1,121.7</i>

Current assets

Total current assets of the Company as of 30 September 2016 is 14,803.2 million baht, decreased from 31 December 2015 by 1,043.1 million baht. This was mainly due to:

- *Cash and cash equivalents* lower by 1,492.9 million baht, mainly from the pre-delivery payment for the delivery of four aircrafts including one Airbus A319 and three ATR72-600s during the period, the investment in Fuel Pipeline Transportation Limited (FPT) which has the project for pipeline network expansion to the northern part of Thailand, and the dividend payment.

Non-current assets

Total non-current assets of the Company is 43,331.1 million baht, increased from the end of 2015 by 2,164.8 million baht.

- *Property, Plant and Equipment* increased by 2,186.4 million baht from the purchase of three ATR72-600s under finance lease during the period.

Liabilities

As of 30 September 2016, the Company and its subsidiaries have liabilities amounting of 26,886.7 million baht. An increase of 969.8 million baht from 31 December 2015 was as follows:

Unit: million baht

	As at September 30,2016	As at December 31, 2015	Variance
<i>Current liabilities</i>			
Trade and other payables	2,007.9	2,260.6	(252.7)
Current portion of long-term loans and liabilities arising from financial lease of aircrafts	580.0	500.0	80.0
Income tax payable	63.7	30.6	33.1
Other current liabilities	1,418.9	1,405.8	13.1
<i>Total current liabilities</i>	<i>6,316.3</i>	<i>6,525.1</i>	<i>(208.8)</i>
<i>Non-Current liabilities</i>			
Long-term loans , Liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion	3,676.8	2,503.8	1,173.0
Long-term loans from related party – net of current portion	11,338.7	11,354.1	(15.4)
Deferred tax liabilities	5,035.7	5,040.3	(4.6)
<i>Total non-current liabilities</i>	<i>20,570.3</i>	<i>19,391.8</i>	<i>1,178.5</i>
<i>Total liabilities</i>	<i>26,886.7</i>	<i>25,916.9</i>	<i>969.8</i>

Current liabilities

Total current liabilities amounting to 6,316.3 million baht, decreased from 31 December 2015 by 208.8 million baht, mainly due to:

- *Current portion of long-term loans and liabilities arising from financial lease of aircrafts* amounting to 580.0 million baht, mainly from current portion of liabilities arising from financial lease of aircrafts increased by 122.9 million baht from the delivery of three ATR72-600s.

Non-current liabilities

Total non-current liabilities of the Company is 20,570.3 million baht, rose by 1,178.5 million baht from 31 December 2015, largely derived from:

- The purchase of three ATR72-600s under finance lease agreement in January, April and August 2016 caused *liabilities arising from finance lease of aircrafts* to increase by 1,363.2 million baht.

Shareholders' Equity

Unit: million baht

	As at September 30, 2016	As at December 31, 2015	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	1,048.6	430.9	617.7
<i>Total shareholders' equity</i>	<i>31,247.6</i>	<i>31,095.7</i>	<i>151.9</i>

As of 30 September 2016, total shareholders' of the Company and its subsidiaries is 31,247.6 million baht, an increase of 151.9 million baht. The Company has retained earnings at the amount of 1,048.6 million baht, increased by 617.7 million baht.

Statement of Cash Flow

Unit: million baht

	January – September	
	2016	2015
Net cash inflow from operating activities	2,444.5	2,887.2
Net cash inflow from investing activities	756.3	6,888.1
Net cash outflow from financing activities	(3,726.3)	(2,932.6)
<i>Cash and cash equivalents at end of the period</i>	<i>4,102.4</i>	<i>9,017.8</i>

Cash flows from operating activities

As of 30 September 2016, the profit of the Company and its subsidiaries before changes in operating activities is 4,091.5 million baht while the amount of cash inflows from operating activities is 2,444.5 million baht which was mainly due to outstanding amount of prepaid maintenance reserve fund awaiting for a reimbursement.

Cash flows from investing activities

As of 30 September 2016, cash inflows from investing activities of the Company and its subsidiaries is 756.3 million baht which was largely due to the dividend received from SPF, WFS Cargo and BDMS during the period.

Cash flows from financing activities

As of 30 September 2016, the Company and its subsidiaries have cash outflows from financing activities at the amount of 3,726.3 million baht, mainly from the payment of interest expenses under finance lease and dividend payment to shareholders in the third quarter amounting to 1,470.0 million baht.

Summary Consolidated Financial and Ratio

		As at 30 September	
		2016	2015
Liquidity Ratio	Current Ratio (Time)	2.3	2.5
	Quick Ratio (Time)	5.1	5.1
	Collection Period (Day)	23.1	23.8
	Stock Turnover Period (Day)	6.2	5.4
	Payment Period (Day)	31.1	33.0
Profitability Ratio	Gross Profit Margin (%)	26.4	21.7
	Operating Profit Margin (%)	19.6	13.1
	EBITDAR Margin (%)	29.1	22.8
	Net profit Margin (%)	10.4	9.5
	Return on Equity (%)	9.2	9.0
Efficiency Ratio	Return on Assets (%)	5.0	4.7
	Return on Fixed Assets (%)	36.7	41.3
	Asset Turnover (Time)	0.5	0.5
Leverage Ratio	Debt to Equity (Time)	0.9	0.9
	Interest Coverage Ratio (Time)	3.4	2.4

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.