



Management's Discussion and Analysis

For the period ended 31 December 2016

Bangkok Airways Public Company Limited and Its Subsidiaries

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Executive Summary

Thai economy was still facing the shrinkage in exporting in year 2016 due to unsteady restoration of the world's powerful economies. The investment from private sector was enhanced by the government spending together with the support from the Board of Investment (BOI) in the first 9 months which caused the capital investment to grow by 2.0 percent comparing to the same period last year (Source: The Federation of Thai Industries). In addition, the government has continuously encouraged economic stimulus since September 2015 onward.

Overall aviation industry for year 2016 showed 6.3 percent growth in revenue passenger kilometers (RPK) of all region in which the highest growth belonged to the Middle-East at 11.2 percent, following by Asia Pacific and Africa at 9.2 percent and 6.5 percent growth in RPK respectively. The available seat kilometers (ASK) of all region was increasing by 6.2 percent. Undoubtedly, the highest ASK growth went to the Middle-East at 13.5 percent, succeeding by Asia Pacific and Africa at 8.1 percent and 6.3 percent respectively. Despite turbulence in many countries in the first half of year 2016, passengers' traveling demand was stimulated by lower airfares which were noticeably dropping in the second half of this year (Source: International Air Transport Association).

With respect to Thai tourism industry, a number of inbound international tourists for year 2016 rose by 9.0 percent. Number of tourists from America and the Middle-East had the highest growth at 14.0 percent whereas the growth of Asian travelers was only 10.0 percent, declining from year 2015. A decrease in number of Asian tourists was mainly due to government control on zero-dollar tour. As a result, number of Chinese tourists, who are the majority of this group, was lower by 21.0 percent in the fourth quarter of year 2016; yet, it did increase by 10.0 percent for the whole year. Nonetheless, Thailand is still regarded as the top destination



for Chinese tourists when compared with other Asian countries (Source: Kasikorn Research). For the coming year 2017, the Tourism Authority of Thailand (TAT) will emphasize more on quality tourist markets, income distribution to local community, environmental responsibility and an enhancement of the image of Thailand. The number of international tourists arrival is expected to increase by 5.5 percent while the domestic tourism should expand by 6.2 percent.

In year 2016, the Company has launched three new routes which are Chiang Mai – Mae Hong Son, Bangkok – Danang and Samui – Chengdu. The Company also added flight frequencies to existing routes that have high demand with the purpose to enhance the competitiveness such as Bangkok – Sukhothai, Bangkok – Phnom Penh, Bangkok – Nay Pyi Taw, Bangkok – Luang Prabang and Samui – Singapore. As a result, RPK of the Company increased by 8.7 percent while ASK growth was at 5.0 percent when compared with the same period last year.

For year 2016, total revenue of the Company was 26,765.8 million baht, increased by 7.5 percent when compared to year 2015, mainly driven by 6.6 percent growth in airline business and 8.5 percent growth in airport-related business operated by our subsidiaries.

The performance of airline business was improved as a result of 9.5 percent growth in number of passengers in which its passenger load factor was at 69.2 percent, along with considerably lower fuel costs. Despite the revenue growth in airline business, the passenger yield dropped from 4.99 baht per passenger-kilometers to 4.88 baht per passenger-kilometers or by 2.2 percent as a consequence of intense competition within the industry.

With respect to airport-related business, the performance of BAC slightly decreased from intense price competition. However, in the fourth quarter of year 2016, BAC has entered into four new contracts which made 23 airline customers in total as of the end of year. The performance of BFS Ground was better from growing

number of flights at Suvarnabhumi airport and additional airline customers. This was also in line with the performance of BFS Cargo which also improved from prior year as a result of higher service fees charged to their customers together with greater amount of tonnage carried, specifically in the fourth quarter of this year.

In year 2016, the Company reported net profit before income tax amounting to 2,776.4 million baht. Referring to the announcement of the Ministry of Finance, additional tax paid at the amount of 506.1 million baht was filed during the period. After deducting tax, net profit would be 1,837.0 million baht which was attributable to equity holders of the Company at the amount of 1,768.4 million baht. Earnings per share was 0.84 baht.



Significant Changes in Year 2016

1. In year 2016, the Company has increased flight frequencies and operated new routes as following:

Adding Flight Frequencies:

- 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)
- Bangkok – Nay Pyi Taw from 5 flights per week to 6 flights per week (March 2016)
- Bangkok – Luang Prabang from 7 flights per week to 14 flights per week (March 2016)
- Bangkok – Sukhothai from 14 flights per week to 21 flights per week (July 2016)
- Phuket – Had Yai from 10 flights per week to 14 flights per week (October 2016)
- Bangkok – Chiang Rai from 14 flights per week to 21 flights per week (October 2016)
- Bangkok – Chiang Mai from 49 flights per week to 56 flights per week (December 2016)
- Chiang Mai – Samui from 7 flights per week to 14 flights per week (December 2016)

New Route:

- Chiang Mai – Mae Hong Son 10 flights per week (April 2016)
- Bangkok – Danang 4 flights per week (May 2016)
- Samui – Chengdu 4 flights per week (July 2016)

2. The Company has entered into codeshare agreement with Austrian Airlines, the flag carrier of Austria, in May 2016. The new partnership will seamlessly enable passengers of Austrian Airlines to connect with world-class tourist destinations in Thailand such as Samui, Phuket, Krabi, Chiang Mai and Chiang Rai, also to Cambodia from Vienna via Bangkok. As of 31 December 2016, the Company has 21 codeshare partners in total.



3. In December 2016, the Company has reactivated the codeshare agreement with Thai Airways. This revived partnership will enhance sale opportunity from connecting route network and distribution channels of Thai Airways with the Company.
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. As of 31 December 2016, the Company has 34 aircrafts which consists of:

Fleet Type	As of 31 December 2016	As of 31 December 2015
Airbus A320	9	8
Airbus A319	12	11
ATR72-500	6	8
ATR72-600	7	4
Total	34	31

Airbus A319 and A320 under operating lease were delivered in February and December 2016 respectively. Three ATR72-600 under finance lease structure were delivered in January, April and August 2016 while two ATR72-500 under operating lease were expired in March and November 2016.

7. 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.

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-December	
		2016	2015
Schedule passenger revenues ⁽¹⁾	Million Baht	20,760.6	19,517.1
Domestic		12,680.9	11,886.1
International		8,079.7	7,631.0
Available Seat Kilometers (ASK) ⁽²⁾	Million Seat -	6,148.6	5,853.6
Domestic	Kilometers	3,413.9	3,365.4
International		2,734.7	2,488.2
Revenue Passenger Kilometers (RPK) ⁽²⁾	Million Seat -	4,252.6	3,911.5
Domestic	Kilometers	2,515.2	2,350.0
International		1,737.4	1,561.5
Passenger Load Factor	Percentage	69.2	66.8
Domestic		73.7	69.8
International		63.5	62.8

	Unit	January-December	
		2016	2015
Number of schedule passengers carried ⁽²⁾	Thousand	5,640.6	5,149.5
Domestic		4,044.3	3,719.6
International		1,596.3	1,429.9
Number of flight flown	Flight	67,453	63,180
Domestic		45,856	43,876
International		21,597	19,304
Total seat capacity	Thousand	8,103.7	7,653.4
Domestic		5,469.1	5,290.4
International		2,634.6	2,363.0
Aircraft utilization	Block Hour	9.03	9.02
Airbus A320	per Day	10.11	9.63
Airbus A319	per Aircraft	9.56	9.32
ATR 72-500 & ATR 72-600		7.43	8.10
Number of aircraft at end of year	Aircraft	34	31
Airbus A320		9	8
Airbus A319		12	11
ATR 72-500		6	8
ATR 72-600		7	4
Average Stage Length	Kilometers	753.9	759.6
Kilometers flown ⁽²⁾	Million Kilometers	48.3	45.8
Passenger Yield ⁽³⁾	Baht per Passenger - Kilometers	4.88	4.99
Revenue ASK (RASK)	Baht	3.65	3.60
Cost per ASK (CASK)		3.33	3.30
Cost per ASK excluding fuel cost		2.82	2.55
RASK – CASK		0.33	0.30

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 and scheduled charter flights, net interline revenues from flights operated by other airlines but sold by the Company on a codeshare 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, other charter services and other revenue.

- (2) Excludes flights operated by other airlines but sold by the Company, but includes flights operated by it but sold by other airlines.
 (3) Scheduled passenger revenues includes fuel surcharge, insurance surcharge, but excludes excess baggage divided by RPKs.

Operating performance summary for the period ended December 31, 2016 consisting of Separate Financial Statement and Financial Statements of the 10 subsidiaries

Unit: million baht

	January-December			
	2016	2015	Variance	
			Amount	%
Net profit (loss) for the period	1,837.0	1,849.1	(12.1)	(0.7)
Plus:				
Finance Cost	1,753.6	1,606.4	147.1	9.2
Income tax expenses	939.4 ⁽¹⁾	250.0	689.4	275.7
Written-off fixed assets	-	1.0	(1.0)	(100.0)
Less:				
Dividend income	442.2	280.4	161.8	57.7
Interest received	171.1	255.8	(84.7)	(33.1)
Gain on foreign exchange	179.4	322.9	(143.5)	(44.4)
Non-operating revenues ⁽²⁾	7.5	9.2	(1.7)	(18.5)
EBIT ⁽³⁾	3,729.8	2,838.2	891.6	31.4
Plus:				
Depreciation and amortization	1,068.3	833.4	234.8	28.2
EBITDA ⁽³⁾	4,798.0	3,671.6	1,126.4	30.7
Plus:				

	January-December			
	2016	2015	Variance	
			Amount	%
Operating lease expenses	1,772.4	1,621.7	150.7	9.3
EBITDAR ⁽³⁾	6,570.4	5,293.3	1,277.1	24.1
Total revenue	26,765.8	24,902.9	1,863.0	7.5
Operating revenue ⁽⁴⁾	25,965.7	24,034.6	1,931.1	8.0
Profit attributable to equity holders of the Company	1,768.4	1,796.9	(28.5)	(1.6)
EBIT Ratio (%)	14.4	11.8	2.6	
EBIDA Ratio (%)	18.5	15.3	3.2	
EBITDAR Ratio (%)	25.3	22.0	3.3	

Remark

- (1) The Company had additional tax filing amounting to 506.1 million baht resulting from the discrepancy 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 year 2015 and year 2016 were 24,034.6 million baht and 25,965.7 million baht respectively, increasing by 8.0 percent while total operating expenses increased from 21,692.8 million baht to 22,919.4 million baht or around 5.7 percent, largely due to an increase in aircraft maintenance, personnel expenses, cost of passenger services and depreciation expenses.

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 5,293.3 million baht and 6,570.4 million baht or 22.0 percent and 25.3 percent of total operating revenue for year 2015 and year 2016 respectively.

For year 2016, net profit before income tax was 2,776.4 million baht. Total income tax expenses equaled to 939.4 million baht which comprised of corporate income tax for this year at the amount of 369.7 million baht and adjustment in respect of current income tax of previous years at the amount of 506.1 million baht. As a result, the Company reported net profit for year 2016 amounting to 1,837.0 million baht, decreased from year 2015 by 12.1 million baht or 0.7 percent. The amount attributable to equity holders of the Company was 1,768.4 million baht or 96.3 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					
	2016	%	2015	%	Variance	
					Amount	%
1. Airlines	20,713.0	77.4	19,429.6	78.0	1,283.4	6.6
2. Airports	564.0	2.1	535.3	2.2	28.7	5.4
3. Airport-related services	3,414.9	12.8	3,148.3	12.6	266.6	8.5
4. Unallocated revenue	2,073.9	7.7	1,789.7	7.2	284.2	15.9
<i>Total Revenue</i>	26,765.8	100.0	24,902.9	100.0	1,862.9	7.5

Revenue from Airline Operations

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

Unit: million baht

	January-December			
	2016	2015	Variance	
			Amount	%
Net scheduled passenger revenue	20,236.6	19,087.4	1,149.2	6.0
Charter flights and charter services revenue	194.4	16.6	177.8	1,071.1
Total passenger revenue	20,431.0	19,104.0	1,327.0	6.9
Cargo revenue	282.0	325.6	(43.6)	(13.4)
Total revenue from airline business	20,713.0	19,429.6	1,283.4	6.6

In year 2016, the revenue from scheduled flights rose by 6.0 percent from last year, mainly due to an increase in number of passengers from adding flight frequencies in routes that have high demand and launching new routes. The Company has started operating Chiang Mai – Mae Hong son for 10 flights per week and Bangkok - Danang for 4 flights per week. Charter flights and charter services revenue was reported at the amount of 194.4 million baht, grew by 1,071.1 percent mainly from flight service from Samui – Chengdu operated from July 2016 going forward.

Revenue from Airport Operations

In year 2015 and year 2016, revenue from airport operations was accounted for 2.2 percent and 2.1 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 564.0 million baht or increased by 5.4 percent from year 2015 as a result of 14.5 percent growth in number of outbound passengers at Samui airport.

Total number of passengers departed from Samui Airport with Bangkok Airways was 1.1 million people in year 2016, grew from the same period last year by 11.8 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

	January-December	
	2016	2015
<i>Catering services (BAC):</i>		
Revenue ⁽¹⁾	1,456.4	1,456.0
EBITDA	419.3	431.6
Net income	275.8	284.5
Number of meals produced and uplifted (million meals)	10.2	9.9
<i>Ground Services (BFS Ground):</i>		
Revenue ⁽¹⁾	2,382.9	2,130.1
EBITDA	404.6	304.8
Net income	255.5	146.1
Number of flights handled (flight)	63,226	58,074
<i>International cargo terminal services data (BFS Cargo):</i>		
Revenue ⁽¹⁾	1,702.0	1,567.9
EBITDA	773.2	672.2

	January-December	
	2016	2015
Net income	526.8	443.6
Tonnage	378,026	375,301
Cargo capacity (ton per year)	450,000	450,000
Utilization (%)	84.0	83.4

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 comprises of:

Unit: million baht

	January-December			
	2016	2015	Variance	
			Amount	%
Bangkok Air Catering Company Limited (BAC)	972.1	1,020.8	(48.7)	(4.8)
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	1,925.5	1,694.0	231.5	13.7
Bangkok Airways Ground Service Company Limited (PGGS)	396.2	322.9	73.3	22.7
Other revenue ⁽¹⁾	121.1	110.6	10.5	9.5
Total revenue from airport-related operations	3,414.9	3,148.3	266.6	8.5

Remark (1) Other revenue includes revenue from BAC Gourmet House Company Limited, the subsidiary of BAC which main activity is to provide food services in business district and major tourist attractions in Bangkok.

Bangkok Air Catering Company Limited (BAC)

For year 2016, total revenue of BAC decreased to 972.1 million baht or 4.8 percent as a consequence of intense competition at Suvarnabhumi airport; hence, BAC lost some of its airline customers and was enforced to lower service fees.

The number of meals produced by BAC grew by 2.9 percent, comparing to the same period last year. The proportion of meals served in first and business class uplifted by 16.5 percent and 11.6 percent respectively. BAC has entered into contracts with four new airline customers during the fourth quarter. As of December 2016, BAC has 23 airline customers in total.

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

Total revenue of BFS Ground for services provided to other airlines in year 2015 and year 2016 reported at the amount of 1,694.0 million baht and 1,925.5 million baht respectively, grew by 13.7 percent.

The increasing revenue was mainly due to 8.9 percent increase in number of flights and addition of three airline customers. As of December 2016, BFS Ground has 70 airline customers in total.

Bangkok Airways Ground Service Company Limited (PGGS)

In year 2016, total revenue of PGGS reported at the amount of 396.2 million baht, increased by 22.7 percent from the same period last year. The increasing amount was mainly contributed from higher flight-handling service fees starting from the beginning of year 2016. During this year, the number of flights increased by 11.0 percent.

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			
	2016	2015	Variance	
			Amount	%
Dividend income	442.2	280.4	161.8	57.7
Gain on foreign exchanges	179.4	322.9	(143.5)	(44.4)
Interest income	171.1	255.8	(84.7)	(33.1)



	January-December			
	2016	2015	Variance	
			Amount	%
Other revenues ⁽¹⁾	1,281.2	930.6	350.6	37.7
Total unallocated revenues	2,073.9	1,789.7	284.2	15.9

Total unallocated revenues of the Company for year 2015 and year 2016 largely increased from 1,789.7 million baht to 2,073.9 million baht consecutively. An increase in other revenues was greatly derived from dividend income. Majority of 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 685.5 million baht in year 2016, rose by 36.0 percent when compared with the same period last year. Primarily, the share of profit was derived from investment in WFS-PG Cargo Company Limited and Samui Property Fund (SPF). The increasing amount was largely derived from better performance of SPF, and higher percentage of ownership from 30.0 percent in year 2015 to 31.6 percent in year 2016, resulting in greater share of profit from SPF.

Unit: million baht

	January-December			
	2016	2015	Variance	
			Amount	%
WFS-PG Cargo Company Limited	260.7	217.4	43.3	19.9
Samui Property Fund	424.8	286.8	138.0	48.1
Share of Profit from Investments in Associates	685.5	504.2	181.3	36.0

Expenses

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

Unit: million baht

	January-December					
	2016	%	2015	%	Variance	
					Amount	%
Cost of sales and services	19,082.9	83.3	18,228.3	84.0	854.6	4.7
Selling expenses	1,980.5	8.6	1,748.1	8.1	232.4	13.3
Administrative expenses	1,856.0	8.1	1,716.3	7.9	139.7	8.1
Other expenses	2.0	0.0	8.8	0.0	(6.8)	(77.3)
Total Expenses	22,921.4	100.0	21,701.5	100.0	1,219.9	5.6

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 84.0 percent and 83.3 percent of total operating expenses for year 2015 and year 2016 respectively. The rising cost of sales and services was mainly due to increasing aircraft repair and maintenance costs, personnel expenses, cost of passenger services 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 2016, fuel costs were 4,401.3 million baht and 3,093.9 million baht which were accounted for 24.1 percent and 16.2 percent of total cost of sales and services respectively.

The decreasing amount was mostly due to lower average market fuel price. The decreasing amount was mostly due to lower average market fuel price.

As at 31 December 2016, the Company has entered into a forward purchase contract (fuel hedging) at the average of 52.0 percent of fuel consumption.

Cost of Passenger Services: cost of passenger services reported at the amount of 3,244.6 million baht or rose by 5.6 percent comparing to the previous year. The increasing cost was due to rising number of passengers and number of flights which grew by 9.5 percent and 6.8 percent respectively from year 2015.

Personnel Expenses: personnel expenses including salary, wages and other benefits were increasing from 2,753.4 million baht to 3,227.2 million baht which was mainly derived from escalating number of flight crews which increased by 15.3 percent when compared to the same period last year, annual salary increase and bonus.

Aircraft Repair and Maintenance Costs: aircraft repair and maintenance costs were higher from 2,218.7 million baht to 2,977.1 million baht in year 2016 comparing to prior year. The increasing amount was due to some additional costs incurred for repairing and maintaining the aging aircraft. During the year, the Company has leased additional aircrafts, resulting in larger maintenance reserve fund which is attached to the aircraft lease agreement.

Aircraft Rental Costs: the aircraft rental costs increased from 1,621.7 million baht to 1,772.4 million baht in year 2016 which accounted for 9.3 percent of total cost of sales and services. The rising amount was due to the delivery of two aircrafts under operating lease.

Selling Expenses

For year 2015 and 2016, selling expenses were accounted for 8.1 percent and 8.6 percent of total operating expenses. The increasing amount was mainly due to expenses associated with Global Distribution

System (GDS) and other booking systems that incurred higher system usage costs along with rising number of passengers.

Administrative Expenses

The administrative expenses of the Company for year 2015 and 2016 were accounted for 7.9 percent and 8.1 percent of total operating expenses. In general, administrative expenses mainly consist of salary, directors' remuneration, information technology services and depreciation 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.

	January-December			
	2016	2015	Variance	
			Amount	%
Interest expenses paid to the Samui Property Fund	1,457.9	1,351.4	106.5	7.9
Interest and Fee expenses ⁽¹⁾	295.7	255.0	40.7	16.0
Total	1,753.6	1,606.4	147.2	9.2

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 amounted to 1,457.9 million baht, increased by 7.9 percent when compared with the same period last year. This was mainly due to 14.5 percent increase in number of departing passengers from Samui Airport along with 10.3 percent growth in 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 increased from 255.0 million baht to 295.7 million baht from the delivery of ATR72-600 under finance lease. As of 31 December 2016, the Company has seven aircrafts under finance lease.

Assets

As of 31 December 2016, the Company and its subsidiaries have total assets amounting to 60,288.7 million baht, increasing by 3,276.1 million baht from:

Unit: million baht

	As at December 31, 2016	As at December 31, 2015	Variance
<i>Current assets</i>			
Cash & cash equivalents and current investments	10,669.9	13,243.5	(2,573.6)
Prepaid expenses	338.1	193.1	145.0
Other current assets	850.0	256.3	593.7
<i>Total current assets</i>	<i>14,192.2</i>	<i>15,846.3</i>	<i>(1,654.1)</i>
<i>Non-current assets</i>			
Investments in associates	2,862.1	2,450.3	411.8
Other long-term investments	28,506.3	27,003.2	1,503.1
Property, plant and equipment	12,793.4	9,559.0	3,234.4
<i>Total Non-current assets</i>	<i>46,096.5</i>	<i>41,166.3</i>	<i>4,930.2</i>
<i>Total assets</i>	<i>60,288.7</i>	<i>57,012.6</i>	<i>3,276.1</i>

Current assets

Total current assets of the Company as of 31 December 2016 is 14,192.2 million baht, decreased from 31 December 2015 by 1,654.1 million baht. This was mainly due to:

- *Cash & cash equivalents and current investments* decreased by 2,573.6 million baht mainly from the usage of IPO proceeds for financing activities on aircraft acquisition
- *Prepaid expenses* increased by 145.0 million baht largely due to prepaid aircraft rental fee for two new delivery of Airbus A319 and Airbus A320 under operating lease
- *Other current assets* rose by 593.7 million baht mostly due to outstanding amount to be claimed from overpaid maintenance reserve fund

Non-current assets

Total non-current assets of the Company is 46,096.5 million baht, increased from the end of year 2015 by 4,930.2 million baht.

- *Investment in associates* increased by 411.8 million baht from additional investment in Samui Airport Property Fund (SPF), resulting in an increase in an ownership from 30.0 percent to 31.6 percent
- *Other long-term investments* increased by 1,503.1 million baht due to the mark to market of long-term investments in marketable securities
- *Property, Plant and Equipment* increased by 3,234.4 million baht from a purchase of ATR72-600 under finance lease in January, April and August 2016, ground equipment and aircraft spare parts

Liabilities

As at 31 December 2016, the Company and its subsidiaries have liabilities amounting of 28,300.1 million baht. An increase of 2,383.2 million baht from 31 December 2015 was as follows:

Unit: million baht

	As at December 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	465.3	500.0	(34.7)
Other current liabilities	1,765.5	1,405.8	359.7
<i>Total current liabilities</i>	<i>7,327.6</i>	<i>6,525.1</i>	<i>802.5</i>
<i>Non-Current liabilities</i>			
Long-term loans, liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion	3,685.3	2,503.8	1,181.5

	As at December 31, 2016	As at December 31, 2015	Variance
Long-term lease liabilities from related party – net of current portion	11,374.4	11,354.1	20.3
Deferred tax liabilities	5,295.5	5,040.3	255.2
Total non-current liabilities	20,972.5	19,391.8	1,580.7
Total liabilities	28,300.1	25,916.9	2,383.2

Current liabilities

Total current liabilities amounting to 7,327.6 million baht decreased from 31 December 2015 by 802.5 million baht, mainly due to:

- Repayment of *current portion of long-term loans* amounting to 82.5 million baht decreased from 31 December 2015 by 159.5 million baht in accordance with the conditions stated in loan agreement. However, *current portion of liability arising from finance lease of aircrafts*, amounting to 312.5 million baht, decreased by 120.2 million baht derived from the delivery of ATR72-600s under finance lease during the period
- An increase in *other current liabilities* by 359.7 million baht largely due to rising maintenance reserve fund from the delivery of three ATR72-600s

Non-current liabilities

Total non-current liabilities of the Company is 20,972.5 million baht, increased by 1,580.7 million baht, mainly from:

- Finance lease of three ATR72-600s caused *liabilities arising from finance lease of aircrafts* to increase by 1,396.0 million baht
- *Deferred tax liabilities* increased by 255.2 million baht due to mark to market of the available for sale investment in securities

Shareholders' Equity

Unit: million baht

	As at December 31, 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	663.7	430.9	232.8
Total shareholders' equity	31,988.5	31,095.7	892.8

As of 31 December 2016, total shareholders' equity of the Company and its subsidiaries is 31,988.5 million baht, an increase of 892.8 million baht. The Company has retained earnings at the amount of 663.7 million baht, increased by 232.8 million baht.

Statement of Cash Flow

Unit: million baht

	January-December	
	2016	2015
Net cash flow from (used in) operating activities	3,494.6	3,900.7
Net cash flow from investing activities	(675.3)	2,225.3
Net cash flow used in financing activities	(4,396.0)	(3,673.1)
Cash and cash equivalents at end of the period	3,051.4	4,628.0

Cash flows from operating activities

As of 31 December 2016, the profit of the Company and its subsidiaries before changes in operating activities is 4,399.8 million baht while the amount of cash inflows from operating activities is 3,494.6 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 31 December 2016, cash outflows used in investing activities of the Company and its subsidiaries was 675.3 million baht from dividend received from Bangkok Dusit Medical Services (BDMS) and SPF amounted to 1,182.5 million baht. In the meantime, the Company acquired the business jet for corporate use as well as to enlarge customer groups. The Company also had additional capital injection in Fuel Pipeline Transportation and SPF during the period.

Cash flows from financing activities

As of 31 December 2016, the Company and its subsidiaries have cash outflows used in financing activities at the amount of 4,396.0 million baht, mostly for leasing payment and interest paid amounting to 2,513.3 million baht. The Company also paid dividend at the amount of 1,470.0 million baht during the year.



Summary Consolidated Financial and Ratio

		January-December	
		2016	2015
Liquidity Ratio	Current Ratio (Time)	1.9	2.4
	Quick Ratio (Time)	4.5	5.1
	Collection Period (Day)	25.8	24.8
	Stock Turnover Period (Day)	6.4	5.7
	Payment Period (Day)	35.2	32.8
Profitability Ratio	Gross Profit Margin (%)	22.7	21.1
	Operating Profit Margin (%)	15.1	12.3
	EBITDAR Margin (%)	25.3	22.0
	Net profit Margin (%)	6.9	7.4
	Return on Equity (%)	5.8	6.5
Efficiency Ratio	Return on Assets (%)	3.1	3.5
	Return on Fixed Assets (%)	26.0	32.3
	Asset Turnover (Time)	0.5	0.5
Leverage Ratio	Debt to Equity (Time)	0.9	0.8
	Interest Coverage Ratio (Time)	2.7	2.3

Glossary

- Passenger or Cabin load factor** : Number of passenger carried as a proportion to capacity, which is the number of seats available for passengers
- Available Seat-Kilometer (ASK)** : The number of seats available for passengers multiplied by the number of kilometers that are flown
- Revenue Passenger-Kilometer (RPK)** : The number of revenue passengers multiplied by the number of kilometers that are flown
- Revenue per ASK (RASK)** : Income of sale and services of the Company (meaning total revenues from the standalone financial statements net gain on sales of investment, reversal of allowance for diminution in value of investments in subsidiary, dividend income and the compensation from the cancellation of the agreement) divided by ASK.
- Cost per ASK (CASK)** : The sum of operating cost, sale expenses, service expenses and the remuneration of the executives of the Company (excluding financial cost) (meaning total expenses from the standalone financial statements net loss on sales of investment, and loss on sales of leasehold right) divided by ASK.
- CASK – Fuel** : The sum of operating cost, sale expenses, service expenses and the remuneration of the executives of the Company (excluding financial cost and fuel cost) (meaning total expenses from the standalone financial statements net loss on sales of investment, loss on sales of leasehold right and fuel expense) divided by ASK.