



Management's Discussion and Analysis

For the three-month period ended 31 March 2017

Bangkok Airways Public Company Limited and Its Subsidiaries



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Management's Discussion and Analysis for the First Quarter of year 2017 ended 31 March 2017

Executive Summary

Thai economy for the first quarter of year 2017 positively expanded which was mainly derived from higher volume of exporting goods as well as private consumption. In this quarter, amount of exporting goods expanded by 4.9 percent per annum. The private investment indicated an upturn while the rates of headline inflation and core inflation in March 2017 were lower for the first time in three months, causing the rates of headline inflation and core inflation for the first quarter of year 2017 rose by 1.3 percent and 0.7 percent per annum respectively (Source: Ministry of Finance).

Overall aviation industry for this quarter reported 7.0 percent growth in revenue passenger kilometers (RPK) of all region in which RPK of Asia-Pacific was growing at 10.0 percent, the highest of all, following by the Middle East and Europe which was escalating by 9.1 percent 6.9 percent respectively. The available seat kilometers (ASK) of all region was increasing by 5.5 percent; the highest growth in ASK was from the Middle East at 9.2 percent, following by Asia-Pacific and Europe which grew by 7.1 percent and 5.3 percent respectively. The growing number of travelers was stimulated by lower airfares which declined by 10.0 percent in average for overall aviation industry when compared to last year (Source: International Air Transport Association).

Tourism sector of Thailand reported a slight increase in number of foreign visitors at 1.7 percent; the highest growth was contributed from tourists from South Asia at 15.8 percent, following by tourists from the Middle East and the Americas which grew by 15.2 percent and 12.5 percent respectively. Nevertheless, the number of European tourists only increased by 6.2 percent which was a declining growth, comparing to the same period in year 2016 in which its growth was 8.6 percent. Meanwhile, the number of Chinese tourists, who are considered as the majority of tourist arrival to Thailand, declined by 7.2 percent (Source: Tourism Authority of Thailand) as a consequence of zero-dollar tour crackdown since October 2016.

In the first quarter of year 2017, the number of passengers of Bangkok Airways increased by 2.7 percent. According to the point-of-sale, the number of passengers from point-of-sale in Europe dropped which was in line with declining growth in number of European tourist arrival to Thailand. Nevertheless, the growth in number of passengers from point-of-sale in the Americas was foreseeable at 8.7 percent. Moreover, the



number of passengers from point-of-sale in China grew by 36.3 percent from routes' expansion to China since July 2016. Hence, the Company decided to focus on Chinese and American market, especially countries in the South America who tend to have high purchasing power for this year.

In the first quarter of year 2017, the Company reported total revenue amounting to 7,469.0 million baht, decreased from the same quarter of last year by 3.9 percent. A decrease in total revenue was mainly due to airline and airport businesses which declined by 3.9 percent and 12.1 percent respectively, resulting from slow growth in number of passengers that slightly rose by 2.7 percent. This aligned with number of tourist arrival to Thailand that grew only by 1.7 percent for the first quarter of this year (Source: Tourism Authority of Thailand). In addition, average fare continuously dropped, especially of Indochina routes which decreased by 15.5 percent when compared to the same period in the previous year. This was affected from highly intense competition from higher number of service providers in the same market. Overall market growth in term of demand was about 10.8 percent while seat capacity rose by 16.3 percent for Indochina market. In this quarter, the average passenger load factor was 71.3 percent, decreased by 3.1 percentage point from the prior year. Passenger yield per RPK was 4.91 Baht, also weakened from the first quarter of year 2016 by 9.7 percent.

Regarding the airport-related businesses including catering services and ground services, overall performance positively grew from the same period last year by 11.9 percent which was mainly derived from 14.4 growth in revenue of BAC when compared to the first quarter of year 2016. The increasing revenue was derived from 6 additional airline customers, causing the average meal per day to upsurge by 7.3 percent. In part of ground services, the revenue grew by 10.4 percent from 2 new airline customers, resulting in 9.7 percent growth in number of flights, comparing to the first quarter of year 2016.

Net profit was reported at 565.0 million baht, decreased from the first quarter of year 2016 by 1,009.5 million baht or 64.1 percent of which profit attributable to the equity holder of the Company was 548.4 million baht. The weaker net profit was mainly due to considerable increase in fuel costs. Earnings per share for this quarter was 0.26 baht.

Notable Events

Notable events in the first quarter of 2017:

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

Adding Flight Frequencies:



- Bangkok – Danang from 4 flights per week to 7 flights per week (February 2017)
- Chiang Mai – Mandalay from 4 flights per week to 7 flights per week (March 2017)
- Chiang Mai – Mae Hong Son from 10 flights per week to 14 flights per week (March 2017)

New Route:

- Samui – Guangzhou 7 flights per week (January 2017)
2. In February 2017, the Company received the new Air Operation Certificate (AOC) from the Civil Aviation Authority of Thailand. This certificate demonstrates that the Company’s operational management and control systems are in high standards and being recognized internationally.
 3. Bangkok Air Catering Company Limited (BAC) invested 99.9 percent in Bangkok Air Catering Chiang Mai Company Limited. The registered capital is 1.0 million baht. The objective of such establishments is to provide catering services at Chiang Mai airport.
 4. In the first quarter of year 2017, Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground) has 2 additional airlines causing total number of its customers to be from 69 airlines to 71 airlines for ground service equipment.
 5. Bangkok Airways Holding Company Limited established Air Siem Reap Company Limited with the purpose to operate aviation business in Cambodia on 10 February 2017. The registered capital, but uncalled, share capital is 3.0 million USD. Bangkok Airways Holding Company Limited holds 49.0 percent.

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 11 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 10) Bangkok Air Catering Samui Company Limited and 11) Bangkok Air Catering Chiang Mai Company Limited



Airline Operating Data

	Unit	January-March	
		2017	2016
Schedule passenger revenues ⁽¹⁾	Million Baht	6,041.8	6,279.3
Domestic		3,755.9	3,898.9
International		2,285.9	2,380.4
Available Seat Kilometers (ASK) ⁽²⁾	Million Seat - Kilometers	1,727.8	1,551.1
Domestic		929.0	878.4
International		798.8	672.7
Revenue Passenger Kilometers (RPK) ⁽²⁾	Million Seat - Kilometers	1,231.5	1,153.6
Domestic		716.6	709.2
International		514.9	444.4
Passenger Load Factor	Percentage	71.3	74.4
Domestic		77.1	80.7
International		64.5	66.1
Number of schedule passengers carried ⁽²⁾	Thousand Passengers	1,623.2	1,580.0
Domestic		1,161.3	1,145.1
International		461.9	434.9
Number of flight flown	Flights	18,310	17,120
Domestic		12,662	11,828
International		5,648	5,292
Total seat capacity	Thousand Seats	2,243.7	2,078.7
Domestic		1,499.1	1,405.5
International		744.6	673.2
Aircraft utilization	Block Hour	9.6	9.3
Airbus A320	per Day	10.4	10.4
Airbus A319	per Aircraft	10.6	9.8
ATR 72-500 & ATR 72-600		7.9	7.6
Number of aircraft at end of period	Aircraft	34	32
Airbus A320		9	8
Airbus A319		12	12
ATR 72-500		6	7
ATR 72-600		7	5

	Unit	January-March	
		2017	2016
Average Stage Length	Kilometers	758.7	730.1
Kilometers flown ⁽²⁾	Million Kilometers	13.3	12.1
Passenger Yield ⁽³⁾	Baht per Passenger - Kilometers	4.91	5.44
Revenue ASK (RASK)		3.74	4.42
Cost per ASK (CASK)	Baht per Available	3.36	3.29
Cost per ASK excluding fuel cost	Seat - Kilometers	2.70	2.80
RASK – CASK		0.38	1.13

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 includes fuel surcharge, insurance surcharge, but excludes excess baggage divided by RPKs.

Operating performance summary for the three-month period ended March 31, 2017

Consolidated financial statement for the year 2017 comprises Bangkok Airways' financial statement and ten subsidiaries as follows:

Unit: million baht

	January-March			
	2017	2016	Variance	
			Amount	%
Net profit (loss) for the period	565.0	1,574.6	(1,009.5)	(64.1)
Plus:				
Finance Cost	449.8	443.7	6.1	1.4
Income tax expenses	159.7	241.8	(82.1)	(34.0)



	January-March			
	2017	2016	Variance	
			Amount	%
Less:				
Interest received	33.7	39.7	(5.9)	(15.0)
Gain on foreign exchange	35.4	60.7	(25.3)	(41.7)
Non-operating revenues ⁽¹⁾	0.3	4.9	(4.6)	(93.6)
EBIT ⁽²⁾	1,105.1	2,154.8	(1,049.6)	(48.7)
Plus:				
Depreciation and amortization	289.7	247.4	42.3	17.1
EBITDA ⁽²⁾	1,394.8	2,402.2	(1,077.3)	(41.9)
Plus:				
Operating lease expenses	596.5	448.4	148.1	33.0
EBITDAR ⁽²⁾	1,991.3	2,850.6	(859.2)	(30.1)
Total revenue	7,469.0	7,775.7	(306.7)	(3.9)
Operating revenue ⁽³⁾	7,399.5	7,670.4	(270.8)	(3.5)
Profit attributable to equity holders of the Company	548.4	1,552.9	(1,004.5)	(64.7)
EBIT Ratio (%)	14.9	28.1	(13.2)	
EBIDA Ratio (%)	18.9	31.3	(12.5)	
EBITDAR Ratio (%)	26.9	37.2	(10.3)	

Remark

- (1) Comprises of gain on sale of investments, sale of investment in subsidiaries and sale of assets.
- (2) 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.

(3) Comprises of total revenue net 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 2016 and year 2017 were 7,670.4 million baht and 7,399.5 million baht respectively, decreasing by 3.5 percent as a result of lower average fare. Total operating expenses increased from 5,685.3 million baht to 6,492.1 million baht or around 14.2 percent, largely due to the increase in aircraft rental expenses, passenger service costs, and fuel costs which rose by 49.8 percent from 756.5 million baht to 1,133.5 million baht during the first quarter of year 2017.

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 2,850.5 million baht and 1,991.3 million baht or 37.2 percent and 26.9 percent of total operating revenue for the first quarter of year 2016 and year 2017 respectively.

For the first quarter of year 2017, net profit of the Company was 565.0 million baht, a decrease of 1,009.5 million baht or 64.1 percent from the same period last year in which the amount attributable to equity holders of the Company was 548.4 million baht or 97.1 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					
	2017	%	2016	%	Variance	
					Amount	%
1. Airlines	5,981.8	80.1	6,222.7	80.0	(240.9)	(3.9)
2. Airports	156.2	2.1	177.7	2.3	(21.5)	(12.1)
3. Airport-related services	983.3	13.2	879.2	11.3	104.1	11.9
4. Unallocated revenue	347.7	4.6	496.1	6.4	(148.4)	(29.9)
Total Revenue	7,469.0	100.0	7,775.7	100.0	(306.7)	(3.9)

Revenue from Airline Operations

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

Unit: million baht

	January-March			
	2017	2016	Variance	
			Amount	%
Net scheduled passenger revenue	5,813.8	6,138.6	(324.8)	(5.3)
Charter flights and charter services revenue	109.3	-	109.3	n.a.
Total passenger revenue	5,923.1	6,138.6	(215.5)	(3.5)
Cargo revenue	58.7	84.1	(25.4)	(30.2)
Total revenue from airline business	5,981.8	6,222.7	(240.9)	(3.9)

Revenue from the scheduled services of both domestic and international flights in the first quarter of year 2017 reported at the amount of 5,813.8 million baht or dropped by 5.3 percent, comparing to the first quarter of year 2016. The declining amount was due to slow growth in number of passengers in the first quarter of year 2017 which grew only 2.7 percent. In addition, the average fare declined by 6.3 percent when compared with the same period last year.

Revenue from Airport Operations

In the first quarter of year 2017, revenue from airport operations was accounted for 2.1 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 156.2 million baht or decreased by 12.1 percent from same period last year as a result of 10.9 percent decline in number of outbound international passengers of all airlines at Samui airport.

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	
	2017	2016
<i>Catering services (BAC):</i>		
Revenue ⁽¹⁾	442.8	386.5
EBITDA	133.5	126.1
Net income	91.3	84.9
Number of meals produced and uplifted (million meals)	3.0	2.8
<i>Ground Services (BFS Ground):</i>		
Revenue ⁽¹⁾	647.7	599.1
EBITDA	147.3	120.4
Net income	95.3	70.7

	January-March	
	2017	2016
Number of flights handled (flight)	17,460	15,911
International cargo terminal services (BFS Cargo):		
Revenue ⁽¹⁾	452.9	401.0
EBITDA	207.7	170.2
Net income	143.9	111.3
Tonnage	93,324	92,179
Cargo capacity (ton per year)	450,000	450,000
Utilization (%)	83.0	81.9

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-March			
	2017	2016	Variance	
			Amount	%
Bangkok Air Catering Company Limited (BAC)	306.3	267.8	38.5	14.4
Worldwide Flight Services Bangkok Air Ground Handling Company Limited (BFS Ground)	534.0	483.6	50.4	10.4
Bangkok Airways Ground Service Company Limited (PGGS)	85.4	95.5	(10.1)	(10.6)
Other revenue ⁽¹⁾	57.7	32.3	25.4	78.6
Total revenue from airport-related operations	983.4	879.2	104.2	11.9

Remark (1) Other revenue includes revenue from BAC Gourmet House Company Limited, a 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 2017, the operating performance of BAC increased by 14.4 percent, showing the revenue at the amount of 306.3 million baht mainly due to 6 additional airline customers. As a result, average meal production per day increased by 7.3 percent, compared to the same period of year 2016.

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

The operating performance of BFS Ground for the first quarter of year 2017 was 534.0 million baht, increased by 10.4 percent. This was due to an engagement with 2 new airline customers that caused number of flights to ascend by 1,549 flights or 9.7 percent comparing to the first quarter last year.

Bangkok Airways Ground Service Company Limited (PGGS)

For this year, the operating performance of PGGS was lower from the previous year from 95.5 million baht to 85.4 million baht which was mainly due to declining number of flights at Samui airport provided to other airlines by 20.2 percent.

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			
	2017	2016	Variance	
			Amount	%
Gain on foreign exchanges	35.4	60.7	(25.3)	(41.7)
Interest received	33.7	39.7	(6.0)	(15.1)
Other revenues	278.6	395.7	(117.1)	(29.6)
<i>Total unallocated revenues</i>	347.7	496.1	(148.4)	(29.9)

In the first quarter of year 2017, total unallocated revenues decreased from 496.1 million baht to 347.7 million baht or by 29.9 percent. This was mainly due to declining amount of other revenues and gain on foreign exchanges.

Major components of other revenues are passenger ticket charges, excess baggage charges, breakage revenues on ticket expiry and etc. However, a decrease in other revenues was highly associated with lower of overpaid maintenance reserve fund (MRF) to be claimed during the period.

Share of Profit from Investments in Associates

The Company has share of profit from associated companies, increasing from 169.7 million baht to 197.7 million baht for the first quarter of year 2017. Mainly, the rising amount was due to better performance of WFS Cargo, together with an increase in percentage of ownership in SPF to be 33.0 percent.

Unit: million baht

	January-March			
	2017	2016	Variance	
			Amount	%
WFS-PG Cargo Company Limited	74.2	54.5	19.7	36.1
Samui Property Fund	123.6	115.2	8.4	7.2
Share of Profit from Investments in Associates	197.7	169.7	28.0	16.5

Expenses

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

Unit: million baht

	January-March					
	2017	%	2016	%	Variance	
					Amount	%
Cost of sales and services	5,576.7	85.9	4,784.8	84.1	791.9	16.6
Selling expenses	500.1	7.7	486.3	8.6	13.8	2.8
Administrative expenses	415.1	6.4	413.8	7.3	1.3	0.3
Other expenses	0.2	0.0	0.4	0.0	(0.2)	(50.0)
Total Expenses	6,492.1	100.0	5,685.3	100.0	806.8	14.2

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 2016 and year 2017, costs of sales and services were accounted for 84.1 percent and 85.9 percent of total operating expenses respectively.

Fuel Costs: fuel costs rose from 756.5 million baht to 1,133.5 million baht for the first quarter of year 2017 comparing to last year. It was accounted for 15.8 percent and 20.3 percent of total cost of sales and services. The increasing amount was mostly due to higher average market fuel price, and additional excise tax rate on fuel costs from 1.0 percent to 23.0 percent of fuel consumption for domestic flights.

As at 31 March 2017, the Company has entered into a forward purchase contracts (fuel hedging) at the average of 60.0 percent of fuel consumption whereby the lowest and the highest jet fuel prices are between 51 US dollars per barrel to 78 US dollars per barrel.

Aircraft Repair and Maintenance Costs: aircraft repair and maintenance costs were lower from 831.3 million baht to 728.1 million baht in this quarter compared to previous year.

Aircraft Rental Costs: aircraft rental costs increased from 448.4 million baht in the first quarter of year 2016 to 596.5 million baht in year 2017 due to the delivery of one aircraft under operating lease and two

aircrafts under wet lease arrangements to temporarily replace aircrafts which were under heavy maintenance exercise.

Cost of Passenger Services: in the first quarter of year 2017, cost of passenger services was higher from 836.0 million baht to 927.4 million baht which was resulting from expenses related to an enhancement of service quality, and increasing service fees associated with ground services.

Personnel Expenses: personnel expenses consist of salaries, wages and benefits. For the first quarter of year 2017, the expense was increasing from 737.4 million baht to 807.7 million baht which was derived from a growing number of employees, especially flight operation staffs, together with annual salary increase.

Selling Expenses

For the first quarter of year 2016 and year 2017, selling expenses were accounted for 8.6 percent and 7.7 percent of total operating expenses respectively. Selling expenses mainly consist of advertising expenses, salary & allowances and booking & reservation fees.

Administrative Expenses

The administrative expenses of the Company for the first quarter of year 2016 and year 2017 were accounted for 7.3 percent and 6.4 percent of total operating expenses. The increasing administrative expenses mostly consist of professional fees, rental expenses 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 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			
	2017	2016	Variance	
			Amount	%
Interest expenses paid to the Samui Property Fund	367.3	364.2	3.1	0.9
Interest and Fee expenses ⁽¹⁾	82.5	79.5	3.0	3.8
Total	449.8	443.7	6.1	1.4

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

Total interest paid to SPF for the period increased from 364.2 million baht to 367.3 million baht or by 0.9 percent from last year. This is calculated from departing passengers and number of flights in-out at Samui airport.

Interests and fees paid to financial institutions and liabilities under finance lease rose from 79.5 million baht to 82.5 million baht due to loan repayments, and the delivery of two ATR72-600 under finance lease agreement.

Assets

As of 31 March 2017, the Company and its subsidiaries have total assets of 57,993.0 million baht, decreased by 2,295.8 million baht from:

Unit: million baht

	As at March 31, 2017	As at December 31, 2016	Variance
Current assets			
Cash & cash equivalents and current investments	10,601.8	10,669.9	(68.1)
Trade and other receivables	1,575.7	1,965.6	(389.9)
Other current assets	743.7	850.0	(106.3)
Total current assets	13,630.4	14,192.2	(561.8)
Non-current assets			
Investments in associates	3,278.3	2,862.1	416.2
Other long-term investments	26,321.6	28,506.3	(2,184.7)
Property, plant and equipment	12,817.9	12,793.4	24.5

	As at March 31, 2017	As at December 31, 2016	Variance
Total Non-current assets	44,362.5	46,096.5	(1,734.0)
Total assets	57,993.0	60,288.7	(2,295.7)

Current Assets

Total current assets of the Company as of 31 March 2017 was 13,630.4 million baht, declined from 31 December 2016 by 561.8 million baht. This was mainly due to:

- *Cash & cash equivalents and current investments* decreased by 68.1 million baht which was derived from cash inflows from operation, and liquidity management.
- *Trade and other receivables* declined by 389.9 million baht which was mainly due to dividend received from an associate during the period.

Non-current Assets

Total non-current assets of the Company is 44,362.5 million baht, decreased from the end of year 2016 by 1,734.0 million baht.

- *Investment in associates* rose by 416.2 million baht largely due to additional investment in Samui Property Fund (SPF) which caused the percentage of ownership to be 33.0 percent.
- *Other long-term investments* decreased by 2,184.7 million baht due to the mark to market of long-term investments in marketable securities.
- *Property, plant and equipment* slightly increased by 24.5 million baht. Besides, there was an acquisition of property, plant and equipment, largely for business expansion by the subsidiaries of BAC.

Liabilities

As at 31 March 2016, the Company and its subsidiaries have liabilities amounted of 27,187.1 million baht. A decrease of 1,113.0 million baht from 31 December 2016 was as follows:

Unit: million baht

	As at March 31, 2017	As at December 31, 2016	Variance
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	As at March 31, 2017	As at December 31, 2016	Variance
Current liabilities			
Current portion long-term loans and liabilities arising from finance lease of aircrafts	546.2	465.3	80.9
Income tax payable	159.1	40.7	118.4
Unearned income	2,104.8	2,368.8	(264.0)
Total current liabilities	6,719.9	7,327.6	(607.7)
Non-Current liabilities			
Long-term loans, liabilities arising from finance lease of aircrafts and Finance lease liabilities – net of current portion	3,603.5	3,685.3	(81.8)
Long-term lease liabilities from related party – net of current portion	11,341.6	11,374.4	(32.8)
Deferred tax liabilities	4,879.8	5,295.5	(415.7)
Total non-current liabilities	20,467.2	20,972.5	(505.3)
Total liabilities	27,187.1	28,300.1	(1,113.0)

Current Liabilities

Total current liabilities amounting to 6,719.9 million baht decreased from 31 December 2016 by 607.7 million baht, mainly due to:

- *Income tax payable* increased by 118.4 million baht from higher effective tax rate which caused by the expiration of tax privilege from some BOI certificates.
- *Unearned income* lower by 264.0 million baht as a result of lower number of bookings after high travel season.

Non-current Liabilities

Total non-current liabilities of the Company is 20,467.2 million baht, declining by 505.3 million baht, mainly from:

- *Deferred tax liabilities* decreased by 415.7 million baht due to mark to market of the available for sale investment in securities

Shareholders' Equity

Unit: million baht

	As at March 31, 2017	As at December 31, 2016	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	1,212.0	663.7	548.3
Total shareholders' equity	30,805.8	31,988.5	(1,182.7)

As of 31 March 2017, total shareholders' equity of the Company and its subsidiaries is 30,805.8 million baht, a decrease of 1,182.7 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	
	2017	2016
Net cash flow from operating activities	701.5	1,758.3
Net cash flow from (used in) investing activities	976.5	(718.1)
Net cash flow used in financing activities	(327.5)	(715.7)
Cash and cash equivalents at end of the period	4,401.8	4,952.5

Cash flows from Operating Activities

As of 31 March 2017, the profit of the Company and its subsidiaries before changes in operating activities was 1,106.6 million baht while the amount of cash inflows from operating activities was 701.5 million baht which was mainly due to revenue recognition of trade and other receivables, and unearned income during the period.

Cash flows from Investing Activities

As of 31 March 2017, cash inflows from investing activities of the Company and its subsidiaries was 976.5 million baht which led to a decrease in short-term investments which was offset by an increase in percentage of ownership in SPF to 33.0 percent.

Cash flows from financing activities

As of 31 March 2017, the Company and its subsidiaries have cash outflows used in financing activities at the amount of 327.5 million baht, mostly for lease payment and interest paid of 531.2 million baht.



Summary Consolidated Financial and Ratio

		January-March	
		2017	2016
Liquidity Ratio	Current Ratio (Time)	2.0	2.5
	Quick Ratio (Time)	4.7	5.2
	Collection Period (Day)	21.4	20.4
	Stock Turnover Period (Day)	6.2	5.8
	Payment Period (Day)	33.8	33.9
Profitability Ratio	Gross Profit Margin (%)	21.7	34.3
	Operating Profit Margin (%)	15.5	29.6
	EBITDAR Margin (%)	26.9	37.2
	Net profit Margin (%)	7.6	20.2
	Return on Equity (%)	7.2	19.4
Efficiency Ratio	Return on Assets (%)	3.8	10.7
	Return on Fixed Assets (%)	26.7	73.2
	Asset Turnover (Time)	0.5	0.5
Leverage Ratio	Debt to Equity (Time)	0.9	0.8
	Interest Coverage Ratio (Time)	3.1	5.4

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.